Commercial Bank of Dubai PSC

Group consolidated financial statements

For the year ended 31 December 2025

The audited Consolidated Financial Statements are subject to approval of the Central Bank of UAE and adoption by Shareholders at the Annual General Meeting.

Commercial Bank of Dubai PSC

Group consolidated financial statements

As at 31 December 2025

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Commercial Bank of Dubai PSC
Dubai
United Arab Emirates

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Commercial Bank of Dubai PSC** (the "Bank") **and its subsidiaries** (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows and for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group, as at 31 December 2025, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA Code) as applicable to audits of consolidated financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the consolidated financial statements of public interest entities in the United Arab Emirates and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key Audit Matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Impairment of loans and advances and Islamic financing</td></tr>
<tr><td>As described in note 10 to the financial statements, the Group had loans and advances, which comprise loans and advances to customers and Islamic financing, net, of AED 101,049 million as at 31 December 2025, representing 63% of total assets. The expected credit loss (“ECL”) allowance was AED 4,331 million as at this date, which comprises of an allowance of AED 1,371 million against Stage 1 and 2 exposures and an allowance of AED 2,960 million against exposures classified under Stage 3.

The determination of the Group's expected credit losses for loans and advances to customers and Islamic financing measured at amortised cost is considered a key audit matter as it is a quantitatively significant estimate which requires significant management judgement to be applied in the evaluation of the credit quality and the estimation of inherent credit losses in the portfolio, and consequently requires significant audit effort.

The financial statement risk arises from several aspects requiring substantial judgement of management for corporate portfolios, such as the estimation of probabilities of default and loss given defaults for various stages, such as the determination of a significant increase in credit risk (SICR) and credit-impairment status (default), the use of different modelling techniques and management judgement applied in staging overrides.

The measurement of ECL for exposures classified as Stage 1 and Stage 2 is carried out collectively by the ECL models with limited manual intervention or overrides. It is important that these ECL models and their parameters (Probability of Default (“PD”), Loss Given Default (“LGD”), Exposure At Default (“EAD”) and macroeconomic adjustments) are valid throughout the reporting period and are subject to a validation/monitoring process by an independent reviewer. However, the accuracy of the results produced from these ECL models is dependent on using reasonable parameters and up to date inputs (to PD, LGD, EAD and macroeconomic adjustments), which are relevant for the reporting period and subject to a timely validation process.</td><td>We performed the following audit procedures on the computation and reasonableness/ appropriateness of the ECL included in the Group's consolidated financial statements for the year ended 31 December 2025:

We obtained detailed business process understanding of the Group's loans and advances measured at amortised cost including a review of the post model adjustments and management overlays in order to assess these adjustments.

We have assessed the relevant controls in the abovementioned business process understanding to determine if they were appropriately designed and implemented.

We understood and evaluated the theoretical soundness of the ECL model by involving our subject matter experts to assess its compliance with the requirements of IFRS Accounting Standards, and we have challenged the reasonableness of the post model adjustments and management overlays. We tested the mathematical integrity of the ECL model by performing recalculations on a sample basis. We assessed the various inputs and assumptions used by management to determine ECL.

For allowances against exposures classified as Stage 1 and Stage 2, we obtained an understanding of the Group's methodology to determine the allowance and assessed underlying assumptions and the Group's determination of significant increase in credit risk and the resultant basis for the classification of exposures into various stages. For a sample of exposures, we assessed the Group's application of the staging criteria, including the basis for movement between stages. We also challenged key assumptions, evaluated the calculation methodology and traced a sample of inputs back to source data.

We performed an independent credit assessment for a sample of non-retail customers, by assessing quantitative and qualitative factors, including assessments of the financial performance of the customers, the source of their repayments and their history and other relevant risk factors. We also assessed the accuracy of the EAD, the appropriateness of the Probability of Default (“PD”) and the calculation of the Loss Given Default (“LGD”) used by management in their ECL calculations.</td></tr>
</table>

Key Audit Matters (continued)

<table>
<tr><td colspan="2">Allowance for expected credit losses relating to loans and advances and Islamic financing</td></tr>
<tr><td>The exposures are classified as impaired as soon as there is doubt about the borrower's ability to meet payment obligations to the Group in accordance with the original contractual terms.

Impaired loans and advances at amortised cost for corporate portfolio are measured on the basis of the present value of estimated future cash flows (which in the case of stage 3 exposures also includes an assessment of the fair value and recoverability of the collateral). The impairment loss is calculated based on the shortfall between the carrying value of loans and advances at amortised cost compared to the net present value of future estimated cash flows discounted using the original effective interest rate. The factors considered when determining impairment losses on individually assessed impaired accounts include the borrower's aggregate borrowings, risk rating, value of the collateral and probability of successful repossession and costs involved to recover the debts.

For further information on this key audit matter, refer to notes 3 and 10 to the consolidated financial statements.</td><td>We assessed, on a sample basis, that reported exceptions to policies and procedures as outlined in the Board risk appetite statement were approved by the Board / Board Committee and the approval process was formally documented.

For a sample of new / renewed corporate credit facilities, we checked that reported exceptions to limits, as set out in the Board approved delegation of authority matrix, were approved by the Board / Board Credit Committee or its approved delegate and the approval process was formally documented.

For a sample of individually assessed stage 3 customers, we assessed:
• the estimated future discounted cash flows used in the measurement of ECL, including the discount rates used and the probable scenario analysis; and
• the valuation and enforceability of collateral, including the underlying key assumptions.

We also assessed disclosures in the consolidated financial statements relating to this matter against the requirements of IFRS Accounting Standards.</td></tr>
<tr><td colspan="2">IT systems and controls over financial reporting</td></tr>
<tr><td>We identified IT systems and controls over the Group's financial reporting as an area of focus due to the extensive volume and variety of transactions that are processed daily by the Bank and rely on the effective operation of automated and IT dependent manual controls. There is a risk that automated accounting procedures and related internal controls are not accurately designed and are not operating effectively. In particular, the incorporated relevant controls are essential to limit the potential for fraud and error as a result of changes to an application or underlying data.</td><td>Our audit approach relies on automated controls, and therefore, the following procedures were designed to test access and control over the relevant IT systems:

We obtained an understanding of the applications relevant to the financial reporting business process and the IT infrastructure supporting those applications.

We tested the general IT controls relevant to the identified automated controls and the Information Produced by the Entity (IPE) by covering access security, program changes, data centre and network operations.

We examined certain Information Produced by the Entity (IPE) used in the financial reporting process from relevant applications and key controls over their report logics.

We performed testing on the relevant automated controls for key IT applications relevant to the financial reporting business processes.</td></tr>
</table>

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Commercial Bank of Dubai PSC (continued)

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report of the Group but does not include the consolidated financial statements and our auditor's report thereon. We obtained the Board of Directors' report prior to the date of this auditor's report, and the remaining sections of the annual report are 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 express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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 remaining sections of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the IASB and their preparation in compliance with applicable provisions of 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 management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal controls.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

- Obtain an understanding of internal controls 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 internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 group consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the 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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude 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
To the Shareholders of Commercial Bank of Dubai PSC (continued)

Report on Other Legal and Regulatory Requirements

As required by the UAE Federal Law No. (32) of 2021, as amended, we report that for the year ended 31 December 2025:

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (32) of 2021, as amended;
- The Group has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the books of account and records of the Group;
- Note 9 to the consolidated financial statements discloses the Group's purchases or investments in shares during the year ended 31 December 2025;
- Note 33 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted and principles of managing conflict of interest;
- 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 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
- Note 24 to the consolidated financial statements of the Group discloses social contributions made 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.

Deloitte & Touche (M.E.)

Musa Ramahi
Registration No. 872
21 January 2026
Dubai
United Arab Emirates

Commercial Bank of Dubai PSC

Group consolidated statement of financial position

As at 31 December 2025

	Notes	2025 AED'000	2024 AED'000
ASSETS			
Cash and balances with Central Bank	*7*	**22,360,931**	16,937,638
Due from banks, net	*8*	**4,700,070**	5,162,042
Investment securities, net	*9*	**20,359,144**	14,590,424
Loans and advances and Islamic financing, net	*10*	**101,048,972**	93,048,595
Positive mark to market value of derivatives	*31*	**360,697**	584,760
Bankers acceptances		**8,020,566**	6,930,361
Investment in an associate	*11*	**126,113**	118,278
Investment properties	*12*	**173,700**	241,124
Property and equipment	*13*	**940,634**	589,765
Other assets, net	*14*	**2,217,174**	1,972,331
TOTAL ASSETS		**160,308,001**	140,175,318
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	*15*	**8,760,512**	7,542,023
Customer deposits and Islamic customer deposits	*16*	**111,353,040**	97,563,467
Notes and medium term borrowings	*17*	**8,982,724**	6,918,163
Negative mark to market value of derivatives	*31*	**345,537**	521,395
Due for trade acceptances		**8,020,566**	6,930,361
Other liabilities	*18*	**3,423,154**	3,275,300
TOTAL LIABILITIES		**140,885,533**	122,750,709
EQUITY			
Share capital	*19.1*	**2,985,192**	2,985,192
Tier 1 capital notes	*19.2*	**2,203,800**	2,203,800
Legal and statutory reserve	*19.3*	**1,492,596**	1,492,596
General reserve	*19.4*	**1,328,025**	1,328,025
Capital reserve	*19.5*	**38,638**	38,638
Fair value reserve	*19.6*	**(298,333)**	(450,832)
Retained earnings		**11,672,550**	9,827,190
TOTAL EQUITY		**19,422,468**	17,424,609
TOTAL LIABILITIES AND EQUITY		**160,308,001**	140,175,318

To the best of our knowledge, the Group's consolidated financial information present fairly in all material respects the financial position, results of operation and cash flows of the Group as of, and for, the years presented herein.

The Group's consolidated financial statements were approved and authorised for issue by the Board of Directors on 21 January 2026.

The attached notes from 1 to 39 form part of the Group consolidated financial statements.

The independent auditor's report on the Group consolidated financial statements is set out on pages 2 to 7.

H.E. Ahmad Abdulkarim Mohammad Julfar
Chairman

Dr. Bernd van Linder
Chief Executive Officer

Commercial Bank of Dubai PSC

Group consolidated statement of profit or loss

For the year ended 31 December 2025

	Notes	**2025 AED'000**	2024 AED'000
Interest income	*20*	**6,854,240**	6,622,018
Interest expense	*21*	**(2,932,070)**	(3,097,365)
Net interest income		**3,922,170**	3,524,653
Income from Islamic financing	*20*	**802,295**	921,895
Distribution on Islamic deposits	*21*	**(573,209)**	(647,581)
Net income from Islamic financing		**229,086**	274,314
Total net interest income and net income from Islamic financing		**4,151,256**	3,798,967
Fees and commission income	*22*	**1,683,946**	1,471,889
Fees and commission expense	*22*	**(512,547)**	(356,979)
Net fees and commission income	*22*	**1,171,399**	1,114,910
Other operating income	*23*	**596,645**	576,931
Total operating income		**5,919,300**	5,490,808
Operating expenses	*24*	**(1,554,048)**	(1,403,478)
Operating profit before impairment		**4,365,252**	4,087,330
Net impairment loss	*25*	**(521,103)**	(762,182)
Profit for the year before income tax expense		**3,844,149**	3,325,148
Income tax expense	*37*	**(344,047)**	(295,367)
Net profit for the year		**3,500,102**	3,029,781
Basic and diluted earnings per share	*27*	**AED 1.13**	AED 0.97

The attached notes from 1 to 39 form part of the Group consolidated financial statements.

The independent auditor's report on review of the Group consolidated financial statements is set out on pages 2 to 7.

Commercial Bank of Dubai PSC

Group consolidated statement of comprehensive income

For the year ended 31 December 2025

	Notes	**2025** **AED'000**	2024 AED'000
Net profit for the year		**3,500,102**	3,029,781
Items that will not be reclassified to profit or loss:			
Realised loss on sale of equity investments held at fair value through other comprehensive income		**(7,828)**	(5,176)
Net change in fair value of equity investments (or instruments) at fair value through other comprehensive income		**3,153**	9,621
Actuarial gain on retirement benefits obligations	*18*	**1,671**	2,537
Tax related	*37*	**270**	(628)
Items that may be subsequently reclassified to profit or loss:			
Changes in fair value reserve of property	*19.6*	**(27,030)**	(28,285)
Changes in fair value reserve of an associate		**(1,383)**	1,235
Net amount transferred (or reclassified) to profit or loss on debt investments (or instruments) at fair value through other comprehensive income		**(58,787)**	(951)
Net change in fair value of debt investments (or instruments) at fair value through other comprehensive income		**257,367**	117,964
Tax related		**(22,762)**	-
		147,405	89,963
Other comprehensive income for the year, net of tax		**144,671**	96,317
Total comprehensive income for the year		**3,644,773**	3,126,098

The attached notes from 1 to 39 form part of the Group consolidated financial statements.

The independent auditor's report on review of the Group consolidated financial statements is set out on pages 2 to 7.

Commercial Bank of Dubai PSC

Group consolidated statement of changes in equity

For the year ended 31 December 2025

	Share capital AED'000	Tier 1 capital notes AED'000	Legal and statutory reserve AED'000	General reserve AED'000	Capital reserve AED'000	Fair value reserve AED'000	Retained earnings AED'000	Total AED'000
Balances as at 1 January 2025	**2,985,192**	**2,203,800**	**1,492,596**	**1,328,025**	**38,638**	**(450,832)**	**9,827,190**	**17,424,609**
Net profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**3,500,102**	**3,500,102**
Other comprehensive income for the year, net of tax	**-**	**-**	**-**	**-**	**-**	**152,499**	**(7,828)**	**144,671**
Transactions recorded directly in equity								
Interest on Tier 1 capital notes	**-**	**-**	**-**	**-**	**-**	**-**	**(132,228)**	**(132,228)**
Cash dividend paid for 2024 (50.74%)	**-**	**-**	**-**	**-**	**-**	**-**	**(1,514,686)**	**(1,514,686)**
Balances as at 31 December 2025	**2,985,192**	**2,203,800**	**1,492,596**	**1,328,025**	**38,638**	**(298,333)**	**11,672,550**	**19,422,468**
Balances as at 1 January 2024	2,985,192	2,203,800	1,492,596	1,328,025	38,638	(552,325)	8,285,431	15,781,357
Net profit for the year	-	-	-	-	-	-	3,029,781	3,029,781
Other comprehensive income for the year, net of tax	-	-	-	-	-	101,493	(5,176)	96,317
Transactions recorded directly in equity								
Interest on Tier 1 capital notes	-	-	-	-	-	-	(132,228)	(132,228)
Cash dividend paid for 2023 (44.38%)	-	-	-	-	-	-	(1,324,828)	(1,324,828)
Directors' remuneration paid for 2023	-	-	-	-	-	-	(23,000)	(23,000)
Share of Directors' remuneration of an associate	-	-	-	-	-	-	(1,212)	(1,212)
Other reserves	-	-	-	-	-	-	(1,578)	(1,578)
Balances as at 31 December 2024	2,985,192	2,203,800	1,492,596	1,328,025	38,638	(450,832)	9,827,190	17,424,609

The attached notes from 1 to 39 form part of the Group consolidated financial statements.

The independent auditor’s report on review of the Group consolidated financial statements is set out on pages 2 to 7.

Commercial Bank of Dubai PSC

Group consolidated statement of cash flows

For the year ended 31 December 2025

	Notes	2025 AED'000	2024 AED'000
OPERATING ACTIVITIES			
Profit for the year before income tax expense		**3,844,149**	3,325,148
Adjustments for non-cash and other items:			
Depreciation and amortisation	24	**94,608**	61,014
Amortisation of discount on investments		**(275,352)**	(336,921)
Amortisation of transaction cost on notes and medium term borrowings	17	**-**	617
(Gain) / loss on foreign exchange translation		**(29,476)**	13,952
Realised gains on sale of investments		**(145,344)**	(951)
Net unrealised losses / (gains) on derivatives		**48,204**	(200)
Revaluation (gain) / loss on investment properties		**(5,225)**	4,926
Other operating income		**(22,391)**	(22,518)
Dividend income	23	**(10,107)**	(9,758)
(Reversal) / impairment allowance on investment securities	25	**(725)**	6
Impairment allowance on loans and advances and Islamic financing	25	**698,723**	875,046
Impairment allowance on due from banks	25	**7,881**	1,295
Impairment allowance on other assets	25	**718**	29,682
Impairment allowance on financial guarantees and other commitments	25	**3,957**	113,343
Loss on disposal of property and equipment		**-**	894
		4,209,620	4,055,575
Increase in negotiable Central Bank UAE certificate of deposits with original maturity of more than three months		**-**	(300,000)
Increase in due from banks with original maturity of more than three months		**(327,405)**	(655,923)
Increase in loans and advances and Islamic financing		**(8,699,100)**	(10,610,335)
(Increase) / decrease in other assets		**(271,247)**	351,552
Increase / (decrease) in due to banks		**1,218,489**	(291,366)
Increase in customer deposits and Islamic customer deposits		**13,789,573**	9,274,744
Increase in other liabilities		**75,043**	54,770
Directors' remuneration paid		**-**	(23,000)
Taxes Paid		**(296,014)**	(191)
Net cash flow generated from operating activities		**9,698,959**	1,855,826
INVESTING ACTIVITIES			
Purchase of investments		**(24,770,168)**	(13,095,416)
Proceeds from sale and matured investments		**19,644,906**	14,050,716
Purchase of property and equipment	13	**(372,828)**	(221,226)
Proceeds from sale of property and equipment		**-**	1,396
Dividend income received		**23,280**	16,411
Net cash flow (used in) / generated from investing activities		**(5,474,810)**	751,881
FINANCING ACTIVITIES			
Issuance of notes and medium term borrowings	17	**2,064,561**	1,212,090
Interest on Tier 1 capital notes		**(132,228)**	(132,228)
Dividend paid		**(1,514,686)**	(1,324,828)
Net cash flow generated from / (used in) financing activities		**417,647**	(244,966)
Net increase in cash and cash equivalents		**4,641,796**	2,362,741
Cash and cash equivalents at 1 January		**17,779,657**	15,416,916
Cash and cash equivalents at end of the year	28	**22,421,453**	17,779,657
Supplemental disclosure:			
Interest income and income from Islamic financing received		**7,488,839**	7,582,561
Interest expense and distributions to Islamic depositors paid		**3,524,206**	3,683,280

The attached notes from 1 to 39 form part of the Group consolidated financial statements.

The independent auditor's report on review of the Group consolidated financial statements is set out on pages 2 to 7.

1. LEGAL STATUS AND ACTIVITIES

Commercial Bank of Dubai PSC ("the Bank") was incorporated in Dubai, United Arab Emirates (UAE) in 1969 and is registered as a Public Joint Stock Company (PJSC) in accordance with Federal Law No. 32 of 2021. The Bank is listed on the Dubai Financial Market. The Bank's principal activity is commercial and retail banking. The registered address of the Bank is CBD Head Office, Al Ittihad Street, P. O Box 2668, Dubai, United Arab Emirates.

On 8 September 2025, the UAE Federal Decree Law No. (6) of 2025 regarding the Central Bank, Regulation of Financial Institutions and Activities, and Insurance Business was issued and came into effect on 16 September 2025 which repealed the UAE Federal Law No. 14 of 2018. The Company/ Bank/Group must within a period not exceeding (1) one year from the date of the enforcement of its provisions from 16 September 2025 ("the transitional period") comply with the provisions of the UAE Federal Decree Law No. (6) of 2025.

The consolidated financial statements for the year ended 31 December 2025 comprise the results of the Bank, its wholly-owned subsidiaries (together referred to as "the Group") and the Group's interest in an associate.

Details about subsidiaries, special purpose entities and an associate:

Name of Subsidiary	Ownership Interest		Country of Incorporation	Principle activities
	31 Dec 2025	31 Dec 2024		
Subsidiary				
CBD Financial Services LLC	100%	100%	UAE	Providing brokerage facilities for local shares and bonds.
Attijari Properties LLC	100%	100%	UAE	Self-owned property management services as well as buying and selling of real estate.
CBD Digital Lab Limited	100%	100%	UAE	Technology research and development.
Special Purpose Entity				
CBD (Cayman) Limited	100%	100%	Cayman Islands	Issuance of debt securities.
CBD (Cayman II) Limited	100%	100%	Cayman Islands	Transact and negotiate derivative agreements.
VS 1897 (Cayman) Limited	100%	100%	Cayman Islands	Manage investment acquired in the settlement of debt.
Hortin Holding Limited [Subsidiary of VS 1897 (Cayman) Limited]	100%	100%	British Virgin Islands	Manage real estate related investment acquired in the settlement of debt.
Lodge Hill Limited [Subsidiary of VS 1897 (Cayman) Limited]	100%	100%	British Virgin Islands	Manage real estate related investment acquired in the settlement of debt.
Westdene Investment Limited [Subsidiary of VS 1897 (Cayman) Limited]	100%	100%	British Virgin Islands	Manage real estate related investment acquired in the settlement of debt.
Associate				
National General Insurance Co. (PJSC)	17.8%	17.8%	UAE	Life and general insurance business as well as certain reinsurance business.

2. BASIS OF PREPARTION

2.1 Statement of compliance

These Group consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and comply with relevant laws of the UAE.

As required by the UAE Securities and Commodities Authority (SCA) notification number 85/2009 dated January 6, 2009, the Group's exposure in cash and balances with Central Bank of the UAE, Due from Banks and Investment Securities outside the UAE have been presented under the respective notes.

2.2 Functional and presentation currency

These Group's consolidated financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the Bank's functional and presentation currency, rounded to the nearest thousand unless otherwise stated.

2.3 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity are disclosed in note 4.

2.4 Basis of measurement

These Group's consolidated financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value through profit or loss (FVPL);
- financial instruments classified as fair value through profit or loss;
- financial assets at fair value through other comprehensive income;
- recognised financial assets and financial liabilities that are hedged items in a fair value hedge transaction are measured at fair value in respect of the risk that is hedged. Amortised cost is adjusted for hedging gain or loss;
- investment properties;
- end of service benefits that are measured at the present value of the defined benefit obligation;
- granted land, which is stated at the market value at the date of grant.

2.5 Basis of consolidation

These Group's consolidated financial statements comprise the financial statements of the Bank and its subsidiaries. Subsidiaries are entities controlled by the Group.

i. Business Combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired.

ii. Subsidiary

The Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

2. BASIS OF PREPARATION (CONTINUED)

2.5 Basis of consolidation (continued)

ii. Subsidiary (continued)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interest (NCI). When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the cumulative translation differences recorded in equity;
- Derecognises the carrying amount of any non-controlling interest;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any gain or loss in the consolidated statement of profit or loss; and
- Reclassifies the parent's share of components previously recognised in consolidated OCI to consolidated statement of profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

When the Group loses control of a subsidiary, a gain or loss is recognised in the consolidated statement of profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest, and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary, and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

iii. Associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

2. BASIS OF PREPARATION (CONTINUED)

2.5 Basis of consolidation (continued)

iii. Associate (continued)

The Group's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. 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 aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of profit or loss.

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 its 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, then recognises the loss as 'Share of profit or loss of an associate'.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of profit or loss.

Management reviews its share of investments in associates to assess impairment on a regular basis. In determining the assessment, management compares the recoverable amount with the carrying value of the investment. Estimating recoverable amount using value in use requires the Group to make an estimate of the expected future cash flows from the associates and choosing a suitable discount rate in order to calculate the present value of those cash flows.

iv. Transactions eliminated on consolidation

Intra-group balances and income and expenses (except for foreign currency translation gains or losses) arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3. MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all the years presented in these consolidated financial statements, except for the accounting standards mentioned in note 5.1 which are applied for the first time.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Financial Instruments

a) Recognition and initial measurement

A financial instrument is any contract that gives rise to both a financial asset for the Group and a financial liability or equity instrument for another party or vice versa.

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis, which is the date on which the Group becomes a party to the contractual provisions of the instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVPL) are added to or deducted from the fair value of the financial assets or financial liabilities respectively, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition or issue of financial assets are amortised over the expected life of the financial instrument or a shorter period if it relates to the expected period of the costs. Transaction costs related to financial liabilities are recognised immediately in the consolidated statement of profit or loss.

If the transaction price differs from fair value at initial recognition, the Group accounts for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in consolidated statement of profit or loss on initial recognition (i.e. day 1 profit or loss);
- in all other cases, the fair value is adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss is deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss is released to consolidated statement of profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

b) Fair Value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Financial Instruments (continued)

b) Fair Value measurement (continued)

The best evidence of the fair value of a financial instrument on 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 on 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 for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

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

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio. The fair value of a financial liability with a demand feature (e.g. a 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.

The fair value of investments in mutual funds, private equity funds or similar investment vehicles are based on the last 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, are based on the expected discounted cash flows.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

c) Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, which reflects the significance of inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, group, pricing service or regulatory agency, and those prices represent actual and regularly recurring market transactions on an arm’s length basis.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Financial Instruments (continued)

c) Fair value hierarchy (continued)

Level 2: Valuation techniques based on observable inputs, 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; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs based on unobservable data 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 where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The hierarchy used by the Group is set out in note 6.2.

The fair value of a financial instrument is the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction in the principal market at the measurement date under current market conditions (i.e., an exit price). Unadjusted quoted prices in active markets provide the best evidence of fair value. When there is no quoted price in an active market, the Group applies other valuation techniques that maximise the use of relevant observable inputs and that minimise the use of unobservable inputs. Such valuation techniques include the following: using information available from recent market transactions, referring to the current fair value of a comparable financial instrument, applying discounted cash flow analysis, applying option pricing models, or relying on any other valuation technique that is commonly used by market participants and has proven to yield reliable estimates.

For over-the-counter (OTC) derivative financial instruments, fair value is determined using well established valuation techniques that incorporate assumptions based primarily on observable market inputs such as current market prices and the contractual prices of the underlying instruments, the time value of money, interest rate yield curves, credit curves, currency rates as well as price and rate volatility factors.

As at 31 December 2025, the fair value of investment properties is based on the valuations performed by third party valuers and all are level 3 under fair value hierarchy. The valuations are carried out by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment properties being valued. The valuations were based on income (investment) and a market-based method of valuation. To value the investment properties, the existing rental income and estimated market rental income are used. Any significant movement in the assumptions used for the fair valuation of investment properties such as yield, rental growth, vacancy rate is expected to result in significantly lower / higher fair value of these assets.

The Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Financial Instruments (continued)

c) Fair value hierarchy (continued)

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.1.1 Financial assets

a) Classification

The Group classifies financial assets on initial recognition in the following categories:

i. Amortised cost;
ii. Fair value through other comprehensive income (FVOCI); and
iii. Fair value through profit or loss (FVPL).

- **Business model assessment**

The Group makes an assessment of the objective of a business model in which a financial asset is held at portfolio level, because this reflects the way the business is managed and information is provided to the management. The assessment is not determined by a single factor or activity. Instead, the entity considers all relevant information available at the date of the assessment. The information considered includes:

- the stated policies and objectives for the business 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 and the financial asset held within the portfolio is evaluated and reported to the management;
- the risks that affect the performance of the portfolio and, in particular, the way in which those risks are managed;
- how the managers of the business are compensated; 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 cash flows are realised.

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

- **Assessment whether contractual cash flows is solely payments of principal and interest**

In assessing whether the contractual cash flows are solely payments of principal and interest (SPPI), the Group considers the contractual terms of the instrument.

For the purpose of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Financial Instruments (continued)

3.1.1 Financial assets (continued)

a) Classification (continued)

- **Assessment whether contractual cash flows is solely payments of principal and interest (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 from specified assets; 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 to 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.

<u>Non-recourse</u>
In some cases, loans made by the Group that are secured by collateral of the borrower’s limit the Group's claim to cash flows of the underlying collateral (non-recourse loans). The Group applies judgement in assessing whether the non-recourse loans meet the SPPI criterion. The Group typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Group's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Group will benefit from any upside from the underlying assets.

i. Financial assets at amortised cost

A debt instrument, including loans and advances and Islamic financing asset is classified as being measured at amortised cost if it meets both of the following conditions and is not designated as FVPL:

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Financial Instruments (continued)

3.1.1 Financial assets (continued)

a) Classification (continued)

ii. Financial assets at fair value through other comprehensive income (FVOCI)

A debt instrument is classified as being measured at FVOCI if it meets the following two conditions and the debt instrument is not designated at FVPL:

- the 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 SPPI on the principal amount outstanding.

The Group measures all equity investments at FVPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVOCI when those investments are not held for trading. This election is made on an investment-by-investment basis.

iii. Financial assets at fair value through profit or loss (FVPL)

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL.

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 at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

b) Subsequent measurement

The Group measures financial instruments, such as derivatives and investments in equity and certain fixed income instruments, at fair value at each reporting date.

Financial asset classified as at FVOCI or FVPL are subsequently measured at fair value. Financial assets not carried at fair value are subsequently measured at amortised cost using the effective interest method, less expected credit allowances.

c) 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. If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. During the current and previous financial year there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on 'Modification of financial assets' and 'Derecognition of financial assets' described in note 3.1.1 (g) and 3.1.1 (h) respectively.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Financial Instruments (continued)

3.1.1 Financial assets (continued)

d) Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in consolidated statement of profit or loss in the 'other operating income / (loss)' line item;
- for debt instruments measured at FVOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in the consolidated statement of profit or loss in the 'other operating income / (loss)' line item. Other exchange differences are recognised in OCI in the investments revaluation reserve;
- for financial assets measured at FVPL that are not part of a designated hedge accounting relationship, exchange differences are recognised in consolidated statement of profit or loss in 'other operating income / (loss)';
- for equity instruments measured at FVOCI, exchange differences are recognised in OCI in the investments revaluation reserve; and
- Non-monetary assets and liabilities denominated in foreign currencies that are measured at FVPL are retranslated into the functional currency (AED) at the foreign exchange rate at the date that the fair value was 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.

e) Impairment of financial assets

The Group recognises, where applicable, loss allowances for Expected Credit Losses (ECLs) on the following financial instruments that are not measured at FVPL:

- balances with central banks;
- due from banks;
- debt investment securities;
- loans and advances, Islamic financing and other financial assets;
- loan commitments; and
- financial guarantee contracts.

No impairment loss is recognised on equity investments.

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

Stage 1: When financial instruments are first recognised, the Group recognises an allowance based on 12 months ECLs. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Stage 2: When a financial instruments has shown a significant increase in credit risk since origination, the Group records an allowance for the life time expected credit losses (LTECL). LTECL are the ECL that result from all possible default events over the expected life of the financial instrument.

Stage 3: Financial instruments considered credit-impaired. The Group records an allowance for the LTECLs.

ECLs are an unbiased probability-weighted estimate of the present value of credit losses that is determined by evaluating a range of possible outcomes. For funded exposures, ECL is measured as follows:

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Financial Instruments (continued)

3.1.1 Financial assets (continued)

e) Impairment of financial assets (continued)

- for financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive); and
- 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.

However, for unfunded exposures, ECL is measured as follows:

- for undrawn loan commitments, as the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is drawn down; and
- for financial guarantee contracts, the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic and credit risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original Effective Interest Rate (EIR), regardless of whether it is measured on an individual basis or a collective basis.

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

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

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

Details of these statistical parameters / inputs are as follows:

- PD – PD is the estimate of likelihood of default over a given time horizon, which is calculated based on statistical rating models currently used by the Group, and assessed using rating tools tailored to the various categories of counterparties and exposures.
- EAD – EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.
- LGD – LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, time to realisation of collateral, cross-collateralisation and seniority of claim, cost of realisation

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Financial Instruments (continued)

3.1.1 Financial assets (continued)

e) Impairment of financial assets (continued)

of collateral and cure rates (i.e. exit from non-performing status). LGD models for unsecured assets consider time of recovery, history of recovery rates and seniority of claims. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the loan. Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk grading;
- collateral type;
- loan to value ratio for retail exposure;
- date of initial recognition;
- remaining term of maturity;
- industry; and
- geography location of the borrower.

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

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.

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.

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities carried at FVOCI are credit-impaired.

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. 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 lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Financial Instruments (continued)

3.1.1 Financial assets (continued)

e) Impairment of financial assets (continued)

Restructured financial assets (continued)

It may not be possible to identify a single discrete event - instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortised cost or FVOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers the following factors:

- the market's assessment of creditworthiness as reflected in the bond yields;
- the rating agencies' assessments of creditworthiness;
- the country's ability to access the capital markets for new debt issuance; and
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment.

For financial assets where concessions are contemplated but not granted, the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default includes unlikeliness to pay indicators or a backstop if amounts are overdue for 90 days or more.

Purchased or originated credit-impaired (POCI) financial assets

POCI financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective interest rate on initial recognition. Consequently, POCI assets do not carry an impairment allowance 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.

Default definition

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs or the identification of a significant increase in credit risk.

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

- the borrower is unlikely to pay its credit obligations to the Group in full without recourse by the Group to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Group.

Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Financial Instruments (continued)

3.1.1 Financial assets (continued)

e) Impairment of financial assets (continued)

Default definition (continued)

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative - e.g. breaches of covenant;
- quantitative - e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources

The Group has performed a historical default rate analysis to identify homogeneous segments and further estimated ECL parameters (i.e. PD, LGD and EAD) at similar granularities. To perform a historical default rate analysis, the Group has adopted two separate definitions of default for the non-retail and the retail portfolio.

- **Non-retail portfolio**
The non-retail portfolio comprises of loans which are managed individually by the Relationship Managers (RMs) with oversight from the Credit Risk team of the Group. These loans are appraised at least annually based on the financial information, other qualitative information and account conduct of the customer.

A non-retail customer is identified as at default if the customer is materially delinquent for more than 90 days of any of its credit obligation. Materiality refers to 5% of the principal outstanding being past due for 90+ days is considered delinquent.

- **Retail portfolio**
The retail portfolio comprises of loans that are managed at a product level, and based on approved product programs. A retail account is identified as default if the customer is delinquent for more than 90 days. The default rate analysis for the retail portfolio is performed at the account level.

Assessment of significant increase in credit risk

The Group’s accounting policy is not to use the practical expedient that financial assets with ‘low’ credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL. The assessment is performed on monthly basis for each individual exposure.

Quantitative thresholds are established for the significant increase in the credit risk by comparing the risk of default estimated at origination with the risk of default at reporting date based on the movement in credit rating by 3 notches for credit risk grading 1 – 10, by 2 notches for credit risk grading 11 – 17 and 1 notch for credit risk grading 18 – 19. In addition to quantitative criteria the Group has a proactive Early Warning Indicator (EWI) framework, based on which the Credit Risk team performs a portfolio quality review on a monthly basis. The objective of the same is to identify potentially higher risk customers within the performing customers.

Multiple macro-economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different macro-economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Financial Instruments (continued)

3.1.1 Financial assets (continued)

e) Impairment of financial assets (continued)

Assessment of significant increase in credit risk (continued)

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the probability of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the probability of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised.

In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment. The following indicators are incorporated:

- internal risk grade;
- external credit rating (as far as available);
- actual or expected adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower;
- significant changes in the value of the collateral supporting the obligation;
- significant changes in the actual or expected performance and behavior of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower; and
- macro-economic information (such as oil prices or GDP) is incorporated as part of the internal rating model.

The quantitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However the Group still considers separately some qualitative factors to assess if credit risk has increased significantly. For corporate lending there is particular focus on assets that are included on a 'watch list' given an exposure is on a watch list once there is a concern that the creditworthiness of the specific counterparty has deteriorated.

As a back stop, a significant increase in credit risk is presumed if a customer is more than 30 days past due in making a contractual payment. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

For retail lending the Group considers credit scores and events such as unemployment, bankruptcy or death. As a back-stop when an asset becomes 30 days past due, the Group considers that a significant increase in credit risk has occurred and the asset is in Stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

Improvement in credit risk profile

The Group has defined the below criteria in accordance with regulatory guidelines to assess any improvement in the credit risk profile which will result into upgrading of customers moving from Stage 3 to Stage 2 and from Stage 2 to Stage 1.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Financial Instruments (continued)

3.1.1 Financial assets (continued)

e) Impairment of financial assets (continued)

Improvement in credit risk profile (continued)

- Significant decrease in credit risk will be upgraded in stage (one stage at a time) from Stage 3 to Stage 2 after and from Stage 2 to Stage 1 after meeting the curing period of at least 12 months.
- Restructured cases will be upgraded if repayments of 3 installments (for quarterly installments) have been made or 12 months (for installments longer than quarterly) curing period is met.

Incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group relies on a broad range of forward-looking information as economic inputs such as:

- House prices like real estate – Dubai and Abu Dhabi Index;
- Economic Composite Index (ECI);
- Non-Oil Economic Composite Index (NIECI);
- Oil Price per Barrel (OPB);
- Consumer Price Index (CPI) and
- Hotel Occupancy Dubai.

The Group has identified and documented key drivers of credit risk and credit losses 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 losses.

The Group formulates three economic scenarios: a base case, which is the median scenario assigned a 40% (2024: 40%) probability of occurring, and two less likely scenarios, one upside at 30% (2024: 30%) probability of occurring and one downside at 30% (2024: 30%) probability of occurring.

The table below summarises key macroeconomic indicators included in the economic scenarios in UAE at 31 December 2025 for the years ending 2025 to 2027:

	Base Scenario			Downside Scenario			Upside Scenario		
	2025	**2026**	**2027**	**2025**	**2026**	**2027**	**2025**	**2026**	**2027**
Economic Composite Index	3.04%	3.18%	3.11%	2.08%	-2.16%	2.70%	3.51%	5.19%	3.39%
Oil Price – USD	65.7	62.3	63.7	52.4	39.2	57.5	70.4	67.0	64.9
Real Estate Index - Dubai	21,847	24,230	27,035	20,722	19,099	20,569	22,060	25,385	28,498

Presentation of allowance for ECL in the statement of financial position

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

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVOCI: no loss allowance is recognised in the 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;
- for loan commitments and financial guarantee contracts: generally, as other liabilities; and

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Financial Instruments (continued)

3.1.1 Financial assets (continued)

e) Impairment of financial assets (continued)

Presentation of allowance for ECL in the statement of financial position (continued)

- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

f) Write-off

Loans and advances and Islamic financing and debt securities are written-off when the Group has no reasonable expectations of recovering the financial asset (either partially or in full). This is 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. A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written-off. Recoveries of amounts previously written-off are included in 'recoveries' in the consolidated statement of profit or loss.

g) Modification of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and / or timing of the contractual cash flows either immediately or at a future date.

When a financial asset is modified, the Group assesses whether this modification results in derecognition. In accordance with the Group’s policy, a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Group considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the difference in present value is material, the Group deems the arrangement is substantially different leading to derecognition.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Group determines if the financial asset’s credit risk has increased significantly since initial recognition by comparing:

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

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. The revised terms usually include extending the maturity, changing the timing of

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Financial Instruments (continued)

3.1.1 Financial assets (continued)

g) Modification of financial assets (continued)

interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Group Credit Committee regularly reviews reports on forbearance activities.

If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, 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.

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. For financial assets modified as part of the Group's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Group's ability to collect the modified cash flows taking into account the Group's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms.

If the credit risk remains significantly higher than what was expected at initial recognition, the loss allowance will continue to be measured at an amount equal to lifetime ECL. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then 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 modification gain or loss in the consolidated statement of profit or loss. Then the Group measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset. 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 received 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.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

h) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Financial Instruments (continued)

3.1.1 Financial assets (continued)

h) Derecognition of financial assets (continued)

In the case where the financial asset is derecognised, the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Group
monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

On derecognition of a financial asset in its entirety, the difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain / loss allocated to it that had been recognised in OCI is recognised in consolidated statement of profit or loss.

Any cumulative gain / loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in the consolidated statement of 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.

3.1.2 Financial liabilities

a) Classification

The Group classifies its financial liabilities in the following categories:

i. Fair value through profit or loss; and
ii. Amortised cost.

i. Financial liabilities at FVPL

Financial liabilities are classified as at FVPL when the financial liability is (i) held for trading, or (ii) it is designated as at FVPL. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and is effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Financial Instruments (continued)

3.1.2 Financial liabilities (continued)

a) Classification (continued)

i. Financial liabilities at FVPL (continued)

Subsequent measurement

Financial liabilities at FVPL are stated at fair value, with any gains / losses arising on remeasurement recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain / loss recognised in consolidated statement of profit or loss incorporates any interest paid on the financial liability.

However, for non-derivative financial liabilities that are designated as at FVPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to consolidated statement of profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

In making the determination of whether recognising changes in the liability's credit risk in OCI will create or enlarge an accounting mismatch in profit or loss, the Group assesses whether it expects that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at FVPL. This determination is made at initial recognition.

Fair value is determined in the manner described in note 3.1 (b).

ii. Financial liabilities at amortised cost

Other financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

b) Modification of financial liabilities

The Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is materially different from the discounted present value of the remaining cash flows of the original financial liability.

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 the consolidated statement of profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Financial Instruments (continued)

3.1.2 Financial liabilities (continued)

b) Modification of financial liabilities (continued)

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 the consolidated statement of 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 re-computing the effective interest rate on the instrument.

c) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated statement of profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

3.1.3 Financial guarantee contracts and loan

Financial guarantees' are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument.

'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15. Other loan commitments issued are measured at the sum of (i) the loss allowance determined in accordance with IFRS 9 and (ii) the amount of any fees received, less, if the commitment is unlikely to result in a specific lending arrangement, the cumulative amount of income recognised. Derecognition policies are applied to loan commitments issued and held.

The Group has issued no loan commitments that are measured at FVPL.

Liabilities arising from financial guarantees and loan commitments are included within other liabilities.

3.2 Derivative financial instruments

a) Classification

The Group enters into derivative financial instruments including forwards, futures, swaps and options in the foreign exchange and capital markets. Derivative financial instruments, that do not qualify for hedge accounting are classified as "FVPL – financial assets held for trading" financial instruments.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 Derivative financial instruments (continued)

b) Initial and subsequent measurement

In the normal course of business, the fair value of a derivative on initial recognition is the transaction price. Subsequent to initial recognition, derivative financial instruments are stated at fair values. Fair values are generally obtained by reference to quoted market prices in active markets, or by using valuation techniques when an active market does not exist.

c) Gains and losses on subsequent measurement

The gains or losses from derivative financial instruments classified as FVPL are taken to the consolidated statement of profit or loss.

3.3 Hedging instruments

As part of its asset and liability management, the Group uses derivatives for hedging purpose.
When derivatives are designated as hedges, the Group classifies them as either:

- fair value hedges which hedge the change in the fair value of recognised assets or liabilities; or
- cash flow hedges which hedge the exposure to variability in highly probable future cash flows attributable to a recognised asset or liability or a forecast transaction.

Hedge accounting is applied to derivatives designated as hedging instruments in fair value or cash flow hedge provided certain criteria are met.

Hedge accounting

a) Hedge documentation

At the inception of the hedge, formal documentation of the hedge relationship must be established. The hedge documentation prepared at the inception of the hedge must include a description of the following:

- The Group's risk management objective and strategy for undertaking the hedge;
- The nature of risk being hedged;
- Clear identification of the hedged item and the hedging instrument; and
- How the Group will assess the effectiveness of the hedging relationship on an ongoing basis.

b) Hedge effectiveness testing

The hedge is regarded as highly effective if both of the following conditions are met:

- At the inception of the hedge and in subsequent periods, the hedge is expected to be highly effective in offsetting the changes in fair value or cash flows of the hedging instruments with corresponding changes in the hedged risk and should be reliably measurable; and
- The actual results of the hedge effectiveness testing are within a range of 80 to 125 percent.

In case of a cash flow hedge, prospective hedge effectiveness is assessed by matching the critical terms of hedging instruments and hedged items.

c) Fair value hedge

When a derivative is designated as the hedging instrument in a hedge relationship, changes in the fair value of the derivative are recognised immediately in profit or loss, together with changes in the fair value of the hedged item that are attributable to the hedged risk. 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 cost or amortised cost, then its carrying amount is adjusted 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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.3 Hedging instruments (continued)

Hedge accounting (continued)

c) Fair value hedge (continued)

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.

d) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in OCI. Any gain or loss in fair value relating to an ineffective portion is recognised immediately in the consolidated statement of profit or loss.

e) Discontinuance of hedge accounting

The hedge accounting is discontinued when a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting. At that point of time, any cumulative gain or loss on the hedging instrument that has been recognised in OCI remains in OCI until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately transferred to the consolidated statement of profit or loss.

f) Hedges that do not qualify for hedge accounting

For hedges that do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the consolidated statement of profit or loss for the year.

3.4 Loans and advances and Islamic financing

Loans and advances and Islamic financing are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except when the Group chooses to carry the loans and advances at FVPL.

In addition to conventional banking products, the Group offers its customers certain Islamic financing products, which are approved by Sharia Supervisory Board. Islamic financing consists of the following:

Murabaha

An agreement whereby the Group sells to a customer, commodity or asset (subject asset) on a deferred payment basis, which the Group has purchased and acquired, based on a promise received from the customer to buy the item purchased according to specific terms and conditions. The selling price comprises the cost of the subject asset and an agreed profit margin. Income is recognised on an accrual basis adjusted by actual income when received.

Ijara

Ijara refers to lease of the asset, which the Group (Lessor) constructs or purchases as per customer (Lessee) request based on the promise to lease the asset for a fixed term against certain rent installment. Ijara can end by transferring the ownership of the asset to the lessee in case of Ijara Muntahia Bittamleek.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.4 Loans and advances and Islamic financing (continued)

The Ijara agreement specifies the leased asset, duration of the lease term, as well as, the basis for rental calculation and the timing of rental payment. The Lessee undertakes under this agreement to renew the lease periods and pay the relevant rental payment amounts as per the agreed schedule and applicable formula throughout the lease term.

The Lessor retains the ownership of the asset throughout the lease term. At the end of the lease term, upon fulfillment of all the obligations by the Lessee under the Ijara agreement, the Lessor will sell the leased asset to the Lessee at nominal value based on a sale undertaking given by the Lessor.

Ijara rentals accrue upon the commencement of the lease and continues throughout the lease term based on the outstanding fixed rental (which predominantly represent the cost of the leased asset).

3.5 Investment securities

The '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 using the effective interest method;
- debt and equity investment securities measured at FVPL or designated as at FVPL : these are at fair value with changes recognised immediately in profit or loss;
- debt securities measured at FVOCI; and
- equity investment securities designated as 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 in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

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 on equity instruments recognised in OCI are transferred to retained earnings on disposal of an investment.

3.6 Investment properties

The Group holds certain investment properties to earn rental income, for capital appreciation or both. The leased out or intended to lease out components have been classified as investment properties. Investment properties are measured initially at cost, including transaction costs. Effective 1 January 2023, the Group changed the accounting policy for Investment Properties from the cost model to the fair value model as the Group believes that this will make the financial results more reliable and relevant in relation to the value of the investment properties. The impact of this change was not considered material, with the net change being reflected prospectively in the current year's profit within other operating income. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated income statement under 'Other operating income' in the year in which they arise.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.6 Investment properties (continued)

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 determined by comparing the proceeds from disposal with the carrying amount and are recognised in the consolidated statement of profit or loss under 'Other operating income' in the year of retirement or disposal.

3.7 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses except for granted land, which is stated at the market value at the date of grant.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of replacing an item of property and is recognised in the carrying value of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The day-to-day servicing expenses of property and equipment are recognised in the consolidated statement of profit or loss as incurred.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment. These are included in the consolidated statement of profit or loss.

Property and equipment is impaired if the carrying amount of the asset or its cash generating unit (CGU) exceed its recoverable amount. The impairment loss is recognised in the consolidated statement of profit or loss.

The cost of all property and equipment other than freehold land and capital work in progress is depreciated using the straight-line method over the following estimated useful lives:

Buildings	30 to 60 years
Leasehold improvements	5 to 10 years
Building renovations	7 years
Furniture and fixtures	7 years
Computer equipment	3 to 10 years
Computer software	7 years
Motor vehicles	5 years

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

Capital work in progress is initially recorded at cost, and upon completion is transferred to the appropriate category of property and equipment and thereafter depreciated in accordance with the Group's policies.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.8 Repurchase agreement

When the Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset at a fixed price on a future date the agreement is accounted for as a term borrowing depending on period of the agreement, and the underlying asset continues to be recognised in the Group's consolidated financial statements.

3.9 Customer deposits and Islamic customer deposits

Customer deposits are initially recognised at fair value, being the fair value of the consideration received. After initial recognition, all deposits are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any transaction costs that are directly attributable to the acquisition or receipt of customer deposit.

The Islamic customer deposits are received by entering into following kinds of agreements:

Mudaraba

An agreement between the Group and a third party whereby one party would provide a certain amount of funds (Rab ul Mal) which the other party (Mudarib) would then invest in a specific enterprise or activity against a specific share in the profit. The Mudarib would bear the loss in case of default, negligence or violation of any of the terms and conditions of the Mudaraba. In principle Mudaraba profit is distributed on declaration/distribution by the Mudarib.

Wakala

An agreement between Group and third party whereby one party (Muwakil) provides certain amount of funds which the other party (Wakil) would invest according to the terms and conditions of Wakala in return for a certain fee. The Wakil is obliged to return the invested amount in case of default, negligence or violation of any of the terms and conditions of the Wakala. The Wakil may be granted any excess over and above a certain pre-agreed rate of return as a performance incentive. In principle, Wakala profit is distributed on declaration/distribution by the Wakil.

Islamic customer deposits are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective profit method.

3.10 Employees' terminal benefits

The Group provides for employees' terminal benefit in accordance with the UAE labor law. 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.

Defined contribution scheme

A defined contribution scheme is a post-employment benefit scheme under which an entity pays fixed contributions into 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.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.10 Employees' terminal benefits (continued)

Defined contribution scheme (continued)

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.

Defined benefit scheme

A defined benefit scheme is a post-employment benefit scheme other than a defined contribution scheme. The liability recognised in the statement of financial position in respect of defined benefit gratuity schemes 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 actuaries using assumptions in line with the guidelines of IAS 19. 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.

The Group has determined that, in accordance with the terms and conditions of the defined benefit scheme, and in accordance with statutory requirements, the present value of refunds or reductions in future contributions, 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 scheme are recognised in staff and other expenses 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 scheme when the settlement occurs.

The below are the key actuarial assumptions used to value the liabilities using weighted average rates.

	2025	**2024**
Discount Rate	4.00% per annum	5.20% per annum
Salary Increase Rate	1.80% per annum	3.50% per annum

3.11 Share capital

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

3.12 Dividend on ordinary shares

Dividends payable on ordinary shares are recognised as a liability in the period in which they are approved by the Group's shareholders in the Annual General Meeting.

3.13 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when, and only when, the Group has a legally enforceable right to set off the recognised amounts and it intends 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 IFRSs, or of gains and losses arising from a group of similar transactions such as in the Group's trading activity.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue recognition

i. Interest income and expense

Interest income and expense for all interest bearing financial instruments except at FVPL, are presented in ‘interest income’ and ‘interest expense’ in the consolidated statement of profit or loss on an accrual basis using the effective interest rates of the financial assets or financial liabilities to which they relate. Interest income and expense for financial instruments at FVPL is recognised as 'Net gain from investments at fair value through profit or loss'.

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.

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.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

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

ii. Income from Islamic financing and distributions to depositors

Income from Islamic financing is recognised in the consolidated statement of profit or loss using the effective profit method.

The calculation of the effective profit rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective profit rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset.

Distribution to depositors (Islamic products) is calculated according to the Group’s standard procedures and is approved by the Group’s Sharia Supervisory Board.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue recognition (continued)

iii. Fees and commission

Fee income, which is not an integral part of the effective interest rate of a financial instrument, is earned from a diverse range of services provided by the Group to its customers, and are accounted for in accordance with IFRS 15 'Revenue from Contracts with Customers'. Under the IFRS 15, fee income is measured by the Group based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

A contract with a customer that results in a recognised financial instrument in the Group's 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 income is accounted for as follows:

- Personal and Corporate banking: Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.
- Investment banking service: Revenue from administrative agency services is recognised over time as the services are provided. The amounts to be collected from customers on 31 December are recognised as trade receivables. Revenue related to transactions is recognised at the point in time when the transaction takes place.

Fee 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 (for example, certain loan commitment fees) and recorded in 'Interest income'.

- **Asset management services**

  The Group provides asset management services. Fees for asset management services are calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on a monthly basis.

- **Customer loyalty programme**

  The Group operates a rewards programme which allows customers to accumulate points when they purchase products on the Group's credit cards. The points can then be redeemed for shopping rewards, cash back or air miles, subject to a minimum number of points being obtained. While some aspects of the programme are administered in-house, third party providers are used for certain other aspects of the programme.

  In the case of the in-house administered aspects, the sale proceeds received are allocated between the products / services sold and the points issued. The proceeds allocated to the points are equal to their fair value. Fair value is determined by applying statistical techniques.

  For aspects where third party providers are used, the consideration allocated to the awards credits collected on behalf of the third party are charged to the consolidated statement or profit or loss at the time of supplying the rewards.

iv. Property related income

Property related income includes rental income, which is recognised on a straight line basis over the term of the lease and is recorded under 'Other operating income' in the consolidated statement of profit or loss.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue recognition (continued)

v. Dividend income

Dividend income is recognised when the right to receive payment is established. The presentation of dividend income in the consolidated statement of profit or loss depends on the classification and measurement of the equity investment, i.e.:

- for equity instruments designated at FVOCI, dividend income is presented as Dividend Income; and
- for equity instruments at FVPL, dividend income is presented as 'Net gain from investments at FVPL' in the 'other operating income / (loss) line item'.

vi. Share of profit of an associate

Share of profit of an associate reflects the Group's share of the results of operations of the associate.

3.15 Foreign currencies

Foreign currency transactions are recorded at rates of exchange ruling at the value dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date, are translated at the foreign exchange rate ruling at spot date.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the foreign exchange rates ruling at the dates that the fair values were determined.

Forward foreign exchange contracts are translated into AED at market rates of exchange ruling at the reporting date. Foreign exchange differences arising on translation are recognised in the consolidated statement of profit or loss.

Foreign currency differences arising on translation are generally recognised in the consolidated statement of profit or loss. However, foreign currency differences arising from the translation of qualifying cash flow hedges to the extent that the hedge is effective, are recognised in OCI.

3.16 Acceptances

Acceptances arise when the Group is under an obligation to make payments against documents drawn under letters of credit. Acceptances specify the amount of money, the date and the person to which the payment is due. After acceptance, the instrument becomes an unconditional liability (time draft) of the Group and is therefore recognised as a financial liability in the consolidated statement of financial position with a corresponding contractual right of reimbursement from the customer recognised as a financial asset.

Acceptances have been considered within the scope of IFRS 9 - Financial Instruments and continued to be recognised as a financial liability in the consolidated statement of financial position with a contractual right of reimbursement from the customer as a financial asset.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.17 Derivative product types

A derivative is a financial instrument whose value changes in response to an underlying variable, that requires little or no initial investment and that is settled at a future date. The Group enters into a variety of derivative financial instruments to manage the exposure to profit and foreign exchange rate risks, including unilateral promise to buy/sell currencies and interest rate swap.

Forwards

Forwards are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

Swaps

Swaps are contractual agreements between two parties to exchange interest or foreign currency differentials based on a specific notional amount. For interest rate swaps, counterparties generally exchange fixed and floating rate interest payments based on a notional value in a single currency. For currency swaps, the underlying amounts are exchanged in different currencies.

Options

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

i. Derivative related credit risk

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favorable to the Group and potential future fluctuations.

ii. Derivatives held or issued for trading purposes

Most of the Group's derivative trading activities relate to sales and position coverage. Sales activities involve offering products to customers at competitive prices in order to enable them to transfer, modify or reduce current and expected risks.

Interest rate derivatives trading are conducted under Assets & Liabilities Committee (ALCO) approved limits.

Derivatives are initially recognised in the consolidated financial statements at cost being its fair value, for the premium received /paid. 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. Subsequent to initial recognition derivatives (held for trading) are measured at fair value with fair value changes recognised in the consolidated statement of profit or loss.

3.18 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 net profit or loss attributable to ordinary shareholders of the Group (further adjusted for interest expense and transaction cost on Tier 1 capital notes) 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.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.19 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, whose operating results are reviewed regularly by the Executive Committee to make decisions about resources allocated to the segment and assess its performance, and for which distinct financial information is available. Segment results that are reported to the Executive Committee include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

3.20 Related parties

An entity is considered related party of the Group if:

a) A person or a close member of that person's family is related to the Group if that person:

i. has control or joint control of the Group;
ii. has significant influence over the Group; or
iii. is a member of the key management personnel of the Group.

b) An entity is related to a Group if any of the following conditions applies:

i. The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
iii. Both entities are joint ventures of the same third party.
iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
v. The entity is controlled or jointly controlled by a person identified in (a).
vi. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

c) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity.

Other than the transactions disclosed in note 33, the Group enters into transactions with other Government entities. In accordance with the exemption available in the revised IAS 24, these transactions with such related Government entities are not collectively or individually significant and have not been disclosed.

3.21 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of their non-financial assets to determine whether there is any indication of an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in consolidated statement of profit or loss.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.21 Impairment of non-financial assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in consolidated statement of profit or loss.

3.22 Taxation

The income tax expense represents the sum of current and deferred income tax expense.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss 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. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination or for transactions that give rise to equal taxable and deductible temporary differences) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.22 Taxation (Continued)

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 profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

4. USE OF ESTIMATE AND JUDGEMENT

The preparation of these Group consolidated financial statements requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty and actual results may therefore differ, resulting in future changes in these estimates.

Critical judgements in applying the Group's accounting policies
In particular, considerable management judgement is required in respect of the following issues:

4.1 Financial asset classification

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

4.2 Significant increase in credit risk

As explained in note 3.1.1 (e), ECL are measured as an allowance equal to 12-month ECL for Stage 1 assets, or lifetime ECL assets for Stage 2 or Stage 3 assets. An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

4.3 Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to note 3.1.1 (e) for details of the characteristics considered in this judgement. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

4. USE OF ESTIMATE AND JUDGEMENT (CONTINUED)

4.4 Models and assumptions used

The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See note 3.1.1 (e) for more details on ECL.

4.5 Key sources of estimation uncertainty

The following are key estimations that have been used in the process of applying the Group's accounting policies:

- Establishing the number and relative weightings of forward-looking scenarios for each type of product / market and determining the forward looking information relevant to each scenario. When measuring ECL, the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.
- Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
- Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.
- Exposure at Default: EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.

4.6 Credit risk management

In addition to the management of credit risk described in Note 35 b. (i), the Group has identified several more vulnerable sectors to an environment with higher interest rates, and reviews are being conducted on a more frequent basis. Sectors that are currently considered more vulnerable are:

- Contracting
- Construction and Manufacturing
- Commercial Real Estate
- Trade

The Group continues to apply robust underwriting standards to companies in the above sectors, especially for any new to bank customers. Extra measures, such as requiring additional approvals for disbursals of facilities have been implemented to ensure a high level of scrutiny over the credit management process.

The Group will continue to demonstrate sound prudence and vigor in underwriting across the retail sector whilst supporting customers and businesses across the UAE.

The Group exercises significant judgement in assessing and estimating areas such as Expected Credit Losses. The Group has during the year updated the ECL model based on relevant macro-economic data provided by Moody's.

Governance around IFRS 9 ECL models and calculations

Given the significant impact that the macro-economic scenarios and weightings have on the Group's ECL, the Group has further strengthened its processes, controls and governance frameworks around macro-economic forecasting and the computation of ECL. The Group's IFRS 9 Committee, which reports to the Executive Management, has primary responsibility for overseeing the Group's ECL models. To ensure the ongoing integrity of ECL calculations during times of extreme uncertainty and volatility, the Group's

4. USE OF ESTIMATE AND JUDGEMENT (CONTINUED)

4.6 Credit risk management (continued)

IFRS 9 Committee exercises oversight by conducting regular reviews of the portfolio. The Committee has been closely monitoring the macro-economic inputs applied to the IFRS 9 model at the Group and has recommended changes required during the current year in the light of relevant information received. The Committee continually assesses the performance of the Group's portfolio, ensuring that credit risk behaviors align with the significant increase in credit risk policy and that the staging criteria remain relevant.

4.7 Fair value measurement of financial instruments

The Group's existing policy on fair value measurement of financial instruments is disclosed in note 3.1 (b).

4.8 Investment properties

The Group's existing policy on the recognition and measurement of investment properties is disclosed in note 3.6.

5. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS "IFRS"

5.1 New and amended IFRS Accounting Standards that are effective for the current period

The following new and revised IFRS Accounting Standards, which became effective for annual periods beginning on or after 1 January 2025, have been adopted in consolidated financial statements. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

New and revised IFRS Accounting Standard	Summary
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates relating to Lack of Exchangeability	The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

Other than the above, there are no other significant IFRS Accounting Standards and amendments that were effective for the first time for the financial year beginning on or after 1 January 2025.

5. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS "IFRS" (CONTINUED)

5.2 New and revised IFRS in issue but not yet effective and not early adopted

At the date of authorisation of these consolidated financial statements, the Group has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

New and revised IFRS Accounting Standards	**Effective for annual periods beginning on or after**
Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* regarding the classification and measurement of financial instruments The amendments address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9.	1 January 2026
Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* regarding purchase power arrangements The amendments aim at enabling entities to include information in their financial statements that in the IASB's view more faithfully represents contracts referencing nature-dependent electricity.	1 January 2026
Annual improvements to IFRS Accounting Standards - Volume 11 The pronouncement comprises the following amendments: • IFRS 1 *First-time Adoption of International Financial Reporting Standards*: Hedge accounting by a first-time adopter • IFRS 7 *Financial Instruments - Disclosures*: Gain or loss on derecognition • IFRS 7 *Financial Instruments - Disclosures*: Disclosure of deferred difference between fair value and transaction price • IFRS 7 *Financial Instruments - Disclosures*: Introduction and credit risk disclosures • IFRS 9 *Financial Instruments*: Lessee derecognition of lease liabilities • IFRS 9 *Financial Instruments*: Transaction price • IFRS 10 *Consolidated Financial Statements*: Determination of a "de facto agent" • IAS 7 *Statement of Cash Flows*: Cost method	1 January 2026
IFRS 18 *Presentation and Disclosures in Financial Statements* IFRS 18 includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	1 January 2027
IFRS 19 *Subsidiaries without Public Accountability: Disclosures* IFRS 19 specifies the disclosure requirements an eligible subsidiary is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards.	1 January 2027
Amendments to IFRS 19 *Subsidiaries without Public Accountability: Disclosures* The amendments cover new or amended IFRS Accounting Standards issued between 28 February 2021 and 1 May 2024 that were not considered when IFRS 19 was first issued.	1 January 2027

5. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS "IFRS" (CONTINUED)

5.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)

New and revised IFRS Accounting Standards (continued)	Effective for annual periods beginning on or after
Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* relating to Translation to a Hyperinflationary Presentation Currency The amendments clarify how companies should translate financial statements from a non-hyperinflationary currency into a hyperinflationary one.	1 January 2027
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures (2011)* The amendments relate to the treatment of the sale or contribution of assets from an investor to its associate or joint venture	Effective date deferred indefinitely. Adoption is still permitted.

The Group anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of Group in the period of initial application.

6. FINANCIAL ASSETS AND LIABILITIES

6.1 Financial assets and liabilities classification

The table below sets out the Group's financial assets and liabilities classification in accordance with the categories of financial instruments in IFRS 9:

	Fair value through profit or loss AED'000	Fair value through OCI AED'000	Amortised cost AED'000	Total carrying amount AED'000
31 December 2025				
Cash and balances with Central Bank	**-**	**-**	**22,360,931**	**22,360,931**
Due from banks, net	**-**	**-**	**4,700,070**	**4,700,070**
Investment securities, net	**158,184**	**10,180,398**	**10,020,562**	**20,359,144**
Loans and advances and Islamic financing, net	**-**	**-**	**101,048,972**	**101,048,972**
Positive mark to market value of derivatives	**360,697**	**-**	**-**	**360,697**
Bankers acceptances	**-**	**-**	**8,020,566**	**8,020,566**
Other assets, net	**-**	**-**	**1,127,466**	**1,127,466**
Total financial assets	**518,881**	**10,180,398**	**147,278,567**	**157,977,846**
Due to banks	**-**	**-**	**8,760,512**	**8,760,512**
Customer deposits and Islamic customer deposits	**-**	**-**	**111,353,040**	**111,353,040**
Notes and medium term borrowings	**-**	**-**	**8,982,724**	**8,982,724**
Negative mark to market value of derivatives	**345,537**	**-**	**-**	**345,537**
Due for trade acceptances	**-**	**-**	**8,020,566**	**8,020,566**
Other liabilities	**-**	**44,887**	**3,359,444**	**3,404,331**
Total financial liabilities	**345,537**	**44,887**	**140,476,286**	**140,866,710**
31 December 2024				
Cash and balances with Central Bank	-	-	16,937,638	16,937,638
Due from banks, net	-	-	5,162,042	5,162,042
Investment securities, net	180,858	6,870,064	7,539,502	14,590,424
Loans and advances and Islamic financing, net	-	-	93,048,595	93,048,595
Positive mark to market value of derivatives	584,760	-	-	584,760
Bankers acceptances	-	-	6,930,361	6,930,361
Other assets, net	-	-	872,893	872,893
Total financial assets	765,618	6,870,064	130,491,031	138,126,713
Due to banks	-	-	7,542,023	7,542,023
Customer deposits and Islamic customer deposits	-	-	97,563,467	97,563,467
Notes and medium term borrowings	-	-	6,918,163	6,918,163
Negative mark to market value of derivatives	521,395	-	-	521,395
Due for trade acceptances	-	-	6,930,361	6,930,361
Other liabilities	-	44,992	3,191,272	3,236,264
Total financial liabilities	521,395	44,992	122,145,286	122,711,673

6. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

6.2 Fair value measurement – Fair value hierarchy:

The table below shows categorisation of fair value of financial assets and liabilities into different levels of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total fair value
31 December 2025	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Investments				
Equity instruments and funds	**52,355**	**-**	**161,245**	**213,600**
Fixed and floating rate securities	**9,542,112**	**582,870**	**-**	**10,124,982**
Positive market value of forward foreign exchange contracts and other derivatives				
Fair value through profit or loss	**-**	**360,697**	**-**	**360,697**
Held for fair value hedge	**-**	**-**	**-**	**-**
Negative market value of forward foreign exchange contracts and other derivatives				
Fair value through profit or loss	**-**	**(345,537)**	**-**	**(345,537)**
Held for fair value hedge	**-**	**-**	**-**	**-**
	9,594,467	**598,030**	**161,245**	**10,353,742**
31 December 2024				
Investments				
Equity instruments and funds	59,655	113,167	181,278	354,100
Fixed and floating rate securities	5,886,176	810,646	-	6,696,822
Positive market value of forward foreign exchange contracts and other derivatives				
Fair value through profit or loss	-	584,730	-	584,730
Held for fair value hedge	-	30	-	30
Negative market value of forward foreign exchange contracts and other derivatives				
Fair value through profit or loss	-	(521,365)	-	(521,365)
Held for fair value hedge	-	(30)	-	(30)
	5,945,831	987,178	181,278	7,114,287

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

	2025	2024
	AED'000	AED'000
Balance at the beginning of year	**181,278**	164,792
Additions	**1,530**	1,480
Settlement and other adjustments	**(21,563)**	15,006
Balance as at end of year	**161,245**	181,278

6. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

6.2 Fair value measurement – Fair value hierarchy (continued):

The Level 3 financial instruments include private equity investments, and their valuations are based on the last net asset published by the fund manager. The sensitivity of the effect as a result of a change in the fair value of equity instruments under level 3, due to reasonable possible change in equity indices, with all other variables held constant, is as follows:

	Assumed level of change %	**2025 Impact on change in fair value AED'000**	2024 Impact on change in fair value AED'000
Upward Shift	5%	**8,062**	9,064
Downward Shift	5%	**(8,062)**	(9,064)

The carrying values of the financial assets and liabilities (that are not stated at fair value) are not significantly different from their fair values.

During the year there were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy above. Further, there has been no change in the valuation techniques in relation to valuation of financial instruments during the current or prior year.

6.3 Fair value measurement – Hedges

As at 31 December 2025, the Group has no cash flow or fair value hedges. Refer to note 31 for details.

7. CASH AND BALANCES WITH CENTRAL BANK

	2025	2024
	AED'000	AED'000
Cash on hand	**951,850**	1,093,528
Balances with Central Bank of the UAE ("CBUAE")		
- Statutory reserves and other deposits	**19,809,081**	13,644,110
- Negotiable certificates of deposit	**1,600,000**	2,200,000
	22,360,931	16,937,638

Cash and balances with Central Bank is classified under stage 1 as per IFRS 9. However, as the counterparty holds a good credit rating, the probability of default is considered to be low and hence the expected credit loss is considered to be immaterial.

8. DUE FROM BANKS, NET

	2025	2024
	AED'000	AED'000
Current and demand deposits	**1,404,856**	1,791,315
Overnight, call and short notice	**255,666**	650,704
Loans to banks	**3,050,468**	2,723,062
Gross due from banks	**4,710,990**	5,165,081
Less: Expected credit losses	**(10,920)**	(3,039)
Net due from banks	**4,700,070**	5,162,042
Within the UAE	**15,250**	249,981
Outside the UAE	**4,684,820**	4,912,061
	4,700,070	5,162,042

The Group's due from banks balances were classified under stage 1 and stage 2 at the reporting date (2024: classified under stage 1 and stage 2).

9. INVESTMENT SECURITIES, NET

	UAE AED'000	GCC AED'000	International AED'000	Total AED'000
31 December 2025				
Held at fair value through profit or loss				
Fixed rate non-government securities	**-**	**-**	**-**	**-**
Unquoted equity instruments	**-**	**-**	**158,184**	**158,184**
	-	**-**	**158,184**	**158,184**
Held at fair value through other comprehensive income				
Quoted equity instruments	**52,355**	**-**	**-**	**52,355**
Unquoted equity instruments and fund	**1,530**	**-**	**1,531**	**3,061**
Fixed rate securities				
- Government	**4,045,138**	**1,881,379**	**2,425,430**	**8,351,947**
- Corporate	**390,789**	**182,425**	**1,199,821**	**1,773,035**
	4,489,812	**2,063,804**	**3,626,782**	**10,180,398**
Held at amortised cost				
Fixed rate securities				
- Government	**9,726,868**	**-**	**165,233**	**9,892,101**
- Corporate	**-**	**-**	**128,466**	**128,466**
	9,726,868	**-**	**293,699**	**10,020,567**
	14,216,680	**2,063,804**	**4,078,665**	**20,359,149**
Less: Expected credit losses on amortised cost securities				**(5)**
				20,359,144
31 December 2024				
Held at fair value through profit or loss				
Fixed rate non-government securities	1,845	-	-	1,845
Unquoted equity instruments	-	-	179,013	179,013
	1,845	-	179,013	180,858
Held at fair value through other comprehensive income				
Quoted equity instruments	59,655	-	-	59,655
Unquoted equity instruments and fund	113,167	-	2,265	115,432
Fixed rate securities				
- Government	2,125,886	620,908	943,002	3,689,796
- Corporate	1,177,231	277,567	1,550,383	3,005,181
	3,475,939	898,475	2,495,650	6,870,064
Held at amortised cost				
Fixed rate securities				
- Government	5,710,626	468,430	567,112	6,746,168
- Corporate	200,736	-	592,665	793,401
	5,911,362	468,430	1,159,777	7,539,569
	9,389,146	1,366,905	3,834,440	14,590,491
Less: Expected credit losses on amortised cost securities				(67)
				14,590,424

Included in fixed rate securities held at fair value through other comprehensive income is an amount of AED 8,761.1 million (31 December 2024: AED 5,643.7 million), pledged under repurchase agreements with banks under short term and medium-term borrowings.

9. INVESTMENT SECURITIES, NET (CONTINUED)

Net gains from sale of debt investments at fair value through other comprehensive income amounted to AED 58.8 million (2024: AED 0.95 million).

As at 31 December 2025, the fair value of investment securities measured at amortised cost amounted to AED 10,027.4 million (31 December 2024: AED 7,458.3 million).

As of 31 December 2025, there are no significant concentrations of credit risk for debt securities measured at amortised cost. The carrying amount reflected above represents the Group's maximum exposure for credit risk for such assets.

During the year ended 31 December 2025, the Group has reviewed its portfolio and sold certain financial assets measure at amortized cost as a one-off event, resulting in a gain of AED 86.5 million (31 December 2024 : nil) on the sale.

9.1 Rating of fixed rate securities

The below table shows the rating of fixed rate securities:

	2025	2024
	AED'000	AED'000
Rated Aaa to Aa3	**8,882,893**	4,003,986
Rated A1 to A3	**1,091,817**	3,399,702
Rated Baa1 to Baa3	**265,859**	808,068
Rated below Baa3 or Unrated - Government	**9,616,678**	5,666,073
Rated below Baa3 - others	**288,302**	358,562
	20,145,549	14,236,391

The above represents approved ratings from External Credit Assessment Institutions (ECAIs) as per BASEL III guidelines.

The Group's Investment securities were classified under stage 1 at the reporting date (2024: classified under stage 1).

10. LOANS AND ADVANCES AND ISLAMIC FINANCING, NET

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

At Amortised Cost	2025	2024
Loans and advances	**AED'000**	AED'000
Overdrafts	**5,075,012**	5,694,419
Loans	**80,303,521**	73,379,282
Advances against letters of credit and trust receipts	**2,405,549**	2,953,685
Bills discounted	**3,528,486**	3,568,514
Gross loans and advances	**91,312,568**	85,595,900
Islamic financing		
Murabaha and Tawaruq	**6,538,873**	6,008,997
Ijara	**7,037,395**	6,209,480
Others	**490,717**	479,520
Gross Islamic financing	**14,066,985**	12,697,997
Gross loans and advances and Islamic financing	**105,379,553**	98,293,897
Less: Expected credit losses	**(4,330,581)**	(5,245,302)
Net loans and advances and Islamic financing	**101,048,972**	93,048,595

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

	Stage 1	Stage 2	Stage 3	Total
	AED'000	AED'000	AED'000	AED'000
Gross exposure at 1 January 2025	**83,571,894**	**9,396,369**	**5,325,634**	**98,293,897**
Transfers from Stage 1 to Stage 2	**(2,737,259)**	**2,737,259**	**-**	**-**
Transfers from Stage 1 to Stage 3	**(714,597)**	**-**	**714,597**	**-**
Transfers from Stage 2 to Stage 1	**1,875,731**	**(1,875,731)**	**-**	**-**
Transfers from Stage 2 to Stage 3	**-**	**(819,292)**	**819,292**	**-**
Transfers from Stage 3 to Stage 2	**-**	**353,143**	**(353,143)**	**-**
Transfers from Stage 3 to Stage 1	**8,975**	**-**	**(8,975)**	**-**
Net additions / (repayments)	**10,311,108**	**(1,212,305)**	**(26,868)**	**9,071,935**
Amounts written off	**-**	**-**	**(1,986,279)**	**(1,986,279)**
At 31 December 2025	**92,315,852**	**8,579,443**	**4,484,258**	**105,379,553**
ECL allowance at 1 January 2025	**437,901**	**880,341**	**3,927,060**	**5,245,302**
Transfers from Stage 1 to Stage 2	**(19,189)**	**19,189**	**-**	**-**
Transfers from Stage 1 to Stage 3	**(2,890)**	**-**	**2,890**	**-**
Transfers from Stage 2 to Stage 1	**140,315**	**(140,315)**	**-**	**-**
Transfers from Stage 2 to Stage 3	**-**	**(140,922)**	**140,922**	**-**
Transfers from Stage 3 to Stage 2	**-**	**238,554**	**(238,554)**	**-**
Transfers from Stage 3 to Stage 1	**8,754**	**-**	**(8,754)**	**-**
Net impairment charge	**29,720**	**(80,366)**	**749,369**	**698,723**
Recoveries/Reversals	**-**	**-**	**(62,466)**	**(62,466)**
Amounts written off and other adjustments	**-**	**-**	**(1,550,978)**	**(1,550,978)**
At 31 December 2025	**594,611**	**776,481**	**2,959,489**	**4,330,581**

10. LOANS AND ADVANCES AND ISLAMIC FINANCING, NET (CONTINUED)

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Gross exposure at 1 January 2024	73,832,602	8,325,756	6,715,706	88,874,064
Transfers from Stage 1 to Stage 2	(5,093,061)	5,093,061	-	-
Transfers from Stage 1 to Stage 3	(245,301)	-	245,301	-
Transfers from Stage 2 to Stage 1	86,658	(86,658)	-	-
Transfers from Stage 2 to Stage 3	-	(960,873)	960,873	-
Transfers from Stage 3 to Stage 2	-	2,835	(2,835)	-
Transfers from Stage 3 to Stage 1	4,404	-	(4,404)	-
Net additions / (repayments)	14,986,592	(2,977,752)	(869,781)	11,139,059
Amounts written off	-	-	(1,719,226)	(1,719,226)
At 31 December 2024	83,571,894	9,396,369	5,325,634	98,293,897
ECL allowance at 1 January 2024	435,892	734,474	4,390,392	5,560,758
Transfers from Stage 1 to Stage 2	(57,869)	57,869	-	-
Transfers from Stage 1 to Stage 3	(3,106)	-	3,106	-
Transfers from Stage 2 to Stage 1	4,001	(4,001)	-	-
Transfers from Stage 2 to Stage 3	-	(123,910)	123,910	-
Transfers from Stage 3 to Stage 2	-	1,640	(1,640)	-
Transfers from Stage 3 to Stage 1	3,451	-	(3,451)	-
Net impairment charge	55,532	214,269	605,245	875,046
Recoveries/Reversals	-	-	(31,613)	(31,613)
Amounts written off and other adjustments	-	-	(1,158,889)	(1,158,889)
At 31 December 2024	437,901	880,341	3,927,060	5,245,302

The economic sector composition of the loans and advances and Islamic financing is set out in note 35 (b).

11. INVESTMENT IN AN ASSOCIATE

Equity accounting was applied using management information available at the date of reporting.

The following is the aggregated financial information of the associate:

	2025 AED'000	2024 AED'000
Investment in associate	**126,113**	118,278

12. INVESTMENT PROPERTIES

Investment properties comprise buildings. Rental income amounting to AED 10.5 million (2024: AED 11.6 million) from investment properties leased under operating lease is recorded in other operating income. The fair value of the investment property amounted to AED 173.7 million (2024: AED 241.1 million). All of the investment properties have been categorised as level 3 under fair value hierarchy.

During 2025, an investment property with a carrying amount of AED 72.5 million was transferred for own use.

13. PROPERTY AND EQUIPMENT

Cost	**Freehold land and buildings AED'000**	**Leasehold improvements AED'000**	**Furniture, equipment & software AED'000**	**Capital work in progress (CWIP) AED'000**	**Total AED'000**
At 1 January 2025	**293,276**	**27,199**	**560,225**	**83,960**	**964,660**
Additions during the year	**72,501**	**-**	**148**	**372,828**	**445,477**
Transfers	**-**	**652**	**380,640**	**(381,292)**	**-**
Disposals / write off	**-**	**-**	**(1,395)**	**-**	**(1,395)**
At 31 December 2025	**365,777**	**27,851**	**939,618**	**75,496**	**1,408,742**
Accumulated depreciation and amortisation					
At 1 January 2025	**144,170**	**19,737**	**210,988**	**-**	**374,895**
Charge for the year	**3,108**	**2,151**	**89,349**	**-**	**94,608**
On disposals	**-**	**-**	**(1,395)**	**-**	**(1,395)**
At 31 December 2025	**147,278**	**21,888**	**298,942**	**-**	**468,108**
Net book value at 31 December 2025	**218,499**	**5,963**	**640,676**	**75,496**	**940,634**

Cost	Freehold land and buildings AED'000	Leasehold improvements AED'000	Furniture, equipment & software AED'000	Capital work in progress (CWIP) AED'000	Total AED'000
At 1 January 2024	290,161	40,213	588,792	84,871	1,004,037
Additions during the year	-	-	-	221,226	221,226
Transfers	3,115	1,482	217,540	(222,137)	-
Disposals / write off	-	(14,496)	(246,107)	-	(260,603)
At 31 December 2024	293,276	27,199	560,225	83,960	964,660
Accumulated depreciation and amortisation					
At 1 January 2024	141,331	31,647	399,216	-	572,194
Charge for the year	2,839	1,808	56,367	-	61,014
On disposals	-	(13,718)	(244,595)	-	(258,313)
At 31 December 2024	144,170	19,737	210,988	-	374,895
Net book value at 31 December 2024	149,106	7,462	349,237	83,960	589,765

The Group assessed whether there is an indication that an asset may be impaired and concluded that there was no indication of impairment as at 31 December 2025.

14. OTHER ASSETS, NET

	2025	2024
	AED'000	AED'000
Interest receivable	**879,649**	711,953
Accounts receivable and prepayments	**692,027**	566,242
Properties acquired in settlement of debt-held for sale, net	**645,498**	694,136
	2,217,174	1,972,331

Properties acquired in settlement of debt were acquired in order to extinguish a loan. During the year provision of AED 0.7 million (2024: AED 28.4 million) was charged on property acquired in settlement of debt. These properties are carried at the lower of cost or net realisable value.

15. DUE TO BANKS

	2025	2024
	AED'000	AED'000
Current and demand deposits	**180,861**	47,382
Repurchase agreements	**2,900,116**	1,981,698
Term borrowings	**5,679,535**	5,512,943
	8,760,512	7,542,023

As at 31 December 2025 the fair value of the debt securities, which have been pledged under repurchase agreements amounts to AED 3,001.6 million (31 December 2024: AED 2,190.9 million).

16. CUSTOMER DEPOSITS AND ISLAMIC CUSTOMER DEPOSITS

	2025	2024
Customer deposits by type	**AED'000**	AED'000
Current and demand accounts	**35,752,634**	30,670,486
Savings accounts	**4,208,384**	3,540,579
Other (including Escrow)	**10,306,500**	9,453,808
Time deposits	**44,506,878**	37,729,630
	94,774,396	81,394,503
Islamic customer deposits by type		
Current and demand accounts	**3,393,786**	3,255,519
Mudaraba savings accounts	**567,867**	600,716
Other (including Escrow)	**224,019**	117,792
Investment and Wakala deposits	**12,392,972**	12,194,937
	16,578,644	16,168,964
Total customer deposits and Islamic customer deposits	**111,353,040**	97,563,467

The Group maintains an investment risk reserve, which represents a portion of the depositors' share of profits set aside as a reserve for AED 8.8 million (2024: AED 8.7 million).

16. CUSTOMER DEPOSITS AND ISLAMIC CUSTOMER DEPOSITS (CONTINUED)

By sector:	2025 AED'000	2024 AED'000
Government	**16,759,236**	14,331,493
Corporate	**52,664,657**	44,119,151
Personal	**41,929,147**	39,112,823
	111,353,040	97,563,467

17. NOTES AND MEDIUM TERM BORROWINGS

		31 December 2024 AED'000	Net cash flow changes AED'000	Non cash flow changes AED'000	31 December 2025 AED'000
Repurchase agreements	17.2	2,969,688	**2,064,561**	**-**	**5,034,249**
Medium term notes	17.3	3,948,475	**-**	**-**	**3,948,475**
Total		6,918,163	**2,064,561**	**-**	**8,982,724**

		31 December 2023 AED'000	Net cash flow changes AED'000	Non cash flow changes AED'000	31 December 2024 AED'000
Syndicated loan	17.1	623,793	(624,410)	617	-
Repurchase agreements	17.2	2,969,688	-	-	2,969,688
Medium term notes	17.3	2,111,975	1,836,500	-	3,948,475
Total		5,705,456	1,212,090	617	6,918,163

17.1 Syndicated loan

In August 2019, the Group entered into a club deal of AED 624.4 million (USD 170 million) for a term of 5 years with an option to roll over on a semi-annual basis maturing in August 2024. This deal concluded in February 2024.

17.2 Repurchase agreements

The Group entered into multiple repurchase agreements transactions to obtain financing against the sale of certain debt securities. The repurchase agreements transactions details are as follows:

Purchase date	Maturity date	Fixed/ Floating	Amount in USD (millions)	Amount in AED (millions)
May-2025	May-2027	Floating	295.8	1,086.3
April-2023	April-2028	Floating	249.5	916.5
May-2025	May-2028	Floating	495.3	1,819.3
June-2025	June-2028	Floating	330.0	1,212.1

As at 31 December 2025 the fair value of the debt securities, which have been pledged under these repurchase agreements with banks, amounts to AED 5,759.4 million (USD 1,568.0 million) (31 December 2024: AED 3,452.8 million (USD 940.1 million)).

17. NOTES AND MEDIUM TERM BORROWINGS (CONTINUE)

17.3 Medium term notes

	Purchase date	Maturity date	Fixed/ Floating	Amount in USD (millions)	Amount in AED (millions)
Conventional Note	July 2021	July 2026	Floating	50.0	183.7
Conventional Note	Sept 2021	Sept 2026	Floating	25.0	91.8
Conventional Green Note	June 2023	June 2028	Fixed	500.0	1,836.5
Conventional Note	Oct 2024	Oct 2029	Fixed	500.0	1,836.5

18. OTHER LIABILITIES

	2025	2024
	AED'000	AED'000
Accrued interest payable	**1,058,221**	1,077,148
Employees' terminal benefits	**44,887**	44,992
Accounts payable	**344,227**	708,329
Accrued expenses	**251,092**	218,244
Manager cheques	**1,076,513**	573,543
Unearned fee income and deferred credits	**18,823**	39,036
Impairment allowance on financial guarantees and others	**262,936**	318,204
Current tax payable	**343,693**	295,804
Deferred tax payable	**22,762**	-
	3,423,154	3,275,300

Based on the actuarial computation of employees' terminal benefits, the obligation under the defined benefit scheme is AED 44.9 million (2024: AED 45.0 million). The actuarial gain for the year ended 31 December 2025 amounting to AED 1.7 million (2024: AED 2.5 million) has been recognised directly in other comprehensive income under Actuarial gain on retirement benefits obligations.

The table below shows the movement in the employees' terminal benefits:

	2025	2024
	AED'000	AED'000
Balances as at 1 January	**44,992**	48,522
Expense during the year	**14,610**	13,882
Actuarial gain in other comprehensive income	**(1,670)**	(2,537)
Benefits paid and adjustments during the year	**(13,045)**	(14,875)
Balances as at 31 December	**44,887**	44,992

19. EQUITY

19.1 Share capital

The fully paid up and authorised ordinary share capital as at 31 December 2025 comprised 2,985,191,949 ordinary shares of AED 1 each (31 December 2024: 2,985,191,949 shares of AED 1 each). The movement in the number of shares during the year is as follows:

	2025	2024
As at the beginning of the year	**2,985,191,949**	2,985,191,949
Bonus shares issued during the year	**-**	-
At the end of the year	**2,985,191,949**	2,985,191,949

19.2 Tier 1 capital notes

The Group had issued AED 2,203.8 million (USD 600 million) of Tier 1 Capital Securities at a price of 6% per annum on 21 October 2020. The notes are non-callable for 6 years from the issue date. The First Call Date is 21 April 2026 and are listed on Euronext Dublin and Nasdaq Dubai.

The notes are perpetual, subordinated and unsecured. The Group can elect not to pay a coupon at its own discretion. Note holders will not have a right to claim the coupon and such event will not be considered an event of default.

The accounting treatment for the securities is governed by IAS 32 Financial Instruments Presentation. As per IAS 32, the instrument qualifies as an equity instrument and the interest paid on the securities is accounted for as a deduction from retained earnings. The accounting treatment for issuing securities transaction costs are accounted for as a deduction from equity. These are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

19.3 Legal and statutory reserve

The Group's Article of Association in compliance with the UAE Federal Decree Law No. (6) of 2025 require a minimum of 10% of annual net profit to be transferred to non-distributable legal and statutory reserve, until such time as this reserve equals 50% of share capital. During the year AED Nil was transferred to legal and statutory reserve (2024: AED Nil) to meet the minimum legal and statutory reserve requirement. The legal and statutory reserve is not available for distribution except under the circumstances stipulated by the relevant laws.

19.4 General reserve

The Group's Articles of Association adopted by the General Assembly of Shareholders in its meeting held on 26 June 2016 deleted the requirement for the general reserve. Therefore, there is no requirement to transfer 10% of the annual net profit to the general reserve. The previous Group's Articles of Association, required a minimum of 10% of the annual net profit to be transferred to general reserve until such time as this reserve equals 50% of share capital. The disposition of the general reserve shall be in accordance with a resolution made by the Board of Directors.

19.5 Capital reserve

This reserve represents the inaugural value of land at the CBD head office. The reserve is available for distribution to the shareholders.

19. EQUITY (CONTINUED)

19.6 Fair value reserve

This represents the net change in the fair values of OCI investments at reporting date and actuarial changes on retirement benefits obligations. This reserve is not available for distribution to the shareholders until realised.

The reserve includes property impairment reserves amounting to AED 68.1 million (2024: 41.0 million).

19.7 Proposed distribution

As of the date of approving the consolidated financial statements, the Board of Directors' proposed a cash dividend of AED 0.5862 per share for the year (2024: AED 0.5074 per share).

20. INTEREST INCOME AND INCOME FROM ISLAMIC FINANCING

	2025	2024
	AED'000	AED'000
Interest income		
Loans and advances	**5,691,427**	5,440,347
Negotiable certificates of deposit and other deposits with the Central Bank	**451,111**	503,670
Due from banks	**57,143**	50,527
Investment securities		
- Debt securities at FVOCI	**254,747**	200,183
- Debt securities at amortised cost	**399,812**	427,291
	6,854,240	6,622,018
Income from Islamic financing		
Murabaha and Tawaruq	**377,551**	441,040
Ijara	**424,744**	480,855
	802,295	921,895
Total interest income and income from Islamic financing	**7,656,535**	7,543,913

Interest income is recognised using the effective interest rate.

21. INTEREST EXPENSE AND DISTRIBUTION ON ISLAMIC DEPOSITS

	2025	2024
Interest expense	**AED'000**	AED'000
Due to banks	**407,692**	243,614
Customer deposits	**2,101,935**	2,339,955
Notes and medium term borrowings	**422,443**	513,796
	2,932,070	3,097,365
Profit Distribution on Islamic deposits		
Islamic customer deposits	**573,209**	647,581
Total interest expense and distribution on Islamic deposits	**3,505,279**	3,744,946

Distribution on Islamic deposits represents the share of income allocated to Islamic depositors of the Group. The allocation and distribution are approved by the Group's Internal Sharia Supervision Committee (ISSC).

22. NET FEES AND COMMISSION INCOME

	2025	2024
	AED'000	AED'000
Lending activities	**528,469**	440,463
Trade finance activities	**300,038**	252,603
Account operating activities	**427,243**	410,675
Cards income and brokerage fees	**428,196**	368,148
	1,683,946	1,471,889
Cards, commissions and brokerage expenses	**(512,547)**	(356,979)
	1,171,399	1,114,910

23. OTHER OPERTING INCOME

	2025	2024
	AED'000	AED'000
Net gain from foreign exchange and derivatives	**334,495**	323,207
Net gain from investments at fair value through profit or loss	**3,521**	2,703
Net gain from sale of debt investments at fair value through other comprehensive income and other debt securities	**145,344**	951
Dividend income	**10,107**	9,758
Other income, net	**103,178**	240,312
	596,645	576,931

24. OPERATING EXPENSES

	2025	2024
	AED'000	AED'000
Depreciation and amortisation	**94,608**	61,014
General and administrative expenses	**585,381**	566,112
Staff expenses	**874,059**	776,352
	1,554,048	1,403,478

The social contributions (including donations and charity) made during the year amount to AED 3.03 million (2024: AED 1.9 million).

25. NET IMPAIRMENT LOSS

	2025	2024
	AED'000	AED'000
Net impairment charge on		
Due from banks	**7,881**	1,295
Investment securities	**(725)**	6
Loans and advances and Islamic financing	**698,723**	875,046
Other assets	**718**	29,682
Impairment allowance on financial guarantees and other commitments	**3,957**	113,343
Recoveries of loans and advances and Islamic financing	**(189,451)**	(257,190)
Net impairment loss for the year	**521,103**	762,182

26. LEASE COMMITMENTS

Group as lessee

Operating expenses include expenses related to the leases of the Group amounting to AED 5.79 million (2024: AED 7.47 million). Future minimum lease payments under non-cancellable leases as at 31 December are, as follows:

	2025	2024
	AED'000	AED'000
Less than 1 year	**8,277**	8,273
From 1 year to 5 years	**5,033**	4,995
	13,310	13,268

27. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share have been computed using the net profit (further adjusted for interest expense and transaction cost on Tier 1 capital notes) divided by the weighted average number of ordinary shares outstanding 2,985,191,949 (31 December 2024: 2,985,191,949).

	2025	2024
	AED'000	AED'000
Net profit for the year	**3,500,102**	3,029,781
Deduct : Interest on Tier 1 capital notes	**(132,228)**	(132,228)
Adjusted net profit for the year	**3,367,874**	2,897,553
Weighted average number of ordinary shares ('000)	**2,985,192**	2,985,192
Adjusted earnings per share (AED)	**1.13**	0.97

Diluted earnings per share for the year ended 31 December 2025 and 31 December 2024 are equivalent to basic earnings per share as Group has not issued any financial instruments that should be taken into consideration as it would impact earnings per share when executed.

28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in these Group consolidated statement of cash flows comprise the following consolidated statement of financial position amounts.

	2025	2024
	AED'000	AED'000
Cash on hand	**951,850**	1,093,528
Statutory reserves and other deposits	**19,809,081**	13,644,110
Negotiable certificates of deposit with Central Bank of the UAE	**1,600,000**	2,200,000
Due from banks	**4,710,989**	5,165,081
	27,071,920	22,102,719
Less: Negotiable certificates of deposit with Central Bank of the UAE with original maturity more than three months	**(1,600,000)**	(1,600,000)
Less: Due from banks with original maturity of more than three months	**(3,050,467)**	(2,723,062)
	22,421,453	17,779,657

29. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities represent credit-related commitments to extend letters of credit and guarantees which are designed to meet the requirements of the Group's customers toward third parties. Undrawn commitments represent the Group's commitments towards approved un-drawn credit facilities. The amount of contingent liabilities reflected below represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

	2025	2024
Contingent liabilities:	**AED'000**	AED'000
Letters of credit	**3,540,201**	2,748,204
Letters of guarantee	**28,107,207**	19,925,577
Total contingent liabilities	**31,647,408**	22,673,781
Undrawn commitments to extend credit	**25,488,560**	26,808,976
Capital expenditure commitments	**216,118**	161,458
Commitments for future private equity investments	**45,101**	45,101
Total contingent liabilities and commitments	**57,397,187**	49,689,316

The maximum exposure to credit risk on unfunded exposure:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
31 December 2025	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Letters of credit	**3,389,844**	**143,518**	**6,839**	**3,540,201**
Letters of guarantee	**24,621,192**	**3,201,522**	**284,493**	**28,107,207**
	28,011,036	**3,345,040**	**291,332**	**31,647,408**
Undrawn commitments	**23,977,215**	**1,511,345**	**-**	**25,488,560**
	51,988,251	**4,856,385**	**291,332**	**57,135,968**

	Stage 1	Stage 2	Stage 3	Total
31 December 2024	AED'000	AED'000	AED'000	AED'000
Letters of credit	2,595,071	150,190	2,943	2,748,204
Letters of guarantee	17,107,964	2,414,920	402,693	19,925,577
	19,703,035	2,565,110	405,636	22,673,781
Undrawn commitments	24,782,087	2,026,889	-	26,808,976
	44,485,122	4,591,999	405,636	49,482,757

In the normal course of business, certain litigations were filed by or against the Group. However based on management assessment, none of the litigations have a material impact on Group's financial results.

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

30. FIDUCIARY ASSETS

Assets held under fiduciary capacity on behalf of clients amounted to AED 11,846.1 million (2024: AED 10,478.4 million).

31. DERIVATIVES

The following table shows the positive and negative fair values of derivative financial instruments at the reporting date, together with the notional amounts, analysed by terms to maturity. The notional amount is the value of the derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and therefore, are neither indicative of the Group's exposure to credit risk nor market risk.

	Positive market value AED'000	Negative market value AED'000	Notional amount AED'000	Less than three months AED'000	From three months to one year AED'000	From one year to five years AED'000	Over Five years AED'000
31 December 2025							
Fair value hedge instruments							
Interest Rate Swaps	-	-	-	-	-	-	-
Forward foreign exchange contracts and other derivatives							
Interest rate swaps	**292,714**	**261,562**	**31,456,917**	**5,001**	**6,375,525**	**15,930,527**	**9,145,864**
Foreign exchange deals	**59,375**	**77,110**	**17,385,970**	**13,855,507**	**2,959,555**	**570,908**	-
Currency options	-	-	-	-	-	-	-
Interest rate options	**8,608**	**6,865**	**4,758,771**	-	**129,570**	**4,629,201**	-
	360,697	**345,537**	**53,601,658**	**13,860,508**	**9,464,650**	**21,130,636**	**9,145,864**

31. DERIVATIVES (continued)

	Positive market value AED'000	Negative market value AED'000	Notional amount AED'000	Less than three months AED'000	From three months to one year AED'000	From one year to five years AED'000	Over Five years AED'000
31 December 2024							
Fair value hedge instruments							
Interest Rate Swaps	30	30	18,750	-	18,750	-	-
Forward foreign exchange contracts and other derivatives							
Interest rate swaps	480,127	425,382	27,488,928	559,379	1,756,856	17,067,169	8,105,524
Foreign exchange deals	86,817	80,484	13,899,011	10,466,320	3,432,384	307	-
Currency options	515	105	-	-	-	-	-
Interest rate options	17,271	15,394	2,648,510	208,000	622,506	1,649,846	168,158
	584,760	521,395	44,055,199	11,233,699	5,830,496	18,717,322	8,273,682

32. SEGMENTAL REPORTING

The Group uses business segments for presenting its segment information, which is based on the Group's management and internal reporting structure that are regularly reviewed by the Executive Committee in order to allocate resources to the segment and to assess its performance. From time-to-time restatements are made based on business structures and combination changes. During the year, there have been no material changes to the organisation structure and the portfolio allocation to the business segments.

The business segments pay to and receive interest from the Treasury to reflect the allocation of funding costs. Interest is charged or credited to business segments and branches to match funding at transfer pricing rates which approximate the cost of funds.

Business segments

Institutional banking	Includes loan and other credit facilities, deposits, trade finance products and e-commerce solutions to institutional clients (including Government related entities).
Corporate banking	Includes loans, working capital financing, trade finance and deposits products to corporate (mid-sized and emerging) clients.
Personal banking	Includes current accounts, easy access saving accounts, fixed rate deposit accounts, personal loans, overdraft facilities, vehicle finance, mortgage products, loans and other credit facilities to small business and retail clients. It also includes the enterprise wide liabilities unit serving non-borrowing wholesale and small business clients.
Trading & Other	Undertakes balance sheet management deals and manages the Group's proprietary investment portfolio. It also has derivatives for trading and risk management purposes.

Geographical

The Group operates in one geographic area, the United Arab Emirates.

	Institutional banking	Corporate banking	Personal banking	Trading & Other	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
31 December 2025					
Assets	**43,853,649**	**42,883,796**	**27,480,817**	**46,089,739**	**160,308,001**
Liabilities	**52,430,028**	**23,461,849**	**46,825,569**	**18,168,087**	**140,885,533**
31 December 2024					
Assets	39,510,834	43,874,472	21,266,692	35,523,320	140,175,318
Liabilities	45,121,107	21,716,980	40,837,058	15,075,564	122,750,709

32. SEGMENTAL REPORTING (CONTINUED)

	Institutional banking AED'000	Corporate banking AED'000	Personal banking AED'000	Trading & Other AED'000	Total AED'000
31 December 2025					
Net interest income and net income from Islamic financing	**963,092**	**1,293,086**	**1,773,208**	**121,870**	**4,151,256**
Non-interest & other income	**457,496**	**346,169**	**677,198**	**287,181**	**1,768,044**
Total operating income	**1,420,588**	**1,639,255**	**2,450,406**	**409,051**	**5,919,300**
Operating expenses	**(284,260)**	**(298,489)**	**(917,104)**	**(54,195)**	**(1,554,048)**
Net impairment loss	**120,668**	**(441,776)**	**(203,917)**	**3,922**	**(521,103)**
	(163,592)	**(740,265)**	**(1,121,021)**	**(50,273)**	**(2,075,151)**
Net profit for the year before income tax expense	**1,256,996**	**898,990**	**1,329,385**	**358,778**	**3,844,149**
Income tax expense	**(112,500)**	**(80,458)**	**(118,978)**	**(32,111)**	**(344,047)**
Net profit for the year	**1,144,496**	**818,532**	**1,210,407**	**326,667**	**3,500,102**
31 December 2024					
Net interest income and net income from Islamic financing	926,215	1,271,332	1,484,120	117,300	3,798,967
Non-interest & other income	405,558	387,511	649,832	248,940	1,691,841
Total operating income	1,331,773	1,658,843	2,133,952	366,240	5,490,808
Operating expenses	(268,007)	(314,911)	(770,142)	(50,418)	(1,403,478)
Net impairment loss	(58,063)	(547,911)	(87,733)	(68,475)	(762,182)
	(326,070)	(862,822)	(857,875)	(118,893)	(2,165,660)
Net profit for the year before income tax expense	1,005,703	796,021	1,276,077	247,347	3,325,148
Income tax expense	(89,277)	(72,282)	(111,322)	(22,486)	(295,367)
Net profit for the year	916,426	723,739	1,164,755	224,861	3,029,781

The following is an analysis of the total operating income of each segment between income from external parties and inter-segment:

	External parties		Inter-segment	
	2025	2024	**2025**	2024
	AED'000	AED'000	**AED'000**	AED'000
Institutional banking	**1,098,589**	781,453	**321,999**	550,320
Corporate banking	**2,668,785**	2,999,301	**(1,029,530)**	(1,340,458)
Personal banking	**1,531,188**	1,032,801	**919,218**	1,101,151
Trading & Other	**620,738**	677,253	**(211,687)**	(311,013)
Total operating income	**5,919,300**	5,490,808	**-**	-

33. RELATED PARTY TRANSACTIONS AND BALANCES

As at 31 December 2025 and 31 December 2024, the Investment Corporation of Dubai ("ICD") owns 20% share capital of the Group. ICD is a wholly-owned entity by the Government of Dubai (the "Government"). The Group applies the exemption in IAS 24 Related Party Disclosures that allows to present reduced related party disclosures regarding transactions with government related parties.

The Group in the ordinary course of business enters into transactions with major shareholders, directors, key management personnel and their related entities. The terms of these transactions are approved by the Group's Board of Directors. Transactions with such related parties are made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with external customers and parties.

	Directors and key management personnel		**Government related parties**		**Other related parties**	
	2025	2024	**2025**	2024	**2025**	2024
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
Due from banks	**-**	-	**183,650**	323,460	**-**	-
Loans and advances and Islamic financing	**53,184**	69,348	**31,800**	207,403	**2,113,238**	3,327,045
Investment securities, net	**-**	-	**346,599**	554,518	**-**	-
Bankers acceptances	**-**	-	**1,812**	-	**254,677**	293,009
Letters of credit	**-**	-	**7,251**	1	**268,552**	267,526
Letters of guarantee	**-**	-	**270,447**	174,252	**503,448**	400,400
Undrawn commitments to extend credit	**4,016**	1,846	**725,336**	796,575	**578,275**	276,261
Due to banks	**-**	-	**12,817**	35,880	**-**	-
Customer deposits and Islamic customer deposits	**385,698**	183,367	**7,193,683**	6,325,647	**1,631,131**	1,255,042
Interest income and commission income	**5,181**	5,562	**4,190**	38,731	**177,762**	253,250
Interest expense	**10,031**	3,207	**300,368**	268,431	**50,749**	90,970
Dividend from an associate	-	-	-	-	**13,173**	6,653

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

Other related parties represent major shareholders and parties related to directors, key management personnel.

Directors' sitting fees for attending committee meetings during the year ended 31 December 2025 amounted to AED 3.8 million (2024: AED 3.2 million).

Directors' remuneration paid during the year amounted to AED 27.3 million (2024: AED 23.0 million).

	2025	2024
Key management compensation	**AED'000**	AED'000
Salaries	**30,966**	29,214
Post-employment benefits	**1,165**	1,181
Other benefits	**25,454**	68,871

34. RISK MANAGEMENT OBJECTIVES AND POLICIES

34.1 Risk Governance

The Board of Directors (the "Board") has the overall responsibility for the operations and the financial stability of the Group, and ensures that the interests of shareholders, depositors, creditors, employees and other stakeholders, including the banking regulators and supervisors, are addressed. The Board is responsible for strategic direction, oversight of management and satisfying itself there are adequate controls with the ultimate objective of promoting the success and long-term value of the Group. The Board is also responsible for the overall risk governance framework, management, determining risk strategy, setting the Group's risk appetite and ensuring that risk exposure is monitored, controlled effectively and kept within set limits. Additionally, it is responsible for establishing a clearly defined risk management structure and for the approval of the risk policies and procedures as well as management of all risks related to the Group.

In order to effectively discharge this responsibility the Board is assisted by various Board Committees, namely the Board Credit & Investment Committee (BCIC), Board Strategy Committee (BSC), Board Risk and Compliance Committee (BRCC), Board Audit Committee (BAC) and the Remuneration, Nomination and Governance Committee (REMCO).

Senior Management actively manages risk, primarily through the Risk Department with oversight by the Executive Committee (EXCO), Assets & Liabilities Committee (ALCO), Credit Committee (CC), Project Investment Committee (PIC), Risk Management and Compliance Committee (RMCC), Human Resources Committee (HRC), Operational Risk Management Committee (ORMC), Sustainability Council (ESG Council), Model Oversight Committee (MOC), IFRS 9 Provisions Committee (IFRS 9 PC) and the Internal Sharia Supervision Committee (ISSC).

34.2 Control Environment

a) Group Risk

The Group Risk Management Department comprises of the following areas: Enterprise Risk Management, Treasury Risk, Operational Risk including Technology Risk and Business Continuity Management, Information Security Risk, Risk Governance and Sustainability, Sharia Non-Compliance Risk and Fraud Risk Management. The core responsibilities include the following:

- The upkeep of the Risk Management Framework and risk appetite in accordance with the strategic plan approved by the Board and regulatory requirements;
- Performing the Group's Internal Capital Adequacy Assessment Process (ICAAP) - including the Material Risk Identification Process - Capital Management analysis, the development of Pillar II capital assessment models and conducting Stress Testing;
- Providing the independent assessment of, and challenge to the business areas' risk management and profiles to ensure that they are maintained in a robust manner;
- Acting as a point of reference for risk and control matters, providing advice to management, sharing best practices and carrying out special reviews as directed by RMCC and the ALCO, and highlighting emerging risks.
- Conducting assurance reviews on the 1st line of defense activities including risk and control self-assessments, control testing and the appropriate adoption of risk policies.
- Providing operational resilience - protecting Group and customer information assets from cybersecurity risks and ensuring that critical functions can be maintained should a disruptive event occurs;
- Centrally managing the Group's policies to ensure timely review and approval in accordance with regulatory and internal deadlines;

34. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

34.2 Control Environment (continued)

a) Group Risk (continued)

- Formulating and managing the Group's Model Risk management approach, ensuring appropriate governance controls are in place and in line with internal and regulatory expectations;
- Providing independent and continuous oversight of the Credit Risk Function by ensuring Credit Risk is acquired in accordance with internal policies and regulations, and that the Bank remains within its set Credit Risk Appetite.
- Framing and introducing necessary controls to identify, assess and monitor the Group's exposure to Market Risk.

b) Internal Audit

The role of the Internal Audit Department within the Group is to provide independent and objective assurance that the processes for identifying, evaluating and managing significant risks faced by the Group are appropriate and effectively applied. In addition, it also provides an independent assurance on the compliance with key laws and regulations and assessing compliance with the Group's policies and procedures. Additionally, Internal Audit provides consulting services which are advisory in nature, and are generally performed at the specific request of the BAC or Management.

It is led by the Chief Internal Audit Officer who reports to the BAC of the Board of Directors, with an administrative reporting to the Chief Executive Officer of the Group.

To perform its role effectively, Internal Audit has organisational independence from management, to enable unrestricted evaluation of management activities and personnel. The Internal Audit Charter empowers it to have full, free and effective access at all reasonable times to all records, documents and employees of the Group. Internal Audit has direct access to the Chairman of the BAC and the Chief Executive Officer of the Group.

To determine whether the Internal Audit Function is functioning effectively, the BAC shall:

- Assess the appropriateness of the Internal Audit Charter;
- Assess the adequacy of resources available, both in terms of skills and funding once each year;
- Sponsor external assessments, at least once every five (5) years, by a qualified, independent external reviewer.
- Approve the terms of employment of the Chief Internal Audit Officer .
- Monitor and review the effectiveness of the Internal Audit function and the independence and objectivity of the internal auditors.

c) Internal Control

Board of Directors and management are responsible for developing and maintaining the existence of a sound internal control system and procedures that meet international standards and fulfill the requirements of the Group's management and external regulatory bodies. The internal control system should be capable of ensuring the achievement of the following:

- Accuracy and integrity of financial and operational statements issued by the Group;
- Effectiveness and efficiency of the Group's operational activities;
- Effectiveness of measures and procedures set to safeguard the Group's assets and properties; and
- Compatibility with laws, legislations and regulations in force as well as policies pertinent to internal operational procedures.

Senior management constantly monitors and assesses the efficiency and effectiveness of internal control procedures and their ability to achieve stated objectives and their furtherance and enhancement.

34. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

34.2 Control Environment (continued)

c) Internal Control

The processes and responsibilities of the Internal Control functions include but are not limited to:

- Ensuring that the Group's operational policies, processes and controls are adhered to;
- Ensuring that proper internal controls are in place and that they are functioning as designed in a timely and effective manner;
- Periodic review of the Group's internal control system in order to identify areas where internal controls may be weak, not present and areas where there appear to be excessive controls resulting in operational inefficiency so as to suggest ways to rectify the same;
- Enabling the management to conduct an annual review of the efficiency of the internal control system and report its findings; and
- Monitoring of operational activities and overseeing operational controls being exercised to ensure that these are timely and effective.

d) Compliance

Compliance risk is defined by the Basel Committee as "the risk of legal or regulatory sanctions, financial loss, or loss to reputation that a Group may suffer as a result of its failure to comply with all applicable laws, regulations, codes of conduct and standards of good practice".

The process of monitoring compliance is an independent task which aims at ensuring that the Group, which includes the Bank and its regulated subsidiaries, operates in compliance with applicable laws, regulations, instructions, directives and circulars, issued by relevant authorities as well as prevailing market practices and ethical standards.

The Board of Directors oversees management of Compliance risk within the Group and takes necessary measures to set and promote a culture of compliance with the letter and spirit of applicable laws, rules, standards, ethical and professional conduct values when conducting the business of the Group.

The mission and role of the Group Compliance department is to:

- Ensure Compliance risk is adequately identified, assessed, monitored and mitigated in conjunction with Business and other control functions;
- Ensure senior management and the Board are fully informed of significant compliance issues and plans for resolution;
- Implement an effective control framework to manage market conduct risk and ensure compliance with the Consumer Protection Regulation and Standards, mitigating potential regulatory and financial threats, and maintaining the Bank's integrity and reputation by treating consumers fairly and ethically.
- Ensure compliance with applicable laws, rules and regulations, and maintain proactive communication with regulatory authorities.
- Contribute to a "no surprise" compliance culture by educating and communicating compliance awareness on Compliance matters throughout the Group;
- Conduct independent reviews of selected processes and controls across the Group to ensure that key regulatory obligations are met and that key controls operate effectively;
- Develop annual compliance plans which set out compliance priorities for the Group and align compliance plans with business strategies and goals; and
- Develop frameworks and support the business in meeting applicable regulatory requirements, including Anti-Money Laundering (AML), Combatting the Financing of Terrorism (CFT), Targeted Financial Sanctions and Proliferation Financing (TFS and PF), Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS), Market Conduct and Consumer Protection requirements.

34. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

34.2 Control Environment (continued)

e) Whistle Blowing

A set of arrangements has been designed to enable employees and customers to confidentially report concerns about any potential violations or misconduct, enabling the investigation and follow up of such concerns in an independent and confidential manner. Such arrangements are supervised by the Board in coordination with the senior management.

f) Fraud Risk Management

The Group's dedicated Fraud Risk Management Unit is integral to maintaining the integrity and security of its operations. This unit is tasked with identifying, detecting, and verifying potential or actual fraud incidents, as well as enhance assurance activities and ensure Fraud Risk concerns are addressed early and appropriately in project and change management processes. The overarching goal is to manage and reduce the susceptibility of the Group's assets and processes to fraud risk, while raising fraud awareness among employees, customers, and other stakeholders.

34.3 Disclosure policy

The Group has laid down the disclosure policy to ensure compliance with all regulations and guidelines issued by Central Bank of the UAE (CBUAE), International Financial Reporting Standards (IFRS), Securities and Commodities Authority (SCA) and Dubai Financial Market (DFM).

The following are the key features of the Group's disclosure policy concerning disclosure of financial information:

a) Materiality thresholds

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement, and / or any material information that might affect the share price. The Group, in order to ensure adequate disclosure lays down qualitative materiality threshold, so that no material information is omitted or misstated; at the same time it does not jeopardise its competitive position.

b) Control framework

In order to ensure true and fair disclosure, the Group has established controls including detailed procedures for finalisation and review of financial disclosures.

c) Frequency and medium of disclosure

Interim financial results are disclosed on a quarterly basis while complete consolidated financial statements complying with the requirements of IFRS, Basel III Pillar 3, relevant laws of the UAE, SCA requirement and other guidelines from CBUAE are made on annual basis. Disclosures of material non-public financial information are made as follows:

- Uploading quarterly reviewed and annual audited consolidated financial statements to DFM, SCA, Nasdaq Dubai and the Group's websites;
- Management discussion and analysis in Arabic and English newspapers in a manner that ensures wide dissemination;
- Publication of the annual report which includes audited consolidated financial statements, list of names of members of the Board of Directors, senior executives and names of wholly or partially owned subsidiaries; and

34. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

34.3 Disclosure policy (continued)

c) Frequency and medium of disclosure (continued)

- Investor's pack is presented on Group's website on a quarterly and annual basis.
- Uploading quarterly reviewed Basel III, Pillar 3 disclosures to the Group's website.

35. FINANCIAL RISK MANAGEMENT

a) Introduction and overview

Risk is inherent to the Group's business and operating activities. The Group's Risk Management Framework sets out the governance and risk management techniques to enable risk identification, assessment and the ongoing monitoring and management of each risk-type to which the Group is exposed. These activities contribute to the Group's overall financial and operational stability, performance and reputation.

As determined by the Group's Material Risk Identification Process, the main risk-types that the Group is exposed to are as follows:

- Credit (including concentration risk and residual risk)
- Market Risk and Counterparty Credit Risk
- Operational Risk (including Environmental, Social, and Governance (ESG) Risk, Cybersecurity Risk and Business Resilience Risk)
- Interest Rate Risk in the Banking Book (IRRBB)
- Strategic Risk
- Reputational Risk
- Regulatory Compliance & Financial Crime
- Market Conduct Risk
- Legal Risk
- Model Risk
- Liquidity Risk
- Real Estate Investment Risk
- Sharia Non-Compliance Risk
- Climate Risk
- Macroeconomic Risk
- Settlement Risk

The Board Risk and Compliance Committee (BRCC) is responsible for overseeing the management of risk through the Group Risk Management Framework. A key risk management technique is Risk Appetite setting that commences with the Board's articulation of accepted and tolerated levels of risk and return on an enterprise-wide basis. Other key techniques include Policies and Procedures, Internal Capital Adequacy Assessment Process, Internal Controls – including Risk and Control Assessments and Control testing, Limits and Key Risk Indicator Monitoring & Reporting and Stress Testing.

The Group's BRCC is assisted by the Risk Management and Compliance Committee (RMCC). The RMCC is responsible for monitoring compliance with the Group's Risk Management policies and procedures, including the ongoing review of the adequacy of the Risk Management Framework. The RMCC provides risk performance updates to the BRCC and recommends key risk policies for approval.

Formal RMCC sub committees are in place for certain risk categories where there is a cross risk element to the activity or by exception. The sub-committees include the Model Oversight Committee and the Operational Risk Committee.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Introduction and overview (continued)

Treasury Risk is overseen by the Asset and Liability Committee.

Environmental, Social, and Governance Risks including Climate Risk are overseen by the Sustainability Council.

All Group polices are prepared as per the requirements set out in the Policy Management Framework. Risk policies are established to manage principal risks taken, in accordance with the approved risk-appetite and typically include limits, delegations and requirements for reporting and monitoring.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training, management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

b) Credit risk

Credit risk refers to the risk of financial loss faced by the Group due to the failure of a customer or counterparty to a financial instrument to fulfill their contractual obligations. This risk primarily arises from the Group's loans and advances, Islamic financing, other financial assets, loan commitments, financial guarantee contracts, and amounts due from banks. For reporting purposes, credit risk related to loan commitments and financial guarantee contracts is included as part of the credit risk on loans and advances and Islamic financing. From a risk management perspective, credit risk associated with investment securities held at FVPL is managed independently.

i. *Management of credit risk*

Credit Committee (CC) manages the credit risk of the Group by continuous review and update of the following:

- Overseeing implementation of credit and lending strategies within approved risk and policy frameworks.
- Periodically reviewing credit policy and portfolio, considering bank objectives and external changes.
- Reviewing and deciding on credit applications within delegated authority.
- Recommending credit applications above authority level to the Board Credit & Investment Committee (BCIC) for final decision.
- Regularly assessing the quality and performance of the credit portfolio.
- Reviewing and revising strategies for classified accounts as needed.
- Overseeing management of credit concentration risks.
- Approving CCO's delegation of approval authority to qualified individuals.
- Reviewing risks from new strategies, products, or terms affecting the credit portfolio.
- Submitting periodic updates to the BCIC as required.
- Delegating authority to subcommittees and assigning special responsibilities as needed.

Furthermore, The Group had established an independent Credit Risk Assurance Unit (CRAU) function under the purview of the Chief Risk Officer (CRO), as required by the Credit Risk Management Regulation with a primary role to protect the Group from credit risks that are inconsistent with the Risk Appetite and policies. CRAU is responsible for defining and maintaining credit risk policies to monitor and review credit risk throughout the credit facility lifecycle. It ensures that credit risk is identified, measured, reported, mitigated and remains within the Bank's Risk Appetite. Additionally, it reviews material defaulted credit facilities and provides regular updates to senior management and the board. The CRAU unit does not participate in decision making related to credit risk.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

ii. *Internal credit risk ratings*

In order to effectively manage credit risk, the Group has developed and maintains a credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk increases. As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored, and the credit risk grade is updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure.

The following data are typically used to monitor the customer risk profile:

- Financial statement analysis;
- Payment record and ageing analysis;
- Extent of utilisation of granted limit;
- Forbearances (both requested and granted);
- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies;
- For retail exposures: internally and externally generated data of customer behaviour, affordability metrics etc.; and
- For corporate exposures: information obtained by periodic review of customer files including audited financial statements review and where available changes in the business sector the customer operates in etc.

The Group uses credit risk grades as a primary input into the determination of the probability of default (PD) for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading.

The Group analyses all data collected using statistical models and estimates the remaining lifetime PD of exposures and how these are expected to change over time. The factors taken into account in this process include macro-economic data such as Economic Composite Index (ECI), Oil price per barrel (OPB), hotel occupancy and house prices. The Group generates a ‘base case’ scenario of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The Group then uses these forecasts, which are probability-weighted, to adjust its estimates of PDs.

The Group uses different criteria to determine whether credit risk has increased significantly for each obligor. The criteria used are both quantitative changes in PDs as well as qualitative.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

ii. *Internal credit risk ratings (continued)*

The Group has monitoring procedures in place to make sure that the criteria used to identify significant increase in credit risk are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted. The Group performs periodic testing of its ratings to consider whether the drivers of credit risk that led to default were accurately reflected in the rating in a timely manner.

Loss Given Default is the loss expected to arise on default, incorporating the impact of forward-looking economic assumptions where relevant, which represents the difference between the contractual cash flows due and those that the Group expects to receive. The Group estimates LGD based on history of recovery rates and considers the valuation of any collateral that is integral to the financial asset, considering forward-looking economic assumptions where relevant.

iii. *Measurement of ECL*

As explained in note 3.1.1 (e), the Group measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk. However, for financial instruments such as credit cards and overdraft facilities that include both a loan and an undrawn commitment component, the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. For such financial instruments the Group measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions. These financial instruments do not have a fixed term or repayment structure and have a short contractual cancellation period. However, the Group does not enforce in the normal day-to-day management the contractual right to cancel these financial instruments. This is because these financial instruments are managed on a collective basis and are cancelled only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take to mitigate ECL, e.g. reduction in limits or cancellation of the loan commitment. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance to terminate a loan commitment or guarantee.

iv. *Restructured loans*

Loans with renegotiated terms are defined as loans that have been restructured due to a deterioration in the borrower's financial position (Distressed Restructuring), for which the Group has made concessions by agreeing to terms and conditions that are more favorable for the borrower than the Group had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, early repayment or write-off. Management continuously monitors the progress on renegotiated loans to ensure compliance with the terms at all times.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

v. *Exposure to credit risk*

The Group measures its exposure to credit risk by reference to gross carrying amount of financial assets less interest suspended and expected credit allowances, if any.

	Stage 1	**Stage 2**	**Stage 3**	**Total**
31 December 2025	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Due from banks				
Performing	**4,284,004**	**426,986**	**-**	**4,710,990**
Expected credit losses allowance	**(4,066)**	**(6,854)**	**-**	**(10,920)**
Net carrying amount	**4,279,938**	**420,132**	**-**	**4,700,070**
Loans and advances				
Performing	**92,315,852**	**8,579,443**	**-**	**100,895,295**
Non-performing	**-**	**-**	**4,484,258**	**4,484,258**
Expected credit losses allowance	**(594,611)**	**(776,481)**	**(2,959,489)**	**(4,330,581)**
Net carrying amount	**91,721,241**	**7,802,962**	**1,524,769**	**101,048,972**

	Stage 1	Stage 2	Stage 3	Total
31 December 2024	AED'000	AED'000	AED'000	AED'000
Due from banks				
Performing	4,891,442	273,639	-	5,165,081
Expected credit losses allowance	(1,207)	(1,832)	-	(3,039)
Net carrying amount	4,890,235	271,807	-	5,162,042
Loans and advances				
Performing	83,571,894	9,396,369	-	92,968,263
Non-performing	-	-	5,325,634	5,325,634
Expected credit losses allowance	(437,901)	(880,341)	(3,927,060)	(5,245,302)
Net carrying amount	83,133,993	8,516,028	1,398,574	93,048,595

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

v. *Exposure to credit risk (continued)*

The stage 1 and stage 2 are performing loans having credit risk grading 1 – 19 while stage 3 are predominantly non-performing loans having grades 20 – 22, or other uncured indicators of default.

The borrower risk ratings are mapped into the following buckets as below:

31 December 2025	**Stage 1 AED'000**	**Stage 2 AED'000**	**Stage 3 AED'000**	**Total AED'000**
Loans and advances and Islamic financial, net				
1-10 (Strong Credit Risk ratings)	**16,767,144**	**195,446**	**-**	**16,962,590**
11-14 (Good Credit Risk ratings)	**66,472,689**	**3,038,473**	**-**	**69,511,162**
15-19 (Moderate to Weaker Credit Risk ratings)	**9,076,019**	**5,345,524**	**-**	**14,421,543**
20 - 22 (Default non-performing loans)	**-**	**-**	**4,484,258**	**4,484,258**
Gross loans and advances and Islamic financing	**92,315,852**	**8,579,443**	**4,484,258**	**105,379,553**
Expected credit losses	**(594,611)**	**(776,481)**	**(2,959,489)**	**(4,330,581)**
Net loans and advances and Islamic financing	**91,721,241**	**7,802,962**	**1,524,769**	**101,048,972**

31 December 2024	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Loans and advances and Islamic financial, net				
1-10 (Strong Credit Risk ratings)	15,552,249	528,176	-	16,080,425
11-14 (Good Credit Risk ratings)	60,415,170	1,689,107	-	62,104,277
15-19 (Moderate to Weaker Credit Risk ratings)	7,604,475	7,179,086	-	14,783,561
20 - 22 (Default non-performing loans)	-	-	5,325,634	5,325,634
Gross loans and advances and Islamic financing	83,571,894	9,396,369	5,325,634	98,293,897
Expected credit losses	(437,901)	(880,341)	(3,927,060)	(5,245,302)
Net loans and advances and Islamic financing	83,133,993	8,516,028	1,398,574	93,048,595

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

vi. *Impairment reserve under Central Bank of the UAE (CBUAE) guidance*

The CBUAE has issued its IFRS 9 guidance addressing various implementation challenges and practical implications for Banks adopting IFRS 9 in the UAE ("the guidance").

Pursuant to clause 9.21 of the guidance, the reconciliation between general and specific provision under Circular 3/2024 of CBUAE and IFRS 9 is as follows:

	2025	2024
Allowances for impairment losses: General	**AED'000**	AED'000
General provisions under Circular 3/2024 of CBUAE	**1,618,868**	1,480,195
Less: Stage 1 and Stage 2 provisions under IFRS 9	**1,644,805**	1,497,035
General provision transferred to the impairment reserve*	**-**	-

*In the case where provisions under IFRS 9 exceed provisions under CBUAE, no amount shall be transferred to the impairment reserve.

Provisions had been modelled and aligned with the Credit Risk Management in compliance with the Credit Risk Management Regulation and accompanying standards Circular No. 3/2024 issued by Central Bank of UAE and dated 25 July 2024.

vii. *Allowances for impairment*

As discussed above in the significant increase in credit risk section, under the Group's monitoring procedures, a significant increase in credit risk is identified before the exposure has defaulted and at the latest when the exposure becomes 30 days past due. This is the case mainly for loans and advances to customers and more specifically for retail lending exposures because for corporate lending and other exposures there is more borrower-specific information available which is used to identify significant increase in credit risk.

Assets carried at fair value through profit or loss are not subject to ECL, as the measure of fair value reflects the credit quality of each asset.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

vii. *Allowances for impairment (continued)*

The Group monitors concentrations of its impaired loans by sector and by geographic location. An analysis of concentrations of impaired (excluding restructured / under restructuring) loans by sector is shown below:

31 December 2025	**Impaired loans AED'000**	**Collateral AED'000**	**Specific provision and interest in suspense AED'000**
Manufacturing	**546,111**	**209,438**	**431,103**
Construction	**805,320**	**238,134**	**661,836**
Real estate	**962,675**	**850,086**	**458,486**
Trade	**51,124**	**21,764**	**31,285**
Transportation and storage	**2**	**-**	**2**
Services	**723,716**	**533,154**	**439,258**
Hospitality	**283,980**	**167,972**	**197,165**
Financial and insurance activities	**8,936**	**8,936**	**89**
Personal - mortgage	**766,512**	**520,659**	**473,862**
Personal - schematic	**84,890**	**55,995**	**37,453**
Individual loans for business	**21,619**	**14,191**	**14,774**
Others	**229,373**	**-**	**214,176**
Total carrying amount	**4,484,258**	**2,620,329**	**2,959,489**

31 December 2024	Impaired loans AED'000	Collateral AED'000	Specific provision and interest in suspense AED'000
Manufacturing	410,425	257,912	258,077
Construction	1,766,469	299,373	1,655,093
Real estate	1,220,393	961,036	705,982
Trade	53,529	13,408	47,128
Transportation and storage	9,784	-	9,783
Services	417,532	117,583	346,257
Hospitality	349,980	194,078	235,441
Financial and insurance activities	16,648	16,439	3,058
Personal - mortgage	120,985	114,996	60,784
Personal - schematic	829,213	665,154	441,079
Individual loans for business	21,790	14,386	19,019
Others	108,886	1,013	145,359
Total carrying amount	5,325,634	2,655,378	3,927,060

All impaired loans are located in one geographic area i.e. the United Arab Emirates. The value of collateral is restricted to lower of loan exposure or realisable value of the collateral.

The gross carrying value of unfunded exposures pertaining to impaired loans amounted to AED 359.4 million (2024: AED 406.4 million).

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

viii. *Write - off policy*

The Group writes off a loan / investment in debt security in full or in part when the Board Risk and Compliance Committee (BRCC) determines that the relevant loan / security is uncollectible in full or in part. This determination is typically reached after monetisation of all available collateral and a detailed validation that the borrower's / issuer's financial position such that the borrower / issuer can no longer pay the residual obligation or proceeds from collateral will not be sufficient to pay back the entire exposure and all possible efforts of collecting the amounts have been exhausted.

For smaller balances of standardised retail loans, write-off decisions are generally based on a product-specific past due status.

ix. *Collateral*

The Group holds collateral against loans and advances in the form of cash, guarantees, mortgages and liens over properties or other securities over assets. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are subsequently monitored and updated on a periodic basis. Generally, collateral is not held against debt securities and amounts due from banks and no such collateral was held on 31 December 2025 or 2024.

Analysis of collateral by type is presented in the following table:

	2025	2024
	AED'000	AED'000
Pledged deposits	**1,937,337**	1,788,858
Properties	**37,386,697**	36,841,162
Mortgages	**904,190**	1,144,213
Pledge of shares	**1,614,378**	1,450,440
Bank guarantees	**503,332**	234,851
Gold	**83,895**	93,711
Total collaterals	**42,429,829**	41,553,235

The above represents collateral value restricted to the lower of loan balance or collateral value.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

x. *Concentration*

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The following tables set out the concentration of credit risk by sector, geography and currency.

Concentration of credit risk by sector for 2025:

	Loans and advances and Islamic financing	Due from banks	Debt securities	Equity securities and fund of funds	Cash, balances with Central bank and other assets	Total funded exposures	Undrawn commitments	Acceptances and contingent liabilities
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Manufacturing	10,426,803	-	276,029	-	-	10,702,832	2,146,214	1,786,385
Construction	3,581,103	-	-	-	-	3,581,103	2,088,594	18,936,309
Real estate	17,314,529	-	-	-	-	17,314,529	2,799,958	2,534,517
Trade	10,451,076	-	-	-	-	10,451,076	5,786,644	11,402,631
Transportation and storage	2,824,828	-	17,420	-	-	2,842,248	444,857	103,943
Services	7,067,328	-	54,722	53,885	-	7,175,935	1,303,332	1,318,872
Hospitality	1,714,723	-	-	-	-	1,714,723	596,599	79,772
Financial and insurance activities	10,690,988	4,710,990	1,241,389	159,715	126,113	16,929,195	2,442,182	1,389,882
Government entities	5,775,186	-	17,505,962	-	21,409,081	44,690,229	257,403	3,010
Personal - mortgage	20,254,597	-	-	-	-	20,254,597	175,284	-
Personal - schematic	5,588,981	-	-	-	-	5,588,981	5,331,622	897
Individual loans for business	816,024	-	-	-	-	816,024	455,096	2,954
Others	8,873,387	-	1,050,027	-	4,341,405	14,264,819	1,660,775	2,108,802
Total carrying amount	**105,379,553**	**4,710,990**	**20,145,549**	**213,600**	**25,876,599**	**156,326,291**	**25,488,560**	**39,667,974**

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

x. *Concentration (continued)*

Concentration of credit risk by sector for 2024:

	Loans and advances and Islamic financing	Due from banks	Debt securities	Equity securities and fund of funds	Cash, balances with Central bank and other assets	Total funded exposures	Undrawn commitments	Acceptances and contingent liabilities
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Manufacturing	8,887,163	-	311,224	-	-	9,198,387	1,825,769	1,431,697
Construction	4,566,934	-	-	-	-	4,566,934	1,013,009	12,451,026
Real estate	17,820,829	-	-	-	-	17,820,829	3,130,206	1,615,574
Trade	10,727,374	-	-	-	-	10,727,374	5,967,992	9,565,032
Transportation and storage	3,438,512	-	16,416	-	-	3,454,928	772,027	93,153
Services	6,962,960	-	107,173	59,655	-	7,129,788	1,310,095	1,136,206
Hospitality	2,454,666	-	-	-	-	2,454,666	1,212,453	125,603
Financial and insurance activities	8,389,802	5,165,081	3,118,256	294,445	118,278	17,085,862	3,447,833	1,380,540
Government entities	4,033,999	-	9,248,575	-	15,844,110	29,126,684	-	33,707
Personal - mortgage	16,129,441	-	-	-	-	16,129,441	139,369	-
Personal - schematic	5,755,091	-	-	-	-	5,755,091	5,457,516	812
Individual loans for business	865,933	-	-	-	-	865,933	465,264	799
Others	8,261,193	-	1,434,747	-	4,191,693	13,887,633	2,067,443	1,769,993
Total carrying amount	98,293,897	5,165,081	14,236,391	354,100	20,154,081	138,203,550	26,808,976	29,604,142

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

x. *Concentration (continued)*

Concentration of credit risk by geographic location for 2025:

	Loans and advances and Islamic financing AED'000	**Due from banks AED'000**	**Debt securities AED'000**	**Equity securities and fund of funds AED'000**	**Cash, balances with Central bank and other assets AED'000**	**Total funded exposures AED'000**	**Undrawn commitments AED'000**	**Acceptances and contingent liabilities AED'000**
UAE	**80,354,899**	**15,243**	**14,162,795**	**53,885**	**25,876,599**	**120,463,421**	**21,432,771**	**33,397,772**
GCC	**9,536,801**	**548,173**	**2,063,804**	**-**	**-**	**12,148,778**	**1,287,390**	**827,409**
Middle East	**3,221,915**	**555,720**	**165,130**	**108,789**	**-**	**4,051,554**	**257,696**	**327,956**
Europe	**4,268,197**	**920,406**	**185,762**	**1,980**	**-**	**5,376,345**	**1,717,131**	**2,467,286**
USA	**209,710**	**594,650**	**2,301,174**	**1,531**	**-**	**3,107,065**	**73,208**	**7,635**
Asia	**2,377,364**	**1,460,533**	**1,032,298**	**-**	**-**	**4,870,195**	**206,373**	**2,286,894**
Others	**5,410,667**	**616,265**	**234,586**	**47,415**	**-**	**6,308,933**	**513,991**	**353,022**
Total carrying amount	**105,379,553**	**4,710,990**	**20,145,549**	**213,600**	**25,876,599**	**156,326,291**	**25,488,560**	**39,667,974**

Concentration of credit risk by geographic location for 2024:

	Loans and advances and Islamic financing AED'000	Due from banks AED'000	Debt securities AED'000	Equity securities and fund of funds AED'000	Cash, balances with Central bank and other assets AED'000	Total funded exposures AED'000	Undrawn commitments AED'000	Acceptances and contingent liabilities AED'000
UAE	80,265,219	249,981	9,216,324	172,822	20,154,081	110,058,427	23,033,889	23,954,817
GCC	7,217,503	1,171,518	1,366,905	-	-	9,755,926	2,281,825	933,790
Middle East	1,504,158	1,143,829	17,516	114,178	-	2,779,681	281	493,899
Europe	4,094,322	565,509	462,476	1,480	-	5,123,787	1,044,195	1,988,341
USA	297,316	1,409,916	984,152	2,265	-	2,693,649	59	790,450
Asia	1,540,646	142,278	1,679,491	-	-	3,362,415	347,986	1,197,561
Others	3,374,733	482,050	509,527	63,355	-	4,429,665	100,741	245,284
Total carrying amount	98,293,897	5,165,081	14,236,391	354,100	20,154,081	138,203,550	26,808,976	29,604,142

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

x. *Concentration (continued)*

Concentration of credit risk by currency for 2025:

	Loans and advances and Islamic financing AED'000	**Due from banks AED'000**	**Debt securities AED'000**	**Equity securities and fund of funds AED'000**	**Cash, balances with Central bank and other assets AED'000**	**Total funded exposures AED'000**	**Undrawn commitments AED'000**	**Acceptances and contingent liabilities AED'000**
AED	**66,283,075**	**7**	**9,655,515**	**53,885**	**25,053,489**	**101,045,971**	**18,434,474**	**23,792,736**
Other currencies*	**39,096,478**	**4,710,983**	**10,490,034**	**159,715**	**823,110**	**55,280,320**	**7,054,086**	**15,875,238**
Total carrying amount	**105,379,553**	**4,710,990**	**20,145,549**	**213,600**	**25,876,599**	**156,326,291**	**25,488,560**	**39,667,974**

Concentration of credit risk by currency for 2024:

	Loans and advances and Islamic financing AED'000	Due from banks AED'000	Debt securities AED'000	Equity securities and fund of funds AED'000	Cash, balances with Central bank and other assets AED'000	Total funded exposures AED'000	Undrawn commitments AED'000	Acceptances and contingent liabilities AED'000
AED	65,984,044	250,008	5,933,773	59,655	19,622,656	91,850,136	18,997,921	17,209,811
Other currencies*	32,309,853	4,915,073	8,302,618	294,445	531,425	46,353,414	7,811,055	12,394,331
Total carrying amount	98,293,897	5,165,081	14,236,391	354,100	20,154,081	138,203,550	26,808,976	29,604,142

*Majority of assets denominated in other currencies are in USD to which AED is pegged.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) 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 the counterparty to honour its obligations to deliver cash, securities or other assets as contractually due. Delays in settlement are rare and are monitored through a framework of limits.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement / clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval / limit monitoring process described above. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from the Wholesale Credit Department.

d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or other financial assets. Liquidity risk is the inability to meet obligations as they become due. This risk includes the inability to liquidate assets at reasonable prices and in the required timeframe. Liquidity risk can be caused by market disruptions or idiosyncratic events which may cause certain sources of funding to diminish.

i. *Management of liquidity risk*

Liquidity risk is managed by the Treasury and Asset and Liability management (ALM) department in line with regulations, internal policies and guidelines. The Group's approach to managing liquidity risk is to ensure that it has adequate funding from diversified sources at all times to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage of the Group's reputation.

Funds are raised using a broad range of instruments including customers' deposits, medium term borrowings, repurchase agreements, money market instruments, subordinated debts and capital. The Treasury and ALM department monitors the liquidity profile of financial assets and liabilities and the projected cash flows arising from existing and future business. Treasury maintains a portfolio of short-term liquid assets and inter-bank placements to ensure that sufficient liquidity is maintained. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and abnormal market conditions.

The Group's liquidity management process, as carried out within the Group and monitored by Group's Treasury, includes:

- Day to day funding is managed by monitoring future cash flows to ensure that requirements can be met including replenishment of funds as they mature or are borrowed by customers. The Group maintains an active presence in global money markets to facilitate funding activities;
- Maintenance of a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Managing balance sheet liquidity ratios against internal and regulatory requirements;
- Managing the concentration and profile of funding maturities; and
- Maintaining repurchase arrangements with various Banks to allow for the Bank to 'Repo' fixed income investments to meet any liquidity needs that may arise.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Liquidity risk (continued)

ii. *Exposure to liquidity risk*

The key measure used by the Group for measuring liquidity risk is the Advances to Stable Resources ratio (ASRR) (regulatory ratio) which is 83.14% as at 31 December 2025 (2024: 86.58%). In addition, the Group also uses the following ratios / information on a continuous basis for measuring liquidity risk:

- Eligible Liquid Assets ratio (ELAR) to total assets ratio;
- Net Loans to Deposits ratio (LDR); and
- Basel III ratios (including LCR and NSFR) are also monitored internally and by the ALCO and Board Risk and Compliance Committee (BRCC).

The following table summarises the maturity profile of the Group's assets and liabilities based on the contractual repayment arrangements. This profile does not take into account the effective maturities as indicated by the Group's deposit retention history. The contractual maturities of assets and liabilities have been determined on the basis of the residual period at the report date to the contractual maturity date.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Liquidity risk (continued)

ii. *Exposure to liquidity risk (continued)*

The maturity profile of the assets and liabilities at 31 December 2025 was as follows:

	Total	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	No Fixed Maturity
Assets	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Cash and balances with Central Bank	**22,360,931**	**13,651,642**	**400,000**	**1,200,000**	**-**	**-**	**7,109,289**
Due from banks, net	**4,700,070**	**1,649,603**	**73,460**	**775,609**	**2,201,398**	**-**	**-**
Investment securities, net	**20,359,144**	**819,836**	**3,486,599**	**6,742,078**	**4,738,976**	**4,571,655**	**-**
Loans and advances and Islamic financing, net	**101,048,972**	**10,546,250**	**11,418,175**	**13,099,401**	**26,177,000**	**39,808,146**	**-**
Positive mark to market value of derivatives	**360,697**	**9,585**	**21,721**	**40,416**	**98,101**	**190,874**	**-**
Bankers acceptances	**8,020,566**	**262,124**	**767,739**	**6,687,981**	**302,722**	**-**	**-**
Investment in associate	**126,113**	**-**	**-**	**-**	**-**	**-**	**126,113**
Investment properties	**173,700**	**-**	**-**	**-**	**-**	**-**	**173,700**
Property and equipment	**940,634**	**-**	**-**	**-**	**-**	**-**	**940,634**
Other assets, net	**2,217,174**	**1,571,676**	**-**	**-**	**-**	**-**	**645,498**
Total assets	**160,308,001**	**28,510,716**	**16,167,694**	**28,545,485**	**33,518,197**	**44,570,675**	**8,995,234**
	-						
Liabilities and equity							
Due to banks	**8,760,512**	**462,746**	**3,322,511**	**1,193,725**	**3,781,530**	**-**	**-**
Customer deposits and Islamic customer deposits	**111,353,040**	**71,160,314**	**11,245,274**	**28,910,096**	**33,955**	**3,401**	**-**
Notes and medium term borrowings	**8,982,724**	**-**	**-**	**275,475**	**8,707,249**	**-**	**-**
Negative mark to market value of derivatives	**345,537**	**9,655**	**36,804**	**42,062**	**86,195**	**170,821**	**-**
Due for trade acceptances	**8,020,566**	**262,124**	**767,739**	**6,687,981**	**302,722**	**-**	**-**
Other liabilities	**3,423,154**	**3,378,267**	**-**	**-**	**-**	**-**	**44,887**
Total liabilities	**140,885,533**	**75,273,106**	**15,372,328**	**37,109,339**	**12,911,651**	**174,222**	**44,887**
Gap representing equity	**19,422,468**	**(46,762,390)**	**795,366**	**(8,563,854)**	**20,606,546**	**44,396,453**	**8,950,347**

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Liquidity risk (continued)

ii. *Exposure to liquidity risk (continued)*

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

	Total	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	No Fixed Maturity
Assets	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cash and balances with Central Bank	16,937,638	7,743,528	800,000	450,000	-	-	7,944,110
Due from banks, net	5,162,042	3,260,391	513,557	209,673	1,178,421	-	-
Investment securities, net	14,590,424	2,742,569	784,092	4,442,643	4,877,282	1,743,838	-
Loans and advances and Islamic financing, net	93,048,595	8,021,208	10,907,202	12,076,997	34,609,821	27,433,367	-
Positive mark to market value of derivatives	584,760	18,885	14,214	62,352	219,717	269,592	-
Bankers acceptances	6,930,361	288,211	1,008,813	5,179,189	8,190	445,958	-
Investment in associate	118,278	-	-	-	-	-	118,278
Investment properties	241,124	-	-	-	-	-	241,124
Property and equipment	589,765	-	-	-	-	-	589,765
Other assets, net	1,972,331	1,278,195	-	-	-	-	694,136
Total assets	140,175,318	23,352,987	14,027,878	22,420,854	40,893,431	29,892,755	9,587,413
Liabilities and equity							
Due to banks	7,542,023	1,045,506	791,937	2,655,630	3,048,950	-	-
Customer deposits and Islamic customer deposits	97,563,467	58,844,055	13,195,092	25,074,827	440,165	9,328	-
Notes and medium term borrowings	6,918,163	-	-	-	6,918,163	-	-
Negative mark to market value of derivatives	521,395	56,087	2,235	29,679	207,668	225,725	-
Due for trade acceptances	6,930,361	288,211	1,008,813	5,179,189	8,190	445,958	-
Other liabilities	3,275,300	3,230,308	-	-	-	-	44,992
Total liabilities	122,750,709	63,464,167	14,998,077	32,939,325	10,623,136	681,011	44,992
Gap representing equity	17,424,609	(40,111,181)	(970,199)	(10,518,471)	30,270,295	29,211,744	9,542,421

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Liquidity risk (continued)

ii. *Exposure to liquidity risk (continued)*

The table below shows the maturity of the Group's contingent liabilities and credit commitments:

31 December 2025	Total AED'000	Less than 1 month AED'000	From 1 to 3 months AED'000	From 3 months to 1 year AED'000	From 1 to 5 years AED'000	Over 5 years AED'000
Contingent liabilities	**31,647,408**	**1,265,215**	**2,106,417**	**4,105,013**	**5,880,948**	**18,289,815**
Credit commitments	**25,488,560**	**6,957,425**	**1,093,426**	**2,418,181**	**4,334,315**	**10,685,213**
Total	**57,135,968**	**8,222,640**	**3,199,843**	**6,523,194**	**10,215,263**	**28,975,028**
31 December 2024						
Contingent liabilities	22,673,781	616,813	1,509,515	3,613,452	4,086,349	12,847,652
Credit commitments	26,808,976	6,207,610	1,814,489	3,028,011	5,469,155	10,289,711
Total	49,482,757	6,824,423	3,324,004	6,641,463	9,555,504	23,137,363

Due to the nature of the contingent liabilities and credit commitment, it is possible that the guarantees and commitments could be called in the less than one month bucket, being the earliest period in which the guarantees could be called, and commitments could be drawn. Behavioral maturity is materially aligned with contractual dates.

The tables below show undiscounted contractual cash flows on the Group's financial liabilities:

31 December 2025	Total AED'000	Less than 1 month AED'000	From 1 to 3 months AED'000	From 3 months to 1 year AED'000	From 1 to 5 years AED'000
Due to banks	**9,178,079**	**468,864**	**3,344,102**	**1,231,819**	**4,133,294**
Customer deposits and Islamic customer deposits	**112,134,377**	**71,189,664**	**11,318,841**	**29,130,838**	**495,034**
Notes and medium term borrowings	**10,078,626**	**-**	**-**	**282,543**	**9,796,083**
Due for trade acceptances	**8,020,566**	**262,124**	**767,739**	**6,687,981**	**302,722**
Other liabilities	**659,029**	**659,029**	**-**	**-**	**-**
Total liabilities	**140,070,677**	**72,579,681**	**15,430,682**	**37,333,181**	**14,727,133**
31 December 2024					
Due to banks	7,993,477	1,047,849	797,813	2,757,736	3,390,079
Customer deposits and Islamic customer deposits	98,338,518	58,868,140	13,294,861	25,233,515	942,002
Notes and medium term borrowings	7,961,528	-	-	-	7,961,528
Due for trade acceptances	6,930,361	288,211	1,008,813	5,179,189	454,148
Other liabilities	1,010,601	1,010,601	-	-	-
Total liabilities	122,234,485	61,214,801	15,101,487	33,170,440	12,747,757

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Market risk

Market Risk is the risk of losses arising from movements in market prices. Market risk comes from a number of factors, particularly changes to market variables including, but not limited to, interest rates, credit spreads, exchange rates, equity prices, commodity prices, and implied volatilities. The Group is exposed to market risk through its participation in trading, investment, and asset/liability management activities. Trading activities involve taking positions on various instruments such as bonds, shares, currencies, commodities, or derivative financial instruments. The Group is exposed to non-trading market risk through its asset/liability management and investment portfolios.

i. *Governance*

The Market risk management policy governs global market risk management across the Group. The policy is approved by the Board Risk and Compliance Committee (BRCC). It sets out the principles for managing market risk and the framework that defines risk measures, control and monitoring activities, market risk limits, and reporting of breaches.

Limits and governance structure are in place to manage market risk which are consistent with the Group's Risk Appetite framework.

The BRCC sets the risk appetite pertaining to market risk which translates into risk limits which are closely monitored by Group Risk Management, reported daily to senior management and discussed monthly by the ALCO.

The Group separates its exposure to market risk between trading and non-trading portfolios with overall responsibility vested with the ALCO. The Group Risk Management department is responsible for the development of detailed risk management policies and for the day-to-day implementation, subject to review and approval by the ALCO.

ii. *Assessment and Management of market risk*

Group Risk Management Group uses a variety of risk measures to estimate the size of potential losses due to market risk. The Group's risk measures include Value-at-Risk (VaR), sensitivity metrics and stress test analysis.

Additionally, a comprehensive set of limits is applied to market risk measures, and these limits are monitored and reported on a regular basis. Instances when limits are exceeded are reported to the appropriate management level. The risk profiles of the Group's operations remain consistent with its risk appetite and the resulting limits, and are monitored and reported to traders, management of the applicable business unit, senior executives, and Board committees.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Market risk (continued)

iii. *Investment Portfolio*

The Group has an investment portfolio of liquid securities for strategic and liquidity management purposes. These investments carry market risk, credit risk, liquidity risk, and concentration risk.

In line with the IFRS9, the transactions pertaining to this portfolio are either classified as amortised cost or fair value through other comprehensive income (FVOCI).

The investment governance framework sets out the guiding principles and general management standards that must be followed by all parties involved. Under the framework, the Board of Directors through the Board Risk and Compliance Committee (BRCC) approves and sets risk appetite for the investment portfolio in terms of size, returns and risk. The investment portfolio is managed directly by the Treasury and risk limits are closely monitored by market risk and reported regularly to ALCO.

Group Risk Management Group applies different risk measures including Value-at-Risk (VaR), sensitivity metrics and stress test analysis. The risk reports are shared with ALCO and BRCC on a regular basis.

iv. *Exposure to interest rate risk – non trading portfolio*

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 the risk principally through measuring and monitoring interest rate gaps, Economic Value of Equity (EVE) and Net Interest Income (NII) sensitivity as well as DV01 for the entire balance sheet. The Group Risk Management Department monitors compliance with these Interest rate risk measures against approved limits on a regular basis and is responsible for reporting breaches if any, to senior management. ALCO review reports monthly.

The following is the impact of interest rate movement on net interest income:

	2025		2024	
	Net interest income		Net interest income	
	50 bps	**100 bps**	50 bps	100 bps
	AED'000	**AED'000**	AED'000	AED'000
Upward Parallel Shift	**66,554**	**158,146**	41,002	94,492
Downward Parallel Shift	**(113,867)**	**(206,585)**	(62,468)	(118,055)

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Market risk (continued)

A summary of the Group's interest rate sensitivity position based on contractual re-pricing arrangements or maturity dates, whichever dates are earlier is as follows:

31 December 2025	Non-interest bearing	Less than 3 months	From 3 to 6 months	From 6 months to 1 year	Over 1 Year	Total
Assets	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Cash and balances with Central Bank	8,060,931	13,100,000	1,200,000	-	-	22,360,931
Due from banks, net	1,649,603	2,137,100	761,046	152,321	-	4,700,070
Investment securities, net	213,600	4,145,191	4,046,096	2,695,981	9,258,276	20,359,144
Loans and advances and Islamic financing, net	153,677	71,125,206	6,943,535	3,005,032	19,821,522	101,048,972
Positive mark to market value of derivatives	360,697	-	-	-	-	360,697
Bankers acceptances	8,020,566	-	-	-	-	8,020,566
Investment in associate	126,113	-	-	-	-	126,113
Investment properties	173,700	-	-	-	-	173,700
Property and equipment	940,634	-	-	-	-	940,634
Other assets, net	2,217,174	-	-	-	-	2,217,174
Total assets	21,916,695	90,507,497	12,950,677	5,853,334	29,079,798	160,308,001
Liabilities						
Due to banks	334,559	3,450,698	367,300	826,425	3,781,530	8,760,512
Customer deposits and Islamic customer deposits	43,740,174	38,669,084	16,113,168	12,796,200	34,414	111,353,040
Notes and medium term borrowings	-	-	-	275,475	8,707,249	8,982,724
Negative mark to market value of derivatives	345,537	-	-	-	-	345,537
Due for trade acceptances	8,020,566	-	-	-	-	8,020,566
Other liabilities	3,423,154	-	-	-	-	3,423,154
Total liabilities	55,863,990	42,119,782	16,480,468	13,898,100	12,523,193	140,885,533
Interest rate sensitivity gap	(33,947,295)	48,387,715	(3,529,791)	(8,044,766)	16,556,605	19,422,468
Cumulative interest rate sensitivity gap	(33,947,295)	14,440,420	10,910,629	2,865,863	19,422,468	
Represented by equity						19,422,468

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Market risk (continued)

31 December 2024	Non-interest bearing	Less than 3 months	From 3 to 6 months	From 6 months to 1 year	Over 1 Year	Total
Assets	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cash and balances with Central Bank	9,037,638	7,900,000	-	-	-	16,937,638
Due from banks, net	1,788,693	2,018,802	36,730	760,623	557,194	5,162,042
Investment securities, net	354,033	3,172,628	4,014,805	427,838	6,621,120	14,590,424
Loans and advances and Islamic financing, net	1,421,627	53,891,143	9,176,143	3,172,177	25,387,505	93,048,595
Positive mark to market value of derivatives	584,760	-	-	-	-	584,760
Bankers acceptances	6,930,361	-	-	-	-	6,930,361
Investment in associate	118,278	-	-	-	-	118,278
Investment properties	241,124	-	-	-	-	241,124
Property and equipment	589,765	-	-	-	-	589,765
Other assets, net	1,972,331	-	-	-	-	1,972,331
Total assets	23,038,610	66,982,573	13,227,678	4,360,638	32,565,819	140,175,318
Liabilities						
Due to banks	48,044	1,789,399	183,650	2,471,980	3,048,950	7,542,023
Customer deposits and Islamic customer deposits	34,383,205	37,672,177	14,863,032	10,204,862	440,191	97,563,467
Notes and medium term borrowings	-	-	-	-	6,918,163	6,918,163
Negative mark to market value of derivatives	521,395	-	-	-	-	521,395
Due for trade acceptances	6,930,361	-	-	-	-	6,930,361
Other liabilities	3,275,300	-	-	-	-	3,275,300
Total liabilities	45,158,305	39,461,576	15,046,682	12,676,842	10,407,304	122,750,709
Interest rate sensitivity gap	(22,119,695)	27,520,997	(1,819,004)	(8,316,204)	22,158,515	17,424,609
Cumulative interest rate sensitivity gap	(22,119,695)	5,401,302	3,582,298	(4,733,906)	17,424,609	
Represented by equity						17,424,609

Non-interest bearing loans and advances and Islamic financing, net comprises of stage 3 loans.

Overall interest rate risk positions are managed by the Treasury and ALM, which uses investment securities, advances to banks, deposits from banks and derivative instruments to manage the overall position arising from the Group's activities. Interest rate risks are assumed by ALM from the businesses through fund transfer pricing process.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Market risk (continued)

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Transactional foreign currency exposures represent exposure on banking assets and liabilities, denominated in currencies other than the functional currency of the transacting entity.

The Market risk management policy is designed to prevent the holding of significant open positions in foreign currencies outside the trading portfolio managed by the Group. Exposures are monitored through open-currency position limits and VaR, within the risk appetite set by the Board.

Positions are closely monitored by the Market Risk Department and hedging strategies are used to ensure positions are maintained within established limits.

At 31 December, the Group had the following significant net exposures denominated in foreign currencies:

	Net spot	**Forward**	**Net exposure**	
	Position	**Position**	**2025**	2024
Currencies	**AED'000**	**AED'000**	**AED'000**	AED'000
US Dollar	**8,632,731**	**(1,347,676)**	**7,285,055**	2,011,942
GCC currencies	**(80,033)**	**82,911**	**2,878**	110,872
Great Britain Pound	**500,751**	**(499,950)**	**801**	(620)
Japanese Yen	**5,741**	**19**	**5,760**	3,135
Euro	**2,650,590**	**(2,638,452)**	**12,138**	(992)
Others	**21,637**	**(9,565)**	**12,072**	(74,939)

f) Equity risk

The Group has defined in its trading book policy the instruments which the Group is allowed to trade. A limited trading activity takes place in the equity market, monitored by Group Risk Management and in line with ALCO recommendations. Daily stop loss limits as well as portfolio notional limits are monitored daily and reported to senior management. In addition, the Group has classified an equity portfolio as FVOCI.

Analysis of equity portfolio:

	2025	2024
Publicly traded (quoted):	**AED'000**	AED'000
Equity (note 9)	**52,355**	59,655
Privately held (unquoted):		
Unquoted equity instruments and fund (note 9)	**161,245**	294,445
Total	**213,600**	354,100

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

f) Equity risk (continued)

Analysis of gains or (losses) on equity investments:

	2025	2024
	AED'000	AED'000
Unrealised (loss) / gain	**(25,744)**	19,683

g) Operational risk

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people, systems, or external events. This includes legal risk but excludes strategic and reputational risk. The Bank manages operational risk under its Risk Management Framework and Operational Risk Policy and Standards, which are approved by the Board and reviewed periodically to ensure alignment with regulatory requirements and industry best practices.

The Bank applies a three lines of defense model to ensure robust operational risk governance. The first line of defense consists of business units that are responsible for identifying, assessing, and managing operational risks within their processes. The second line is the Operational Risk Management function, which provides oversight, sets standards, and challenges risk assessments. The third line is Internal Audit, which offers independent assurance on the effectiveness of controls and governance. This structure ensures accountability and transparency across all levels of the organisation.

The Bank has a well-established governance structure, led by an active Board of Directors and supported by an experienced executive management team. Risk oversight is centralized through a series of executive and senior risk management committees that ensure effective decision-making and accountability.

The Board Risk & Compliance Committee (BRCC) is responsible for overseeing the overall management of risk through the Bank's Risk Management Framework, which includes risk culture, risk appetite, risk identification and assessment, and risk management techniques. The BRCC approves key risk policies, frameworks, and the annual ICAAP, including stress testing results, and escalates any material risk issues to the Board when necessary.

The Risk Management & Compliance Committee (RMCC), chaired by the Chief Risk Officer (CRO), provides strategic and tactical guidance in managing the Bank's risk profile in line with the risk appetite set by the BRCC. It monitors compliance with risk policies and ensures the adequacy of the risk management framework.

The Operational Risk Management Committee (ORMC), also chaired by the CRO, focuses on operational risk. It recommends risk appetite for operational risk, approves policies within its delegation, and maintains oversight of operational risk incidents. It reviews business lines and functions to address residual risks and escalates high Operational risks/issues to the BRCC.

At the business and functional level, the Risk Management Forum ensures that operational risks are identified, assessed, managed, and monitored. It also ensures adherence to relevant policies and risk appetite and escalates issues to higher committees when required.

To identify and assess operational risks, the Bank uses a combination of tools. Risk and Control Self-Assessments (RCSA) are conducted periodically to evaluate inherent and residual risks across key

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

g) Operational risk (continued)

processes. Key Risk Indicators (KRIs) are monitored to provide early warning signals of potential risk exposures, while scenario analysis is applied to assess the impact of extreme but plausible events on the Bank's operations. These tools enable proactive risk management and timely mitigation. The ORM Standard was approved this year to provide clarity to Business and Functions on how these tools should be operationalised in day-to-day management operational risk management.

All operational risk events, including near misses, are systematically captured in a centralised Operational Risk Event Database. This database ensures consistency in classification, root cause analysis, and impact assessment. Each event undergoes a structured review process to identify underlying process, system, or control failures through root cause analysis. Corrective actions are assigned with clear timelines and accountability, and lessons learned are shared across business units to prevent recurrence.

Regular reporting is a key component of the Bank's operational risk governance. Reports provided to senior management and the Board Risk Committee include analysis of event trends such as frequency, severity, and causal factors, as well as updates on KRIs highlighting areas of increasing risk exposure. The Operational Risk team also conducts control effectiveness reviews to assess mitigation measures and remediation progress. Emerging risks from technology, regulatory changes, or external events are continuously identified as part of the RCSA exercise.

The Bank maintains a comprehensive Business Continuity and Operational Resilience framework designed to ensure that critical services remain available during disruptions, whether caused by technology failures, natural disasters, or external events. This framework encompasses documented business continuity plans maintained by each business unit, regular disaster recovery testing of IT systems and infrastructure to validate recovery capabilities, and deployment of redundant systems, data replication, and failover mechanisms to ensure uninterrupted service delivery. Crisis management protocols provide a structured escalation process and communication plan to manage incidents effectively and maintain stakeholder confidence. Remote working capability is supported through secure remote access and collaboration tools, which are tested periodically for resilience. Cybersecurity measures real-time threat monitoring, penetration testing, and employee awareness programs to safeguard against cyber threats.

The Bank maintains a robust Information Security Management System (ISMS) certified to ISO/IEC 27001 and aligned with leading regulatory and industry standards, including the UAE Information Assurance framework, SWIFT Customer Security Controls Framework (CSCF), and Payment Card Industry Data Security Standard (PCI DSS). Through comprehensive policies, governance frameworks, and advanced security controls, the Bank ensures the confidentiality, integrity, and availability of its information assets, with a strong focus on protecting customer data and privacy, preventing financial loss, and maintaining full regulatory compliance while proactively mitigating information security risks.

36. CAPITAL MANAGEMENT

36.1 Regulatory capital

The Group's regulator, Central Bank of the UAE (CBUAE), sets and monitors regulatory capital requirements. The Group's objectives when managing capital are as follows:

- Safeguard the Group's ability to continue as a going concern and optimise returns for shareholders;
- Comply with regulatory capital requirements set by Central Bank of the UAE.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group also assesses its capital requirements internally, taking into consideration growth requirements and business plans and quantifies its Regulatory and Risk / Economic Capital requirements within its integrated ICAAP Framework. Risks such as Interest Rate Risk in the Banking Book, Concentration Risk, Strategic Risk, Legal and Compliance Risk, Stress Risk, Insurance Risk and Reputational Risk are all part of the ICAAP.

The Group also calculates the Risk Adjusted Return on Capital (RAROC) for credit applications that are priced on a risk-adjusted basis. RAROC calculations are also built into the Credit Appraisal System.

The CBUAE supervises the Group on a consolidated basis, and therefore receives information on the capital adequacy of, and sets capital requirements for, the Group as a whole. Effective from 2017, the capital is computed at a Group level using the Basel III framework of the Basel Committee on Banking Supervision ('Basel Committee'), after applying the amendments advised by the CBUAE, within national discretion. The Basel III framework, like Basel II, is structured around three 'pillars': minimum capital requirements, supervisory review process and market discipline.

The Group's capital base is divided into three main categories, namely CET1, AT1 and Tier 2 (T2), depending on their characteristics.

- CET1 capital is the highest quality form of capital, comprising share capital, legal, statutory and other reserves, fair value reserve, retained earnings, after deductions for intangibles and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes under 'CBUAE' guidelines.
- AT1 capital comprises eligible non-common equity capital instruments.
- Tier 2 capital comprises of collective provision which shall not exceed 1.25% of total credit risk weighted assets.

36. CAPITAL MANAGEMENT

36.1 Regulatory capital (continued)

The CBUAE issued Basel III capital regulations, which came into effect from 1 February 2017 introducing minimum capital requirements at three levels, namely Common Equity Tier 1 ('CET1'), Additional Tier 1 ('AT1') and Total Capital. The minimum capital adequacy requirements as set out by Central Bank of the UAE are as follows:

- Minimum Common Equity tier 1 (CET 1) ratio of 7% of risk weighted assets (RWAs).
- Minimum tier 1 ratio of 8.5% of RWAs.
- Total Capital Adequacy Ratio (CAR) of 10.5% of RWAs.

Additional capital buffers (Capital Conservation Buffer (CCB) and Countercyclical Capital Buffer (CCyB) - maximum up to 2.5% for each buffer) introduced over and above the minimum CET1 requirement of 7%.

The Group has complied with all the externally imposed capital requirements.

36. CAPITAL MANAGEMENT (CONTINUED)

36.2 Capital resources and adequacy

The table below summarises the composition of regulatory capital and the ratios of the Group as per BASEL III guidelines and has complied with all the externally imposed capital requirements to which it is subject. As per Central Bank of the UAE regulation for Basel III, the capital requirement as at 31 December 2025 is 13% inclusive of capital conservation buffer of 2.5%. The Group has also applied the standards issued vide its circular dated 12 November 2020 and 30 December 2022 by the CBUAE which includes additional Guidance on the topics of Credit Risk, Market Risk, Operational Risk, Equity Investment in Funds (EIF), Counter Party Credit Risk (CCR) and Credit Value Adjustment (CVA). The Standards support the implementation of the "Regulations re Capital Adequacy" (Circular 52/2022).

	2025	2024
Common equity tier 1 (CET1) capital	**AED'000**	AED'000
Share capital	**2,985,192**	2,985,192
Legal and statutory reserve	**1,492,596**	1,492,596
General reserve and other reserves	**1,366,663**	1,366,663
Retained earnings	**9,922,630**	8,312,504
Accumulated other comprehensive income	**(288,898)**	(461,360)
IFRS transitional arrangement	**-**	91,791
	15,478,183	13,787,386
Regulatory deductions and adjustments	**(531,107)**	(300,742)
Total CET1 capital	**14,947,076**	13,486,644
Additional tier 1 (AT1) Capital (note 19.2)	**2,203,800**	2,203,800
Tier 1 capital	**17,150,876**	15,690,444
Tier 2 capital		
Eligible general provision	**1,349,056**	1,233,496
Tier 2 capital	**1,349,056**	1,233,496
Total regulatory capital	**18,499,932**	16,923,940
Risk weighted assets (RWA)		
Credit risk	**107,924,516**	98,679,694
Market risk	**1,053,734**	1,136,166
Operational risk	**10,217,522**	8,900,597
Risk weighted assets	**119,195,772**	108,716,457
CET1 ratio	**12.54%**	12.41%
Tier 1 ratio	**14.39%**	14.43%
Tier 2 ratio	**1.13%**	1.14%
Capital adequacy ratio	**15.52%**	15.57%

The Capital adequacy ratio calculation is after netting off the proposed dividend distribution from the capital base.

36. CAPITAL MANAGEMENT (CONTINUED)

36.2 Capital resources and adequacy (continued)

Risk Weighted Capital Requirement

The Group has adopted the standardised approach for credit risk and market risk and basic indicator approach for operational risk for regulatory reporting purposes. The Group's risk weighted capital requirement for credit, market and operational risk are given below:

i. *Risk weights for credit risk*

The Group has a diversified funded and unfunded credit portfolio. The exposures are classified as per the Standard Portfolio approach mentioned under Central Bank of the UAE Basel III Capital Adequacy Framework covering the standardised approach for credit risk. The descriptions of the counterparty classes along with the risk weights used to derive the risk weighted assets are as follows:

- **Funded exposure**

Claims on sovereigns

These pertain to exposures to governments and their central banks. Claims on central banks and sovereigns are risk weighted in accordance with their ratings from acceptable external credit assessment institutions (ECAIs). Exposure to the Federal Government and Emirates Government receives 0% risk weight, if such exposures are denominated and funded in AED or USD. A 0% risk weight is applied to exposures to GCC sovereigns and their central banks only if these exposures are denominated and funded in the domestic currency of that sovereign and the Supervisory authority of that sovereign has adopted such preferential treatment for exposures to its own sovereign and central bank.

Claims on non-commercial public sector entities (PSEs) and government related enterprises (GRE)

Non-Commercial PSEs that are acknowledged by the Central Bank is treated in the same as Claims on Bank. Exposure to all other PSEs that are not included on the Central Bank's list must be treated like exposures to corporates.

Claims on government related entities (entities with greater than 50% government ownership) are risk weighted in accordance with ratings from acceptable ECAIs. Risk weight of 100% is applied on claims on unrated government related entities.

Claims on multilateral development banks (MDBs)

All MDBs are risk weighted in accordance with each bank's credit rating except for those members listed in the World Bank Group which are risk weighted at 0%.

Claims on banks

Claims on banks are risk weighted based on the ratings assigned to them by external rating agencies, however, short term claims were assigned to have more favorable risk weighting.

No claim on an unrated bank would receive a risk weight lower than that applied to claims on its sovereign of incorporation.

Claims on corporate

Claims on corporate are risk-weighted in accordance with ratings from acceptable ECAIs. Risk weight of 100% is applied on claims on unrated corporate.

For unrated exposures to Small and Medium-sized Entities (SME) that do not meet the criteria of regulatory retail portfolio, an 85% risk weight is applied.

36. CAPITAL MANAGEMENT (CONTINUED)

36.2 Capital resources and adequacy (continued)

Risk Weighted Capital Requirement (continued)

i. *Risk weights for credit risk (continued)*

- **Funded exposure (continued)**

Claims on regulatory retail portfolio
Retail claims that are included in the regulatory retail portfolio (including SME) are assigned risk weights of 75% (except for those assets that are past due loans), if they meet the criteria mentioned in Central Bank of the UAE Basel III guidelines.

Claims secured by residential property
A preferential risk weight of 35% was applied on claims that did not exceed AED 10 million to a single borrower and the claim was secured by residential property with LTV of up to 85%. If the two criteria cannot be definitively established or met, then if the exposure meets the criteria for regulatory retail claims then a 75% risk weight applies. Other claims secured on residential property were risk weighted 100%.

Claims secured by commercial real estate
100% risk weight was applied on claims secured by commercial property.

Past due loans
The unsecured portion of any loan (other than a qualifying residential mortgage loan) that is past due for more than 90 days, net of specific provisions (including partial write-offs), is risk weighted as follows:
- 150% risk weight when specific provisions are less than 20% of the outstanding amount of loan;
- 100% risk weight when specific provisions are greater than 20% of the outstanding amount of loan.

In the case of residential mortgage, when such loans are past due for more than 90 days it is risk weighted at 100%. All other assets are classified between 'assets under higher-risk categories' and 'others'; and risk weighted at the prescribed risk weights.

- **Unfunded exposure**

For credit-related contingent items, the nominal value is converted to an exposure through the application of Credit Conversions Factors (CCF). CCF is at 20%, 50% or 100% depending on the type of contingent item and is used to convert off balance sheet notional amounts into an equivalent on balance sheet exposure.

Undrawn commitments to extend credit represent commitments that have not been drawn down or utilised at the reporting date. The nominal amount provides the calculation base to which the CCF is applied for calculating the exposure. CCF range between 20% and 50% for commitment with original maturity of up to one year and over one year respectively and 0% CCF is applicable for commitments which can be unconditionally cancelled at any time.

- **Equity Investments in Funds (EIF)**

For all equity investments by banks in all types of funds that are held in the banking book (in-scope equity positions), the RWA is calculated as if the bank held the fund's exposures directly rather than indirectly through investment in the fund. The Group has used a hierarchy of three successive approaches i.e. Look-through approach (LTA), Mandate-based approach (MBA) and Fall-back approach (FBA) with varying degrees of risk sensitivity and conservatism, as required in the standards. Further, leverage adjustment to RWA is also incorporated to reflect a fund's leverage appropriately as described in the standards.

36. CAPITAL MANAGEMENT (CONTINUED)

36.2 Capital resources and adequacy (continued)

Risk Weighted Capital Requirement (continued)

i. *Risk weights for credit risk (continued)*

- **Credit Valuation Adjustment (CVA)**

The Group has adopted the standardised approach for calculating risk-weighed assets for CVA risk. The process followed by the Group is as follows:

- Exposure at Default (EAD) is calculated based on the Counterparty Credit Risk (CCR) standard.
- Single Name Exposure (SNE) for each counterparty is calculated by multiplying the EAD by the Supervisory Discount Factor (DF) for each netting set.
- Capital is calculated using the formula applicable for Banks.

The final calculation performed is to multiply the capital by 12.5 to derive at the CVA RWA.

ii. *Risk weights for market risk*
Capital requirement for market risk is calculated using standardised approach. The capital requirement for market risk is analysed into capital requirement for interest rate risk, equity risk, foreign exchange risk and option risk.

iii. *Risk weight for operational risk*
Capital requirement for operational risk is calculated using basic indicator approach. This capital charge was computed using basic indicator approach by multiplying the three years average gross income by a predefined alpha factor.

37. GROUP CONSOLIDATED INCOME TAX

The major components of income tax expense for the year ended 31 December 2025 are:

	2025	2024
	AED'000	AED'000
Corporation income tax		
For the year	**344,047**	295,367
Tax recognised in Statement of other Comprehensive Income		
Tax in other comprehensive income	**(270)**	628
Deferred tax in other comprehensive income	**22,762**	-

The standard rate of corporation tax applied to reported profits is 9% (2024: 9%)

37. GROUP CONSOLIDATED INCOME TAX (CONTINUED)

The Group's consolidated effective tax rate in the year ended 31 December 2025 is 8.95% (31 December 2024: 8.88%). The reconciliation of profit before tax is presented below.

	2025	2024
	AED'000	AED'000
Net Profit for the year before income tax expense	**3,844,149**	3,325,148
Tax at the company domestic rate of 9% (FY 2024: 9%)	**345,973**	299,263
Tax effect of income not taxable in determining taxable profit	**(2,391)**	(4,099)
Tax effect of expenses that are not deductible in determining taxable profit	**436**	46
Other adjustments	**29**	157
Tax expense for the year	**344,047**	295,367
Effective Tax Rate	**8.95%**	8.88%

	2025	2024
	AED'000	AED'000
Statement of Other Comprehensive Income		
Current Tax		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gain on retirement benefits obligations	**150**	228
Net change in fair value of equity investments (or instruments) at fair value through other comprehensive income	**(420)**	400
Deferred tax		
Items that may be subsequently reclassified to profit or loss:		
Net change in fair value of debt investments (or instruments) at fair value through other comprehensive income	**22,762**	-
Total income tax recognised directly in equity	**22,492**	628

38. PILLAR 2

The UAE has issued Cabinet Decision No (142) of 2024 that implements a Domestic Minimum Top-up Tax ("DMTT") . The DMTT will apply to Multinational Enterprises ("MNEs") that are within scope of Pillar Two based on the Organisation for Economic Cooperation and Development (OECD) Global Anti-Base Erosion ("GloBE") Model Rules. These rules will be imposed in cases where the MNE's effective tax rate ("ETR") in the UAE is below 15%. Management has assessed that CBD does not qualify as an MNE group under the UAE Pillar Two rules. Therefore, there are no related Pillar Two implications for the fiscal year ending December 31, 2025.

39. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in these consolidated financial statements, the effect of which is considered immaterial.