Mashreqbank PSC Group

Report and consolidated financial statements for the year ended 31 December 2025

These audited consolidated financial statements are subject to approval of the Central Bank of U.A.E. and adoption by shareholders at the annual general meeting.

Mashreqbank PSC Group

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BOARD OF DIRECTORS' REPORT

The Board of Directors has pleasure in submitting their report and the audited consolidated financial statements for the year ended 31 December 2025.

Incorporation and registered offices

Mashreqbank PSC was incorporated in the Emirate of Dubai in 1967 under a decree issued by The Ruler of Dubai. The address of the registered office is P.O. Box 1250, Dubai, United Arab Emirates.

Principal activities

The principal activities of the Bank are retail banking, commercial banking, investment banking, Islamic banking, brokerage and asset management. These activities are carried out through its branches in the United Arab Emirates, Bahrain, Kuwait, Oman, Egypt, Hong Kong, India, Pakistan, Qatar, the United Kingdom and the United States of America.

Financial position and results

The financial position and results of the Group for the year ended 31 December 2025 are set out in the accompanying consolidated financial statements.

Dividend

The Board of Directors has proposed a cash dividend of 102% for the year ended 31 December 2025 at the meeting held on 02 February 2026.

Directors

The following are the Directors of the Bank as at 31 December 2025:

Chairman:	Abdul Aziz Abdulla Al Ghurair
Vice Chairman:	Ahmad Ali Al Khallafi
Directors:	Rashed Saif Ahmed Al Ghurair
	John Gregory Iossifidis
	Iyad Mazher Saleh Malas
	Saeed Saif Ahmed Al Ghurair
	Mariam Saeed Ghobash

Auditors

The consolidated financial statements for the year ended 31 December 2025 have been audited by Deloitte & Touche (M.E.).

By order of the Board of Directors

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Abdul Aziz Abdulla Al Ghurair
Chairman
02 February 2026

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Mashreqbank PSC
Dubai
United Arab Emirates

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Mashreqbank 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 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 its 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) (IESBA Code) as applicable to audits of consolidated financial statements of public interest entities, together with the other ethical requirements that are relevant to our audit 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 period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances at amortised cost	
The Group's loans and advances at amortised cost (which comprises loans and advances to customers and Islamic financing and investment products) are carried in the consolidated statement of financial position at AED 164.3 billion as at 31 December 2025. The expected credit loss ("ECL") allowance was AED 2.5 billion as at this date, which comprises an allowance of AED 1 billion against Stage 1 and 2 exposures and an allowance of AED 1.5 billion against exposures classified under Stage 3. The corporate portfolio of loans and advances at amortised cost is assessed individually for the significant increase in credit risk ("SICR") and measurement of ECL. This requires management to make a reasonable and supportive assessment to capture all qualitative and quantitative forward-looking information while assessing SICR or while assessing credit-impaired criteria for the exposure. Management judgement is also applied in manually overriding stages in accordance with the Group's accounting policies. 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 the PD, LGD, EAD and macroeconomic adjustments, which are relevant for the reporting period.	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 a 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 the reasonableness of these adjustments, along with the other critical accounting estimates and judgments that management had applied. We have involved our subject matter experts to assist us in auditing the ECL models as of 31 December 2025. We assessed the relevant controls in the abovementioned business process to determine if they had been appropriately designed and implemented, and, where applicable, also tested the operating effectiveness of those controls. 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. 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. For exposures determined to be individually impaired, we assessed on a sample basis, • 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 understood and evaluated the theoretical soundness of the ECL model by involving our subject matter experts to ensure its compliance with the requirements of IFRS Accounting Standards. We tested the mathematical integrity of the ECL model by performing recalculations on a sample basis. We assessed the consistency and reasonableness of various inputs and assumptions used by the Group's 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, assessed the reasonableness of the underlying assumptions and the sufficiency of the data used by the management. We assessed the appropriateness of the Group's determination of a significant increase in credit risk and the resultant basis for classification of exposures into various stages. For a sample of exposures, we checked the appropriateness of the Group's staging criteria, including the basis for movement between stages. For loans tested collectively, we also evaluated the design and implementation of relevant controls over the modelling process, including model inputs, monitoring, validation and approval. We challenged key assumptions, inspected the calculation methodology and traced a sample back to source data.

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances at amortised cost	
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 customer's aggregate borrowings, risk rating, value of the collateral and probability of successful repossession and the costs involved to recover the debts. The audit of the impairment of loans and advances measured at amortised cost is a key area of audit focus because of its size (representing 49% of total assets) and due to the significance and complexity of the estimates and judgments that were used in classifying these loans and advances at amortised cost into various stages and determining the ECL allowance as well as the level of audit effort required. Refer to Note 3 of the consolidated financial statements for the accounting policy, Note 4 for critical accounting judgements and estimates and Note 43 for disclosures on credit risk.	We selected samples of loans and advances measured at amortised cost and assessed the accuracy of the EAD, appropriateness of the PD and calculations of the LGD used by management in their ECL calculations. We also assessed the accuracy of disclosures in the consolidated financial statements to determine if they were in compliance with the requirements of IFRS Accounting standards.

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Key audit matter	How our audit addressed the key audit matter
IT systems and controls over financial reporting	
We identified IT systems and controls over the Bank's financial reporting as an area of focus due to the extensive volume and variety of transactions which 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.	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.

Other Information

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

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

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

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

When we read the integrated 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 the applicable provisions of UAE Federal 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 skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

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

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

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the 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 activities within the Group as a basis for forming an opinion on the group 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.

Report on Other Legal and Regulatory Requirements

As required by the UAE Federal Decree 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 Decree Law No. (32) of 2021, as amended;
- The Group has maintained proper books of account.
- The financial information included in the Board of Directors' report is consistent with the Group's books of account;
- Note 7 to the consolidated financial statements of the Group discloses its investments in shares during the financial year ended 31 December 2025;
- Note 37 to the consolidated financial statements of the Group discloses material related party transactions, the terms under which they were conducted;
- Note 32 to the consolidated financial statements discloses social contributions made during the financial year ended 31 December 2025; and

INDEPENDENT AUDITOR'S REPORT
to the Shareholders of Mashreqbank PSC, Dubai, United Arab Emirates (continued)

Report on Other Legal and Regulatory Requirements (continued)

- 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 financial year ended 31 December 2025 any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021, as amended or of its Articles of Association, which would materially affect its activities or its financial position as at 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
02 February 2026
Dubai
United Arab Emirates

Consolidated statement of financial position as at 31 December

	Notes	2025 AED'000	2025 USD'000	2024 AED'000	2024 USD'000
ASSETS					
Cash and balances with central banks	5	**33,532,283**	**9,129,399**	40,592,508	11,051,595
Loans and advances to banks	6	**65,721,062**	**17,893,020**	52,271,604	14,231,311
Financial assets measured at fair value	7	**21,457,498**	**5,841,954**	26,327,534	7,167,856
Securities measured at amortised cost	7	**28,906,304**	**7,869,944**	9,797,117	2,667,334
Loans and advances to customers	8	**138,070,975**	**37,590,791**	103,080,846	28,064,483
Islamic financing and investment products	9	**26,277,704**	**7,154,289**	21,677,551	5,901,865
Acceptances		**10,372,108**	**2,823,879**	3,495,184	951,588
Reinsurance contract assets	20	**3,222,503**	**877,349**	3,379,148	919,997
Investment in associate		**260,380**	**70,890**	296,878	80,827
Investment properties	11	**183,935**	**50,078**	151,620	41,280
Property and equipment	12	**1,350,125**	**367,581**	1,339,360	364,650
Intangible assets	13	**423,331**	**115,255**	374,333	101,915
Other assets	10	**4,855,663**	**1,321,989**	4,669,475	1,271,297
Total assets		**334,633,871**	**91,106,418**	267,453,158	72,815,998
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits and balances due to banks	14	**38,922,265**	**10,596,860**	43,374,316	11,808,962
Repurchase agreements with banks	15	**7,136,046**	**1,942,839**	2,075,517	565,074
Customers' deposits	16	**178,891,181**	**48,704,378**	143,564,793	39,086,521
Islamic customers' deposits	17	**26,004,253**	**7,079,840**	17,374,901	4,730,439
Acceptances		**10,372,108**	**2,823,879**	3,495,184	951,588
Borrowings	19	**13,473,859**	**3,668,353**	3,902,528	1,062,491
Insurance and Investment contract liabilities	20	**6,501,987**	**1,770,212**	6,187,190	1,684,506
Sukuk Issued	48	**1,836,500**	**500,000**	-	-
Other liabilities	18	**10,919,117**	**2,972,806**	9,698,535	2,640,494
Total liabilities		**294,057,316**	**80,059,167**	229,672,964	62,530,075
EQUITY					
Capital and reserves					
Issued and paid up capital	21	**2,006,098**	**546,174**	2,006,098	546,174
Tier 1 capital notes	46	**2,938,400**	**800,000**	2,938,400	800,000
Other reserves	21	**669,832**	**182,366**	(359,453)	(97,863)
Retained earnings		**33,759,840**	**9,191,353**	32,127,720	8,746,997
Equity attributable to owners of the Parent including noteholders of the Group		**39,374,170**	**10,719,893**	36,712,765	9,995,308
Non-controlling interests	22	**1,202,385**	**327,358**	1,067,429	290,615
Total equity		**40,576,555**	**11,047,251**	37,780,194	10,285,923
Total liabilities and equity		**334,633,871**	**91,106,418**	267,453,158	72,815,998

To the best of our knowledge, the consolidated financial statements present fairly in all material respects the financial condition, results of operation and cashflows of the Group as of, and for, the periods presented therein:

Abdul Aziz Abdulla Al Ghurair
Chairman

Ahmed Abdelaal
Group Chief Executive Officer

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

Consolidated statement of profit or loss for the year ended 31 December

	Notes	2025 AED'000	2025 USD'000	2024 AED'000	2024 USD'000
Interest income	24	**13,959,584**	**3,800,595**	14,271,348	3,885,475
Income from Islamic financing and investment products	25	**1,906,055**	**518,937**	1,666,868	453,816
Total interest income and income from Islamic financing and investment products		**15,865,639**	**4,319,532**	15,938,216	4,339,291
Interest expense	26	**(7,140,971)**	**(1,944,179)**	(6,892,160)	(1,876,439)
Distribution to depositors - Islamic products	27	**(583,322)**	**(158,814)**	(657,945)	(179,130)
Net interest income and income from Islamic products net of distribution to depositors		**8,141,346**	**2,216,539**	8,388,111	2,283,722
Fee and commission income	28	**5,269,686**	**1,434,709**	4,560,133	1,241,528
Fee and commission expense	28	**(3,936,650)**	**(1,071,781)**	(3,095,628)	(842,806)
Net fee and commission income		**1,333,036**	**362,928**	1,464,505	398,722
Net investment income	29	**350,437**	**95,409**	228,576	62,231
Other income, net	30	**2,751,595**	**749,141**	3,334,511	907,844
Operating income		**12,576,414**	**3,424,017**	13,415,703	3,652,519
General and administrative expenses	32	**(3,871,265)**	**(1,053,979)**	(3,695,864)	(1,006,225)
Operating profit before impairment		**8,705,149**	**2,370,038**	9,719,839	2,646,294
Net impairment (charge)/reversal	31	**(444,165)**	**(120,927)**	166,065	45,212
Profit before tax		**8,260,984**	**2,249,111**	9,885,904	2,691,506
Tax expense	45	**(1,290,791)**	**(351,427)**	(868,527)	(236,463)
Profit for the year		**6,970,193**	**1,897,684**	9,017,377	2,455,043
Attributable to:					
Owners of the Parent		**6,839,622**	**1,862,134**	8,917,202	2,427,770
Non-controlling interests		**130,571**	**35,550**	100,175	27,273
		6,970,193	**1,897,684**	9,017,377	2,455,043
Earnings per share	33	**AED 32.98**	**USD 8.98**	AED 43.66	USD 11.89

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

Consolidated statement of other comprehensive income for the year ended 31 December

	2025 AED'000	2025 USD'000	2024 AED'000	2024 USD'000
Profit for the year	**6,970,193**	**1,897,684**	9,017,377	2,455,043
Other comprehensive income/(loss)				
Items that will not be reclassified subsequently to profit or loss:				
Changes in fair value of financial assets measured at fair value through other comprehensive income (equity instruments), net of tax	**148,310**	**40,378**	46,908	12,771
Items that may be reclassified subsequently to profit or loss:				
Changes in currency translation reserve, net of tax [Note 21(d)]	**(53,149)**	**(14,470)**	(242,447)	(66,008)
Changes in fair value of financial assets measured at fair value through other comprehensive income (debt instruments) net of tax	**220,855**	**60,129**	(279,751)	(76,163)
Changes in insurance finance income and expenses reserve	**(3,875)**	**(1,055)**	(1,137)	(310)
Total other comprehensive income/(loss) for the year	**312,141**	**84,982**	(476,427)	(129,710)
Total comprehensive income for the year	**7,282,334**	**1,982,666**	8,540,950	2,325,333
Attributed to:				
Owners of the Parent	**7,114,708**	**1,937,029**	8,421,662	2,292,856
Non-controlling interests	**167,626**	**45,637**	119,288	32,477
	7,282,334	**1,982,666**	8,540,950	2,325,333

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

Consolidated statement of changes in equity
for the year ended 31 December

	Issued and paid up capital AED'000	Tier 1 capital notes AED'000	Other reserves AED'000	Retained Earnings AED'000	Equity attributable to owners of the Parent AED'000	Non-controlling interests AED'000	Total AED'000
Balance at 1 January 2024	2,006,098	1,101,900	567,248	26,658,113	30,333,359	984,431	31,317,790
Profit for the year	-	-	-	8,917,202	8,917,202	100,175	9,017,377
Other comprehensive loss	-	-	(495,540)	-	(495,540)	19,113	(476,427)
Total comprehensive income for the year	-	-	(495,540)	8,917,202	8,421,662	119,288	8,540,950
Issue of tier 1 Capital	-	1,836,500	-	(8,022)	1,828,478	-	1,828,478
Payment of dividends [Note 21 (f)]	-	-	-	(3,711,282)	(3,711,282)	(32,675)	(3,743,957)
Transfer from investment revaluation reserve to retained earnings	-	-	(3,556)	3,556	-	-	-
Transfer between retained earnings impairment reserve	-	-	365,000	(365,000)	-	-	-
Coupon payment to Tier 1 note holders	-	-	-	(159,089)	(159,089)	-	(159,089)
Transaction with non-controlling interests	-	-	-	(363)	(363)	(3,615)	(3,978)
Other movements [Note 21(d)]	-	-	(792,605)	792,605	-	-	-
Balance at 31 December 2024	2,006,098	2,938,400	(359,453)	32,127,720	36,712,765	1,067,429	37,780,194
Balance at 1 January 2025	**2,006,098**	**2,938,400**	**(359,453)**	**32,127,720**	**36,712,765**	**1,067,429**	**37,780,194**
Profit for the year	-	-	-	**6,839,622**	**6,839,622**	**130,571**	**6,970,193**
Other comprehensive income	-	-	**275,086**	-	**275,086**	**37,055**	**312,141**
Total comprehensive income for the year	-	-	**275,086**	**6,839,622**	**7,114,708**	**167,626**	**7,282,334**
Coupon payment to Tier 1 note holders	-	-	-	**(224,512)**	**(224,512)**	-	**(224,512)**
Payment of dividends [Note 21 (f)]	-	-	-	**(4,232,867)**	**(4,232,867)**	**(32,549)**	**(4,265,416)**
Transfer from investment revaluation reserve to retained earnings	-	-	**44,227**	**(44,227)**	-	-	-
Transfer between retained earnings and impairment reserve	-	-	**711,000**	**(711,000)**	-	-	-
Other movements	-	-	**(1,028)**	**5,104**	**4,076**	**(121)**	**3,955**
Balance at 31 December 2025	**2,006,098**	**2,938,400**	**669,832**	**33,759,840**	**39,374,170**	**1,202,385**	**40,576,555**

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

Consolidated statement of cash flows
for the year ended 31 December

	2025 AED'000	2025 USD'000	2024 AED'000	2024 USD'000
Cash flows from operating activities				
Profit before taxation for the year	**8,260,984**	**2,249,111**	9,885,904	2,691,506
Adjustments for:				
Depreciation and amortisation	**294,556**	**80,195**	277,708	75,608
Allowances for impairment, net	**444,165**	**120,927**	(166,065)	(45,212)
Gain on disposal of property and equipment	**(1,858)**	**(506)**	(12,857)	(3,500)
Loss on disposal of investment properties	**50**	**14**	7,897	2,150
Unrealised gain on other financial assets held at FVTPL	**(14,223)**	**(3,872)**	(16,077)	(4,377)
Fair value adjustments of investment properties	**(33,915)**	**(9,234)**	(10,426)	(2,839)
Net realized gain from sale of financial assets measured at FVTPL	**(115,521)**	**(31,451)**	(107,720)	(29,327)
Dividend income from financial assets measured at FVTOCI	**(86,369)**	**(23,515)**	(65,926)	(17,949)
Net realised gain from sale of financial assets measured at FVTOCI and securities measured at amortised cost	**(133,309)**	**(36,294)**	(38,023)	(10,352)
Impairment allowance on investment in associate	**36,498**	**9,937**	-	-
Unrealised loss/(gain) on derivatives	**4,767**	**1,298**	(17,248)	(4,696)
Gain on sale/bargain purchase	-	-	(1,211,017)	(329,708)
Gain on revaluation of Forex	-	-	(167,589)	(45,627)
Operating cash flows before tax paid and changes in operating assets and liabilities	**8,655,825**	**2,356,610**	8,358,561	2,275,677
Tax paid	**(906,088)**	**(246,689)**	(138,346)	(37,666)
Changes in operating assets and liabilities				
Increase in deposits with central banks	**(3,327,470)**	**(905,927)**	(4,574,606)	(1,245,469)
Increase in loans and advances to banks with original maturity after three months	**(10,224,077)**	**(2,783,577)**	(6,541,729)	(1,781,032)
Increase in loans and advances to customers	**(35,322,750)**	**(9,616,866)**	(9,652,081)	(2,627,847)
Increase in Islamic financing and investment products	**(4,582,324)**	**(1,247,570)**	(4,670,555)	(1,271,591)
Increase/(decrease) in reinsurance assets	**156,645**	**42,648**	(622,285)	(169,421)
Increase in other assets	**(206,302)**	**(56,167)**	(612,548)	(166,770)
(Increase)/Decrease in financial assets carried at FVTPL	**(1,626,969)**	**(442,954)**	712,508	193,985
Increase in repurchase agreements with banks	**5,060,529**	**1,377,764**	1,012,526	275,667
Increase in customers' deposits	**35,326,388**	**9,617,857**	10,955,102	2,982,603
Increase in Islamic customers' deposits	**8,629,353**	**2,349,402**	3,752,418	1,021,622
(Decrease)/Increase in deposits and balances due to banks	**(4,452,051)**	**(1,212,102)**	6,039,268	1,644,233
Increase in Insurance and Investment contract liabilities	**314,797**	**85,706**	852,232	232,026
Increase in other liabilities	**657,910**	**179,121**	1,096,849	298,625
Net cash (used in)/ generated from operating activities	**(1,846,584)**	**(502,744)**	5,967,314	1,624,642
Cash flows from investing activities				
Purchase of property and equipment	**(184,203)**	**(50,151)**	(167,298)	(45,548)
Purchase on intangible assets	**(192,310)**	**(52,358)**	(149,055)	(40,581)
Proceeds from sale of property and equipment	**24,053**	**6,549**	37,927	10,326
Purchase of other financial assets measured at fair value or amortised cost	**(60,838,398)**	**(16,563,680)**	(57,027,475)	(15,526,130)
Proceeds from sale of other financial assets measured at fair value or amortised cost	**48,899,915**	**13,313,345**	56,104,272	15,274,781
Dividend income from other financial assets measured at FVTOCI	**86,369**	**23,515**	65,926	17,949
Proceeds from sale of investment properties	**1,550**	**422**	352,956	96,095
Disposal of subsidiary	-	-	845,800	230,275
Net cash (used in)/ generated from investing activities	**(12,203,024)**	**(3,322,358)**	63,053	17,167

Consolidated statement of cash flows
for the year ended 31 December (continued)

	2025 AED'000	2025 USD'000	2024 AED'000	2024 USD'000
Cash flows from financing activities				
Transaction with NCI	**(112)**	**(30)**	(3,978)	(1,083)
Dividends paid	**(4,265,416)**	**(1,161,289)**	(3,743,957)	(1,019,319)
Medium term notes issued	**2,991,087**	**814,344**	933,476	254,145
Medium term notes redeemed	**(765,756)**	**(208,482)**	(4,020,676)	(1,094,657)
Sukuk issued	**1,836,500**	**500,000**	-	-
Syndicated borrowings	**7,346,000**	**2,000,000**	-	-
Tier 1 notes issued	**(1,065)**	**(290)**	1,828,478	497,816
Coupon payment to Tier 1 note holders	**(224,512)**	**(61,125)**	(159,089)	(43,313)
Net cash generated from / (used in) financing activities	**6,916,726**	**1,883,128**	(5,165,746)	(1,406,411)
Net (decrease)/increase in cash and cash equivalents	**(7,132,882)**	**(1,941,974)**	864,621	235,398
Net foreign exchange difference	**(58,948)**	**(16,049)**	(20,715)	(5,640)
Cash and cash equivalents at beginning of the year	**38,950,366**	**10,604,509**	38,106,460	10,374,751
Cash and cash equivalents at end of the year (Note 35)	**31,758,536**	**8,646,486**	38,950,366	10,604,509

Notes to the consolidated financial statements for the year ended 31 December 2025

1. General information

Mashreqbank PSC (the "Bank") was incorporated in the Emirate of Dubai in 1967 under a decree issued by The Ruler of Dubai. The Bank carries out retail banking, commercial banking, investment banking, Islamic banking, brokerage and asset management activities through its branches in the United Arab Emirates, Oman, Bahrain, Kuwait, Egypt, Hong Kong, India, Pakistan, Qatar, the United Kingdom and the United States of America. The address of the Bank's registered office is P.O. Box 1250, Dubai, United Arab Emirates.

The accompanying consolidated financial statements combine the activities of the Bank and its subsidiaries (collectively the "Mashreqbank PSC Group" or "Group"), as listed in Note 36.

2. Application of new and revised International Financial Reporting Standards ("IFRS Accounting Standards")

2.1 New and revised IFRS adopted in the consolidated financial statements

In the current year, the group has applied a number of amendments to IFRS Accounting Standards issued by the IASB that are mandatorily effective for an accounting period that begins on or after 1 January 2025. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.

Non-current Liabilities with Covenants (Amendments to IAS 1)

The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

The amendments add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

2. Application of new and revised International Financial Reporting Standards ("IFRS Accounting Standards") (continued)

2.1 New and revised IFRS adopted in the consolidated financial statements (continued)

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.

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

New and revised IFRS	***Effective for annual periods beginning on or after***
Amendments IFRS 9 and IFRS 7 regarding the classification and measurement of financial instruments	1 January 2026
The amendments address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9 *Financial Instruments*.	
Annual improvements to IFRS Accounting Standards - Volume 11	1 January 2026
(IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial Instruments , IFRS 9 Financial Instruments ,IFRS 10 Consolidated Financial Statements, IAS 7 Statement of Cash Flows)	
IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027
IFRS 19 specifies the disclosure requirements an eligible subsidiary is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards.	
IFRS 18 Presentation and Disclosures in Financial Statements	1 January 2027
IFRS 18 includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements.	
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates relating to Translation to a Hyperinflationary Presentation Currency	1 January 2027
The amendments clarify how companies should translate financial statements from a non-hyperinflationary currency into a hyperinflationary one.	

The Group is currently assessing the impact of these standards, interpretations and amendments on the future consolidated financial statements and intends to adopt these, if applicable, when they become effective

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policies

3.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") as issued by International Accounting Standards Board ("IASB") and also complies with the applicable requirements of the laws in the U.A.E including the UAE Federal Law No. 32 of 2021 on Commercial Companies and the Decretal Federal Law No. 14 of 2018.

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.

3.2 Basis of preparation

The consolidated financial statements of the Group have been prepared on the historical cost basis except for certain financial instruments, including derivatives, investment properties and reserves for unit linked policies which are measured at fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The consolidated financial statements are presented in Arab Emirates Dirham ("AED") and all values are rounded to the nearest thousands AED, except where otherwise indicated.

The accounting policies used in the preparation of this consolidated financial statements are consistent with those audited annual consolidated financial statements for the year ended 31 December 2024.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

3.3 Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank and its subsidiaries made up to 31 December each year. Control is achieved when the Bank:

- has power over an investee,
- is exposed, or has rights, to variable returns from its involvement with the investee, and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

3. Material accounting policies (continued)

3.3 Basis of consolidation (continued)

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights raising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control over the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies. All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss of each component of other comprehensive income is attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributable to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

<u>Changes in the Group's ownership interest in existing subsidiaries</u>

Changes in the Group's ownership interests in subsidiaries that do not result in a loss of control is accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Parent.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policies (continued)

3.3 Basis of consolidation (continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

Investment in associate and joint venture

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture,

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policies (continued)

3.3 Basis of consolidation (continued)

any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Under the equity method of accounting, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture.

If there is objective evidence that the group's net investment in an associate or joint venture is impaired, the requirements of IAS 36 *Impairment of Assets* are applied to determine whether it is necessary to recognise any impairment loss with respect to the group's investment. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

The Group applies IFRS 9, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying IFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by IAS 28 Investments in Associates and Joint Ventures (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

3.4 Revenue recognition

(a) Interest income and expense

Interest income and expense for all interest-bearing financial instruments is calculated by applying the effective interest rate to the gross carrying amount of the financial instrument, except for financial assets that have subsequently become credit-impaired (or stage 3), for which interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision) and are recognised within 'interest income' and 'interest expense' in the consolidated statement of profit or loss.

(b) Income from Islamic financing and investments products

The Group's policy for recognition of income from Islamic financing and investments products is described in Note 3.18 (iii).

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policies (continued)

3.4 Revenue recognition (continued)

(c) Fee and commission income and expenses

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

i) Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit-related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight-line basis.

ii) Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

(d) Dividend income

Dividend income from investments is recognised in the consolidated statement of profit or loss when the Group's right to receive dividend has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of Income can be measured reliably).

(e) Gain or loss from redemption of medium-term loans

Gain or loss from redemption of medium-term loans represents the difference between the amount paid and the carrying amount of the liability on the date of redemption.

(f) Rental income

Rental income from investment property which are leased under operating leases are recognised on a straight-line basis over the term of the relevant lease.

3.5 Leasing

The Group leases various branches, offices and premises for ATMs. Rental contracts are typically made for fixed periods of 12 months to 5 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policies (continued)

3.5 Leasing (continued)

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Group and the lease does not benefit from a guarantee from the Group.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The group assesses whether a contract is, or contains, a lease, at inception of the contract. The group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

3.6 Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in UAE Dirham (AED), which is the functional currency of the Bank, and the presentation currency for the consolidated financial statements.

The presentation currency of the Group is the UAE Dirham (AED); however, for presentation purposes only, additional columns for US Dollar (USD) equivalent amounts have been presented in the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of cash flows and certain notes to the consolidated financial statements using a fixed conversion rate of USD 1.00 = AED 3.673.

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in AED using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and recognised in the Group's Currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in a foreign exchange translation reserve in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Bank losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the consolidated statement of profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Bank losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to the consolidated statement of profit or loss.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policies (continued)

3.6 Foreign currencies (continued)

Goodwill and fair value arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

In preparing the financial statements of the group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

• exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting)
• exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

3.7 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income

and reclassified to profit or loss when the qualifying asset affects profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policies (continued)

Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

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 Company 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.

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.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policies (continued)

Taxation (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.8 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including properties under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

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 (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) are recognised in the profit or loss in the period of retirement or disposal.

Transfer is made to or from investment property only when there is a change in use evidenced by the end of owner-occupation or commencement of an operating lease to another party. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use. Fair value is determined by open market values based on valuations performed by independent surveyors and consultants or broker's quotes.

3.9 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policies (continued)

3.9 Property and equipment (continued)

Freehold land and capital work in progress are not depreciated.

Depreciation is recognised so as to write off the cost of assets or valuation of assets (other than land and capital work in progress), less their residual values over their useful lives, using the straight-line method, over the estimated useful lives of the respective assets, as follows:

	Years
Properties for own use	20 - 50
Furniture, fixtures, equipment and vehicles	4 - 15
Improvements to freehold properties and others	5 - 10

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss.

Capital work-in-progress are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3.10 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered 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). When 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. When 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.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policies (continued)

3.10 Impairment of non-financial assets (continued)

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 the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

When 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, such 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 profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

3.11 Intangible assets

Intangible assets consists of software which are stated at cost less amortisation and any accumulated impairment losses. Amortisation is charged on a straight lines over the estimated useful lives of 5 to 10 years. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

3.12 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. Material accounting policies (continued)

3.13 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognised immediately in the consolidated statement of profit or loss. Immediately after initial recognition, an expected credit loss ("ECL") allowance is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVTOCI, as described in note 43, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

After initial recognition, the deferred gain or loss will be released to 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.

i) Classification of financial assets

For the purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are 'debt instruments'. Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and government and corporate bonds.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policies (continued)

3.13 Financial instruments (continued)

3.13.1 Financial assets (continued)

i) Classification of financial assets (continued)

Debt instruments:

Debt instruments, including loans and advances and Islamic financing and investments products, are measured at amortised cost if both of the following conditions are met:

i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
ii) the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest/profit on the principal amount outstanding

All other financial assets except for debt instruments carried at amortized cost are subsequently measured at fair value.

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and Interest ('SPPI'), and that are not designated at fair value through profit or loss (FVTPL), are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured as described in Note 43.

- Fair value through other comprehensive income (FVTOCI): financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at FVTOCI. Movements in carrying amount are taken through Other Comprehensive Income (OCI), except for the recognition of impairment gains and losses, interest revenue and foreign exchange gains and losses on the instruments' amortised cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in 'Net Investment Income'.

- Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVTOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the statement of profit or loss within 'Net investment income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they were presented separately in 'Net investment income'.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policies (continued)

3.13 Financial instruments (continued)

3.13.1 Financial assets (continued)

i) Classification of financial assets (continued)

Business model: the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and there were no material reclassification during the year.

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at fair value through profit or loss, 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 FVTOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. On disposal of these equity investments, any related balance within the FVTOCI reserve is reclassified to retained earnings. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

3. Material accounting policies (continued)

3.13 Financial instruments (continued)

3.13.1 Financial assets (continued)

Amortised cost and effective interest method

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees paid or received that are integral to the effective interest rate, such as origination fees.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using original effective interest rate. Any changes are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for financial assets that have subsequently become credit-impaired (or stage 3), for which interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

ii) Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVTOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Further, 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.

Note 43 provides more detail of how the expected credit loss allowance is measured.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policies (continued)

3.13 Financial instruments (continued)

3.13.1 Financial assets (continued)

(iii) Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. Where this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share / equity based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where

the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in the derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate.

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownerships, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policies (continued)

3.13 Financial instruments (continued)

3.13.1 Financial assets (continued)

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group retain a subordinated residual interest.

3.13.2 Financial liabilities

Classification and subsequent measurement

Financial liabilities (including deposits and balances due to banks, repurchase agreements with banks, medium term loans, subordinated debt and customer deposits) are initially recognised as fair value and subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading and other financial liabilities designated as such on initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the change in fair value due to credit risk) and partially profit or loss (the remaining amount of change in the fair value of the liability).

  This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition whereby for financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and

- Financial guarantee contracts and loan commitments.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policies (continued)

3.13 Financial instruments (continued)

3.13.2 Financial liabilities (continued)

Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

When replacing an existing debt with a new debt from a new lender, the existing debt would be de-recognized in the financial statements, with the difference between the carrying amount and the fair value of the consideration paid

recognized in profit or loss. However, when modifying or exchanging a debt while keeping the original lender, the International Financial Reporting Standards (IFRS Accounting Standards) have specific guidance on whether the transaction results in a de-recognition or is accounted for differently. This analysis is driven by the question whether the modification is "substantial" or whether the original debt has been replaced by another debt with "substantially" different terms.

3.13.3 Financial guarantee contracts and loan commitments

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holders for a loss they incur because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument. Loan commitments are irrevocable commitments to provide credit under pre-specified terms and conditions.

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

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

Loan commitments provided by the Group are measured as the amount of the loss allowance (calculated as described in Note 43).

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policies (continued)

3.13 Financial instruments (continued)

3.13.4 Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss. Therefore,

- for financial assets that are classified as at FVTPL, the foreign exchange component is recognised in the consolidated statement of profit or loss;
- for financial assets that are monetary items and designated as at FVTOCI, any foreign exchange component is recognized in consolidated statement of profit or loss;
- for financial assets that are non-monetary items and designated as at FVTOCI, any foreign exchange component is recognised in the consolidated statement of comprehensive income; and
- for foreign currency denominated debt instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in the consolidated statement of profit or loss.

3.14 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and reported net in the consolidated statement of financial position only when there is a legally enforceable right to set off the recognised amounts or when the Group intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.15 Derivative financial instruments

The Group deals with derivatives such as forward foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options (both written and purchased). Further details of derivatives financial instruments are disclosed in Note 41. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in consolidated statement of profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the consolidated statement of profit or loss depends on the nature of the hedge relationship. 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. Fair values are generally obtained by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate.

Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and intention to offset.

The group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps. Further details of derivative financial instruments are disclosed in note 41.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policies (continued)

3.15 Derivative financial instruments (continued)

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the statement of profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the group has both a legally enforceable right and intention to offset.

(a) Embedded derivatives

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 *Financial Instruments* (e.g. financial liabilities) are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

3.16 Hedge accounting

The Group designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Note 41 sets out details of the fair values of the derivative instruments used for hedging purposes.

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 the consolidated statement of comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in consolidated statement of profit or loss, and is included in the other income line item.

Amounts previously recognised in the consolidated statement of comprehensive income and accumulated in equity are reclassified to consolidated statement of profit or loss in the periods when the hedged item affects in the recognition of a non-financial assets or a non-financial liability, the gains and losses previously recognised in consolidated statement of comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policies (continued)

3.16 Hedge accounting (continued)

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in the consolidated statement of comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecase transaction is ultimately recognised in the consolidated statement of profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the consolidated statement of profit or loss.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in the consolidated statement of comprehensive income and accumulated under the heading of cumulative translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of profit or loss.
Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the cumulative translation reserve are reclassified to the consolidated statement of profit or loss on the disposal of the foreign operation.

3.17 Insurance contracts

To allocate individual insurance contracts to groups of contracts, an entity first needs to define portfolios which include contracts with similar risks and that are managed together. These portfolios are to be subdivided into groups of contracts on the basis of profitability and annual cohorts. IFRS 17 consists of 3 measurement models:

- The general measurement model (GMM), also known as the building block approach, consists of the fulfilment cash flows and the contractual service margin (CSM).
- The variable fee approach (VFA) is a mandatory modification of the general measurement model regarding the treatment of the contractual service margin in order to accommodate insurance contracts with direct participating features.
- The premium allocation approach is an optional simplified approach for the measurement of the liability for remaining coverage. An entity may choose to use when the premium allocation approach provides a measurement which is not materially different from that under the general measurement model or if the coverage period of each contract in the group of insurance contracts is one year or less. Under the premium allocation approach, the liability for remaining coverage is measured as the amount of premiums received net of acquisition cash flows paid, less the net amount of premiums and acquisition cash flows that have been recognized in profit or loss over the expired portion of the coverage period based on the passage of time.

The measurement of the liability for incurred claims is identical under all three measurement models, apart from the determination of locked-in interest rates used for discounting. An explicit risk adjustment for non-financial risk is estimated separately from the other estimates for the liability for incurred claims. This risk adjustment represents compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk. The risk adjustment forms part of the fulfilment cash flows for a group of insurance contracts.

3. Material accounting policies (continued)

3.17 Insurance contracts (continued)

The Group applies the premium allocation approach (PAA) to groups of insurance contracts that it issues and groups of reinsurance contracts that it holds where the coverage period is 12 months or less. The Group performed PAA eligibility assessment for the groups of contracts where the coverage period is more than 12 months. Based on the assessment performed, the Group expects all of its contracts to be eligible for PAA measurement model, except for long term individual life business which will be measured under the GMM. The Group plans to apply the GMM for long term individual life insurance policies and the (VFA) for unit linked insurance policies.

The Group does not apply the PAA if, at the inception of the group of contracts, it expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for the remaining coverage during the period before a claim is incurred.

Insurance revenue and insurance service expenses are recognised in the statement of comprehensive income based on the concept of services provided during the period. The standard requires losses to be recognised immediately on contracts that are expected to be onerous. For insurance contracts measured under the PAA, it is assumed that contracts
are not onerous at initial recognition, unless facts and circumstances indicate otherwise. The Group's focus is to grow a profitable and sustainable business and does not anticipate the recognition of onerous contracts except where the following have been identified:

- Relevant pricing decisions.
- Initial stages of a new business acquired where the underlying contracts are onerous.
- Any other strategic decisions the board considers appropriate.

Insurance acquisition cash flows

The Group includes insurance acquisition cash flows in the measurement of a group of insurance contracts if they are directly attributable to either the individual contracts in a group, the group itself or the portfolio of insurance contracts to which the group belongs. The Group estimates, at a portfolio level, insurance acquisition cash flows not directly attributable to the group but directly attributable to the portfolio. The Group then allocates them to the group of newly written and renewed contracts on a systematic and rational basis.

Liability for Remaining Coverage ("LRC") adjusted for financial risk and time value of money

For all contracts measured under the PAA, there is no allowance as the premiums are expected to be received within one year of the coverage period.

Liability for Incurred Claims ("LIC") adjusted for time value of money

The LIC is discounted and adjusted for the time value of money.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policies (continued)

3.17 Insurance contracts (continued)

Insurance finance income and expenses

For contracts measured under the PAA, The Group applies the changes in discount rates and other financial changes within OCI. For contracts measured under the GMM and VFA, the Group includes all insurance finance income or expenses for the period in profit or loss.

Disaggregation of risk adjustment

The Group disaggregates changes in the risk adjustment for non financial risk between insurance service result and insurance finance income or expenses.

Discount rates

The Group uses the bottom-up approach for the groups of contracts measured under PAA and GMM and the top-down approach for the groups of contracts measured under VFA to derive the discount rates.

Contract boundaries

Under IFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundaries of each contract in a group.

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- The Group has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- Both of the following criteria are satisfied:

  i. The Group has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and

  ii. The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract are not recognised. Such amounts relate to future insurance contracts.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policies(continued)

3.17 Insurance contracts (continued)

Reinsurance contracts held

Reinsurance contracts transfer significant insurance risk only if they transfer to the reinsurer substantially all the insurance risk relating to the reinsured portions of the underlying insurance contracts, even if a reinsurance contract does not expose the issuer (reinsurer) to the possibility of a significant loss. Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. The Group aggregates contracts for which there is a net gain at initial recognition, if any, contracts for which at initial recognition there is no significant possibility of a net gain arising subsequently, and remaining contracts in the portfolio, if any.

Modification and derecognition

The Group derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired); or
- The contract is modified such that the modification results in a change in the measurement model, or the applicable standard for measuring a component of the contract. In such cases, the Group derecognises the initial contract and recognises the modified contract as a new contract

When a modification is not treated as a derecognition, the Group recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

3.18 Islamic financing and investment products

In addition to conventional banking products, the Group offers its customers a variety of non-interest based banking products, which are approved by its Internal Shari'ah Supervision Committee.

Any conventional terminologies that are used only for reasons of legal requirement, explanation and/or clarity will be considered as replaced with its Shari'ah compliant equivalent and will not impact the Islamic products or documentation in terms of their Shari'ah compliance.

All Islamic banking products are accounted for in conformity with the accounting policies described below:

(i) Definitions

The following terms are used in Islamic financing:

Murabaha

Murabaha is a sale of goods with an agreed upon profit mark-up on the cost.

The arrangement is referred to as a Murabaha to the Purchase Orderer where the company sells to a customer a commodity or an asset, which the company has purchased and acquired, based on a promise received from customer.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policies (continued)

3.18 Islamic financing and investment products (continued)

Commodity Murabaha

Commodity Murabaha is a financing transaction based on purchase and sale, whereby the bank purchases a commodity from a broker and sells it to the customer through the Murabaha agreement with a disclosed cost and profit. After signing the Murabaha agreement, the Customer sells the commodity to another broker through the bank, which acts as the Customer's messenger.

Ijarah

Ijarah is a contract, or part of contractual agreement, that transfers the usufruct of an asset (the underlying asset) for a period of time in exchange for an agreed consideration, from lessor (the owner of underlying asset i.e. the company) to a lessee (the customer).

This may involve a hybrid Ijarah arrangement (known as Ijarah Muntahia Bittamleek) which, in addition to the Ijarah contract, includes a promise (by the company) resulting in transfer of the ownership of the underlying asset to the lessee (the customer) through a sale or gift – independent of Ijarah Contract.

Istisna'

Istisna' is a contract of sale of specified items to be manufactured or constructed, with an obligation on part of the manufacturer or builder (contractor) to deliver them to the customer upon completion.

Under this arrangement, the Group provides funds to a customer for construction of a real estate and/or manufacturing of any other assets. Istisna' requires properly specifying the finished product. The customer is required to arrange/employ all the resources required to produce the specified asset(s).

Mudarabah

Mudarabah is a partnership in profit whereby one party provides capital (Rab al-Mal) and the other party provides labour (Mudarib). The Mudarib is responsible for investing such funds in a specific enterprise or activity in return for a pre-agreed percentage of the Mudarabah profit. In case of loss, the same is borne by Rab-al-Mal. The Mudarib is not liable for losses except in case of misconduct in respect to Mudarabah fund, negligence and breach of the terms of Mudarabah contract.

Wakalah

Wakalah is an act of one party (principal) delegating another party (the agent) to perform a permissible activity on his behalf. This may involve Al-Wakalah Bi Al-Istithmar, in which the Company appoints another person an agent to invest its funds with an intention to earn profit, in return for a certain fee (a lump sum of money or a percentage of the amount invested). The agent is obliged to return the invested amount in case of default, negligence or violation of any of the terms and conditions of the Wakalah.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policies (continued)

3.18 Islamic financing and investment products (continued)

(ii) Accounting policy

Islamic financing and investment products are measured at amortised cost, using the effective profit method, less any amounts written off, allowance for doubtful accounts and unearned income. The effective profit rate is the rate that exactly discounts estimated future cash flow through the expected life of the financial asset or liability, or, where appropriate, a shorter period. Allowance for impairment is made against Islamic financing and investment products when their recovery is in doubt taking into consideration IFRS requirements. Islamic financing and investment products are written off only when all possible courses of action to achieve recovery have proved unsuccessful.

(iii) Revenue recognition policy

Income from Islamic financing and investing assets are 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.

Murabaha

Murabaha income is recognised on effective profit rate basis over the period of the contract based on the balance outstanding.

Commodity Murabaha

Murabaha income is recognised on effective profit rate basis over the period of the contract based on the balance outstanding.

Ijarah

Ijarah income is recognised on effective profit rate basis over the lease term.

Mudarabah

Income or losses on Mudarabah financing are recognised on an accrual basis if they can be reliably estimated. Otherwise, income is recognised on distribution by the Mudarib, whereas the losses are charged to income on their declaration by the Mudarib.

Wakalah

Estimated income from Wakalah is recognised on an accrual basis over the period, adjusted by actual income when received. Losses are accounted for on the date of declaration by the agent.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

3. Material accounting policies (continued)

3.18 Islamic financing and investment products (continued)

(iv) Islamic customers' deposits and distributions to depositors

Islamic customers' deposits are initially measured at fair value which is normally consideration received net of directly attributable transaction costs incurred, and subsequently measured at their amortised cost using the effective profit method.

Distributions to depositors (Islamic products) are calculated according to the Group's standard procedures and are approved by the Group's Internal Shari'ah Supervision Committee.

(v) Profit calculation, asset allocation, mechanics of equalization of returns investment account holders

- The Group has invested all the funds generated from Investment Account Holders in the Financing done by way of Shari'ah compliant structures including Murabaha , Commodity Murabaha, Wakala & Ijarah, and the returns are managed by the Bank in a central profit pool. Subsequently the profits are allocated to Investment Account Holders using the Internal Shariah Supervisory Committee approved profit allocation mechanism for Investment Account Holders.
- Profit Equalization Reserve: The Bank maintains a Profit Equalization Reserve (PER) for the purpose of smoothening the returns to the Mudarabah account holders. The PER is deducted from Mudarabah income before deduction of the Bank's share.
- Investment Risk Reserve: The Bank maintains an Investment Risk Reserve (IRR) for the purpose of protecting the Mudarabah account holders from any investment losses in the future. The IRR is deducted from Mudarabah income after deduction of the Bank's share.

3.19 Provision for employees' end of service indemnity

Provision is made for the employees' end of service indemnity in accordance with the UAE labour law for their periods of service up to the financial position date. In addition, in accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations at the reporting date, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. The expected liability at the date of leaving the service has been discounted to net present value using an appropriate discount rate based on management's assumption of average annual increment/promotion costs. The present value of the obligation as at 31 December 2025 is not materially different from the provision computed in accordance with the UAE Labour Law.

The provision arising is disclosed as 'provision for employees' end of service indemnity' in the consolidated statement of financial position under 'other liabilities' (Note 18).

Pension and national contribution for UAE citizens are made by the Group in accordance with Federal Law No. 7 of 1999 and no further liability exists.

3. Material accounting policies (continued)

3.20 Acceptances

Acceptances are 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. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.

3.21 Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and other balances with the UAE Central Bank (excluding statutory reserve) and money market placements which are maturing within three months from the value date of the deposit or placement. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

4.1 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring Expected Credit Loss (ECL) is further detailed in note 43.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining the criteria for significant increase in credit risk;
- Determining the criteria and definition of default;
- Choosing appropriate models and assumptions for the measurement of ECL, including measurement of ECL for default exposures;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

4. Critical accounting judgements and key sources of estimation uncertainty

4.2 Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis and other valuation techniques commonly used by market participants.

4.3 Derivative financial instruments

Subsequent to initial recognition, the fair values of derivative financial instruments measured at fair value are generally obtained by reference to quoted market prices, discounted cash flow models, recognised market accepted pricing models and from counterparty statements. When prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis and other valuation techniques commonly used by market participants.

4.4 The ultimate liability arising from claims made under insurance contracts

The estimation of ultimate liability arising from the claims made under insurance contracts is the Group's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Group will eventually pay for such claims. Estimates have to be made at the end of the reporting period for both the expected ultimate cost of claims reported and for the expected ultimate cost of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Group and management estimates based on past claims settlement trends for the claims incurred but not reported. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

4.5 Classification of the Equity Tier 1 instrument under IAS 32

The Bank has issued Additional Tier 1 (AT1) capital securities listed on the Luxembourg Stock Exchange, which have been classified as equity in accordance with IAS 32: Financial Instruments – Classification. The key features of the instruments are as follows:

- no fixed date of maturity;
- payment of interest and/or capital is solely at the discretion of the Bank;
- the instruments are subordinated and rank just above the ordinary shareholders; and
- these securities also allow the Bank to write-down (in whole or in part) any amounts due to the holders in the event of non-viability with the approval of CBUAE.

The determination of equity classification of these instruments requires significant judgement as certain clauses, particularly the "Events of Default", require interpretation. The Directors, after factoring in the clauses relating to the write-down, non-payment and subordination in the instrument offering document consider that the Bank will not reach the point of insolvency before a write-down is affected due to a non-viability event. Accordingly, such clauses were assessed for the purpose of determining the debt vs equity classification and appropriate independent advice was obtained in forming judgement around this matter.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

5. Cash and balances with central banks

a) The analysis of the Group's cash and balances with central banks is as follows:

	2025	2024
	AED'000	AED'000
Cash on hand	**1,864,835**	1,762,079
Balances with central banks:		
Current accounts and other balances	**13,129,777**	23,620,228
Statutory deposits	**18,137,671**	14,810,201
Certificates of deposit	**400,000**	400,000
	33,532,283	40,592,508

b) The geographical analysis of the cash and balances with central banks is as follows:

	2025	2024
	AED'000	AED'000
Within the UAE	**25,819,057**	23,209,145
Outside the UAE	**7,713,226**	17,383,363
	33,532,283	40,592,508

c) The Group is required to maintain statutory deposits with various central banks on demand, time and other deposits as per the statutory requirements. The statutory deposits are not available for use in the Group's day-to-day operations. Cash on hand and current account balances are non-interest-bearing. Certificate of deposits are at an average interest rate of 3.96% (31 December 2024: 4.93%) per annum.

6. Loans and advances to banks

a) The analysis of the Group's Loans and advances to banks is as follows:

	2025	2024
	AED'000	AED'000
Demand	**3,627,109**	5,067,842
Time	**62,182,977**	47,322,099
	65,810,086	52,389,941
Less: Allowance for impairment	**(89,024)**	(118,337)
	65,721,062	52,271,604

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

6. Loans and advances to banks (continued)

b) The above represent loans and advances to:

	2025 AED'000	2024 AED'000
Banks within the UAE	**9,991,392**	6,669,039
Banks outside the UAE	**55,818,694**	45,720,902
	65,810,086	52,389,941
Less: Allowance for impairment	**(89,024)**	(118,337)
	65,721,062	52,271,604

c) Allowance for impairment movement:

	2025 AED'000	2024 AED'000
At beginning of the year	**118,337**	139,399
Reversal during the year (Note 31)	**(29,516)**	(16,553)
Exchange and other adjustments	**203**	(4,509)
At end of the year	**89,024**	118,337

7. Other financial assets

a) The analysis of the Group's other financial assets is as follows:

Financial assets measured at fair value

i) Financial assets measured at fair value through profit and loss (FVTPL):

	2025 AED'000	2024 AED'000
Debt securities	**2,651,274**	895,716
Equities		
Quoted	**1,005**	23,689
Unquoted	**1,101**	1,032
Funds	**1,349,908**	1,326,137
	4,003,288	2,246,574

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

7. Other financial assets (continued)

ii) Financial assets measured at fair value through other comprehensive income (FVTOCI):

	2025	2024
	AED'000	AED'000
Debt securities	**15,912,709**	23,012,440
Equities		
Quoted	**933,929**	755,933
Unquoted	**87,544**	79,946
Funds	**524,652**	243,418
	17,458,834	24,091,737
Less : Allowance for Impairment	**(4,624)**	(10,777)
Total financial assets measured at fair value (A)	**21,457,498**	26,327,534

iii) Securities measured at amortised cost:

	2025	2024
	AED'000	AED'000
Debt securities	**28,924,027**	9,827,791
Less: Allowance for impairment	**(17,723)**	(30,674)
Total securities measured at amortised cost (B)	**28,906,304**	9,797,117
Total other financial assets [(A) + (B)]	**50,363,802**	36,124,651

b) The geographical analysis of other financial assets is as follows:

	2025	2024
	AED'000	AED'000
Within the UAE	**18,911,578**	21,354,085
Outside the UAE	**31,474,571**	14,812,017
	50,386,149	36,166,102
Less: Allowance for impairment	**(22,347)**	(41,451)
	50,363,802	36,124,651

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

7. Other financial assets (continued)

c) The analysis of other financial assets by industry sector is as follows:

	2025 AED'000	2024 AED'000
Government and public sector	**29,098,830**	15,301,030
Commercial and business	**6,405,954**	2,314,148
Financial institutions	**14,881,365**	18,550,924
Total	**50,386,149**	36,166,102
Less: Allowance for impairment	**(22,347)**	(41,451)
	50,363,802	36,124,651

d) The movement of the allowance for impairment of other financial assets measured at amortised cost and other comprehensive income during the year was as follows:

	2025 AED'000	2024 AED'000
At the beginning of the year	**41,451**	54,152
Reversal during the year (Note 31)	**(19,078)**	(12,687)
Exchange and other adjustments	**(26)**	(14)
At end of the year	**22,347**	41,451

e) The fair value of securities measured at amortised cost amounted to AED 29 billion as of 31 December 2025 (31 December 2024: AED 9.54 billion) (Note 43).

f) At 31 December 2025, certain financial assets measured at amortized cost, financial assets measured at fair value included debt securities with an aggregate carrying value of AED 6,903 million (fair value of AED 7,025 million) [31 December 2024: Carrying value of AED 1,279 million (fair value of AED 1,310 million)] which were collateralized as at that date against repurchase agreements with banks ("Repo") of AED 5,981 million (31 December 2024: AED 1,169 million).

g) During the year ended 31 December 2025, the Group has reviewed its portfolio and sold certain other financial assets measured at amortized cost, resulting in a gain of AED 28 million (31 December 2024: Gain of AED 0.26 million) on the sale.

h) 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.

i) During the year ended 31 December 2025, dividends received from financial assets measured at FVTOCI amounting to AED 86 million (31 December 2024: AED 66 million) were recognized as net investment income in the consolidated statement of profit or loss (Note 29).

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

7. Other financial assets (continued)

j) As of 31 December 2025, change in fair value of other financial assets measured at FVTPL resulted in gain of AED 14 million (31 December 2024: gain of AED 16 million) and was recognized as investment income in the consolidated statement of profit or loss (Note 29).

k) As of 31 December 2025, change in fair value of other financial assets measured at FVTOCI resulted in a gain of AED 369 million (31 December 2024: loss of AED 233 million) and was recognised in the consolidated statement of comprehensive income. The realised gain in respect of FVTOCI debt securities was AED 106 million during the year 2025 (31 December 2024: 38 million) and was recognised in consolidated statement of profit and loss.

l) During the year ended 31 December 2025, the Group purchased and disposed equity shares amounting to AED 469 million (31 December 2024: AED 522 million) and AED 289 million (31 December 2024: AED 489 million), respectively.

8. Loans and advances to customers

a) The analysis of the Group's loans and advances to customers is as follows:

	2025	2024
	AED'000	AED'000
Loans	**129,043,280**	96,996,669
Overdrafts	**6,434,080**	4,024,512
Credit cards	**4,091,438**	3,666,857
Others	**976,813**	893,460
Total	**140,545,611**	105,581,498
Less: Allowance for impairment	**(2,474,636)**	(2,500,652)
	138,070,975	103,080,846

b) The analysis of loans and advances to customers by industry sector is as follows:

	2025	2024
	AED'000	AED'000
Manufacturing	**29,718,606**	23,133,877
Construction	**11,860,829**	8,906,290
Trade	**26,674,301**	21,960,671
Services	**21,265,724**	15,632,555
Financial institutions	**12,290,713**	4,953,676
Personal	**14,438,889**	10,859,373
Residential mortgage	**14,231,620**	11,089,651
Government and related enterprises	**10,064,929**	9,045,405
	140,545,611	105,581,498
Less: Allowance for impairment	**(2,474,636)**	(2,500,652)
	138,070,975	103,080,846

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

8. Loans and advances to customers (continued)

c) In certain cases, the Group continues to carry certain classified doubtful debts and delinquent accounts on its books which have been fully provided. Interest is accrued on most of these accounts for litigation purposes only. As at 31 December 2025 and 2024, legal proceedings are pursued for some of these accounts by the Group in the normal course of business.

d) The movements in the allowance for impairment and suspended interest on loans and advances to customers are as follows:

	2025	2024
	AED'000	AED'000
At beginning of the year	**2,500,652**	2,624,687
Charge for the year (Note 31)	**82,455**	58,683
Exchange and other adjustments	**11,521**	44,032
Written off during the year	**(119,992)**	(226,750)
At end of the year	**2,474,636**	2,500,652

e) The allowance for impairment includes a specific provision of AED 1,470 million for stage 3 loans of the Group as at 31 December 2025 (31 December 2024: AED 1,585 million).

9. Islamic financing and investment products

a) The analysis of the Group's Islamic financing and investment products is as follows:

	2025	2024
	AED'000	AED'000
Financing		
Murabaha	**22,705,013**	17,473,960
Ijarah	**3,710,087**	3,639,102
	26,415,100	21,113,062
Investment		
Wakalah	**2,476,539**	2,898,718
Total	**28,891,639**	24,011,780
Less: Unearned income	**(2,536,440)**	(2,259,031)
Allowance for impairment	**(77,495)**	(75,198)
	26,277,704	21,677,551

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

9. Islamic financing and investment products (continued)

b) The analysis of Islamic financing and investment products by industry sector is as follows:

	2025 AED'000	2024 AED'000
Manufacturing	**5,828,328**	3,291,508
Construction	**4,886,808**	1,905,384
Trade	**1,405,820**	1,192,918
Services	**4,775,126**	5,631,988
Financial institutions	**893,288**	1,214,657
Personal	**6,143,713**	6,532,409
Residential mortgage	**1,230,694**	1,035,913
Government and related enterprises	**3,727,862**	3,207,003
Total	**28,891,639**	24,011,780
Less: Unearned income	**(2,536,440)**	(2,259,031)
Allowance for impairment	**(77,495)**	(75,198)
	26,277,704	21,677,551

c) The movement in the allowance for impairment of Islamic financing and investment products are as follows:

	2025 AED'000	2024 AED'000
At beginning of the year	**75,198**	349,088
Reversal of impairment allowance for the year (Note 31)	**(5,233)**	(249,032)
Exchange and other adjustment	**7,530**	(24,858)
At end of the year	**77,495**	75,198

d) The allowance for impairment includes a specific provision of AED 35 million for stage 3 Islamic financing and investment exposure of the Group as at 31 December 2025 (31 December 2024: AED 34 million).

10. Other assets

	2025 AED'000	2024 AED'000
Interest receivable	**508,056**	212,699
Prepayments	**234,193**	201,573
Positive fair value of derivatives (Note 41)	**1,683,994**	2,297,670
Credit card related receivables	**449,498**	395,285
Taxes paid in advance	**262,616**	207,333
Commission/income receivable	**27,860**	56,112
Advances to suppliers/vendors	**453,443**	308,477
Others	**1,236,003**	990,326
	4,855,663	4,669,475

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

11. Investment properties

	2025	2024
	AED'000	AED'000
At fair value		
At beginning of the year	**151,620**	502,047
Purchases	-	-
Change in fair value during the year (Note 30)	**33,915**	10,426
Sale of investment property	**(1,600)**	(360,853)
At end of the year	**183,935**	151,620

All of the Group's investment properties are freehold properties and located in the U.A.E these were classified as level 3 in the fair value hierarchy.

Valuation processes

The Group has complied with the requirements of the Insurance Authority Board Decision No. (25) of 2014 with regards to the valuation of the investment properties and were accounted accordingly for the purpose of financial reporting. The Group's investment properties were valued as at 31 December 2025 by independent external professionally qualified valuers who hold recognized relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued. The fair value is in accordance with relevant appraisal and valuation standards issued by the Royal Institute of Chartered Surveyors ("RICS").

Valuation techniques underlying management's estimation of fair value

Valuation of the Group's investment properties was determined using either of Discounted Cash Flow ("DCF"), Income capitalization method, and sales comparison methods based on the available inputs.

The DCF method involves forecasting future cash flows from the property based on precisely stated market-based assumptions by adopting an appropriate discount rate and capitalization rate. Income capitalization method considers a market rent that may be achieved based on the comparable evidence and deducting appropriate maintenance and vacancy rates to derive the Net Rent achievable which then capitalized at an appropriate risk yield to derive the Fair Value of the subject property. Sales comparison method considers the value of comparable properties in proximity adjusted for differences in key attributes such as property size and quality of interior fittings.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

12. Property and equipment

	Properties for own use AED'000	Furniture, fixtures, equipment and vehicles AED'000	Improvements to freehold properties and others AED'000	Right-of-use assets AED'000	Capital work-in-progress AED'000	Total AED'000
Cost						
At 31 December 2023	1,190,954	437,018	274,969	157,901	88,773	2,149,615
Additions during the year	-	57,486	27,732	64,819	17,427	167,464
Transfers	-	8,033	1,272	-	(9,305)	-
Disposals/write-offs/elimination	(59,692)	(43,735)	(88,262)	(45,013)	-	(236,702)
At 31 December 2024	**1,131,262**	**458,802**	**215,711**	**177,707**	**96,895**	**2,080,377**
Additions during the year	**13**	**73,179**	**47,949**	**41,665**	**21,399**	**184,205**
Transfers	-	**1,373**	**78**	-	**(1,451)**	-
Disposals/write-offs/elimination	**(2,586)**	**(45,309)**	**(15,976)**	**(32,144)**	-	**(96,015)**
At 31 December 2025	**1,128,689**	**488,045**	**247,762**	**187,228**	**116,843**	**2,168,567**
Accumulated depreciation and impairment						
At 31 December 2023	310,788	259,677	103,930	93,485	-	767,880
Charge for the year (Note 32)	28,839	53,046	34,553	39,005	-	155,443
Disposals/write-offs/elimination	(34,837)	(37,908)	(65,144)	(44,417)	-	(182,306)
At 31 December 2024	**304,790**	**274,815**	**73,339**	**88,073**	-	**741,017**
Charge for the year (Note 32)	**26,664**	**56,378**	**28,741**	**40,207**	-	**151,990**
Disposals/write-offs/elimination	**(2,493)**	**(43,679)**	**(7,972)**	**(20,421)**	-	**(74,565)**
At 31 December 2025	**328,961**	**287,514**	**94,108**	**107,859**	-	**818,442**
Carrying amount						
At 31 December 2025	**799,728**	**200,531**	**153,654**	**79,369**	**116,843**	**1,350,125**
At 31 December 2024	826,472	183,987	142,372	89,634	96,895	1,339,360

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

13. Intangible assets

	Software AED'000
Cost	
At 31 December 2023	657,321
Additions during the year	149,054
Disposals/write-offs/elimination	(66,026)
At 31 December 2024	740,349
Additions during the year	**192,310**
Disposals/write-offs/elimination	**(72,636)**
At 31 December 2025	**860,023**
Accumulated amortization and impairment	
At 31 December 2023	296,710
Charge for the year (Note 32)	122,265
Disposals/write-offs/elimination	(52,959)
At 31 December 2024	366,016
Charge for the year (Note 32)	**142,566**
Disposals/write-offs/elimination	**(71,890)**
At 31 December 2025	**436,692**
Carrying amount	
At 31 December 2025	**423,331**
At 31 December 2024	374,333

14. Deposits and balances due to banks

a) The analysis of deposits and balances due to banks is as follows:

	2025 AED'000	2024 AED'000
Time	**26,100,698**	28,230,111
Demand	**7,827,983**	9,289,142
Overnight	**4,993,584**	5,855,063
	38,922,265	43,374,316

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

14. Deposits and balances due to banks (continued)

b) The above represent deposits and balances due to banks from:

	2025	2024
	AED'000	AED'000
Banks within the UAE	**7,297,268**	9,554,641
Banks outside the UAE	**31,624,997**	33,819,675
	38,922,265	43,374,316

15. Repurchase agreements with banks

	2025	2024
	AED'000	AED'000
Repurchase agreements	**7,136,046**	2,075,517

The above repurchase agreements with banks are at an average interest rate of 4.22% (2024: 5.01%) per annum. Collateral provided as security against these Repo borrowings are disclosed in Note 7(f) to the consolidated financial statements.

16. Customers' deposits

a) The analysis of customers' deposits is as follows:

	2025	2024
	AED'000	AED'000
Current and other accounts	**97,803,841**	86,176,336
Saving accounts	**21,692,457**	11,204,167
Time deposits	**59,394,883**	46,184,290
	178,891,181	143,564,793

b) Analysis by industry sector:

	2025	2024
	AED'000	AED'000
Government and public sector	**16,265,397**	12,778,569
Commercial and business	**104,358,890**	87,186,913
Personal	**50,636,411**	37,249,561
Financial institutions	**7,314,076**	6,198,823
Other	**316,407**	150,927
	178,891,181	143,564,793

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

17. Islamic customers' deposits

a) The analysis of Islamic customers' deposits is as follows:

	2025	2024
	AED'000	AED'000
Current and other accounts	**7,692,619**	8,267,801
Saving accounts	**470,336**	523,524
Time deposits	**17,841,298**	8,583,576
	26,004,253	17,374,901

The amount under time deposits include AED 16.5 million relating to Investment risk reserve (31 December 2024: AED 15.5 million).

b) Analysis by industry sector:

	2025	2024
	AED'000	AED'000
Government and public sector	**4,976,157**	3,762,282
Commercial and business	**13,906,323**	9,260,731
Personal	**5,846,608**	3,775,127
Financial institutions	**1,275,165**	576,761
	26,004,253	17,374,901

c) Movement in the depositors' IRR is given below:

	2025	2024
	AED'000	AED'000
Balance at the beginning of the year	**15,480**	14,041
Profit earned on IRR (invested amount)	**349**	164
Addition to the IRR (Transfer)	**627**	1,275
Amount allocated (from IRR) to the Depositors	-	-
Balance at the end of the year	**16,456**	15,480

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

18. Other liabilities

	2025 AED'000	2024 AED'000
Interest payable	**1,022,990**	1,089,597
Negative fair value of derivatives (Note 41)	**1,323,399**	1,669,256
Accrued expenses	**1,607,828**	1,515,647
Income received in advance	**486,059**	521,473
Pay orders issued	**1,127,962**	857,409
Provision for employees' end of service indemnity*	**323,452**	306,838
Provision for taxation	**1,238,512**	822,542
Lease liability	**67,696**	79,702
Others	**3,076,634**	2,364,916
Allowance for impairment – off balance sheet**	**644,585**	471,155
	10,919,117	9,698,535

*Provision for employees' end of service indemnity included AED 277 million (2024: AED 264 million) for estimated amounts required to cover employees' end of service indemnity at the reporting date as per UAE Labour Law.

The remaining amount of provision for employees' end of service indemnity relates to overseas branches and subsidiaries outside UAE and is computed based on the local laws and regulations of respective jurisdictions.

**The allowance for impairment on off balance sheet and acceptance during the year ended 31 December 2025 amounted to AED 175 million (2024: reversal for impairment of AED 320 million). Refer to note 31.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

19. Borrowings

	2025 AED'000	2024 AED'000
Medium term notes (Note 19a)	**4,296,832**	2,071,501
Subordinated Debt (Note19 b)	**1,831,027**	1,831,027
Syndicated Borrowings *	**7,346,000**	-
	13,473,859	3,902,528

*Mashreq, on 23rd December successfully closed its $2 billion syndicated loan with two tranches, a three-year and a five-year tranche

a) Medium term notes

The maturities of the medium-term notes (MTNs) issued under the programme are as follows:

	2025 AED'000	2024 AED'000
Year		
2025	-	699,760
2026	**2,387,450**	73,460
2027	**60,150**	96,850
2028	**581,599**	415,049
2029	**792,377**	786,382
2030	**475,256**	-
	4,296,832	2,071,501

	2025 AED'000	2024 AED'000
U.S. Dollars	**4,104,180**	1,369,125
Japanese Yen	**23,420**	140,340
Singapore Dollars	**57,145**	53,876
Chinese Yuan	**112,087**	477,042
South African Rand	-	31,118
	4,296,832	2,071,501

The Group established a Euro Medium Term Note (EMTN) programme for USD 5 billion (AED 18.37 billion) under an agreement dated 15 March 2010.

During the year ended 31 December 2025, medium-term notes of AED 766 million were redeemed (31 December 2024: AED 4 billion).

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

19. Borrowings (continued)

b) Subordinated debt

In November 2022, the Bank issued US$ 500 million of subordinated Tier 2 notes. The notes, which were issued at a re-offer price and yield of 99.702 and 7.95 per cent, respectively, and with a coupon of 7.875%, are callable after 5.25 years and have a final maturity of 10.25 years. They will rank Pari passu among themselves, rank subordinate and junior to all senior obligations and rank in priority only to all junior obligations, subject to solvency conditions.

20. Insurance and investment contract liabilities and reinsurance contract assets

	2025 AED'000	2024 AED'000
Insurance and investment contract liabilities		
Liabilities for Incurred Claims (LIC) under Premium Allocation Approach (PAA)		
Present value of their future cashflows	**3,775,315**	3,786,799
Risk adjustment for non-financial risk	**225,157**	263,538
	4,000,472	4,050,337
Liabilities for Incurred Claims (LIC) not under Premium Allocation Approach (PAA)	**7,894**	4,782
Liabilities for Remaining Coverage (LRC)		
Excluding loss component	**1,535,255**	1,122,024
Loss component	**19,147**	22,700
	1,554,402	1,144,724
Investment contract liabilities	**939,219**	987,347
	6,501,987	6,187,190
Reinsurance contract assets		
Incurred claims for contracts under Premium Allocation Approach (PAA)		
Present value of future cashflows	**2,679,264**	2,932,498
Risk adjustment for non-financial risk	**167,480**	208,584
	2,846,744	3,141,082
Remaining coverage excluding loss-recovery component	**363,147**	229,028
Remaining coverage loss recovery component	**6,173**	5,365
Incurred claims for contracts not under PAA	**6,439**	3,673
	3,222,503	3,379,148

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

21. Issued and paid-up capital and other reserves

(a) Issued and paid-up capital

As at 31 December 2025, 200,609,830 ordinary shares of AED 10 each (2024: 200,609,830 ordinary shares of AED 10 each) were fully issued and paid up.

Other reserves:

The movement in these reserves is as follows:

	Statutory and legal reserve	General reserve	Insurance finance income and expenses reserve	Impairment reserve – General*	Currency translation reserve	Investment revaluation reserve	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
2024							
As at 1 January	1,027,494	312,000	8,454	1,130,000	(134,315)	(1,776,385)	567,248
Other comprehensive loss	-	-	(736)	-	(242,447)	(252,357)	(495,540)
Transfer between retained earnings and impairment reserve	-	-	-	365,000	-	-	365,000
Other movements [note 21 (d)]	-	-	-	-	(792,605)	-	(792,605)
Transfer from investment revaluation reserve to retained earnings	-	-	-	-	-	(3,556)	(3,556)
As at 31 December	1,027,494	312,000	7,718	1,495,000	(1,169,367)	(2,032,298)	(359,453)
2025							
As at 1 January	**1,027,494**	**312,000**	**7,718**	**1,495,000**	**(1,169,367)**	**(2,032,298)**	**(359,453)**
Other comprehensive (loss)/income	-	-	**(2,510)**	-	**(53,149)**	**330,745**	**275,086**
Transfer between retained earnings and impairment reserve	-	-	-	**711,000**	-	-	**711,000**
Other movements	-	**4,771**	-	-	**(5,799)**	-	**(1,028)**
Transfer from investment revaluation reserve to retained earnings	-	-	-	-	-	**44,227**	**44,227**
As at 31 December	**1,027,494**	**316,771**	**5,208**	**2,206,000**	**(1,228,315)**	**(1,657,326)**	**669,832**

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

21. Issued and paid-up capital and other reserves (continued)

*** Impairment reserve – General**

Impairment reserve – General is a non-distributable reserve held to meet provision requirement under Credit Risk Management Regulation & Standards (CRMS) issued by Central Bank of UAE.

As per CRMS, in case where provision for impairment required by CB UAE (1.5% of Credit Risk Weighted Assets) exceeds the amount for Stage 1 and 2 expected credit loss under IFRS 9, the bank can transfer the excess amount as a non-distributable impairment reserve in Equity.

	2025	2024
	AED'000	AED'000
Regulatory general provision - under CRMS	**3,480,905**	2,560,746
Aggregate expected credit loss for stage 1 and 2	**1,290,709**	1,252,699
Impairment reserve - General	**2,206,000**	1,495,000
As at 31 December	**3,496,709**	2,747,699

(b) Statutory and legal reserves

In accordance with UAE Federal Law No. 32 of 2021, 10% of net profit for the year is to be transferred to the statutory reserve. Such transfers to reserves may cease when they reach the levels established by the respective regulatory authorities (in the UAE, this level is 50% of the issued and paid up share capital). The legal reserve relates to the Group's foreign operations. Neither the statutory reserve nor the legal reserve is available for distribution.

(c) General reserve

The general reserve is computed pursuant to the Bank's Articles of Association and can be used for the purposes determined by the Annual General Meeting.

(d) Currency translation reserve

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. AED), are recognised directly in consolidated statement of comprehensive income and accumulated in the Currency translation reserve. Gains and losses on hedging instruments that are designated as hedging instruments for hedges of net investments in foreign operations are included in the Currency translation reserve. Exchange differences previously accumulated in the Currency translation reserve (in respect of translating both the net assets of foreign operations and hedges of foreign operations) are reclassified to the consolidated statement of profit or loss on the disposal or reduction of net equity via distribution of the foreign operation.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

21. Issued and paid-up capital and other reserves (continued)

(d) Currency translation reserve (continued)

Included within other movements is an amount of AED 792.61 million relating to the cumulative impact of foreign currency translation adjustments pertaining to Mashreqbank Egypt Branch which has been accounted for during 2024.

(e) Investments revaluation reserve

Investments revaluation reserve shows the effects from the fair value measurement of financial assets measured at FVTOCI. The change in fair value for the year amounted to a gain of AED 369 million (2024: loss of AED 233 million) and was reflected in the consolidated statement of comprehensive income [Note 7(k)].

(f) Dividends on equity instruments

At the Annual General Meeting of the shareholders held on 27 February 2025, the shareholders approved a cash dividend of 211% for the year ended 31 December 2024 (31 December 2023: Cash dividend of 185%) of the issued and paid up capital amounting to AED 4.2 billion (31 December 2023: AED 3.7 billion).

22. Non-controlling interests

	2025 AED'000	2024 AED'000
At beginning of the year	**1,067,429**	984,431
Share of profit for the year	**130,571**	100,175
Share of other comprehensive income for the year	**37,055**	19,113
Dividend paid	**(32,549)**	(32,675)
Transaction with non-controlling interests	**(121)**	(3,615)
At end of the year	**1,202,385**	1,067,429

23. Contingent liabilities and commitments

(a) The analysis of the Group's contingent liabilities and commitments is as follows:

	2025 AED'000	2024 AED'000
Guarantees	**31,121,872**	23,677,271
Letters of credit	**12,134,413**	14,633,158
Commitments for capital expenditure	**590,196**	444,615
At end of the year	**43,846,481**	38,755,044

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

23. Contingent liabilities and commitments (continued)

(b) Irrevocable undrawn credit facilities commitments as at 31 December 2025 amounted to AED 20.43 billion (2024: AED 14.70 billion).

The analysis of contingent liabilities and commitments by geographic region and industry sector is shown in Note 38 to the consolidated financial statements.

24. Interest income

	2025 AED'000	2024 AED'000
Loans and advances to customers	**7,353,956**	7,421,609
Loans and advances to banks	**3,473,505**	3,309,203
Central banks	**1,074,340**	1,453,681
Securities measured at amortised cost	**805,955**	427,585
Financial assets measured at fair value	**1,251,828**	1,659,270
	13,959,584	14,271,348

25. Income from Islamic financing and investment products

	2025 AED'000	2024 AED'000
Financing		
Murabaha	**1,186,867**	1,071,288
Ijarah	**201,438**	243,861
Other	**25,273**	12,802
	1,413,578	1,327,951
Investment		
Wakalah	**330,616**	266,838
Other	**161,861**	72,079
	492,477	338,917
Total	**1,906,055**	1,666,868

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

26. Interest expense

	2025	2024
	AED'000	AED'000
Customers' deposits	**4,786,674**	4,782,745
Deposits and balances due to banks	**1,875,355**	1,772,232
Medium-term loans	**270,424**	192,559
Subordinated debt	**208,518**	144,624
	7,140,971	6,892,160

27. Distribution to depositors – Islamic products

This represents the share of income allocated to depositors of the Group. The allocation and distribution to depositors is approved by the Group's Internal Shari'ah Supervision Committee.

28. Net fee and commission income

	2025	2024
	AED'000	AED'000
Fee and commission income		
Commission income	**609,609**	574,580
Fees and charges on banking services	**1,332,361**	1,199,456
Credit card related fees	**3,109,626**	2,601,110
Others	**218,090**	184,987
Total	**5,269,686**	4,560,133
Fee and commission expenses		
Commission expense	**(35,768)**	(18,021)
Insurance commission	**(826,696)**	(675,041)
Credit card related expenses	**(2,520,050)**	(2,136,257)
Others	**(554,136)**	(266,309)
Total	**(3,936,650)**	(3,095,628)
Net fee and commission income	**1,333,036**	1,464,505

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

29. Net investment income

	2025 AED'000	2024 AED'000
Net realised gain from sale of other financial assets measured at FVTPL	**115,521**	107,720
Unrealised gain on other financial assets measured at FVTPL [Note 7(j)]	**14,223**	16,077
Dividend income from other financial assets measured at FVTPL	**1,015**	830
Net realised gain from sale of other financial assets measured at amortised cost/ FVTOCI	**133,309**	38,023
Dividend income from other financial assets measured at FVTOCI [Note 7 (i)]	**86,369**	65,926
	350,437	228,576

30. Other income, net

	2025 AED'000	2024 AED'000
Foreign exchange gains	**1,412,879**	1,093,166
Insurance related income	**1,143,036**	915,778
Gain on disposal of property and equipment	**1,858**	12,857
Unrealised (loss)/gain on derivatives	**(4,767)**	17,248
Unrealised gain on investment properties (Note 11)	**33,915**	10,426
Others*	**164,674**	1,285,036
	2,751,595	3,334,511

* Included within others during 2024 is a capital gain of AED 1,211 million from the sale of 65% of the Bank's direct interest in IDFAA Payment Service LLC. The Group retains significant influence in IDFAA through 35% indirect ownership via its 100 % subsidiary Citrus Ventures Holding Ltd.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

31. Net impairment charge/(reversal)

	2025 AED'000	2024 AED'000
Loans and advances to banks [Note 6(c)]	**(29,516)**	(16,553)
Securities measured at amortised cost [Note 7(d)]	**(12,951)**	(14,549)
Financial assets measured at FVTOCI [Note 7(d)]	**(6,127)**	1,862
Loans and advances to customers [Note 8(d)]	**82,455**	58,683
Islamic financing and investment products [Note 9(c)]	**(5,233)**	(249,032)
Other assets	**3,198**	263,183
Change in impairment allowance on off-balance sheet items	**174,770**	(319,727)
Loans and advances to customers including Islamic financing and investment products written off	**505,576**	285,815
Recovery of loans and advances to customers including Islamic financing and investment products previously written off	**(268,007)**	(175,747)
	444,165	(166,065)

32. General and administrative expenses

	2025 AED'000	2024 AED'000
Salaries and employees related expenses	**2,103,639**	2,134,424
Depreciation on property and equipment (Note 12)	**151,990**	155,443
Amortisation on intangible assets (Note 13)	**142,566**	122,265
Social contribution	**1,133**	1,000
Others	**1,471,937**	1,282,732
	3,871,265	3,695,864

33. Earnings per share

The basic earnings per share is calculated by dividing the net profit attributable to owners of the Parent by the weighted average number of ordinary shares in issue during the year:

	2025 AED'000	2024 AED'000
Profit for the period attributable to owners of the Parent	**6,839,622**	8,917,202
Less: Coupons paid on Tier one Capital	**(224,512)**	(159,089)
Net adjusted profit for the period attributable to owners of the parent	**6,615,110**	8,758,113
Weighted average number of shares in issue	**200,609,830**	200,609,830
Basic earnings per share (AED)	**32.98**	43.66

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

34. Proposed dividends

The board of Directors has proposed 102% cash dividend for the year ended 31 December 2025 at their meeting held on 02 February 2026.

35. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, current accounts and other balances with central banks, certificates of deposits, balances with banks and money market placements which are maturing within three months from the date of the deposit or placement, as below:

	2025	2024
	AED'000	AED'000
Cash on hand	**1,864,835**	1,762,079
Current accounts and other balances with central banks	**13,129,777**	23,620,228
Certificates of deposit maturing within 3 months	**400,000**	400,000
Loans and advances to banks with original maturity of less than 3 months	**16,363,924**	13,168,059
	31,758,536	38,950,366

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

36. Investment in subsidiaries and associate

At 31 December 2025 Mashreqbank PSC Group (the "Group") comprises of the Bank and the following direct subsidiaries:

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest (%)	Principal activity
		31 December 2025	
Subsidiary			
Sukoon Insurance (PJSC)	United Arab Emirates	64.76%	Insurance & reinsurance
Mindscape FZ LLC	United Arab Emirates	100.00%	IT services
Mashreq Securities LLC	United Arab Emirates	100.00%	Brokerage
Mashreq Capital (DIFC) Limited	United Arab Emirates	100.00%	Asset and fund management
Mashreq Al Islami Finance Company (PJSC)	United Arab Emirates	99.80%	Islamic finance company
Injaz Services FZ LLC	United Arab Emirates	100.00%	Service provider
Invictus Limited	Cayman Islands	100.00%	Special purpose vehicle
Mashreq Global Network	Egypt	100.00%	Employment services
Mashreq Global Services (SMC Private) Limited	Pakistan	100.00%	Employment services
Shorouq Commodities Trading DMCC	United Arab Emirates	100.00%	Trading
Osool – A Finance Company (PJSC)*	United Arab Emirates	100.00%	Finance
Mashreq Bank Pakistan Limited	Pakistan	100.00%	Banking
Neo Ventures Ltd	United Arab Emirates	100.00%	Corporate venture capital company
Citrus Ventures Holding Ltd	United Arab Emirates	100.00%	Special purpose vehicle

* Under liquidation.

As at 31 December 2025, the Bank had the following associates

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest (%)	Principal activity
Associate			
Emirates Digital Wallet LLC	United Arab Emirates	23.61%	Digital wallet service

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

37. Related party transactions

a) Certain related parties (such as, directors, key management personnel and major shareholders of the Group and companies of which they are principal owners) are customers of the Group in the ordinary course of business. 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. Such related party transactions are disclosed below.

b) Related party balances included in the consolidated statement of financial position are as follows:

	2025	2024
	AED'000	AED'000
Balances with major shareholders		
Loans and advances	**3,806,448**	2,506,660
Deposits/financial instruments under lien	**2,728,359**	1,647,558
Letter of credit and guarantees	**2,926,918**	1,576,704
Balances with directors and key management personnel		
Loans and advances	**108,723**	153,630
Deposits/financial instruments under lien	**216,166**	364,947
Letter of credit and guarantees	**6,846**	7,212
Balances with associates and joint venture		
Loans and advances	**188,267**	376,534
Deposits/financial instruments under lien	**10**	26,031
Letter of credit and guarantees	-	25,000

c) Profit for the period includes related party transactions as follows:

Transactions with major shareholders		
Interest income	**281,724**	165,175
Interest expense	**25,065**	11,843
Other income	**50,571**	26,518
Transactions with directors and key management personnel		
Interest income	**3,641**	6,819
Interest expense	**2,100**	6,077
Other income	**138**	47
Transactions with associates and joint venture		
Other income	-	2

d) Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

e) Compensation of key management personnel comprises of salaries, bonuses and other benefits amounted in total to AED 86 million (2024: AED 83 million).

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

38. Concentration of assets, liabilities and off-balance sheet items

	31 December 2025			31 December 2024		
	Assets AED'000	**Liabilities AED'000**	**Letter of credit and guarantees AED'000**	Assets AED'000	Liabilities AED'000	Letter of credit and guarantees AED'000
a) Geographic regions						
UAE	**161,959,107**	**202,274,766**	**29,113,414**	130,570,914	156,584,922	24,647,847
Other Middle East countries	**75,557,223**	**23,738,736**	**6,582,785**	57,309,619	24,811,561	5,227,897
O.E.C.D.	**52,867,967**	**34,723,834**	**4,118,870**	44,447,288	18,370,416	3,394,240
Others	**44,249,574**	**33,319,980**	**3,441,216**	35,125,337	29,906,065	5,040,445
	334,633,871	**294,057,316**	**43,256,285**	267,453,158	229,672,964	38,310,429
b) Industry sectors						
Government and public sector	**42,708,128**	**22,679,360**	**13,134**	27,442,105	17,447,048	9,107
Commercial and business	**120,252,368**	**130,059,444**	**32,194,585**	85,125,474	101,358,788	28,311,026
Personal	**35,368,596**	**58,225,981**	**472,932**	28,538,597	42,411,564	610,069
Financial institutions	**134,199,110**	**82,135,745**	**10,570,134**	124,502,618	67,289,402	9,370,531
Others	**2,105,669**	**956,786**	**5,500**	1,844,364	1,166,162	9,696
At 31 December	**334,633,871**	**294,057,316**	**43,256,285**	267,453,158	229,672,964	38,310,429

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

39. Segmental information

IFRS 8 – Operating Segments – requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

Reportable segments

Operating segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Group's CEO (the Group's chief operating decision maker) in order to allocate resources to the segment and to assess its performance. Information reported to the Group's CEO for the purpose of resource allocation and assessment of performance is based on following strategic business units offering products and services to different markets.

The Group's reportable segments under IFRS 8 are therefore as follows:

a) Wholesale segment comprises of corporate and commercial banking. It also includes global Financial Institution and international corporate business. It offers complete suite of corporate banking products such as Trade finance, contracting finance, project finance, investment banking, cash management, correspondent banking and Islamic products.

b) The Retail segment includes products and services offered to individuals or small businesses within U.A.E and Egypt. The product offerings to customers include, current accounts, savings accounts, fixed deposits, investment products, "Mashreq Millionaire" deposits, personal loans, mortgage loans, business loans, credit cards with unique loyalty programs, bank assurance, overdraft, priority banking, SME, private banking, wealth management services and Islamic products.

c) The Treasury & Global Markets segment consists of customer flow business and proprietary business and asset liability management. Customer flow business includes transactions for foreign exchange, derivatives, margin trading, futures, hedging, investment products, equities brokerage undertaken on behalf of customers. The customer flow revenues are housed under respective customer segment. The proprietary business includes trading in FX, fixed income, derivatives and structured credit. Asset liability management includes investments undertaken on behalf of the Group, capital market issuances and money market placements and borrowing.

d) Insurance & Others consist of the insurance subsidiary, Sukoon Insurance Group whose product offerings include life, health, motor, marine cargo and hull, aviation, fire and general accident, engineering, liability and personal lines insurance. It also consists of Head office and certain investments and business lines held centrally due to their strategic significance to the Group.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of general and administrative expenses, allowances for impairment and tax expenses.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

39. Segmental information (continued)

	31 December 2025				
	Wholesale banking AED'000	Retail AED'000	Treasury and global markets AED'000	Insurance & others AED'000	Total AED'000
Net interest income and earnings from Islamic products	3,159,136	2,878,628	1,618,404	485,178	8,141,346
Fee and commission, net investment and other income	2,030,082	1,734,670	110,555	559,761	4,435,068
Operating income	5,189,218	4,613,298	1,728,959	1,044,939	12,576,414
General and administrative expenses	(1,342,685)	(2,099,493)	(178,654)	(250,433)	(3,871,265)
Operating profit before impairment					8,705,149
Net impairment reversal					(444,165)
Profit before taxes					8,260,984
Tax expense					(1,290,791)
Profit for the year					6,970,193
Attributed to:					
Owners of the Parent					6,839,622
Non-controlling interests					130,571
					6,970,193
Segment Assets	189,601,258	36,039,901	69,097,389	39,895,323	334,633,871
Segment Liabilities	140,240,638	101,815,479	34,291,750	17,709,449	294,057,316

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

39. Segmental information (continued)

31 December 2024	Wholesale banking AED'000	Retail AED'000	Treasury and global markets AED'000	Insurance & others AED'000	Total AED'000
Net interest income and earnings from Islamic products	3,435,161	2,844,350	1,423,641	684,959	8,388,111
Fee and commission, net investment and other income	1,694,102	1,639,344	10,642	1,683,504	5,027,592
Operating income	5,129,263	4,483,694	1,434,283	2,368,463	13,415,703
General and administrative expenses	(1,234,018)	(1,946,051)	(156,381)	(359,414)	(3,695,864)
Operating profit before impairment					9,719,839
Net impairment reversal					166,065
Profit before taxes					9,885,904
Tax expense					(868,527)
Profit for the year					9,017,377
Attributed to:					
Owners of the Parent					8,917,202
Non-controlling interests					100,175
					9,017,377
Segment Assets	145,352,620	31,958,290	59,652,552	30,489,696	267,453,158
Segment Liabilities	120,813,545	74,432,274	22,672,148	11,754,997	229,672,964

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

39. Segmental information (continued)

Geographical information

The Group operates in four principal geographical areas - UAE. (Country of domicile), other Middle East Countries (Kuwait, Bahrain, Egypt, Qatar and Oman), O.E.C.D. (USA and UK) and other countries (India and Hong Kong).

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location are detailed below:

	Operating income from external customers*		Non-current assets**	
	2025	2024	**2025**	2024
	AED'000	AED'000	**AED'000**	AED'000
UAE	**9,316,834**	12,133,363	**1,796,686**	1,725,588
Other Middle East countries	**2,301,541**	793,086	**90,693**	86,711
O.E.C.D.	**751,045**	349,634	**29,577**	20,428
Other countries	**206,994**	139,620	**40,435**	32,586
	12,576,414	13,415,703	**1,957,391**	1,865,313

*Operating income from external customers is based on the Group's operational centres.

**Non-current assets include property & equipment, intangible assets and investment properties. The additions to non-current assets during the year relate to investment properties, property & equipment and intangible assets which has been disclosed in note 11, 12 and 13. Refer to note 12 and 13 for depreciation and amortisation, and note 11 for the sale of investment property.

Revenue from major products and services

Revenue from major products and services are disclosed in Notes 24, 25, 28, 29 and 30 in the consolidated financial statements.

Information about major customers

No single customer contributed 10% or more to the Group's revenue for the year ended 31 December 2025 and 2024.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

40. Classification of financial assets and liabilities

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

	FVTPL AED'000	FVTOCI AED'000	Amortised cost AED'000	Total AED'000
Financial assets:				
Cash and balances with central banks	-	-	**33,532,283**	**33,532,283**
Loans and advances to banks	-	-	**65,721,062**	**65,721,062**
Financial assets measured at fair value	**4,003,288**	**17,454,210**	-	**21,457,498**
Securities measured at amortised cost	-	-	**28,906,304**	**28,906,304**
Loans and advances to customers	-	-	**138,070,975**	**138,070,975**
Islamic financing and investment products	-	-	**26,277,704**	**26,277,704**
Acceptances	-	-	**10,372,108**	**10,372,108**
Other assets	**1,683,994**	-	**2,201,167**	**3,885,161**
Total	**5,687,282**	**17,454,210**	**305,081,603**	**328,223,095**

	FVTPL AED'000	FVTOCI AED'000	Amortised cost AED'000	Total AED'000
Financial liabilities:				
Deposits and balances due to banks	-	-	**38,922,265**	**38,922,265**
Repurchase agreements with banks	-	-	**7,136,046**	**7,136,046**
Customers' deposits	-	-	**178,891,181**	**178,891,181**
Islamic customers' deposits	-	-	**26,004,253**	**26,004,253**
Acceptances	-	-	**10,372,108**	**10,372,108**
Borrowings	-	-	**13,473,859**	**13,473,859**
Sukuk Issued	-	-	**1,836,500**	**1,836,500**
Other liabilities	**1,323,399**	-	**7,547,694**	**8,871,093**
Total	**1,323,399**	-	**284,183,906**	**285,507,305**

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

40. Classification of financial assets and liabilities (continued)

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

	FVTPL AED'000	FVTOCI AED'000	Amortised cost AED'000	Total AED'000
Financial assets:				
Cash and balances with central banks	-	-	40,592,508	40,592,508
Loans and advances to banks	-	-	52,271,604	52,271,604
Financial assets measured at fair value	2,246,574	24,080,960	-	26,327,534
Securities measured at amortised cost	-	-	9,797,117	9,797,117
Loans and advances to customers	-	-	103,080,846	103,080,846
Islamic financing and investment products	-	-	21,677,551	21,677,551
Acceptances	-	-	3,495,184	3,495,184
Other assets	2,297,670	-	1,641,831	3,939,501
Total	4,544,244	24,080,960	232,556,641	261,181,845
Financial liabilities:				
Deposits and balances due to banks	-	-	43,374,316	43,374,316
Repurchase agreements with banks	-	-	2,075,517	2,075,517
Customers' deposits	-	-	143,564,793	143,564,793
Islamic customers' deposits	-	-	17,374,901	17,374,901
Acceptances	-	-	3,495,184	3,495,184
Borrowings	-	-	3,902,528	3,902,528
Other liabilities	1,669,256	-	6,378,425	8,047,681
Total	1,669,256	-	220,165,664	221,834,920

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

41. Derivatives

In the ordinary course of business, the Group utilises the following derivative financial instruments for both trading and hedging purposes. These derivative financial instruments are based on observable market inputs - i.e. Level 2:

(a) Swaps are commitments to exchange one set of cash flows for another. For interest rate swaps, counter-parties generally exchange fixed and floating rate interest payments in a single currency without exchanging principal. For currency swaps, fixed interest payments and principal are exchanged in different currencies. For cross-currency rate swaps, principal, fixed and floating interest payments are exchanged in different currencies.

(b) Credit Default Swap (CDS) is a swap contract in which the buyer of the CDS makes a series of payments to the seller and, in exchange, receives a payoff if a debt instrument goes into default and fails to pay.

(c) Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specified price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Foreign currency and interest rate futures are transacted in standardised amounts on regulated exchanges and changes in futures contract values are marked to market daily.

(d) Forward rate agreements are similar to interest rate futures, but are individually negotiated. They call for a cash settlement for the difference between a contracted interest rate and the market rate on a specified future date, on a notional principal for an agreed period of time.

(e) Options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy or sell at fixed future date or at any time during a specified period, a specified amount of a currency, commodity or financial instrument at a pre-determined price.

The Group measures a net Credit Value Adjustment (CVA) on outstanding OTC derivative contracts to account for market value of 'credit risk' due to any failure to perform on contractual agreements by a counterparty. CVA is computed on all OTC derivatives asset classes including Foreign Exchange, Interest Rates, Equities and Commodities etc. CVA ensure derivatives transactions are priced or/and adequate reserves are built to account for expected credit losses in the derivatives portfolios. CVA is a function of our expected exposure to counterparts, probability of default and recovery rates. Internally the Group manages and monitor the exposure to this risk by defining controls and limits around a 'peak future exposure' (PFE) measure and in many cases by collateralizing facilities under Credit Support Annex (CSA).

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

41. Derivatives (continued)

31 December 2025	Positive fair value AED'000	Negative fair value AED'000	Notional amount AED'000	Up to 3 months AED'000	3 - 6 months AED'000	6 - 12 months AED'000	1 - 5 years AED'000	Over 5 years AED'000
Derivatives held for trading								
Forward foreign exchange contract	468,942	455,526	108,424,292	92,116,508	9,451,410	6,615,116	241,258	-
Foreign exchange options (bought)	58,942	58,735	3,704,444	790,150	709,016	1,627,440	487,316	90,522
Foreign exchange options (sold)	-	-	3,752,117	800,221	711,293	1,638,356	512,590	89,657
Interest rate swaps	1,119,534	783,472	33,831,307	1,890,094	1,963,878	2,837,971	13,733,258	13,406,106
Credit default swaps	3,426	16,387	146,920	36,730	-	-	73,460	36,730
Currency swap	26,446	884	1,144,523	32,089	1,069,683	42,751	-	-
Futures contracts purchased (Customer)	881	44	156,417	155,629	788	-	-	-
Futures contracts sold (Customer)	-	-	627	627	-	-	-	-
Futures contracts purchased (Bank)	44	1,334	1,372,186	1,371,398	788	-	-	-
Futures contracts sold (Bank)	1,834	140	296,017	296,017	-	-	-	-
Total	1,680,049	1,316,522	152,828,850	97,489,463	13,906,856	12,761,634	15,047,882	13,623,015
Held as fair value hedge								
Interest rate swap	3,945	6,877	348,791	-	-	45,913	302,878	-
Total	1,683,994	1,323,399	153,177,641	97,489,463	13,906,856	12,807,547	15,350,760	13,623,015

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

41. Derivatives (continued)

	Positive fair value AED'000	Negative fair value AED'000	Notional amount AED'000	Up to 3 months AED'000	3 - 6 months AED'000	6 - 12 months AED'000	1 - 5 year AED'000	Over 5 years AED'000
31 December 2024								
Derivatives held for trading								
Forward foreign exchange contract	508,388	671,981	132,677,376	121,894,686	5,556,914	4,955,310	270,466	-
Foreign exchange options (bought)	44,618	44,617	2,228,846	535,580	792,015	901,251	-	-
Foreign exchange options (sold)	-	-	1,612,346	344,841	540,006	727,499	-	-
Interest rate swaps	1,708,548	849,055	36,570,624	2,675,038	3,942,123	3,604,238	9,362,639	16,986,586
Credit default swaps	-	4,426	55,095	-	-	-	36,730	18,365
Currency swap	6,468	3,609	1,356,105	1,356,105	-	-	-	-
Futures contracts purchased (Customer)	8,528	8,251	731,388	726,424	4,964	-	-	-
Futures contracts sold (Customer)	32	3,356	158,113	158,113	-	-	-	-
Futures contracts purchased (Bank)	8,251	8,757	811,859	806,895	4,964	-	-	-
Futures contracts sold (Bank)	3,356	32	158,113	158,113	-	-	-	-
Total	2,288,189	1,594,084	176,359,865	128,655,795	10,840,986	10,188,298	9,669,835	17,004,951
Held as fair value hedge								
Interest rate swap	9,481	75,172	917,289	187,744	256,136	203,828	269,581	-
Total	2,297,670	1,669,256	177,277,154	128,843,539	11,097,122	10,392,126	9,939,416	17,004,951

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

42. Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the consolidated statement of financial position, are:

- To comply with the capital requirements set by the Basel Committee on Banking Supervision (BCBS) and the regulators of the banking markets where the entities within the Group operate;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base and capital buffer to support the development of its business and provide adequate cushion to withstand a variety of stress scenarios and/or unforeseen risks.

Regulatory capital

On June 26, 2012, the BCBS issued the Basel III rules on the information banks must publicly disclose when detailing the composition of their capital, which set out a framework to ensure that the components of banks capital bases are publicly disclosed in standardised formats across and within jurisdictions for banks subject to Basel III.

Basel III is designed to materially improve the quality of regulatory capital and introduces a new minimum common equity capital requirement. Basel III also raises the minimum capital requirements and introduces capital conservation and countercyclical buffers to induce banks to hold capital in excess of regulatory minimums.

The Central Bank of the UAE sets and monitors capital requirements for the Group as a whole. The Parent company and overseas banking operations are directly supervised by their local regulators. In February 2017, the Central Bank of the UAE published enhanced regulatory capital rules vide notifications 52 and 60/2017 which implemented Basel III in the UAE.

The Group's regulatory capital is analysed into two tiers, in line with the Central Bank regulation:

- Tier 1 capital, split into Common equity tier 1 (CET 1) which includes issued and paid-up share capital, retained earnings, statutory and legal reserves, accumulated other comprehensive income and Additional tier 1 (AT 1) comprising of instrument issued by banks which are eligible for inclusion on AT 1 and are not included in CET 1
- Tier 2 capital, which includes collective allowance for impairment and qualifying subordinated liabilities.
- Regulatory adjustment is applied in CET 1, capital consisting mainly of goodwill and other intangibles, deferred tax assets. Additionally, threshold deduction is applied in case of exceeding the threshold limit.

As per the Central bank regulation for Basel III, the Bank is required to comply with the following minimum capital requirement:

i) CET1 must be at least 7% of risk weighted assets (RWA);

ii) Tier 1 capital must be at least 8.5% of RWA; and

iii) Total capital, calculated as sum of Tier 1 capital and Tier 2 capital must be at least 10.5% of RWA.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

42. Capital management (continued)

Regulatory capital (continued)

iv) In addition, banks are required to maintain a capital conservation buffer (CCB) of 2.5% of RWA and countercyclical buffer (CCYB), calculated based on geographic composition of the bank's portfolio of private sector credit exposures, in the form of CET 1. From 1st January 2026, this will also be applicable on UAE private sector exposures at 0.5% of credit risk weighted assets (CRWA).

v) From 30th June 2026, being a Domestic systemically important bank (DSIB), the bank will be required to maintain an additional 0.5% buffer of RWA.

The Group's assets are risk-weighted as to their relative credit, market, and operational risk. Credit risk includes both on and off-balance sheet risks. Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices and includes interest rate risk, foreign exchange risk, equity exposure risk, commodity risk, and options risk. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events.

As part of its Capital Management, the Bank conducts an Internal Capital Adequacy Assessment Process (ICAAP) to demonstrate to the Central Bank of the UAE that the Bank has implemented methods and procedures to ensure adequate capital resources and action plans in stress conditions, with due attention to all material risks. The Central Bank of the UAE conducts a Supervisory Review and Evaluation Process (SREP) to assess the soundness of the Bank's ICAAP.

The Group's policy is to maintain a strong capital base so as to maintain market confidence and to sustain future development of the business. The impact of 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. Historically the Group has followed a conservative dividend policy to increase capital from internal resources to meet future growth. To further strengthen the capital base and to ensure effective management of capital, the Group has issued medium-term floating rates notes.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

There have been no material changes in the Group's management of capital during the year.

a) The Group's regulatory capital positions as at 31 December 2025 and 31 December 2024 were as follows:

	2025	2024
	AED'000	AED'000
Common equity Tier 1 capital		
Issued and paid-up capital	**2,006,098**	2,006,098
Statutory and legal reserve	**1,027,494**	1,027,494
General reserve	**316,771**	312,000
Currency translation reserve	**(1,228,315)**	(1,169,367)
Investments revaluation reserve	**(1,746,661)**	(2,042,235)
Retained earnings	**31,707,953**	27,894,851
Less: Regulatory deductions	**(415,427)**	(393,640)
Total (A)	**31,667,913**	27,635,201

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

42. Capital management (continued)

Regulatory capital (continued)

Additional Tier 1 capital	**2,938,400**	2,938,400
Total Tier 1 capital (B)	**34,606,313**	30,573,601
Tier 2 capital		
Subordinated debt	**1,831,027**	1,831,027
Collective impairment allowance	**1,074,006**	1,043,916
Total	**2,905,033**	2,874,943
Total capital base (C)	**37,511,346**	33,448,544
Credit risk	**232,060,365**	170,716,431
Market risk	**5,551,539**	2,679,453
Operational risk	**20,829,145**	17,861,805
Total risk-weighted assets (D)	**258,441,049**	191,257,689
Capital adequacy ratio [(C)/(D) x 100]	**14.51%**	17.49%

The capital adequacy ratio is calculated after deduction of proposed dividend as required by the Standards for Capital Adequacy issued by UAE Central Bank.

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based on the inherent risk it carries. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation, by Finance and Risk Groups, and is subject to review by the Bank's Assets and Liabilities Committee (ALCO) as appropriate.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management

The Risk Management Group ("RMG") is responsible for identifying, analysing, measuring, and managing risk to ensure that the Group (i) remains within its risk appetite; and (ii) generates sustainable risk-adjusted returns as mandated by the shareholders.

The Group is exposed to the following Financial and Non-Financial risks:

- Credit Risk
- Market and Counterparty Credit Risk
- Operational Risk & Resilience
- Liquidity Risk Model Risk
- Shari'ah Non-Compliance Risk
- Reputational Risk
- Compliance and Regulatory Risk
- Environmental, Social and Governance Risk
- Strategic Risk
- Information Security and Data Privacy Risk

The Group's ability to consistently foster a robust risk management culture and framework is an important factor in its financial strength and stability.

Risk Management Framework

The Board of Directors (the "Board") through the Board Risk, Compliance and Environmental Social Governance Committee ("BRCESGC") has overall responsibility for establishment and oversight of the Group's risk management framework. They are assisted by various Board level and Management level committees for fulfilling their responsibilities, e.g. the Executive Management Committee ("ExCo"), Group Risk Committee ("GRC"), Assets and Liabilities Committee ("ALCO"), Compliance Risk Management Committee ("CRMC") Information Security Committee ("ISC"), Investments Committee ("IC"), Technology Steering Committee ("TSC") and Sustainability Executive Committee ("SEC"). These committees are appointed by the Board to assist in carrying out its functions with respect to all aspects of risk management. The roles and delegated authorities of these committees are set out in their respective Terms of References (ToRs)/ Charters.

While the Board carries ultimate responsibility for overall risk management, the GRC assists the Board/Board Risk, Compliance and ESG Committee in discharging these responsibilities including functioning as a management committee, for day-to-day management of risks in-line with the approved risk framework and within the Group Risk Appetite Statement (GRAS).

The GRC has overall responsibility for oversight of risk management framework and risk appetite of the Group. The GRC is also responsible for the approval of risk management policies and procedures of the Group, to ensure adherence to the approved policies and close monitoring of different risks within the Group. The GRC also approves policy exceptions, establishes, and monitors various concentration limits (such as limits for country, industry sector etc.) as part of the risk appetite and reviews credit portfolio to manage asset quality.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

The Risk Management Group ("RMG") is independent of business groups and is led by a Group Chief Risk Officer ("GCRO") with responsibility for deploying group risk management and oversight of all material risks within the Group. The RMG is primarily responsible for defining the framework for management of all material risks within the Group.

The Internal Audit Group ("IAG") acts as the third line of defence function within the Group, independent from both the business units ("first line of defence") and Risk Management and Compliance ("second line of defence"). IAG provides independent assurance to stakeholders and senior management on compliance with all risk policies and procedures in the Group and the effectiveness of the risk management processes. This is undertaken through periodic reviews of all risk-taking units within the Bank, in addition to Risk Management.

Capital Management

The Group's capital management ensures that regulatory requirements are met and that the Group's operating activities, including its branches and subsidiaries, are capitalized in line with the Group's risk appetite, target ratios and in accordance with local regulatory requirements.

The Bank's capital management approach further aims to facilitate the allocation and use of capital to generate a return that appropriately compensates shareholders for the risks incurred. Capital adequacy is actively managed and forms a key component of the Group's budget and forecasting process. The capital plan is tested under a range of stress scenarios as part of the Group's quarterly Internal Capital Adequacy Assessment Process. The capital management approach is set and governed primarily by the ALCO.

Risk Appetite & Stress Testing

The key to the Group's long-term sustainable growth and profitability lies in ensuring that there is a strong link between its risk appetite and strategy.

Risk Appetite for the Group is set and approved by the BRCESGC. The Group's risk appetite statement is disseminated down to business groups in alignment with business strategies for these groups.

Stress testing is a key management tool within the Group used to evaluate the sensitivity of current and forward risk profiles to shocks of varying nature and severity. Stress testing within the Group is governed by the Group's stress testing policy which sets out the approaches for stress testing and associated roles and responsibilities. The primary governance committee overseeing risk appetite and stress testing is the BRCESGC.

Internal Capital Adequacy Assessment Process (ICAAP)

The purpose of the ICAAP is to ensure that the Bank assesses and maintain sufficient capital to cover their material risk and remain resilient under both normal and stressed conditions, and to inform the Board of the ongoing assessment of the bank's risks, how the bank intends to mitigate those risks and how much current and future capital is necessary having considered other mitigating factors.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Internal Capital Adequacy Assessment Process (ICAAP) (continued)

This process includes the computation of the bank's aggregated capital and the monitoring of the Group's capital adequacy under a variety of stressed scenarios to assess and report the impact upon the Group's capital buffer (measured as available capital less required risk capital) and recommending actions, as warranted. The risk assessment is approved by the BRCESGC as part of the ICAAP submission

Credit risk management

Credit risk is the risk of suffering financial loss as a result of any of the Group's customers failing or unwilling to fulfil their contractual obligations to the Group. Credit risk arises mainly from loan and advances, loan commitments arising from such lending activities, trade finance and treasury activities but can also arise from financial guarantees, letter of credit, endorsements and acceptances. The Group is also exposed to other credit risks arising from investments in debts instruments, derivatives as well as settlement balances with market counterparties.

The Chief Credit Officer ("CCO") of the Group is responsible for overseeing relevant aspects of credit risk management supported by a team of experienced and trained credit risk managers. The CCO and credit risk managers have delegated authority within the risk management framework to approve credit transactions and manage credit risk on an ongoing basis.

Credit risk is the single largest risk from the Group's business of extending Loans and Advances (including loan commitments, LCs and LGs) and carrying out investment in securities and debts; management therefore carefully manages its exposure to credit risk. Credit risk management and controls are centralized under the CCO function with regular governance and monitoring exercised by the BRCESGC, Board Credit Committee ("BCC") and Group Risk Committee ("GRC").

Specifically, BCC reviews and approves credit proposals that are beyond lending authorities delegated to management by the Board of Directors. In addition, BRCESGC and BCC monitors key elements of the Bank's credit risk profile relative to the Bank's risk appetite. The Board Committees are supported by GRC through detailed review and monitoring of credit portfolio, including exposure concentrations.

An Early Alert Committee ("EAC") is also in place to review and proactively identify potential problematic exposures within CIBG and IBG business groups and determine appropriate strategies. The EAC, along with the IFRS 9 Committee (a forum in place to oversee all aspects of Mashreq's IFRS 9 framework), plays an important role in ensuring that credit fundamentals are linked to determination of Significant Increase in Credit Risk (SICR) and staging for IFRS 9 purposes.

Loans and advances (including loan commitments, LCs and LGs)

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Credit risk management (continued)

Under IFRS 9, bank estimates expected credit loss (ECL) based on macro adjusted PD, LGD & EAD measures. Additionally, it also captures deterioration and lifetime likelihood of defaults Over the course of 2025, the bank revamped wholesale IFRS 9 models, enhancing its ability to assess credit risk. All the IFRS 9 PD models underwent performance monitoring reviews with additional data points incorporated in alignment with the Model Monitoring Standards

Credit risk grading

The Group uses specific internal rating models tailored to various industry segments/counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) are an input into this rating model. This is further supplemented with external data input. The credit grades are calibrated such that risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between a 6 and 8 rating grade is lower than the difference in the PD between a 18 and 20 rating grade.

The risk rating system for performing assets ranges from 1 to 25, each grade being associated with a PD. Non-performing borrowers are rated 60, 70 and 80

Below table is the rating equivalence for Mashreq Bank and UAECB.

Mashreq Rating Scale (MRS)	Mashreq Balance Sheet
MRS 20 or better	Not impaired
MRS 21-22 (Watch)	Not impaired
MRS 23-24-25 (Special Mention)	Not impaired
MRS 60 (Sub-Std.)	Impaired
MRS 70 (Doubtful)	Impaired
MRS 80 (Loss)	Impaired
MRS 99 (Write-off)	Impaired

Expected credit loss measurement

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group. Provisioning is aligned with the latest CRMS guidance issued by the CBUAE.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Expected credit loss measurement (continued)

- If a Significant Increase in Credit Risk ('SICR') since initial recognition is identified, then the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Amongst other factors, the identification of SICR is measured via a change in one year probability of default between the date of inception of facility and the date of IFRS 9 ECL run. Other factors include restructuring and account irregularities.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial assets in Stage 1 have their ECL measured at an amount equal to lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stage 2 have their ECL measured based on expected credit losses on a lifetime basis.
- Financial assets in Stage 3 are measured at an amount equal to lifetime expected credit losses or specific provision.

Significant increase in credit risk (SICR)

The Group considers a financial asset to have experienced SICR when a significant change in probability of default occurs between the origination date of a specific facility and the IFRS 9 ECL run date. In addition, a range of qualitative criteria are also considered.

<u>*Quantitative criteria*</u>

Corporate loans:

For corporate loans, if the borrower experiences a significant increase in probability of default which can be triggered by the following quantitative factors:

- Operating performance
- Operating efficiency
- Debt service/ covenant breaches
- Distressed restructure
- Account performance/irregularities
- Liquidity assessment
- Capital structure.

Retail:

For Retail portfolio, if the borrowers meet one or more of the following criteria:

- Adverse findings for an account/ borrower as per credit bureau data;
- Loan rescheduling before 30 Days Past Due (DPD);
- Accounts overdue between 30 and 90 days.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Expected credit loss measurement (continued)

Treasury:

- Significant increase in probability of default of the underlying treasury instrument;
- Significant change in the investment's expected performance & behaviour of borrower (collateral value, payment holiday, payment to income ratio etc.).

Qualitative criteria:

Corporate Loans

For corporate loans, the following is also considered in determining a significant increase in probability of default:

- Net worth erosion
- Fraudulent activity
- Significant operations disruption
- Departure of key members of management
- Industry outlook
- Income stability Unavailable/inadequate financial information/financial statements
- Qualified report by external auditors
- Pending significant litigation
- Increase in operational risk
- Continued delay and non-cooperation by the borrower in providing key relevant documentation

Backstop:

A borrower that is more than 30 days past due on its contractual obligations is presumed to have a significantly increased credit risk as a backstop unless this presumption can be reasonably rebutted based on supportable forward-looking information. The borrower is also flagged in the system and is therefore subject to closer monitoring.

Definition of default and credit-impaired assets

The definition of default is proposed to be as below:
- The counterparty is classified as a non-performing asset under the extant guidelines of CBUAE.
- The exposure to the counterparty has been restructured by the bank and such exposure continues to be in the 'monitoring period'.

The following criteria which is applicable to all credit facilities and all obligors should be employed to identify an event of default. The default of obligor should be assessed after considering obligations across all Mashreq entities including in UAE and overseas.

Non-Payment :

A default is considered to have occurred when one or both of the following events have taken place:

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Definition of default and credit-impaired assets (continued)

When the obligor is past due to a period in excess of 90 days on any material obligation. A facility or a group of facilities will be considered material if their combined exposure is greater than 5% of the total funded exposure of the obligor. In case of multiple credit facilities, the days past due (DPD) counter must start from date of the first credit facility becoming past due. In other words, the DPD counter must be computed across credit facilities with a consecutive day count.

Overdrafts will be considered past due once the limit is breached or the customer has been advised of a limit which is lesser than the current outstanding. Additionally, default must be considered when outstanding balances are consistently in excess of agreed limit where consistently is defined as a period that exceeds 90 continuous days or more than 90 days in any six-month period.

Unlikeliness to pay :

This evaluation should be based on a holistic evaluation of the borrower's creditworthiness supported by factual evidence and a view on the borrower's current and future performance. Classification of an obligor as "defaulted" based on perceived unlikeliness to pay cannot be automatic and must be based on an established set of criteria as defined in the bank's Early Alert Symptoms.

- The bank considers that the borrower is unlikely to pay its existing debt. For this purpose, a non-exhaustive list of indicators of unlikeliness to pay include: -

  - The bank puts the credit obligation on non-accrued status.
  - The bank sells a part of the credit obligation at a material credit-related economic loss.
  - The bank consents to a distressed restructuring of the credit obligation, where this is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement, of principal, interest or (where relevant) fees.
  - The bank has filed for the debtor's bankruptcy or a similar order in respect of the borrower's credit obligation.
  - The debtor has sought or has been placed in bankruptcy or similar protection where this would avoid or delay repayment of the credit obligation.
  - There is evidence that full repayment based on the contractual terms, original or, when applicable, modified (e.g., repayment of principal and interest) is unlikely without the bank's realisation of collateral, regardless of whether the exposure is current or the number of days the exposure is past due.
  - The Bank makes a charge-off or account-specific provision resulting from a perceived decline in credit quality subsequent to the Bank taking on the exposure.
  - The obligor is past due more than 90 days on any material credit obligation to the Banking Group.

Measuring ECL – Explanation of inputs, assumptions, and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since the initial recognition of a specific facility or whether an asset is considered credit-impaired. The Group has adopted a forward exposure method for computing the ECL for each facility. The bank has opted for a monthly granular computation of PD, EAD and LGD:

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Measuring ECL – Explanation of inputs, assumptions, and estimation techniques (continued)

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per 'Definition of default and credit-impaired' above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expected to be owed at the time of default.
- LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the effective interest rate or an approximation thereof.

Lifetime expected credit losses are expected credit loss resulting from all probable default events over the expected lifetime of the financial instrument. Expected credit losses are the probability-weighted average of credit losses and the weighing factor is the Probability of Default (PD) for a lifetime.

During economically challenging periods, the Group may choose to increase the scenario weightage of the pessimistic scenario under guidance from respective regulatory authorities in order to maintain higher level of ECL provisions & lower the scenario weightage of pessimistic scenario once a favourable trend is noticed in the macro economic climate.

The macroeconomic factors used in the IFRS 9 models take into account such information. The macroeconomic data for IFRS 9 PDs term structure gets refreshed every 3 months. The update was last made in September 2025.

The Group has implemented risk rating models since 2005 which has enabled the Bank to rate borrowers based on their financial and qualitative information. The bank revamped wholesale rating models, improving the bank's ability to assess credit risk and optimize decisioning. All rating models have undergone periodic performance monitoring exercise and rating models are used as an input into IFRS 9 macroeconomic models to derive a PD term structure for each rating grade in the IFRS 9 ECL computation.

In 2025, all the IFRS 9 PD models underwent performance monitoring reviews in alignment with the Model Monitoring Standards.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayments loans, this is based on the contractual repayments owed by the borrower over a 12 month period or lifetime basis.
- For revolving committed products, the exposure at default is predicted by taking current drawn balance and considering a "credit conversion factor" which allows for the expected drawdown of the remaining committed limit by the time of default.
- For contingent products like LC & LG, the exposure at default is predicted using a Credit conversion factor in line with the Basel regulatory guidelines.

The LGDs are determined based on the factors which impact recoveries made following default. These vary by product type.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Measuring ECL – Explanation of inputs, assumptions, and estimation techniques (continued)

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGDs are typically set by different borrower segments (e.g. Corporates, Financial Institutions etc.) in order to reflect differences in asset structures, collection strategies and historical recovery experience.

The Group has revised the Wholesale LGD framework during 2020 in order to reflect recent recovery experience and additional admissible security types. Forward-looking economic information is also included in determining the 12-month and lifetime LGD. In 2025 all the LGD models underwent performance monitoring in alignment with the Model Monitoring Standards

Forward looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

A formalized scenario generation process was established enables the bank to be objective and transparent in its IFRS 9 macroeconomic scenarios, which also ensures continued appropriateness and relevance of scenarios in IFRS 9 ECL computation

For unbiased and probability-weighted ECL calculation, the Group uses probabilities of 60%, 20% and 20% for baseline, optimistic and pessimistic macro-economic scenario respectively

Sensitivity analysis

The Group has calculated ECL sensitivity analysis for wholesale portfolio. The impact on ECL due to changes in the forecasted probabilities of default as a result of variations in significant macroeconomic variables used in IFRS 9 corporate model by +10% and -10% in each scenario would result in an ECL reduction by AED 14 million and an ECL increase by AED 12 million respectively.

Current Year Provisions (ECL) :

The calculation process, the methodology, and the results for provisions have been reviewed and approved by the Committee responsible for the oversight of provisions. Accordingly, the Committee responsible has formally reviewed, as presented by the CRO, the calculation process, the methodology, and the results of the provisions. Thereafter, the provisions have been presented and approved by the delegated body of the Board", as per Article 9 (Standards) of the Credit Risk Management Regulation and accompanying Standards, Circular No. 3/2024 dated 25/7/2024 issued by UAE Central Bank.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Credit risk management (continued)

Maximum exposure to credit risk – Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial assets which are subject to ECL. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets:

	2025				2024			
Credit risk exposures relating to on balance sheet assets:	**Stage 1 12-month AED'000**	**Stage 2 Lifetime AED'000**	**Stage 3 Lifetime AED'000**	**Total AED'000**	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	Total AED'000
Cash and balances with Central Bank	**33,532,283**	-	-	**33,532,283**	40,592,508	-	-	40,592,508
Loss allowance	-	-	-	-	-	-	-	-
Carrying amount	**33,532,283**	-	-	**33,532,283**	40,592,508	-	-	40,592,508

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Credit risk management (continued)

Maximum exposure to credit risk – Financial instruments subject to impairment

Loans and advances to banks	2025				2024			
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	Total AED'000	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	Total AED'000
Investment-grade	**28,772,866**	**336,426**	-	**29,109,292**	25,471,311	33	-	25,471,344
BB+& below	**28,662,825**	**3,258,478**	-	**31,921,303**	13,924,577	6,410,677	-	20,335,254
Unrated	**2,975,864**	**1,803,627**	-	**4,779,491**	4,928,813	1,654,530	-	6,583,343
	60,411,555	**5,398,531**	-	**65,810,086**	44,324,701	8,065,240	-	52,389,941
Loss allowance	**(61,021)**	**(28,003)**	-	**(89,024)**	(79,487)	(38,850)	-	(118,337)
Carrying amount	**60,350,534**	**5,370,528**	-	**65,721,062**	44,245,214	8,026,390	-	52,271,604

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Credit risk management (continued)

Maximum exposure to credit risk – Financial instruments subject to impairment (continued)

	2025			
Credit risk exposures relating to on balance sheet assets:	**Stage 1 12-month AED'000**	**Stage 2 Lifetime AED'000**	**Stage 3 Lifetime AED'000**	**Total AED'000**
Securities measured at amortised cost				
Investment - grade	**27,662,828**	-	-	**27,662,828**
BB+ & below	**1,143,770**	-	-	**1,143,770**
Unrated	**117,429**	-	-	**117,429**
	28,924,027	-	-	**28,924,027**
Loss allowance	**(17,723)**	-	-	**(17,723)**
Carrying amount	**28,906,304**	-	-	**28,906,304**
Financial assets measured at FVTOCI (debt securities)				
Investment - grade	**15,021,322**	-	-	**15,021,322**
BB+ & below	**891,387**	-	-	**891,387**
Unrated	-	-	-	-
	15,912,709	-	-	**15,912,709**
Loss allowance	**(4,624)**	-	-	**(4,624)**
Carrying amount	**15,908,085**	-	-	**15,908,085**

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Credit risk management (continued)

Maximum exposure to credit risk – Financial instruments subject to impairment (continued)

	2024			
Credit risk exposures relating to on balance sheet assets:	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	Total AED'000
Securities measured at amortised cost				
Investment - grade	7,116,912	-	-	7,116,912
BB+ & below	2,710,879	-	-	2,710,879
Unrated	-	-	-	-
	9,827,791	-	-	9,827,791
Loss allowance	(30,674)	-	-	(30,674)
Carrying amount	9,797,117	-	-	9,797,117
Financial assets measured at FVTOCI (debt securities)				
Investment - grade	22,284,497	-	-	22,284,497
BB+ & below	725,751	-	-	725,751
Unrated	2,192	-	-	2,192
	23,012,440	-	-	23,012,440
Loss allowance	(10,777)	-	-	(10,777)
Carrying amount	23,001,663	-	-	23,001,663

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Credit risk management (continued)

Maximum exposure to credit risk – Financial instruments subject to impairment (continued)

The table below shows the maximum exposure to credit risk for financial assets that are not subject to impairment.

	2025	2024
	AED'000	AED'000
Trading assets		
- Debt securities	**2,651,274**	895,716
- Derivatives	**1,680,049**	2,288,189
Hedging derivatives	**3,945**	9,481
	4,335,268	3,193,386

Risk management in the current economic scenario

The Group continues to closely monitor and manage, as required, direct and indirect exposure and impacts from the ongoing geopolitical situation and resultant market disruption. The macroeconomic factors used in the IFRS 9 models take into account such information. The macroeconomic data for IFRS 9 PDs is typically updated every 3 months. The update was last made in September 2025.

In addition, the Group continues to review the appropriateness of ECL provisions in light of changes in macroeconomic environment, risk profile as well as any actual and expected increase in credit risk.

Collateral and other credit enhancements

Collateral against loans and advances to customers is generally held in the form of mortgage interests over property, other registered securities over assets and guarantees. Estimates of fair value are based on the value of the collateral assessed at the time of borrowing. Collateral generally is not held over amounts loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. The benefit of collateral held are reflected in the ECL through LGD estimates. Allocation of both general and specific collateral is done at a account level to estimate LGD.

Financial instruments such as Repo transactions, embedded leverage note programs, etc. receive minimum ECL allocation on account of them being fully collateralized after application of relevant haircuts.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Collateral and other credit enhancements (continued)

The Group closely monitors collateral held for financial assets considered to be credit impaired, as it becomes more likely that the Group will take possession of the collateral to offset potential credit losses. Financial assets that are credit impaired and related collateral held in order to offset potential losses are shown below. The table below details the fair value of the collateral which is updated regularly:

	Loans and advances to customers & Islamic financing and investment products		**Loans and advances to banks**	
	2025	2024	**2025**	2024
	AED'000	AED'000	**AED'000**	AED'000
Against individually impaired:				
Properties	**486,045**	542,781	-	-
Cash	**33,473**	34,633	-	-
Others	**5,987**	54,612	-	-
	525,505	632,026	-	-
Against not impaired:				
Properties	**31,710,260**	27,735,347	-	-
Debt securities	**8,849,045**	5,027,036	-	-
Equities	**1,019,528**	1,070,568	-	-
Cash	**10,745,396**	8,875,586	**10,221,819**	8,548,361
Others	**3,957,088**	2,381,263	-	-
	56,281,317	45,089,800	**10,221,819**	8,548,361
Total	**56,806,822**	45,721,826	**10,221,819**	8,548,361

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Loss allowance

The following tables explain the changes in the loss allowances for the year ended 31 December 2025 and 31 December 2024:

Loans and advances to banks:	2025 Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 1 January	**79,487**	**38,850**	-	**118,337**
Transfers				
Transfer from Stage 1 to Stage 2	**(27,446)**	**27,446**	-	-
Transfer from Stage 2 to Stage 1	**2,600**	**(2,600)**	-	-
Net Changes in PDs/LGDs/EADs	**6,380**	**(35,693)**	-	**(29,313)**
Loss allowance as at 31 December	**61,021**	**28,003**	-	**89,024**

Loans and advances to banks:	2024 Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 1 January	66,007	63,655	9,737	139,399
Transfers				
Transfer from Stage 1 to Stage 2	(35,073)	35,073	-	-
Transfer from Stage 2 to Stage 1	379	(379)	-	-
Net Changes in PDs/LGDs/EADs	48,174	(59,499)	(9,737)	(21,062)
Loss allowance as at 31 December	79,487	38,850	-	118,337

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Loss allowance (continued)

The following tables explain the changes in the loss allowances for the year ended 31 December 2025 and 31 December 2024 (continued):

	2025			
Loans and advances to customers	**Stage 1 12-month ECL AED'000**	**Stage 2 Lifetime ECL AED'000**	**Stage 3 Lifetime ECL AED'000**	**Total AED'000**
Loss allowance as at 1 January	**591,016**	**324,802**	**1,584,834**	**2,500,652**
Transfers				
Transfer from Stage 1 to Stage 2	**(98,833)**	**98,833**	-	-
Transfer from Stage 1 to Stage 3	**(5,650)**	-	**5,650**	-
Transfer from Stage 2 to Stage 1	**94,944**	**(94,944)**	-	-
Transfer from Stage 2 to Stage 3	-	**(16,177)**	**16,177**	-
Transfer from Stage 3 to Stage 2	-	**23,168**	**(23,168)**	-
Net Changes in PDs/LGDs/EADs	**116,793**	**(29,699)**	**6,883**	**93,977**
Write-offs	-	-	**(119,993)**	**(119,993)**
Loss allowance as at 31 December	**698,270**	**305,983**	**1,470,383**	**2,474,636**

	2024			
Loans and advances to customers	Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 1 January	553,661	459,159	1,611,867	2,624,687
Transfers				
Transfer from Stage 1 to Stage 2	(146,296)	146,296	-	-
Transfer from Stage 1 to Stage 3	(109,451)	-	109,451	-
Transfer from Stage 2 to Stage 1	10,309	(10,309)	-	-
Transfer from Stage 2 to Stage 3	-	(107,011)	107,011	-
Transfer from Stage 3 to Stage 2	-	1,175	(1,175)	-
Net Changes in PDs/LGDs/EADs	282,793	(164,508)	(15,570)	102,715
Write-offs	-	-	(226,750)	(226,750)
Loss allowance as at 31 December	591,016	324,802	1,584,834	2,500,652

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Loss allowance (continued)

The following tables explain the changes in the loss allowances for the year ended 31 December 2025 and 31 December 2024 (continued):

Islamic financing and investment products	**2025** **Stage 1 12-month ECL AED'000**	**Stage 2 Lifetime ECL AED'000**	**Stage 3 Lifetime ECL AED'000**	**Total AED'000**
Loss allowance as at 1 January	**30,437**	**10,428**	**34,333**	**75,198**
Transfers				
Transfer from Stage 1 to Stage 2	**(987)**	**987**	-	-
Transfer from Stage 1 to Stage 3	**(2)**	**-**	**2**	-
Transfer from Stage 2 to Stage 1	**644**	**(644)**	-	-
Transfer from Stage 2 to Stage 3	-	**(455)**	**455**	-
Transfer from Stage 3 to Stage 2	-	**3,407**	**(3,407)**	-
Net Changes in PDs/LGDs/EADs	**7,582**	**(9,015)**	**3,730**	**2,297**
Loss allowance as at 31 December	**37,674**	**4,708**	**35,113**	**77,495**

Islamic financing and investment products	2024 Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 1 January	23,284	26,232	299,572	349,088
Transfers				
Transfer from Stage 1 to Stage 2	(6,517)	6,517	-	-
Transfer from Stage 1 to Stage 3	(1,351)	-	1,351	-
Transfer from Stage 2 to Stage 1	100	(100)	-	-
Transfer from Stage 2 to Stage 3	-	(19,537)	19,537	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Net Changes in PDs/LGDs/EADs	14,921	(2,684)	(286,127)	(273,890)
Loss allowance as at 31 December	30,437	10,428	34,333	75,198

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Loss allowance (continued)

The following tables explain the changes in the loss allowances for the year ended 31 December 2025 and 31 December 2024 (continued):

	2025			
	Stage 1 12-month ECL AED'000	**Stage 2 Lifetime ECL AED'000**	**Stage 3 Lifetime ECL AED'000**	**Total AED'000**
Securities measured at amortised cost				
Loss allowance as at 1 January	**30,674**	-	-	**30,674**
Transfers				
Net Changes in PDs/LGDs/EADs	**(12,951)**	-	-	**(12,951)**
Loss allowance as at 31 December	**17,723**	-	-	**17,723**

	2024			
	Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Securities measured at amortised cost				
Loss allowance as at 1 January	45,135	-	-	45,135
Transfers				
Net Changes in PDs/LGDs/EADs	(14,461)	-	-	(14,461)
Loss allowance as at 31 December	30,674	-	-	30,674

The loss allowance as at 31 December 2025 on off balance sheet and acceptances amounted to AED 96 million on Stage 1, AED 37 million on Stage 2, and AED 512 million on Stage 3 (2024: AED 89 million on Stage 1, AED 47 million on Stage 2, and AED 335 million on Stage 3)

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Gross carrying amount

The following tables further explains the changes in the gross carrying amount for the year ended 31 December 2025 and 31 December 2024:

	2025			
	Stage 1 12-month AED'000	**Stage 2 Lifetime AED'000**	**Stage 3 Lifetime AED'000**	**Total AED'000**
Cash and balances with central banks				
Gross carrying amount as at 1 January	**40,592,508**	-	-	**40,592,508**
New financial assets, net of repayments and others	**(7,060,225)**	-	-	**(7,060,225)**
Gross carrying amount as at 31 December	**33,532,283**	-	-	**33,532,283**

	2024			
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	Total AED'000
Cash and balances with central banks				
Gross carrying amount as at 1 January	41,760,286	-	-	41,760,286
New financial assets, net of repayments and others	(1,167,778)	-	-	(1,167,778)
Gross carrying amount as at 31 December	40,592,508	-	-	40,592,508

	2025			
	Stage 1 12-month AED'000	**Stage 2 Lifetime AED'000**	**Stage 3 Lifetime AED'000**	**Total AED'000**
Loans and advances to banks				
Gross carrying amount as at January	**44,324,701**	**8,065,240**	-	**52,389,941**
Transfer from Stage 1 to Stage 2	**(4,976,349)**	**4,976,349**	-	-
Transfer from Stage 2 to Stage 1	**393,949**	**(393,949)**	-	-
New financial assets, net of repayments and others	**20,669,254**	**(7,249,109)**	-	**13,420,145**
Gross carrying amount as at 31 December	**60,411,555**	**5,398,531**	-	**65,810,086**

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Gross carrying amount (continued)

The following tables further explains the changes in the gross carrying amount for the year ended 31 December 2025 and 31 December 2024 (continued):

	2024			
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	Total AED'000
Loans and advances to banks				
Gross carrying amount as at January	31,885,511	7,371,183	9,737	39,266,431
Transfer from Stage 1 to Stage 2	(6,953,774)	6,953,774	-	-
Transfer from Stage 2 to Stage 1	278,858	(278,858)	-	-
New financial assets, net of repayments and others	19,114,106	(5,980,859)	(9,737)	13,123,510
Gross carrying amount as at 31 December	44,324,701	8,065,240	-	52,389,941

	2025			
	Stage 1 12-month AED'000	**Stage 2 Lifetime AED'000**	**Stage 3 Lifetime AED'000**	**Total AED'000**
Financial assets measured at FVTOCI (debt securities) and securities measured at amortised cost				
Gross carrying amount as at 1 January	**32,840,231**	-	-	**32,840,231**
New financial assets, net of repayments and others	**11,996,505**	-	-	**11,996,505**
Write-offs	-	-	-	-
Gross carrying amount as at 31 December	**44,836,736**	-	-	**44,836,736**

	2024			
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	Total AED'000
Financial assets measured at FVTOCI (debt securities) and securities measured at amortised cost				
Gross carrying amount as at 1 January	32,349,185	-	-	32,349,185
New financial assets, net of repayments and others	491,046	-	-	491,046
Write-offs	-	-	-	-
Gross carrying amount as at 31 December	32,840,231	-	-	32,840,231

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Gross carrying amount (continued)

The following tables further explains the changes in the gross carrying amount for the year ended 31 December 2025and 31 December 2024 (continued):

	2025			
	Stage 1 12-month AED'000	**Stage 2 Lifetime AED'000**	**Stage 3 Lifetime AED'000**	**Total AED'000**
Loans and advances to customers				
Gross carrying amount as at January	**97,525,290**	**6,095,498**	**1,960,710**	**105,581,498**
Transfers				
Transfer from Stage 1 to Stage 2	**(2,649,061)**	**2,649,061**	-	-
Transfer from Stage 1 to Stage 3	**(173,119)**	-	**173,119**	-
Transfer from Stage 2 to Stage 1	**3,443,596**	**(3,443,596)**	-	-
Transfer from Stage 2 to Stage 3	-	**(147,939)**	**147,939**	-
Transfer from Stage 3 to Stage 2	-	**62,654**	**(62,654)**	-
New financial assets, net of repayments and others	**37,045,547**	**(1,704,977)**	**(256,464)**	**35,084,106**
Write-offs	-	-	**(119,993)**	**(119,993)**
Gross carrying amount as at 31 December	**135,192,253**	**3,510,701**	**1,842,657**	**140,545,611**

	2024			
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	Total AED'000
Loans and advances to customers				
Gross carrying amount as at January	89,554,282	5,034,065	1,639,577	96,227,924
Transfers				
Transfer from Stage 1 to Stage 2	(4,057,851)	4,057,851	-	-
Transfer from Stage 1 to Stage 3	(200,765)	-	200,765	-
Transfer from Stage 2 to Stage 1	530,651	(530,651)	-	-
Transfer from Stage 2 to Stage 3	-	(433,672)	433,672	-
Transfer from Stage 3 to Stage 2	-	221,994	(221,994)	-
New financial assets, net of repayments and others	11,698,973	(2,254,089)	135,440	9,580,324
Write-offs	-	-	(226,750)	(226,750)
Gross carrying amount as at 31 December	97,525,290	6,095,498	1,960,710	105,581,498

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Gross carrying amount (continued)

The following tables further explains the changes in the gross carrying amount for the year ended 31 December 2025 and 31 December 2024 (continued):

	2025			
	Stage 1 12-month AED'000	**Stage 2 Lifetime AED'000**	**Stage 3 Lifetime AED'000**	**Total AED'000**
Islamic financing and investment products				
Gross carrying amount as at 1 January	**20,638,638**	**883,572**	**230,539**	**21,752,749**
Transfers				
Transfer from Stage 1 to Stage 2	**(292,009)**	**292,009**	-	-
Transfer from Stage 1 to Stage 3	**(2,297)**	-	**2,297**	-
Transfer from Stage 2 to Stage 1	**30,246**	**(30,246)**	-	-
Transfer from Stage 2 to Stage 3	-	**(2,340)**	**2,340**	-
Transfer from Stage 3 to Stage 2	-	**12,413**	**(12,413)**	-
New financial assets, net of repayments and others	**5,350,120**	**(754,639)**	**6,969**	**4,602,450**
Gross carrying amount as at 31 December	**25,724,698**	**400,769**	**229,732**	**26,355,199**

	2024			
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	Total AED'000
Islamic financing and investment products				
Gross carrying amount as at 1 January	15,891,058	892,317	317,955	17,101,330
Transfers				
Transfer from Stage 1 to Stage 2	(564,036)	564,036	-	-
Transfer from Stage 1 to Stage 3	(5,012)	-	5,012	-
Transfer from Stage 2 to Stage 1	17,074	(17,074)	-	-
Transfer from Stage 2 to Stage 3	-	(186,208)	186,208	-
Transfer from Stage 3 to Stage 2	-	-	-	-
New financial assets, net of repayments and others	5,299,554	(369,499)	(278,636)	4,651,419
Gross carrying amount as at 31 December	20,638,638	883,572	230,539	21,752,749

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Write-off policy

Once a loan is fully provided for, the outstanding exposure of the borrower may be written-off. Where a loan is only partially provided for, it may be written-off to the extent provided for with approval of the relevant authority.
However, it is ensured that aforesaid does not alter in any way the bank's recourse against the borrower, and the process for follow-up for recovery of exposure with the borrower remains unchanged. Group ensures that the data & MI is available, for both internal and external reporting.

The Group will not hold a Stage 3 exposure on the balance sheet for more than 5 years since the date of migration to Stage 3. After this time, such exposures will be subject to a full write-off. Any exceptions to this should be subject to

appropriate sign-off and oversight, based upon robust legal or accounting justification and supported by appropriate documentation available for review by the CBUAE.
If the borrower has been in arrears for a prolonged period, full or partial write-off is performed based on realistic expectation of recovery.
For exposures under an insolvency procedure, write-off is performed if the legal expenses are expected to consume most of the recovered amount.
Partial write-off may be justified when there is evidence that the borrower is unable to repay the amount of the exposure in full and there is a reasonable expectation of recovering a part of the exposure.

Modification of financial assets

The Group modifies terms of loans provided to customers from time-to-time primarily due to ongoing client needs, commercial renegotiations or for managing distressed loans. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, The Group may determine that credit risk has significantly improved after restructuring, and such assets are moved from Stage 3 to Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only done when modified assets have performed in accordance with the new terms and after a certain time period as required by extant UAECB guidelines The gross carrying amounts of modified financial assets held at 31 December 2025 was immaterial.

Operational risk management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. Operational risk excludes strategic and reputational risk.

Operational Risk Governance

Whilst the Group cannot eliminate all operational risks, it has developed a comprehensive framework of identifying, assessing, controlling, mitigating, monitoring and reporting Operational risk and consists of the following:

- Ownership of the risk & controls by businesses and functional units;
- Monitoring and validation by business;

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Operational Risk Governance (continued)

- Oversight by Operational risk management team; and other second line functions; and
- Independent review by Internal Audit

Operational risk management follows three lines of defence model.

The first line of defence is the Business Line Management. The operational risk governance will recognize that Business Units (BUs) are the owners of risk and hence responsible for identifying and managing the risks, inherent in the products, services and activities, within their BUs.

The second line of defence is the Operational Risk Management function and other second line functions, the Chief Risk Officer, the Operational Risk & Resilience Committee (ORRC) and the Group Risk Committee. They are collectively responsible for designing, implementing, coordinating, reporting and facilitating effective Operational Risk Management on Group-wide basis.

The third line of defence is the Internal Audit who are responsible to independently assess the effectiveness and efficiency of the internal control, and for independently validate and provide an independent assurance to the Board Audit Committee (BAC) on the adequacy and effectiveness of the Operational Risk Management Framework.

The Board has the overall responsibility for managing operational risk at the Bank and ensure that the three line of defence approach is implemented and operated in an appropriate and acceptable manner.

The Group has adopted The Standardized Approach (TSA) to determine its operational risk capital requirements.

Operational Risk Appetite

The Group's operational risk appetite articulates the boundaries for quantitative and qualitative operational risks that the Bank is willing to take (or not take), with respect to pursuit of its strategic objectives. It helps in setting the risk culture across the Bank and facilitates an effective implementation of the Bank's Operational Risk Management Framework. The operational risk appetite is applied for decision-making and comprehending operational risk exposures across the Bank through implementation of policies, controls and operational risk tolerances

Operational Risk Management Framework

The Group's Operational Risk Management Framework ("ORMF") is a set of interrelated tools and processes that are used to identify, assess, measure, monitor and remediate operational risks. Its components have been designed to operate together to provide a comprehensive approach to managing the Group's most material operational risks. ORMF components include the setup of the three lines of defence as well as roles and responsibilities for the Operational Risk management process and appropriate independent challenge, the Group's approach to setting Operational Risk appetite and adhering to it, the Operational Risk type and control taxonomies, the minimum standards for Operational Risk management processes including tools, independent governance, and the Bank's Operational Risk capital model. Tools implemented for the identification and assessment of Operational risk include and is not limited to:

43. Risk management (continued)

Operational Risk Management Framework (continued)

a) Risk and Control Self-Assessment
b) Operational Risk Event Management
c) Key Risk Indicator Management
d) New product & Process Approval (NPPA); and
e) Issues and Action Management

The Bank has also implemented a comprehensive Business Continuity Management System (BCMS) aligned to national and international Standards and regulations to ensure that Mashreq has the capabilities to respond and recover within the impact appetite and the predefined recovery time objectives following any business disruption. Additionally, the Bank has developed a comprehensive Third-Party Risk Management Framework in line with regulatory expectations and industry best practices.

Incident management

The reporting of Operational risk incidents is a critical component of the Group's Operational risk management framework. This ensures greater risk transparency across the organisation and helps to identify gaps and facilitate timely remedial action for potential risk exposures.

The Central Bank of U.A.E. published final guidelines on operational risk management in October 2018. These guidelines lay out detailed supervisory expectations relating to operational risk governance, identification and assessment, systems and reporting. ORMF is aligned to Circular No. 163/2018, the 'Operational Risk Regulation' and the 'Operational Risk Standards

Market Risk Management

Market risk is the risk that fair value or cash flows of financial instruments held by the Group or its income may be adversely affected by movement in market factors, such as interest rates, credit spreads, foreign exchange rates, equity and commodity prices.

Market risk at the Group is governed by a comprehensive control framework as defined by the approved Market Risk Framework. This function is independent of any risk taking businesses. The Market Risk function folds under Risk Management Group and reports to the Chief Risk Officer of the Group.

Market risk arises from the Group's trading and non-trading activities. The Market Risk Management function primarily manages risks arising from its proprietary trading activities. Risk exposure arising from non-trading activities is managed by the Assets & Liabilities Committee (ALCO). Trading risks are primarily concentrated in Treasury and Global Markets (TGM) and are managed by a robust framework of market risk limits that reflect the Group's market risk appetite. Appropriate limits are placed on position sizes, stop loss levels, as well as on market factor sensitivities depending on the size and complexity of trading strategies involved.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Market Risk Management (continued)

A comprehensive risk reporting framework is in place whereby, positions are monitored daily against the established limits and monitoring reports are circulated to the Market Risk Management and the respective Business Heads. In case of a limit exception, corrective action is taken in line with the Market Risk Framework or the concerned trading desk's limits mandate.

Each trading desk has a 'permitted product list' comprising of products and structures which have been determined to be appropriate for the TGM desk to trade. Any addition to this list is made after approval from Head of TGM, Head of Market Risk and Chief Risk Officer who assess the risks associated with the product and verify that they can be controlled effectively prior to approving the product.

The bank uses Value at Risk (VaR) methodology as its core analytical tool to assess risks across proprietary trading desks. VaR is an estimate of the potential losses arising in a portfolio over a specified time horizon due to adverse changes in underlying market factors. The Bank calculates its one-day VaR at a 99% confidence interval mainly using Monte Carlo Simulations approach across its trading portfolio and open FX position. VaR results are highly dependent on assumptions around input variables used in the model and also VaR does not provide the 'worst case' possible loss.

Being a statistical technique, VaR is known to have limitations and therefore its interpretation needs to be further supplemented by other limits, sensitivity triggers or stress tests. Stress testing is conducted by generating extreme, but plausible scenarios, such as significant movements in interest rates, credit spreads, etc. and analysing their effect on the Group's trading positions.

Stress testing is conducted by generating extreme, but plausible scenarios, such as significant movements in interest rates, credit spreads, etc. and analysing their effect on the Group's trading positions.

In 2025, VaR was being calculated regularly and as of 31st December 2025, the 99% 1-day VaR was estimated at USD 3.29 million (31 December 2024: USD 0.85 million) for the bank wide market risk positions (stemming mainly from proprietary trading FX net open position). The Bank's VaR model considers FX risk in all currencies, including GCC pegged currencies except USD and AED.

The 1day VaR looks comparable on a y-o-y basis.

There has been no significant change to the Group's exposure to market risks or the way these risks are managed and measured.

Counterparty Credit Risk

Counterparty Credit Risk is one of the most significant risks in OTC derivatives trading and securities financing transaction (SFTs) related activities. These risks are further sub categorized into two forms:

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

i) Pre-Settlement Risk

Counterparty credit risk is defined as the risk attributable to the downgrading and/or insolvency of a counterparty on its obligations prior to the final settlement of the transaction's cash flow. Internally the Group manages and monitors the exposure to this risk by defining controls and limits around a 'peak future exposure' (PFE) measure and in many cases by collateralizing facilities under Credit Support Annex (CSA). PFE is an estimate of the amount, at a 95% confidence level, a counterparty may owe over the life of a derivative transaction (or portfolio of transactions).

The Group further measures a net Credit Value Adjustment (CVA) on all outstanding OTC derivative contracts to account for market value of 'credit risk' due to any failure to perform on contractual agreements by a counterparty. CVA is a function of our expected exposure to counterparts, probability of default and recovery rates. CVA ensure derivatives transactions are priced or/and adequate reserves are built to account for expected credit losses.

ii) Settlement Risk

Settlement Risk arises when a bank, exchanges securities or cash payments to a counterparty on a value date and is unable to verify that payment or securities have been received in exchange until after it has paid or delivered its side of the transaction. The bank manages this exposure by dealing preferentially on a DvP/PvP basis or by defining control mechanism around settlement limits at a counterparty level.

Liquidity Risk

Liquidity Risk is the risk that the Bank's entities, in various locations and in various currencies, will be unable to meet financial commitment to a customer, creditor, or investor when due. The Bank has established a robust Liquidity Management Framework that is well integrated into the Bank-wide Risk Management process. The primary objective of the Liquidity Management Framework is to ensure with a high degree of confidence that the Bank is in a position to both address its daily liquidity obligations and withstand a period of liquidity stress. In addition to maintaining sound liquidity governance and management practices, the Bank also holds an adequate liquidity cushion comprised of High-Quality Liquid Assets ("HQLA") to be in a position to survive such periods of liquidity stress.

Model Risk

Model risk is the risk, which is the potential for adverse consequences from decisions based on incorrect or misused model outputs and reports. During the course of usage of models, the Bank may be exposed to potential losses occurring from making decisions based on incorrect models or the inappropriate usage of models. This potential loss is referred to as Model Risk. Model risk can lead to financial loss, poor business and strategic decision making, or damage to a bank's reputation. Models are used at Mashreq Bank (MB) for many purposes, including predicting client behaviour, valuation of financial products and the measurement and management of risk. MB follows CB UAE requirements mentioned in the Model Management Standards and Guidelines (MMSG).

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Shari'ah Non-Compliance Risk

Mashreq Bank carries out Islamic business under a fully embedded Islamic Banking Window ("Islamic window") which offers clients a complete suite of Shari'ah compliant products and solutions. Islamic Banks (IBs) must be prudent towards Shari'ah compliance, and such compliance requirements must permeate throughout the organization and their products and activities. Being a licensed Islamic Financial Institution ("IFI"), the Islamic Window has to conduct its activities and businesses in accordance with the provisions of Islamic Shari'ah, as outlined by CB-UAE Notice No. 2123/ 2020 on Standards Re Shari'ah Governance for Islamic Financial Institutions in May 2020 and Standard Re Risk Management Requirements For Islamic Banks in February 2021.

Mashreq Bank's Board ("the Board") is ultimately responsible for the Bank's compliance with Islamic Shari'ah, where applicable, in light of the Central Bank's Standard Re. Shari'ah Governance for Islamic Financial Institutions. The CB UAE Standards on Risk Management Requirements for Islamic Banks states that an Islamic Bank (IB) must establish, implement and maintain a risk governance framework that enables it to identify, assess, monitor, mitigate and control risks. The risk governance framework consists of policies, procedures processes, systems, controls and limits. The Risk Management Framework for Islamic Banking of the Bank outlines policies and procedures within Mashreq Bank for compliance with relevant sections of these standards.

Reputational Risk

Reputational risk is recognized as a critical component of the Bank's overall Risk Management strategy. The significance of maintaining a positive reputation cannot be overstated, as it directly influences customer trust, investor confidence, and regulatory relationships. The ultimate responsibility for reputational risk management lies with the executive leadership of the Bank. The Board of Directors, CEO, and the Senior Management team comprising the Executive Committee (EXCO) members and their Direct Reports are accountable for fostering a culture of ethical conduct and ensuring that the Bank's activities align with its values and mission. Each business unit within the Bank is responsible for identifying and managing reputational risks associated with its operations. Business leaders are accountable for implementing policies and procedures that mitigate reputational risks arising from their activities. All employees play a crucial role in safeguarding the Bank's reputation. Training programs are implemented to raise awareness about reputational risk, ethical conduct, and the impact of individual actions on the Bank's standing in the market.

Compliance and Regulatory Risk

Compliance Risk is the risk of legal or regulatory sanctions, loss to reputation or material financial loss a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self- regulatory organization standards, and codes of conduct applicable to its banking activities. In the usual course of conduct of Business, Mashreq may be exposed to potential Compliance risks (FC and RC risks). Mashreq applies a risk-based approach to assessing, managing, monitoring and mitigating Compliance risks. The overall Compliance programme consists of key components like Risk Appetite, Risk Assessment (FCRA and Product risk assessments), Periodic and trigger-based KYC refresh, Transaction Monitoring and Unusual Activity Reporting, Investigations, STR filing and other reporting, Training and awareness, RCSAs, Issues management and escalation, 2nd and 3rd LOD assurances and audits.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Environmental, Social and Governance Risk

Environmental, Social and Governance risk encompasses the risks related to environmental, social and governance issues such as climate change, sustainability, social responsibility and governance practices like board oversight, succession planning, compensation, diversity, equity and inclusion etc. Managing environmental, social and governance risk involves considering these factors in the lending and investment decision-making process and assessing the potential financial impact of ESG-related events. ESG risks are interlinked across multiple risk classes and can potentially impact a wide range of risks throughout the organization, such as Credit Risk, Market Risk, Reputational risk, Operational risk, Model risk, Credit risk. Identification, assessment, mitigation and management of ESG Risk is achieved through the Bank's Sustainable Finance Framework and Sustainable Credit Policy.

Strategic Risk

Strategic risk is the risk of loss arising from ineffective formulation of strategy, business plans or the implementation of these in a manner that is inconsistent with internal factors and external environment. Crystallization of Strategic risk leads to one or more of lower earnings, impact on financial resources (capital and funding) and loss of viability of the business. Specifically, Strategic risk emanates from:

a. Formulating of inadequate business strategies
b. Organization not being able to react to changes in business or macroeconomic environment in a timely manner. This is also referred to as 'Business risk'; and
c. Changing competitive environment due to changes in economic conditions, peer actions or other external factors (e.g. client preferences, technology).

Mashreq Bank's approach to manage Strategic Risk is elaborated upon in the Strategic Risk Management Framework (SRMF) document.

Information Security and Data Privacy Risk

Information security risk comprises the risk to an organization and its stakeholders that could occur due to the threats and vulnerabilities associated with the operation and use of information systems and the environments in which those systems operate. The Bank's policies in respect of Information Security Risks are set out in the Group Information Security Policy Manual. The Bank has an established framework for the reporting of Risk Appetite Statement (RAS) and Security Metrics across the Technology function and Business Lines, and strict thresholds are applied to each potential risk in order to identify any potential weakness in the applied controls. The Bank conducts periodic security assessments to ensure that the controls implemented are compliant to the agreed risk tolerance, in addition the Bank also ensures compliance with all external regulators in relation to Information Security and Technology Risk related mandates.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Information Security and Data Privacy Risk (continued)

Data privacy, sometimes also referred to as information privacy concerns the proper handling of sensitive data including, notably, personal data but also other confidential data, such as certain financial data and intellectual property data, to meet regulatory requirements as well as protecting the confidentiality and immutability of the data. The Bank has established Data Privacy and Protection Framework with comprehensive set of controls and measures to ensure compliance to data privacy regulations and protection of confidential and sensitive data within Mashreq and suppliers. Banks have data privacy management solutions to cater customer's privacy needs and rights.

Interest rate risk management

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial assets and liabilities to different extents. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities repricing at different times.

The Group uses simulation-modelling tools to measure and monitor interest rate sensitivity. The results are analysed and monitored by the Assets and Liabilities Committee ("ALCO"). Since majority of the Group's assets are floating rate, deposits and loans generally are repriced within a short period of each other providing a natural hedge, which reduces interest rate risk exposure. Moreover, the majority of the Group's assets and liabilities reprice within one year, thereby further limiting interest rate risk. The Group also has a significant current and savings account balances in deposits which are largely interest free.

The impact of 50 basis points sudden movement in benchmark interest rate on net interest income over a 12 months period as at 31 December 2025 would be a decrease in net interest income by -1.7% (in case of decrease of interest rates) and would have been an increase in net interest income by +1.2 % (in case of increase of interest rates) [31 December 2024: -3.1% and +3.1%] respectively.

During the year ended 31 December 2025, the effective interest rate on loans and advances to banks and certificates of deposits with central banks was 4.3% (31 December 2024: 5.5%), on loans and advances measured at amortised cost 6.2% (31 December 2024: 6.9%), on customers' deposits 2.4% (31 December 2024: 2.7%) and on due to banks (including repurchase agreements) 3.5% (31 December 2024: 4.5%).

The following table depicts the interest rate sensitivity position and interest rate gap position based on contractual repricing arrangement:

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Interest rate risk management (continued)

Interest rate repricing analysis:

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	More than 1 year AED'000	Non-interest bearing items AED'000	Total AED'000
31 December 2025						
Assets						
Cash and balances with central banks	**11,678,042**	-	-	-	**21,854,241**	**33,532,283**
Loans and advances to banks	**43,960,270**	**11,651,806**	**5,493,249**	**371,799**	**4,243,938**	**65,721,062**
Financial assets measured at fair value	**3,016,531**	**2,383,364**	**3,138,176**	**10,450,288**	**2,469,139**	**21,457,498**
Securities measured at amortised cost	**2,220,248**	**708,894**	**634,685**	**25,342,477**	-	**28,906,304**
Loans and advances to customers	**93,412,891**	**14,702,180**	**9,360,568**	**21,280,899**	**(685,563)**	**138,070,975**
Islamic financing and investment products	**16,044,725**	**1,478,352**	**1,138,906**	**7,501,239**	**114,482**	**26,277,704**
Acceptances	-	-	-	-	**10,372,108**	**10,372,108**
Reinsurance contract assets	-	-	-	-	**3,222,503**	**3,222,503**
Investment in associate	-	-	-	-	**260,380**	**260,380**
Investment properties	-	-	-	-	**183,935**	**183,935**
Property and equipment	-	-	-	-	**1,350,125**	**1,350,125**
Intangible assets	-	-	-	-	**423,331**	**423,331**
Other assets	-	-	-	-	**4,855,663**	**4,855,663**
Total assets	**170,332,707**	**30,924,596**	**19,765,584**	**64,946,702**	**48,664,282**	**334,633,871**

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Interest rate risk management (continued)

Interest rate repricing analysis (continued):

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	More than 1 year AED'000	Non-interest bearing items AED'000	Total AED'000
31 December 2025						
Liabilities and equity						
Deposits and balances due to banks	**24,190,681**	**3,195,838**	**3,428,968**	**396,278**	**7,710,500**	**38,922,265**
Repurchase agreements with banks	**7,136,046**	-	-	-	-	**7,136,046**
Customers' deposits	**70,643,680**	**9,997,750**	**9,192,319**	**3,510,102**	**85,547,330**	**178,891,181**
Islamic customers' deposits	**12,618,783**	**2,248,593**	**1,684,796**	**3,446,896**	**6,005,185**	**26,004,253**
Acceptances	-	-	-	-	**10,372,108**	**10,372,108**
Other liabilities	-	-	-	-	**10,919,117**	**10,919,117**
Borrowings	**73,460**	**7,346,000**	**2,313,990**	**3,740,409**	-	**13,473,859**
Sukuk issued	-	-	-	**1,836,500**	-	**1,836,500**
Insurance contract and investment liabilities	-	-	-	-	**6,501,987**	**6,501,987**
Equity attributable to shareholders of the Parent	-	-	-	-	**39,374,170**	**39,374,170**
Non-controlling interest	-	-	-	-	**1,202,385**	**1,202,385**
Total liabilities and equity	**114,662,650**	**22,788,181**	**16,620,073**	**12,930,185**	**167,632,782**	**334,633,871**
On balance sheet gap	**55,670,057**	**8,136,415**	**3,145,511**	**52,016,517**	**(118,968,500)**	-
Off balance sheet gap	**3,148**	-	-	**(3,148)**	-	-
Cumulative interest rate sensitivity gap	**55,673,205**	**63,809,620**	**66,955,131**	**118,968,500**	-	-

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Interest rate risk management (continued)

Interest rate repricing analysis:

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	More than 1 year AED'000	Non-interest bearing items AED'000	Total AED'000
31 December 2024						
Assets						
Cash and balances with central banks	21,300,489	-	-	-	19,292,019	40,592,508
Loans and advances to banks	34,085,028	8,797,577	4,219,141	245,297	4,924,561	52,271,604
Financial assets measured at fair value	7,859,289	5,655,961	3,003,717	7,684,452	2,124,115	26,327,534
Securities measured at amortised cost	1,467,159	311,272	1,229,595	6,782,752	6,339	9,797,117
Loans and advances to customers	74,003,645	11,147,943	3,001,368	16,400,504	(1,472,614)	103,080,846
Islamic financing and investment products	13,944,693	673,456	373,193	6,595,164	91,045	21,677,551
Acceptances	-	-	-	-	3,495,184	3,495,184
Reinsurance contract assets	-	-	-	-	3,379,148	3,379,148
Investment in associate	-	-	-	-	296,878	296,878
Investment properties	-	-	-	-	151,620	151,620
Property and equipment	-	-	-	-	1,339,360	1,339,360
Intangible assets	-	-	-	-	374,333	374,333
Other assets	-	-	-	-	4,669,475	4,669,475
Total assets	152,660,303	26,586,209	11,827,014	37,708,169	38,671,463	267,453,158

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Interest rate risk management (continued)

Interest rate repricing analysis (continued):

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	More than 1 year AED'000	Non-interest bearing items AED'000	Total AED'000
31 December 2024						
Liabilities and equity						
Deposits and balances due to banks	27,131,429	3,893,078	1,742,648	-	10,607,161	43,374,316
Repurchase agreements with banks	2,075,517	-	-	-	-	2,075,517
Customers' deposits	53,396,330	10,232,579	6,544,853	2,052,570	71,338,461	143,564,793
Islamic customers' deposits	7,336,089	1,318,006	1,458,054	946,314	6,316,438	17,374,901
Acceptances	-	-	-	-	3,495,184	3,495,184
Other liabilities	-	-	-	-	9,698,535	9,698,535
Borrowings	296,218	252,788	150,754	3,202,768	-	3,902,528
Insurance contract and investment liabilities	-	-	-	-	6,187,190	6,187,190
Equity attributable to shareholders of the Parent	-	-	-	-	36,712,765	36,712,765
Non-controlling interest	-	-	-	-	1,067,429	1,067,429
Total liabilities and equity	90,235,583	15,696,451	9,896,309	6,201,652	145,423,163	267,453,158
On balance sheet gap	62,424,720	10,889,758	1,930,705	31,506,517	(106,751,700)	-
Off balance sheet gap	(64,844)	(16,904)	(10,018)	91,766	-	-
Cumulative interest rate sensitivity gap	62,359,876	73,232,730	75,153,417	106,751,700	-	-

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Currency risk management

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. Limits on positions by currencies are monitored on a regular basis. The Group's exposures as follows:

	31 December 2025			31 December 2024		
	Net spot position AED'000	**Net Forward position AED'000**	**Net Position AED'000**	Net spot position AED'000	Net Forward position AED'000	Net Position AED'000
U.S. Dollars	**63,882,975**	**(7,717,033)**	**56,165,942**	32,927,511	(9,664,949)	23,262,562
Qatari Riyals	**(192,208)**	**(21,349)**	**(213,557)**	(255,321)	66,824	(188,497)
Pound Sterling	**(443,070)**	**746,360**	**303,290**	(780,976)	812,836	31,860
Euro	**(4,732,764)**	**4,921,037**	**188,273**	(8,624,012)	8,562,641	(61,371)
Bahrain Dinar	**(70,615)**	**(11,084)**	**(81,699)**	953,517	(801,867)	151,650
Saudi Riyal	**(2,074,403)**	**2,237,127**	**162,724**	53,380	(43,723)	9,657
Japanese Yen	**(278,497)**	**272,359**	**(6,138)**	(995,263)	1,000,602	5,339
Swiss Francs	**855,103**	**(857,626)**	**(2,523)**	16,146	(20,442)	(4,296)
Kuwaiti Dinar	**(13,283)**	**(155,896)**	**(169,179)**	9,076	(155,020)	(145,944)
Chinese Yuan	**(1,510,094)**	**1,205,241**	**(304,853)**	(1,581,441)	1,478,117	(103,324)
Other	**1,876,621**	**(856,786)**	**1,019,835**	1,782,130	(655,258)	1,126,872
Total	**57,299,765**	**(237,650)**	**57,062,115**	23,504,747	579,761	24,084,508

The exchange rate of AED against US Dollar is pegged and the Group's exposure to currency risk is limited to that extent.

Most of the major positions are in currencies that are pegged to the U.S. Dollar; therefore, any change in their exchange rates will have insignificant sensitivity on the consolidated statement of profit or loss or consolidated statement of comprehensive income.

Liquidity risk management

Liquidity risk is the risk that the Group's entities, in various locations and in various currencies, will be unable to meet a financial commitment to a customer, creditor, or investor when due.

The Group's senior management's focus on liquidity management is to:

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Liquidity risk management (continued)

- better understand the various sources of liquidity risk, particularly under stressed conditions;
- ensure the Group's short term and long term resilience, as measured by the Basel III guidelines, is sufficiently robust to meet realistic adverse scenarios;
- develop effective contingency funding plans to deal with liquidity crises;
- develop liquidity risk tolerance levels within the Internal Capital Adequacy Assessment Process (ICAAP) framework; and
- demonstrate that the bank can survive the closure of one or more funding markets by ensuring that funding can be readily raised from a variety of sources.

In compliance with Basel Committee on Banking Supervision ("BCBS") document titled "Principles for Sound Liquidity Management" and CBUAE "Regulations re Liquidity at Banks" (Circular Number 33/2015) and accompanying Guidance Manual, the Group has established a robust liquidity management framework that is well integrated into the bank-wide risk management process. A primary objective of the liquidity management framework is to ensure with a high degree of confidence that the Bank is in a position to address both its daily liquidity obligations as well as withstand a period of liquidity stress. In addition to maintaining sound liquidity governance and management practices, the Bank also holds an adequate liquidity cushion comprised of High Quality Liquid Assets ("HQLA") to be in a position to survive such periods of liquidity stress. The Bank's Liquidity Management Framework has two tiers:

1. **Board of Directors oversight** through review and approval of Liquidity Management Policy and definition of Liquidity Risk Tolerance Limits.
2. **Strategies, policies and practices developed by the ALCO** to manage liquidity risk in accordance with the Board of directors approved risk tolerance and ensure that the bank maintains sufficient liquidity.

The Group's Board of Directors (the "Board") bears the ultimate responsibility for liquidity risk management within the Bank. The Board members hence are familiar with liquidity risk and how it is managed as well as have a thorough understanding of how other risks including credit, market, operational and reputation risks affect the bank's overall liquidity risk.

Mashreqbank's Head Office ("HO") and International Banking Group ("IBG") Asset and Liability Committees ("ALCO") are responsible for formulating policies for implementing the Board approved liquidity risk appetite. In this regard, the following policies, procedures and systems have been implemented:

a) Robust ALCO oversight through timely, pertinent information and analysis

ALCOs have a broad range of authority delegated by the Board of Directors to manage the Group's asset and liability structure and funding strategy. ALCOs meet on a regular basis to review liquidity ratios, asset and liability structure, interest rate and foreign exchange exposures, internal and statutory ratio compliance, funding and repricing gaps and general domestic and international economic and financial market conditions. ALCOs determine the structure, responsibilities and controls for managing liquidity risk and for overseeing the liquidity position at all locations. The Asset Liability Management ("ALM") function in the Group is then responsible for implementing the ALCO policies.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Liquidity risk management (continued)

The Head Office ALCO comprises of the Group Chief Executive Officer, the Group Chief Financial Officer, Group Chief Risk Officer, Group Chief Credit Officer, Group Head of Retail Banking, Group Head of Corporate Banking , Group Head of International Banking and the Group Head of Treasury & Capital Markets.

The IBG ALCO comprises of Group Head of International Banking, Group Head of Retail Banking, Group Chief Risk Officer, Group Head of Treasury & Capital Markets, ALM, Finance and representatives from respective international locations.

b) Maintenance of Adequate High Quality Liquid Assets ("HQLA") cushion

The Bank holds a portfolio of HQLA aligned with the established liquidity risk tolerance of the bank, which means at a minimum it is sufficient to meet all regulatory and internal ratios under normal operating conditions, and enough to meet the liquidity needs under stressed conditions as estimated by Stress tests.

c) Gap limits

The minimum size of net placements in highly liquid money market instruments and HQLA bond portfolio is based on liquidity stress testing exercise, which takes into account the stability of deposits from different sources as well as contingent funding requirements of overseas branches. The Money Book and HQLA deployments are also required to adhere to gap limits, to ensure that the bank is in a position to meet short term and intraday liquidity needs.

d) Liquidity risk management over different time horizons and currencies

The time horizons over which the Bank manages liquidity risk range from intraday basis, day-to-day cashflow movements, fund raising capacity over short and medium-term (up to one year) as well as vulnerabilities to events, activities and strategies beyond one year that can put a significant strain on the Bank's cash generation capability

e) Forward looking Funding Plan ensuring effective diversification in the sources and tenor of funding

Mashreqbank develops its funding plan as part of its annual planning exercise. The plan places emphasis on diversifying the funding sources and maintaining market access to different sources of funding.

The Bank has historically relied on customer deposits for most of its funding needs. Over the years, the Bank has successfully introduced various cash management products and retail savings' schemes which have enabled it to mobilise low cost, broad based deposits. In order to diversify the funding sources, a Euro Medium Term Notes program was launched in 2004 and, as of 31 December 2025 has an outstanding balance of AED 4.3 billion (2024: AED 2.07 billion) [Note 19] in medium-term loans. The Bank also established Certificate of Deposit (CD) programmes through its London branch in 2014 and its Hong Kong Branch in 2018. Recently the Bank established a Trust Certificate (Sukuk) Issuance Programme in 2024.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Liquidity risk management (continued)

f) Liquidity Stress Testing for a variety of short-term and protracted Group-specific and market-wide stress scenarios

Stress tests enable the Bank to analyze the impact of stress scenarios on its consolidated group wise liquidity position as well as on the liquidity position of individual entities. The stress scenarios have been designed to incorporate the major funding and market liquidity risks to which the Bank is exposed. ALCO and the Board reviews the bank's choice of scenarios and related assumptions as well as the results of the stress tests.

g) Contingency Funding Plan outlining the Bank's step by step response to Liquidity contingency situations of different magnitudes

Mashreqbank has a formal contingency funding plan ("CFP"), which is updated, reviewed and approved by the HO ALCO and the Board on an annual basis. The CFP provides a list of liquidity generation tools which would be used to counter liquidity stress at different stages of the contingency.

h) FTP Framework for allocating liquidity costs, benefits and risks to all business activities

Mashreqbank has a well-developed FTP policy and system that aims to create transparency in profitability and insulate Business Units from interest rate risk.

i) Regular Internal as well as CBUAE audits focused on HQLA cushion and Liquidity management policies and procedures

Mashreqbank's liquidity policies, procedures and systems are subject to end to end review by internal audit as well as by the CBUAE.

The Bank has strengthened its liquidity buffer by raising deposits in line with loan growth. Prudent liquidity management by the Bank, has helped to ensure that the Bank is able to meet its clients' banking services requirements effectively and without disruption. The Russia Ukraine war and the Israel-Hamas crisis have not significantly impacted the UAE banking sector's liquidity.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Maturity profile:

The maturity profile of assets, liabilities and equity as at 31 December 2025 were as follows:

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
Assets						
Cash and balances with central banks	**33,532,283**	-	-	-	-	**33,532,283**
Loans and advances to banks	**35,312,007**	**15,310,585**	**8,749,337**	**6,349,133**	-	**65,721,062**
Financial assets measured at fair value	**4,233,507**	**2,441,600**	**3,175,482**	**3,153,796**	**8,453,113**	**21,457,498**
Securities measured at amortised cost	**2,220,248**	**708,894**	**634,685**	**5,195,125**	**20,147,352**	**28,906,304**
Loans and advances to customers	**46,864,216**	**11,121,137**	**9,744,265**	**42,720,399**	**27,620,958**	**138,070,975**
Islamic financing and investment products	**14,936,361**	**1,630,121**	**802,945**	**3,178,512**	**5,729,765**	**26,277,704**
Acceptances	**7,337,675**	**963,201**	**2,055,169**	**9,188**	**6,875**	**10,372,108**
Reinsurance contract assets	**1,134,541**	**605,025**	**643,896**	**814,348**	**24,693**	**3,222,503**
Investment in associate	-	-	-	-	**260,380**	**260,380**
Investment properties	-	-	-	-	**183,935**	**183,935**
Property and equipment	-	-	-	-	**1,350,125**	**1,350,125**
Intangible assets	-	-	-	-	**423,331**	**423,331**
Other assets	**4,498,739**	**169,437**	**65,245**	**88,275**	**33,967**	**4,855,663**
Total assets	**150,069,577**	**32,950,000**	**25,871,024**	**61,508,776**	**64,234,494**	**334,633,871**

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Maturity profile (continued)

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
Liabilities and equity						
Deposits and balances due to banks	32,412,259	4,565,323	1,548,405	396,278	-	38,922,265
Repurchase agreements with banks	7,136,046	-	-	-	-	7,136,046
Customers' deposits	155,206,197	10,086,664	10,017,867	3,043,262	537,191	178,891,181
Islamic customers' deposits	17,084,985	2,002,553	3,469,819	3,446,896	-	26,004,253
Acceptances	7,337,675	963,201	2,055,169	9,188	6,875	10,372,108
Other liabilities	9,527,155	389,709	397,823	496,779	107,651	10,919,117
Borrowings	73,460	-	2,313,990	1,909,382	9,177,027	13,473,859
Sukuk issued	-	-	-	1,836,500	-	1,836,500
Insurance and investment contract liabilities	1,940,106	921,459	972,696	1,708,225	959,501	6,501,987
Equity attributable to shareholders of the Parent	-	-	-	-	39,374,170	39,374,170
Non-controlling interest	-	-	-	-	1,202,385	1,202,385
Total liabilities and equity	230,717,883	18,928,909	20,775,769	12,846,510	51,364,800	334,633,871
Guarantees	5,672,866	2,463,831	2,952,670	12,230,417	7,802,088	31,121,872
Letters of credit	9,163,447	1,345,681	1,561,411	33,499	30,375	12,134,413
Total	14,836,313	3,809,512	4,514,081	12,263,916	7,832,463	43,256,285

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Maturity profile (continued)

The maturity profile of assets, liabilities and equity as at 31 December 2024 were as follows:

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
Assets						
Cash and balances with central banks	40,592,508	-	-	-	-	40,592,508
Loans and advances to banks	27,610,771	10,204,918	7,595,672	6,860,243	-	52,271,604
Financial assets measured at fair value	9,024,513	5,655,961	3,003,717	1,455,598	7,187,745	26,327,534
Securities measured at amortised cost	1,485,388	311,166	1,228,037	3,252,701	3,519,825	9,797,117
Loans and advances to customers	35,611,493	8,192,501	8,441,861	24,606,907	26,228,084	103,080,846
Islamic financing and investment products	9,120,178	2,660,699	553,149	2,987,103	6,356,422	21,677,551
Acceptances	2,636,157	462,929	347,636	48,462	-	3,495,184
Reinsurance contract assets	1,342,486	618,807	656,315	740,019	21,521	3,379,148
Investment in associate	-	-	-	-	296,878	296,878
Investment properties	-	-	-	-	151,620	151,620
Property and equipment	-	-	-	-	1,339,360	1,339,360
Intangible assets	-	-	-	-	374,333	374,333
Other assets	4,144,562	150,299	179,012	190,951	4,651	4,669,475
Total assets	131,568,056	28,257,280	22,005,399	40,141,984	45,480,439	267,453,158

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Maturity profile (continued)

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
Liabilities and equity						
Deposits and balances due to banks	36,184,911	4,436,682	2,385,423	367,300	-	43,374,316
Repurchase agreements with banks	2,075,517	-	-	-	-	2,075,517
Customers' deposits	123,919,233	10,241,187	7,295,629	1,781,442	327,302	143,564,793
Islamic customers' deposits	13,650,602	1,318,026	1,459,959	946,314	-	17,374,901
Acceptances	2,636,157	462,929	347,636	48,462	-	3,495,184
Other liabilities	8,582,741	482,707	379,919	153,332	99,836	9,698,535
Borrowings	296,218	252,788	150,754	1,371,741	1,831,027	3,902,528
Insurance and investment contract liabilities	1,846,842	830,785	927,249	1,600,863	981,451	6,187,190
Equity attributable to shareholders of the Parent	-	-	-	-	36,712,765	36,712,765
Non-controlling interest	-	-	-	-	1,067,429	1,067,429
Total liabilities and equity	189,192,221	18,025,104	12,946,569	6,269,454	41,019,810	267,453,158
Guarantees	4,889,113	2,007,709	3,853,309	5,538,554	7,388,586	23,677,271
Letters of credit	11,294,171	2,148,056	1,106,965	22,355	61,611	14,633,158
Total	16,183,284	4,155,765	4,960,274	5,560,909	7,450,197	38,310,429

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Maturity profile (continued)

The following table summarises the maturity profile based on contractual undiscounted repayment obligations as at 31 December 2025:

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
Liabilities						
Deposits and balances due to banks	**32,561,736**	**4,610,532**	**1,591,762**	**449,216**	**1,043,732**	**40,256,978**
Repurchase agreements with banks	**7,136,046**	-	-	-	-	**7,136,046**
Customers' deposits	**155,341,238**	**10,240,348**	**10,332,702**	**3,515,076**	**561,898**	**179,991,262**
Islamic customers' deposits	**17,201,602**	**2,076,070**	**3,604,531**	**3,862,176**	-	**26,744,379**
Acceptances	**7,337,675**	**963,201**	**2,055,169**	**9,188**	**6,875**	**10,372,108**
Other liabilities	**9,527,155**	**389,709**	**397,823**	**496,779**	**107,651**	**10,919,117**
Borrowings	**110,594**	**36,156**	**2,389,740**	**2,566,750**	**9,487,568**	**14,590,808**
Sukuk issued	-	-	-	**1,919,774**	-	**1,919,774**
Insurance and investment contract liabilities	**1,940,105**	**921,460**	**972,696**	**1,708,225**	**959,501**	**6,501,987**
Total liabilities	**231,156,151**	**19,237,476**	**21,344,423**	**14,527,184**	**12,167,225**	**298,432,459**

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Maturity profile (continued)

The following table summarises the maturity profile based on contractual undiscounted repayment obligations as at 31 December 2024:

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
Liabilities						
Deposits and balances due to banks	36,268,510	4,505,404	2,432,064	439,021	-	43,644,999
Repurchase agreements with banks	2,075,517	-	-	-	-	2,075,517
Customers' deposits	124,010,829	10,431,740	7,537,152	2,063,030	374,018	144,416,769
Islamic customers' deposits	13,804,498	1,385,851	1,529,134	1,058,331	-	17,777,814
Acceptances	2,636,157	462,929	347,636	48,462	-	3,495,184
Other liabilities	8,582,741	482,707	379,919	153,332	99,836	9,698,535
Borrowings	340,888	294,443	235,641	2,055,389	2,286,192	5,212,553
Insurance and investment contract liabilities	1,846,842	830,785	927,249	1,600,863	981,451	6,187,190
Total liabilities	189,565,982	18,393,859	13,388,795	7,418,428	3,741,497	232,508,561

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Compliance Risk

Compliance risk is the risk of an activity not being conducted in line with the applicable laws and regulations leading to reputational and/or financial losses. The Group manages compliance risk through a compliance function which is responsible for monitoring compliance of laws and regulations across the various jurisdictions in which the Group operates.

The Bank previously became aware that certain historical US dollar payment processing activities may have potentially breached US sanction laws in effect at the time. Accordingly, the Bank proactively cooperated with the UAE and the US regulators and appointed external legal advisors to assist in the review of these transactions, including compliance with US sanction laws as well as its own compliance processes. In 2018, the Bank formally submitted the findings of the review to the regulators in both the UAE and the US.

During the year ended 31 December 2021 the Bank reached a joint settlement with the Office of Foreign Assets Control (OFAC), the New York State Department of Financial Services (DFS) and the Federal Reserve Board of Governors (FRB). No separate financial penalty was levied by OFAC and FRB. The Bank has complied with the terms of the settlement. Another US agency that participated in the investigation is not as at current date manifesting a continued interest in the matter, but we cannot preclude that they might do so in the future. The Group, on a continuous basis, identifies and assesses such risks and recognizes provisions, in consultation with its legal counsel, in accordance with the accounting policy for provisions as disclosed [in note 3].

Fair value measurements of financial instruments

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability. The group measures investments in the category using various valuations techniques. These include the net assets valuation method where there is unavailability of market and comparable financial information comparable sales transactions after applying an appropriate hair cut and discounted cash flow models where appropriate

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Fair value measurements of financial instruments (continued)

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used for the year ended 31 December 2024.

Fair value of the Group's financial assets that are measured at fair value on recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined:

	Fair value as at		**Fair value hierarchy**
	2025	2024	
	AED'000	AED'000	
Financial assets measured at FVTPL			
Quoted debt investments	**1,209,981**	165,624	Level 1
Quoted equity investments	**1,005**	23,689	Level 1
Unquoted debt investments	**1,441,198**	730,092	Level 2
Funds	**1,349,908**	1,326,137	Level 2
Unquoted equity investments	**1,101**	1,032	Level 3
Unquoted debt investments	**95**	-	Level 3
	4,003,288	2,246,574	

	Fair value as at		**Fair value hierarchy**
	2025	2024	
	AED'000	AED'000	
Financial assets measured at FVTOCI			
Quoted equity investments	**933,929**	755,933	Level 1
Quoted debt investments	**15,908,085**	23,001,663	Level 1
Unquoted equity investments	**87,544**	79,946	Level 3
Funds	**524,652**	243,418	Level 2
	17,454,210	24,080,960	
	21,457,498	26,327,534	

There were no transfers between each of the levels during the year.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Fair value measurements of financial instruments (continued)

Reconciliation of Level 3 fair value measurement of financial assets measured at FVTPL

	2025	2024
	AED'000	AED'000
At 1 January	**1,032**	1,132
Purchases	**8,545**	344
Transfer out	**(8,450)**	-
Change in fair value	**68**	(444)
At 31 December	**1,195**	1,032

Reconciliation of Level 3 fair value measurement of financial assets measured at FVTOCI

	2025	2024
	AED'000	AED'000
At 1 January	**79,946**	56,049
Purchases	**5,510**	38,371
Disposals/matured	**(120)**	(1,103)
Change in fair value	**2,208**	(13,371)
At 31 December	**87,544**	79,946

All gain and losses related to investment in unquoted equity instruments are included in consolidated statement of comprehensive and are reported as changes of investments revaluation reserve

Fair value of financial instruments measured at amortised cost

Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements approximate their fair values and carry market rates of interest.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Fair value measurements of financial instruments (continued)

	Gross carrying amount AED'000	Fair value Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 December 2025					
Financial assets:					
Securities measured at amortised cost	**28,924,027**	**27,281,111**	**1,069,478**	**704,312**	**29,054,901**
31 December 2024					
Financial assets:					
Securities measured at amortised cost	9,827,791	7,761,200	1,108,476	668,717	9,538,393

	Gross carrying amount AED'000	Fair value Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 December 2025					
Financial liabilities					
Medium-term notes	**4,296,832**	**4,358,252**	-	-	**4,358,252**
31 December 2024					
Financial liabilities					
Medium-term notes	2,071,501	1,970,316	-	116,950	2,087,266

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

43. Risk management (continued)

Fair value measurements of financial instruments (continued)

Fair value sensitivity analysis

The following table shows the sensitivity of fair values to 1% increase or decrease as at 31 December 2025 and 31 December 2024:

	Reflected in consolidated statement of profit or loss		**Reflected in consolidated statement of comprehensive income**	
	Favourable change AED'000	**Unfavourable change AED'000**	**Favourable change AED'000**	**Unfavourable change AED'000**
31 December 2025				
Financial assets measured at fair value	**40,033**	**(40,033)**	**174,542**	**(174,542)**
Derivatives	**3,606**	**(3,606)**	-	-
31 December 2024				
Financial assets measured at fair value	22,466	(22,466)	240,810	(240,810)
Derivatives	6,284	(6,284)	-	-

Majority of the derivative financial instruments are back-to-back; therefore, any change to the fair value of the derivatives resulting from price input changes will have insignificant impact on the consolidated statement of profit or loss or consolidated statement of comprehensive income.

44. Foreign restricted assets

Net assets equivalent to AED 604 million as at 31 December 2025 (31 December 2024: AED 586 million) maintained by certain branches of the Bank, operating outside the UAE, are subject to exchange control regulations of the countries in which these branches operate.

45. Taxation

On 9 December 2022, the United Arab Emirates ("UAE") Ministry of Finance ("MoF") released Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law ("CT Law") to enact the Corporate Tax ("CT") regime which became effective for accounting periods beginning on or after 1 June 2023. The entities that are in scope for the UAE CT purposes are subject to a 9% CT rate.

In order to align with OECD's Global Minimum Tax effort ("Pillar Two"), the UAE Ministry of Finance has issued Cabinet Decision No (142) of 2024 that implements a Domestic Minimum Top-up Tax ("DMTT") of 15% for Multinational Enterprises ("MNEs") that are within scope of Pillar Two based on OECD Model rules with effect from financial years starting on or after 1st January 2025. Mashreq is an MNE Group with consolidated revenue exceeding €750 million threshold, hence in scope of Pillar Two legislation as operating in certain jurisdictions that have enacted or substantively enacted Pillar Two legislation.

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

45. Taxation (continued)

The Group estimates the current tax expense of AED 1,291Mio for the period ended 31 December 2025 (31 December 2024: AED 868 Mio). The Effective Tax Rate (ETR) for the period ending 31 December 2025 is 15.63% (31 December 2024: 8.79%). The rise in the ETR compared to last year is mainly due to the introduction of DMTT in the UAE. Pillar Two rules also impacted the tax expenses of the Mashreq entities in Bahrain, Kuwait and Qatar.

Furthermore, for the period ended 31 December 2025, the Group has applied the IASB amendment to IAS 12, Income Taxes, which provides a mandatory temporary exception from recognizing or disclosing deferred taxes related to Pillar Two. The Group will continuously monitor legislative developments and will account for any potential top-up tax in compliance with the IAS 12 Amendments going forward.

a) Reconciliation of tax expense and the accounting profit multiplied by United Arab Emirates' domestic tax rate on 31 December 2025:

	2025	2024
	AED'000	AED'000
Accounting profit before tax	**8,260,984**	9,885,904
At United Arab Emirates' statutory income tax rate of 9%	**743,489**	889,731
Tax effect of expenses that are not deductible in determining taxable profit	**7,726**	6,248
Tax effect of income not taxable in determining taxable profit	**(12,931)**	(151,733)
UAE pillar two taxes	**342,476**	-
Foreign pillar two taxes	**52,803**	-
Effect of different tax rates from operations in other jurisdictions	**98,772**	126,125
WHT in foreign jurisdictions	**42,112**	-
Return to Accrual Adjustment	**13,219**	-
Deferred tax charge / (credit) to profit and loss	**3,184**	-
Others	**(59)**	(1,844)
Income tax expense / (credit) reported in the consolidated income statement	**1,290,791**	868,527
Effective tax rate	**15.63%**	8.79%

b) OCI	**2025**	2024
	AED'000	AED'000
The major components of income tax expense for the period ended 31 December 2025 are:		
Current income tax charge/(credit) [Not to be reclassified to P&L A/c subsequently]:		
- Related to changes in fair value of financial assets measured at fair value through other comprehensive income (equity instruments)	**9,901**	6,096
- Adjustment in respect of current income tax of previous year		
	9,901	6,096

Notes to the consolidated financial statements for the year ended 31 December 2025 (continued)

45. Taxation (continued)

Current Deferred tax [To be reclassified to P&L A/c subsequently]:		
- Relating to changes in fair value of financial assets measured at fair value through other comprehensive income (debt instruments)	**24,579**	(27,736)
- Relating to changes in currency translation reserve	**(9,713)**	(23,893)
Income tax expense / (credit) reported in the OCI	**14,866**	(51,629)

46. Additional Tier 1 capital securities

In July 2022, the Bank issued US$ 300 million (AED 1,101.9 million) regulatory Additional Tier 1 (AT1) capital securities. These securities are perpetual, conditional, subordinated and unsecured and are classified as equity. These securities are issued at a coupon rate of 8.5% p.a. The Bank can elect not to pay a coupon at its own discretion and has an option to call back the securities in July 2027 subject to Central Bank approval.

In June 2024, the Bank issued US$ 500 million (AED 1,836.5 million) regulatory Additional Tier 1 (AT1) capital securities. These securities are perpetual, conditional, subordinated and unsecured and are classified as equity. These securities are issued at a coupon rate of 7.125% p.a. The Bank can elect not to pay a coupon at its own discretion and has the option to call back the securities in 2029 subject to Central bank approval.

47. Comparative information

Certain comparative amounts in consolidated statement of financial position and notes to the consolidated financial statements have been adjusted to conform to the current presentation.

48. Sukuk issued

In April 2025, the Bank issued a U.S. dollar denominated senior unsecured Sukuk, amounting to USD 500 million (AED 1,836.25 million) with 5-years maturity and an expected profit rate of 5.03 per cent. The Sukuk represents Mashreq's first Shariah compliant issuance in the international capital markets through a USD 2.5 billion Sukuk Programme.

49. Subsequent events

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

50. Approval of consolidated financial statements

The consolidated financial statements for the year ended 31 December 2025 were approved by the Board of Directors and authorised for issue on 02 February 2026 and signed on its behalf by the Chairman of the Board and the Group Chief Executive Officer.