AL KHALIJI FRANCE S.A.
UNITED ARAB EMIRATES BRANCHES

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

These audited financial statements are subject to Central Bank of UAE approval

Al Khaliji France S.A. - United Arab Emirates Branches

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Al Khaliji France S.A. – United Arab Emirates (UAE) Branches
Dubai
United Arab Emirates

Report on the Audit of the Financial Statements

We have audited the financial statements of **Al Khaliji France S.A. – United Arab Emirates (UAE) Branches (the "Branches")**, which comprise the statement of financial position as at 31 December 2025, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Branches in accordance with the International Ethics Standards Board for Accountants' Codes of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) as applicable to audits of the financial statements of public interest entities, together with the other ethical requirements that are relevant to our audit of the 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Allowance for expected credit losses ("ECL") on loans and advances</td></tr>
<tr><td>Loans and advances at amortised cost are carried in the statement of financial position at AED 350 million. This represents 27% of total assets. Management has stated this amount net of an allowance for ECL of AED 36 million.

The measurement of the allowance for ECL amounts for retail and non-retail exposures classified as Stage 1 and Stage 2 is model-based with limited manual intervention. It is important that these models, which contain Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD) and macroeconomic adjustments, are valid throughout the reporting period. The Branches performed independent validation and monitoring of the PD and LGD and macro-economic models during the reporting period.

The material portion of the non-retail portfolio of loans and advances is assessed individually for credit impairment. This requires management to capture all qualitative and quantitative reasonable and supportable forward-looking information while assessing credit-impaired criteria for the exposure. Management judgement may also be involved in manual staging movements in accordance with the requirements of IFRS Accounting Standards.

We have considered the allowance for ECL to be a key audit matter as a result of the following:

• The quantitative significance of the amount to the financial statements;
• The level of judgements applied and estimates made by management; and
• The level of audit effort.

The corporate portfolio of loans and advances is assessed individually for significant increase in credit risk ("SICR") and measurement of ECL. This requires management to capture all qualitative and quantitative reasonable and supportable 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 Branches' policies.

Refer to note 4 in the financial statements for information relating to the accounting policy for the allowance for ECL, note 10 for further details about loans and advances and note 31 for information relating to credit risk management.</td><td>We performed the following procedures, inter alia, on allowance for ECL:

We obtained an understanding of process adopted by management to determine the allowance for ECL, including the key controls in this process.

We assessed the abovementioned controls to determine if they had been appropriately designed and implemented.

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 Risk 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 a sample of individually assessed stage 3 customers, we assessed, where applicable:
• 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.

With the involvement of our credit risk and modelling specialists, we assessed the methodology and assumptions used in the calculation of various components of ECL modelling, including the computation of PD, LGD and EAD for the models selected for testing.

For a sample of customers, we tested the mathematical accuracy and reperformed the computation of the ECL based on relevant source data.</td></tr>
</table>

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Al Khaliji France S.A. – United Arab Emirates (UAE) Branches (continued)

Key audit matter	How our audit addressed the key audit matter
Expected credit loss ("ECL") allowance on loans and advances (continued)	
	We evaluated key assumptions such as the criteria used to determine significant increase in credit risk ("SICR"), definition of default, staging criteria and forward-looking macroeconomic information and the related weighting of these items. We verified the integrity of data used as input to the models, including the transfer of data between source systems and the impairment models. On a sample basis, we assessed the application of the staging criteria, including the basis for movement between stages. With the support of our credit risk and modelling specialists, we evaluated the post-model adjustments and management overlays and challenged their rationale. We considered the process of the independent validations of the models and their impact on the results of the determination of the allowance for ECL. We assessed the disclosures in the financial statements relating to this matter against the requirements of IFRS Accounting Standards.

Other Matter

The financial statements of the Branches for the year ended 31 December 2024 were audited by another auditor who expressed an unmodified opinion on those statements on 27 March 2025.

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

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

In preparing the financial statements, management is responsible for assessing the Branches' 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 Branches or to cease operations, or has no realistic alternative but to do so.

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

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Al Khaliji France S.A. – United Arab Emirates (UAE) Branches (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 Branches' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branches to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Al Khaliji France S.A. – United Arab Emirates (UAE) Branches (continued)

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 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 Bank has maintained proper books of account;
- the financial information included in the Board of Directors' report is consistent with the Bank's books of account;
- note 9 to the financial statements of the Bank discloses its investments in shares during the financial year ended 31 December 2025;
- note 7 to the financial statements of the Bank discloses material related party transactions, the terms under which they were conducted and principles of managing conflict of interests;
- note 22 to the financial statements discloses social contributions made during the financial year ended 31 December 2025; and
- based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Bank has contravened during the 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.)

Mohammed Jallad
Registration No. 1164
27 March 2026
Dubai
United Arab Emirates

STATEMENT OF FINANCIAL POSITION
As at 31 December 2025

	Notes	***2025*** ***AED'000***	*2024* *AED'000*
ASSETS			
Cash and balances with the Central Bank of the U.A.E.	6	**232,790**	404,144
Due from related parties	7	**48,238**	46,628
Deposits and balances due from banks and financial institutions	8	**307,125**	233,520
Loans and advances to customers	10	**350,418**	406,844
Investment securities	9	**316,049**	223,001
Other assets	11	**11,831**	11,463
Deferred tax assets	24	**12,736**	14,153
Property and equipment	12	**1,498**	1,158
Intangible assets	13	**2,701**	1,870
Total assets		**1,283,386**	1,342,781
LIABILITIES AND EQUITY			
Liabilities			
Deposits and balances due to banks and financial institutions	14	**1,157**	1,640
Customers' deposits	15	**615,644**	678,756
Due to related parties	7	**10,007**	6,465
Other liabilities	16	**20,045**	43,163
Income tax provision	24	**14,699**	11,876
Total liabilities		**661,552**	741,900
Equity			
Assigned capital	17(a)	**375,000**	375,000
Statutory reserve	17(b)	**74,097**	69,349
Fair value reserve		**-**	(472)
Retained earnings		**172,737**	157,004
Total equity		**621,834**	600,881
Total liabilities and equity		**1,283,386**	1,342,781

Fadi Halout
General Manager

Roy Doumeth
Head of Finance

The attached notes 1 to 34 form part of these financial statements.

STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2025

	Notes	*2025* *AED'000*	*2024* *AED'000*
Interest income	18	**74,112**	82,204
Interest expense	19	**(10,960)**	(11,391)
Net interest income		**63,152**	70,813
Fee and commission income	20	**7,432**	7,624
Fee and commission expenses	20	**(435)**	(399)
Net fee and commission income		**6,997**	7,225
Net gain from foreign currency transactions		**2,072**	2,171
Other operating income	21	**17,893**	24
Operating income for the year		**90,114**	80,233
General and administrative expenses	22	**(30,574)**	(27,729)
Reversal / (allowance) for expected credit losses, net	23	**270**	(3,524)
Net operating expenses		**(30,304)**	(31,253)
Profit before tax		**59,810**	48,980
Income tax – net	24	**(12,329)**	2,246
Profit for the year		**47,481**	51,226

The attached notes 1 to 34 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	2025	*2024*
	AED'000	*AED'000*
Profit for the year	**47,481**	51,226
Other comprehensive loss that will be reclassified to the income statement:		
Net change in fair value during the year for the debt instruments held at fair value through other comprehensive income	**820**	1,751
Fair value loss arising on hedging instruments during the year	**(348)**	(2,059)
Other comprehensive gain/(loss) for the year	**472**	(308)
Total comprehensive income for the year	**47,953**	50,918

The attached notes 1 to 34 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Assigned capital AED'000	*Statutory reserve AED'000*	*Fair value reserve AED'000*	*Retained earnings AED'000*	*Total AED'000*
Balance as at 1 January 2024	375,000	64,226	(164)	110,901	549,963
Profit for the year	-	-	-	51,226	51,226
Other comprehensive loss for the year	-	-	(308)	-	(308)
Total comprehensive income for the year	-	-	(308)	51,226	50,918
Transfer to statutory reserve (Note 17)	-	5,123	-	(5,123)	-
Balance at 31 December 2024	375,000	69,349	(472)	157,004	600,881
Balance as at 1 January 2025	**375,000**	**69,349**	**(472)**	**157,004**	**600,881**
Profit for the year	**-**	**-**	**-**	**47,481**	**47,481**
Other comprehensive income for the year	**-**	**-**	**472**	**-**	**472**
Total comprehensive income for the year	**-**	**-**	**472**	**47,481**	**47,953**
Profits transferred to Head Office	**-**	**-**	**-**	**(27,000)**	**(27,000)**
Transfer to statutory reserve (Note 17)	**-**	**4,748**	**-**	**(4,748)**	**-**
Balance at 31 December 2025	**375,000**	**74,097**	**-**	**172,737**	**621,834**

The attached notes 1 to 34 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Notes	2025 AED'000	2024 AED'000
Cash flows from operating activities			
Profit before tax		**59,810**	48,980
Adjustments for:			
(Reversal of)/Allowance for expected credit losses, net	23	**(270)**	3,524
Amortisation of premium/discounts on investment securities, net		**609**	110
Depreciation and amortisation	22	**1,940**	1,658
Provision for employees' end-of-service benefits	16(i)	**1,121**	1,172
Revaluation gain		**139**	(9)
Operating profit before changes in operating assets and liabilities		**63,349**	55,435
Increase/(decrease) in cash reserve with the Central Bank of the UAE	6	**3,185**	(11,818)
(Increase)/ decrease in due from related parties		**-**	18,362
(Increase) in deposits and balances due from banks and financial institutions		**(79,717)**	(134,970)
Decrease in loans and advances to customers		**62,555**	9,881
Increase in other assets		**(1,176)**	(1,859)
(Decrease)/ increase in customers' deposits		**(63,112)**	26,065
(Decrease) /increase in other liabilities		**(24,074)**	20,917
Cash used in operations		**(38,990)**	(17,987)
Taxes paid	24	**(8,089)**	(2,815)
Employees' end-of-service benefits paid	16(i)	**(459)**	(408)
Net cash used in operating activities		**(47,538)**	(21,210)
Cash flows from investing activities			
Purchase of property and equipment	12	**(1,269)**	(187)
Purchase of intangible assets	13	**(1,844)**	(764)
Purchase of investment securities	9	**(165,262)**	(91,812)
Proceeds from maturity/disposal of investment securities	9	**73,450**	37
Net cash used in investing activities		**(94,925)**	(92,726)
Cash flow from financing activities			
Profits transferred to Head Office		**(27,000)**	-
Net cash used in financing activities		**(27,000)**	-
Decrease in cash and cash equivalents		**(169,463)**	(113,936)
Cash and cash equivalents at 1 January		**414,196**	528,132
Cash and cash equivalents at 31 December	25	**244,733**	414,196

The attached notes 1 to 34 form part of these financial statements.

1. General information

Al Khaliji France S.A (the "Bank") is a French registered bank with its Head Office in Paris, France (the "Head Office"). It commenced its operations in the United Arab Emirates in 1973 as a retail bank and currently has two branches, one in each of the Emirate of Dubai and Abu Dhabi. AlRayan Bank is the Ultimate Parent Company of Al Khaliji France S.A. The Bank's regional office in Dubai is responsible for managing the operations of the United Arab Emirates Branches. The regional office's registered address is P.O. Box 4207, Dubai, United Arab Emirates.

These financial statements reflect the activities of the branches of Al Khaliji France S.A. in the United Arab Emirates only (the "Branches") and exclude all transactions, assets and liabilities of the Head Office and Ultimate Parent Company's branches. The principal activities of the Bank are retail and commercial banking. The activities of the Bank are carried out through its Branches in United Arab Emirates.

Approval of the financial statements

The financial statements were approved and authorized for issue on 27 March 2026.

2. Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB), and the applicable provisions of the Central Bank of the UAE regulations and the applicable requirements of United Arab Emirates laws, including the UAE Federal Decree Law No. 32 of 2021; as amended and Federal Decree Law No. 6 of 2025.

2.2 Functional and presentation currency

These financial statements are presented in United Arab Emirates Dirhams ("AED") which is the Branches' functional and presentation currency. Except as otherwise indicated, financial information presented in AED has been rounded to the nearest thousand.

2.3 Basis of measurement

The financial statements have been prepared on the historical cost basis except for derivative financial instruments and financial assets at fair value through other comprehensive income, which have been measured at fair value.

3. Application of new and revised International Financial Reporting Standards ("IFRSs")

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

The Branches applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2025 (unless otherwise stated). The Branches have not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

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

The amendments had no impact on the Branches' financial statements.

3. Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

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

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

New and revised IFRS Accounting Standards	Effective for annual periods beginning on or after
Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* regarding the classification and measurement of financial instruments The amendments address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9.	1 January 2026
Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* regarding purchase power arrangements The amendments aim at enabling entities to include information in their financial statements that in the IASB's view more faithfully represents contracts referencing nature-dependent electricity.	1 January 2026
Annual improvements to IFRS Accounting Standards - Volume 11 The pronouncement comprises the following amendments: • IFRS 1 *First-time Adoption of International Financial Reporting Standards*: Hedge accounting by a first-time adopter • IFRS 7 *Financial Instruments - Disclosures*: Gain or loss on derecognition • IFRS 7 *Financial Instruments - Disclosures*: Disclosure of deferred difference between fair value and transaction price • IFRS 7 *Financial Instruments - Disclosures*: Introduction and credit risk disclosures • IFRS 9 *Financial Instruments*: Lessee derecognition of lease liabilities • IFRS 9 *Financial Instruments*: Transaction price • IFRS 10 *Consolidated Financial Statements*: Determination of a "de facto agent" • IAS 7 *Statement of Cash Flows*: Cost method	1 January 2026
IFRS 18 *Presentation and Disclosures in Financial Statements* IFRS 18 includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	1 January 2027
IFRS 19 *Subsidiaries without Public Accountability: Disclosures* IFRS 19 specifies the disclosure requirements an eligible subsidiary is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards.	1 January 2027
Amendments to IFRS 19 *Subsidiaries without Public Accountability: Disclosures* The amendments cover new or amended IFRS Accounting Standards issued between 28 February 2021 and 1 May 2024 that were not considered when IFRS 19 was first issued.	1 January 2027
Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* relating to Translation to a Hyperinflationary Presentation Currency The amendments clarify how companies should translate financial statements from a non-hyperinflationary currency into a hyperinflationary one.	1 January 2027

3. Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

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

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

4. Material accounting policy information

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

Financial instruments

Classification and measurement

The Branches classify their financial assets into the following measurement categories:

i. those to be measured at fair value (either through other comprehensive income, or through profit or loss); and
ii. those to be measured at amortised cost.

The classification depends on the Branches' business model for managing financial assets and the contractual terms of the financial assets' cash flows. The Branches classify their financial liabilities at amortised cost unless they have designated liabilities at fair value through profit or loss or are required to measure liabilities at fair value through profit or loss such as derivative liabilities.

Financial assets measured at fair value through other comprehensive income
Debt instruments
Investments in debt instruments are measured at fair value through other comprehensive income where they have:

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

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals are recognized in the statement of Other comprehensive income; interest revenue and foreign exchange gains and losses are recognised in the statement of profit or loss. Upon disposal, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the statement of profit or loss. Refer to note 9 for Investments securities at fair value through other comprehensive income.

The measurement of credit impairment is based on the three-stage expected credit loss model as applied to financial assets at amortised cost.

4. Material accounting policy information (continued)

Financial instruments (continued)

Classification and measurement (continued)

Financial assets measured at fair value through other comprehensive income **(continued)**

Equity instruments
Investment in equity instruments that are neither held for trading nor contingent consideration, are measured at fair value through other comprehensive income, where an irrevocable election has been made by management.

Amounts presented in other comprehensive income are not subsequently transferred to the statement of profit or loss.

Financial assets measured at fair value through the statement of profit or loss
Financial assets at fair value through the statement of profit or loss comprise:

- financial assets held for trading;
- financial assets specifically designated as fair value through the statement of profit or loss on initial recognition; and
- Financial instruments held at fair value through the statement of profit or loss are initially recognised at fair value, with transaction costs recognised in the income statement as incurred. Subsequently, they are measured at fair value and any gains or losses are recognised in the statement of profit or loss as they arise. Where a financial asset is measured at fair value, a credit valuation adjustment is included to reflect the credit worthiness of the counterparty, representing the movement in fair value attributable to changes in credit risk.

Financial instruments held for trading
A financial instrument is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, or forms part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking, or it is a derivative not in a qualifying hedge relationship. Trading derivatives and trading securities are classified as held for trading and recognised at fair value.

Upon initial recognition, financial instruments may be designated as measured at fair value through profit or loss. A financial asset may only be designated at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistencies (i.e. eliminates an accounting mismatch) that would otherwise arise from measuring financial assets or liabilities on a different basis.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces an accounting mismatch or:

- if a host contract contains one or more embedded derivatives; or
- if financial assets and liabilities are both managed and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Branches' own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in the statement of profit or loss.

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

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

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost. The measurement of credit impairment is based on the three-stage expected credit loss model described in note 4.

4. Material accounting policy information (continued)

Financial instruments (continued)

Impairment of financial assets
The Branches apply a three-stage approach to measuring ECL for the following categories of financial assets that are not measured at fair value through the statement of profit or loss:

- debt instruments measured at amortised cost and fair value through other comprehensive income;
- due from banks and financial institutions;
- loans and advances to customers;
- loan commitments;
- financial guarantee contracts; and
- lines of credit.

No ECL is recognised on equity investments.

Financial assets migrate through the following three stages based on the change in credit risk since initial recognition:

Stage 1: 12-months ECL
For exposures where there has not been a significant increase in credit risk (SICR) since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2: Lifetime ECL – not credit impaired
For exposures where there has been an SICR since initial recognition but are not credit impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset) is recognised.

Stage 3: Lifetime ECL – credit impaired
Exposures are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognised. The Branches define a financial instrument as in default, which is fully aligned with the definition of credit-impaired.

The Branches assess, on a forward-looking basis, the ECL associated with the above categories of financial assets. 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.

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

Loan commitments and letters of credit:
The ECL related to loan commitments and letters of credit are recognised in other liabilities. When estimating lifetime ECL for undrawn loan commitments, the Branches estimates the expected portion of the loan commitment that will be drawn-down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn-down, based on a probability-weighting of the scenarios.

Guarantee contracts:
The ECL related to guarantee contracts are recognised in other liabilities. For this purpose, the Branches estimates ECL based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The calculation is made using a probability-weighting of the scenarios.

4. Material accounting policy information (continued)

Impairment of financial assets (continued)

Write-offs:
Financial assets are written off through the allowance account when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the branches. Where loans or receivables have been written off, the Branches continue to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in the statement of profit or loss.

Measuring ECL
The ECL is measured on either a 12-month or lifetime basis depending on whether an SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is the discounted product of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), defined as follows:

- Two types of PDs are used for calculating ECL
  - 12-month PDs – This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECL for Stage 1 exposures.
  - Lifetime PDs – This is the estimated probability of a default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECL for Stage 2 and Stage 3 exposures.
- EAD is based on the amounts the Branches expect to be owed at the time of default, over the next 12 months or over the remaining lifetime. It varies for the types of financial assets defined in the section above.
- LGD represents the Branches' expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default.

Weighted average ECL is calculated considering base case, upside and downside scenarios multiplied by the associated scenario weightings, at the contract level for reflection of the ECL impact in the books of accounts. The most significant year-end assumptions used for ECL estimate are disclosed in Note 27. The scenarios base case, upside and downside were used for all portfolios keeping in view the principal macroeconomic variables, including GDP in the range of 2 to 7% for different scenarios.

Derecognition of financial assets and liabilities
The Branches derecognise a financial asset when the contractual rights to the cash flows from the financial asset expires, or they transfer the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of the ownership of the financial asset are transferred or in which the Branches neither transfer nor retain substantially all of the risks and rewards or ownership and they do not retain control of the financial asset. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Branches is recognised as a separate asset or liability.

The Branches enter into transactions whereby they transfer assets recognised on their consolidated statement of financial position, but retain either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are repurchase agreements. In transactions in which the Branches neither retain nor transfer substantially all of the risks and rewards of ownership of a financial asset and they retain control over the asset, the Branches continue to recognise the asset to the extent of their continuing involvement, determined by the extent to which they are exposed to changes in the value of the transferred asset. The Branches derecognise a financial liability when their contractual obligations are discharged or cancelled, or expired.

4. Material accounting policy information (continued)

Revenue recognition
Interest income and interest expense
The Branches recognise interest income and interest expense in the statement of profit or loss for all interest bearing financial instruments classified as fair value through profit and loss, fair value through other comprehensive income and loans and receivables using the effective interest method, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability on initial recognition. When there is doubt in the collection of the principal or the interest, the recognition of interest income ceases. Interest income from financial assets measured at FVTPL is recognised on accrual basis. Recoveries in respect of loans fully provided for are accounted for on a cash receipt basis.

Fees and commission income and expenses
Fees and commission income and expenses are generally recognised in the statement of profit or loss on accrual basis as the related services are provided except those that are integral to the effective interest rate calculations. Fees and commission included in the effective interest rate calculation are those that are incremental and directly attributable to the origination of the product and which are integral to the yield of the product.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

Foreign currency transactions
The financial statements of the Branches are expressed in Arab Emirates Dirhams (‘AED’), which is the functional currency of the Branches and the presentation currency for the financial statements.

In preparing the financial statements of the Branches, transactions in currencies other than the Branches’ functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated 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 the statement of profit or loss in the period in which they arise.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and accumulated impairment loss, if any. Additions and subsequent expenditures are capitalised only to the extent that they enhance the future economic benefits expected to be derived from the assets.

Depreciation is determined using the straight-line method over the estimated useful lives of the respective assets, as follows:

	Years
Office equipment	3 - 5
Furniture and fittings	3 - 5
Vehicles	3
Leasehold improvements	5 - 7

The depreciable amount is the gross carrying amount, less the estimated residual value at the end of its useful economic life.

The useful lives, methods and the residual values underlying the calculation of depreciation of items of property and equipment are reviewed at each reporting date to take account of any change in circumstances.

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 statement of profit or loss.

Gain or loss on disposal is determined by comparing the proceeds with the carrying amount and are recognised in the statement of profit or loss.

4. Material accounting policy information (continued)

Property and equipment (continued)
Capital work-in-progress is carried at cost, less any recognised impairment loss. 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.

Due from other banks
Amounts due from other banks are initially recognised at fair value and measured subsequently at amortised cost using the effective interest method. Impairment of amounts due from other banks is assessed as outlined in the accounting policy on financial instrument.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Additions and subsequent expenditures are capitalised only to the extent that they enhance the future economic benefits expected to be derived from the assets. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible asset.

Impairment of tangible and intangible assets
At each reporting period, the Branches review the carrying amounts of its tangible and intangible 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 assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Branches estimate the recoverable amount of the cash-generating unit to which the asset belongs.

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.

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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the 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.

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the statement of profit or loss, unless the relevant asset is carried at revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Employees' end-of-service benefits
Provision for employees' end-of-service indemnity is made based on current remuneration and cumulative years of service at the end of each reporting period. The provision is made in accordance with the Branches' policy which is not less than the liability arising under the U.A.E. labour laws.

Pension and national insurance contributions for U.A.E. citizens are made by the Branches in accordance with the relevant local laws and regulations applicable to U.A.E. citizens.

4. Material accounting policy information (continued)

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

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Branches' liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, calculated using tax rates enacted or substantively enacted at the reporting date. The Branches provide for potential current tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities.

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 Branches 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 Branches 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.

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 Branches intend 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.

Unused Tax losses and unused tax credits
A deferred tax asset shall be recognised for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be unutilised.

4. Material accounting policy information (continued)

Income tax (continued)

UAE Corporate Tax
Current taxes should be measured at the amount expected to be paid to or recovered from the tax authorities by reference to tax rates and laws that have been enacted or substantively enacted, by the end of the any reporting period. Since the Branches are expected to pay tax in accordance with the provision of the UAE CT Law on its operational results with effect from 1 June 2023, current taxes have been accounted for in the financial statements for the period beginning from 1 January 2025.

Deferred taxes should be measured by reference to the tax rates and laws, as enacted, or substantively enacted, by the end of the reporting period, that are expected to apply in the periods in which the assets and liabilities to which the deferred tax relates are realized or settled. As the UAE CT Law is considered "substantive enactments" as at 9 December 2022, for the purposes of IAS 12, the Branches considered the application of IAS 12 and any requirements for the measurement and recognition of deferred taxes (if any) for the year ended 31 December 2025. Based on an assessment conducted by the Branch's management, there were temporary differences identified where the deferred tax was accounted for.

Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, money in current and call accounts and placements with original maturity of less than three months, excluding the minimum reserve deposits required to be maintained with the U.A.E. Central Bank.

Due to other banks and customer deposits
Due to other banks and customer deposits are initially measured at fair value plus directly attributable transaction costs. Subsequently, these are measured at amortised cost using the effective interest method except where the Branches choose to carry the liabilities at fair value through the statement of profit or loss. Amortised cost is calculated by taking into account any discount or premium on settlement.

Provisions
Provisions are recognised when the Branches have a present obligation (legal or constructive) as a result of a past event, it is probable that the Branches 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 end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When 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, a 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.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Branches have a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Acceptances
Acceptances are recognised as financial liability in the 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.

Documentary credits
Documentary credits, issued on behalf of the customers of the Branches, are contracts whereby the Branches guarantee to pay on behalf of the customers' money to the holder for goods supplied to the customers of the Branches. The payment would be made only on submission of documents as prescribed in the credit by the holder through his bank.

The income received for the issue of the credit and subsequent handling of the bills under the credit is recognised as fee income as and when received.

4. Material accounting policy information (continued)

Commitments to extend credit
These are firm commitments made by the Branches to its customers to extend credit as per the terms of the agreement and are considered as an off-balance sheet liability.

Lease

The Branches assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Branches apply a single recognition and measurement approach for all leases where they are the lessee, except for short-term leases and leases of low-value assets. The Branches recognise lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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

Lease liabilities
At the commencement date of the lease, the Branches recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Branches and payments of penalties for terminating a lease, if the lease term reflects the Branches exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Branches use the incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Branches apply the short-term lease recognition exemption to their short-term leases of property and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). They also apply the lease of low-value assets recognition exemption to leases of property and equipment that are considered of low value. Payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

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

Derivatives
A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in the price of one or more underlying financial instrument, reference rate or index.

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

4. Material accounting policy information (continued)

Derivatives (continued)

Derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing or valuation models.

The method of recognising fair value gains and losses depends on whether derivatives are held for trading or are designated as hedging instruments, and if the latter, the nature of the risks being hedged.

The Bank deals with derivative instrument i.e., Interest rate swaps used for hedging purpose. The details of the derivative financial instruments are disclosed in Note 27.

5. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Branches' accounting policies, which are described in Note 4, the 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 judgments are as follows:

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- How the performance of the portfolio is evaluated and reported to the Branches' management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Branches' stated objective for managing the financial assets is achieved and how cash flows are realised.

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

Assessment whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest ("the SPPI test"), the Branches consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Branches consider contingent events that would change the amount and timing of cash flows, prepayment and extension terms, terms that limit the Branches' claim to cash flows from specified assets and features that modify consideration of the time value of money. Instruments failing SPPI will be measured at FVTPL.

5. Critical accounting judgments and key sources of estimation uncertainty (continued)

Impairment losses on financial assets
The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Branches ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Branches internal credit grading model, which assigns PDs to the individual grades
- The Branches criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDSs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Fair value measurement
When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Any changes in these estimates as well as the use of different, but equally reasonable estimates may have an impact on their carrying amounts.

Classification of financial assets
The Branches determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Useful lives of property and equipment and intangible assets
The cost of property and equipment and intangible assets is depreciated/ amortised over the estimated useful life, which is based on expected usage of the asset, expected physical wear and tear, which depends on operational factors. The management has not considered any residual value as it is deemed immaterial.

Employees' end of service benefits
The Branches carried provision for employees end of service benefits based on applicable laws and regulations. The management has determined that provision for employees end of service benefits using actuarial valuation would not be significantly different than carrying amount as the net impact of increase in salaries and discount rate would not be material.

Going concern
The Branches' management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Branches ability to continue as a going concern.

The management has evaluated the impacts of ongoing geopolitical developments across the region. This matter may require revisions of certain assumptions and estimates which may lead to material adjustments to the carrying value of certain assets and liabilities within the next financial year. At this stage, the management is unable to reliably estimate the impact as events are unfolding day-by-day.

Therefore, the financial statements continue to be prepared on the going concern basis.

6. Cash and balances with the Central Bank of the U.A.E.

	2025	2024
	AED'000	*AED'000*
Cash on hand	**9,579**	7,071
Balances with the Central bank of the U.A.E.		
Current accounts	**3,179**	28,856
Statutory reserve (*)	**55,032**	58,217
Overnight deposit facility	**165,000**	310,000
	232,790	404,144

(*) The Branches are required to maintain statutory reserve with the Central Bank of the U.A.E, which is not available for use in the day-to-day operations.

7. Related parties balances and transactions

The Branches enter into transactions with entities that fall within the definition of a related party in accordance with International Accounting Standard 24: *Related Party Disclosures*. Related parties comprise of Head Office and Ultimate Parent Company outside the U.A.E. Transactions with such related parties are made on substantially the same terms, as those prevailing at the same time for comparable transactions with external customers and parties.

The Branches maintain certain deposits with the Head Office and the Ultimate Parent Company and conducts banking transactions with them as part of its normal activities.

The Head Office provides administrative and management support to the Branches (Note 18) for which the Branches were charged a fee of AED 999 thousand for the year ended 31 December 2025 (2024: AED 909 thousand).

Balances with related parties included in the statement of financial position are as follows:

	2025	2024
	AED'000	*AED'000*
Due from related parties		
Current accounts		
Ultimate Parent Company	**424**	452
Head Office	**32,711**	27,099
Term placement / deposit		
Head Office*	**15,103**	19,077
	48,238	46,628

* Term placement/deposit with the Head Office has a residual maturity of less than 3 months and carries an interest rate of 1.75% p.a. (2024: 2.91% p.a.).

7. Related parties balances and transactions (continued)

	2025	*2024*
	AED'000	*AED'000*
Due to related parties		
Current accounts		
Ultimate Parent Company	**10,006**	5,640
Head Office	**1**	825
	10,007	6,465

Related party transactions included in the statement of profit or loss for the year are as follows:

	2025	*2024*
	AED'000	*AED'000*
Interest income	**1,420**	3,463
Interest expense	**-**	754
Head Office charges (Note 18)	**999**	909
Key management personnel compensation:		
Salaries, bonuses and other benefits	**4,367**	2,390

8. Deposits and balances due from banks and financial institutions

	2025	*2024*
	AED'000	*AED'000*
Due from banks and financial institutions outside the U.A.E.	**271,905**	219,296
Due from banks and financial institutions in the U.A.E.	**45,880**	18,617
	317,785	237,913
Less: Allowance for impairment – net, as per note 19	**(10,660)**	(4,393)
	307,125	233,520

8. Deposits and balances due from banks and financial institutions (continued)

The analysis of gross deposits and balances due from banks and financial institutions is as follows:

	Stage 1 ***AED'000***	***Stage 2*** ***AED'000***	***Stage 3*** ***AED'000***	***Total*** ***AED'000***
Gross exposure at 1 January 2025	**219,381**	**18,532**	**-**	**237,913**
Transfer to Stage 1	**-**	**-**	**-**	**-**
Transfer to Stage 2	**-**	**-**	**-**	**-**
New assets originated or purchased	**105,689**	**18,362**	**-**	**124,051**
Assets derecognised or repaid	**(44,179)**	**-**	**-**	**(44,179)**
At 31 December 2025	**280,891**	**36,894**	**-**	**317,785**
ECL allowance at 1 January 2025	**3,868**	**525**	**-**	**4,393**
Transfer to Stage 1	**-**	**-**	**-**	**-**
Transfer to Stage 2	**-**	**-**	**-**	**-**
New ECL originated or purchased	**4,309**	**7,537**	**-**	**11,846**
ECL derecognised or repaid	**(3,067)**	**(2,512)**	**-**	**(5,579)**
Allowance for impairment – net, as per note 19	**5,110**	**5,550**	**-**	**10,660**
Closing balance on 31 December 2025	**275,781**	**31,344**	**-**	**307,125**

	Stage 1 *AED'000*	*Stage 2* *AED'000*	*Stage 3* *AED'000*	*Total* *AED'000*
Gross exposure at 1 January 2024	192,366	18,490	-	210,856
Transfer to Stage 1	18,362	(18,362)	-	-
Transfer to Stage 2	(18,362)	18,362	-	-
New assets originated or purchased	143,313	42	-	143,355
Assets derecognised or repaid	(116,298)	-	-	(116,298)
At 31 December 2024	219,381	18,532	-	237,913
ECL allowance at 1 January 2024	1,846	407	-	2,253
Transfer to Stage 1	294	(294)	-	-
Transfer to Stage 2	(376)	376	-	-
New ECL originated or purchased	2,157	36	-	2,193
ECL derecognised or repaid	(53)	-	-	(53)
Allowance for impairment – net, as per note 19	3,868	525	-	4,393
Closing balance on 31 December 2024	215,513	18,007	-	233,520

9. Investment securities

	2025 AED'000	2024 AED'000
Investments at FVOCI	-	72,630
Investments at amortised cost	329,306	164,653
	329,306	237,283
Less: Allowance for impairment – net, as per note 19	(13,257)	(14,282)
	316,049	223,001

Gross investment securities by geographic concentration are as follows:

	2025 AED'000	2024 AED'000
Within the U.A.E.	55,126	109,357
Outside the U.A.E.	274,180	127,926
	329,306	237,283

Investment securities as at 31 December 2025 and 2024 represent the Branches' investments in the government, public sector, and financial institutions.

The analysis of gross investment securities by credit risk is as follows:

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Gross exposure at 1 January 2025	200,911	36,372	-	237,283
New assets originated or purchased	165,134	128	-	165,262
Assets derecognised or repaid	(73,450)	-	-	(73,450)
Change in Fair Value	820	-	-	820
Amortisation	(609)	-	-	(609)
At 31 December 2025	292,806	36,500	-	329,306
ECL allowance at 1 January 2025	355	13,927	-	14,282
New ECL originated or purchased	653	-	-	653
ECL derecognised or repaid	-	(1,678)	-	(1,678)
Allowance for impairment – net, as per note 19	1,008	12,249	-	13,257
Closing balance on 31 December 2025	291,798	24,251	-	316,049

9. Investment securities (continued)

	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
Gross exposure at 1 January 2024	107,586	36,244	223	144,053
New assets originated or purchased	91,684	128	-	91,812
Assets derecognised or repaid			(37)	(37)
Change in Fair Value	1,751	-	-	1,751
Amortisation	(110)	-	-	(110)
FX Valuation	-	-	(186)	(186)
At 31 December 2024	200,911	36,372	-	237,283
ECL allowance at 1 January 2024	192	14,865	223	15,280
New ECL originated or purchased	212	297	-	509
ECL derecognised or repaid	(49)	(1,235)	(223)	(1,507)
Allowance for impairment – net, as per note 19	355	13,927	-	14,282
Closing balance on 31 December 2024	200,556	22,445	-	223,001

10. Loans and advances to customers

a) Loans and advances to customers comprise of the following:

	2025 AED'000	*2024 AED'000*
Loans and advances	**386,912**	456,280
Less: Allowance for impairment – net, as per note 19	**(36,494)**	(49,436)
	350,418	406,844

At 31 December 2025, the fair value of collateral held against loans and advances to customers was AED 543 million (2024: AED 607 million) an analysis of which is provided in Note 27.

b) The movement of the allowance for impairment of loans and advances to customers is as follows:

	2025 AED'000	*2024 AED'000*
At 1 January	**49,436**	47,941
Impairment allowance for the year	**6,341**	7,997
Amounts written off during the year	**(7,669)**	(4,809)
Recoveries during the year	**(11,614)**	(1,693)
At 31 December	**36,494**	49,436

Impairment allowance for the year includes AED 1.4 million of interest income on stage 3 loans (2024: AED 4.2 million) and AED 0.58 million recoveries of suspended interest during the year (2024: AED 0.03 million).

10. Loans and advances to customers (continued)

c) Analysis of gross loans and advances to customers by class:

	2025 ***AED'000***	*2024* *AED'000*
Corporate lending	**262,644**	274,589
Small business lending	**53,083**	102,950
Retail lending	**71,185**	78,741
	386,912	456,280

d) Gross loans and advances by geographical area were as follows:

	2025 ***AED'000***	*2024* *AED'000*
Within the U.A.E.	**242,457**	344,884
Outside the U.A.E.	**144,455**	111,396
	386,912	456,280

e) Gross loans and advances by industry were as follows:

	2025 ***AED'000***	*2024* *AED'000*
Government	**123,947**	91,813
Real Estate	**84,681**	134,198
Services	**115,438**	127,393
Financial institutions	**34,442**	53,767
Manufacturing	**19,047**	16,992
Wholesale and retail trade	**2,100**	19,334
Construction	**6,270**	10,207
Personal loans	**987**	2,576
	386,912	456,280

f) Gross loans and advances and their related ECL allowances by credit risk were as follows:

	Stage 1 ***AED'000***	***Stage 2*** ***AED'000***	***Stage 3*** ***AED'000***	***Total*** ***AED'000***
Gross exposure at 1 January 2025	**238,178**	**186,543**	**31,559**	**456,280**
Transfer to Stage 2	**(4,155)**	**4,155**	**-**	**-**
Transfer to Stage 3	**-**	**-**	**-**	**-**
New assets originated or purchased	**56,732**	**335**	**1,437**	**58,504**
Assets derecognised or repaid	**(100,247)**	**(14,585)**	**(7,669)**	**(127,872)**
Write-Off	**-**	**-**	**(5,371)**	**(5,371)**
At 31 December 2025	**190,508**	**176,448**	**19,956**	**386,912**

10. Loans and advances to customers (continued)

	Stage 1 AED'000	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***
ECL allowance at 1 January 2025	**2,464**	**15,413**	**31,559**	**49,436**
Transfer to Stage 2	**(20)**	**20**	**-**	**-**
Transfer to Stage 3	**-**	**-**	**-**	**-**
New ECL originated or purchased	**3,708**	**1,176**	**1,437**	**6,321**
ECL Write back	**(2,178)**	**(4,045)**	**(5,371)**	**(11,594)**
ECL Write off	**-**	**-**	**(7,669)**	**(7,669)**
Allowance for impairment – net, as per note 19	**3,974**	**12,564**	**19,956**	**36,494**
Closing balance on 31 December 2025	**186,534**	**163,884**	**-**	**350,418**

	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
Gross exposure at 1 January 2024	247,092	188,438	31,318	466,848
Transfer to Stage 2	(1,909)	1,909	-	-
Transfer to Stage 3	-	(1,706)	1,706	-
New assets originated or purchased	9,364	3,211	3,760	16,335
Assets derecognised or repaid	(16,369)	(5,309)	(5,225)	(26,903)
At 31 December 2024	238,178	186,543	31,559	456,280
ECL allowance at 1 January 2024	2,358	14,265	31,318	47,941
Transfer to Stage 2	(3)	3	-	-
Transfer to Stage 3	-	(401)	401	-
New ECL originated or purchased	482	1,546	5,565	7,593
ECL Write back	(373)	-	(916)	(1,289)
ECL Write off	-	-	(4,809)	(4,809)
Allowance for impairment – net, as per note 19	2,464	15,413	31,559	49,436
Closing balance on 31 December 2024	235,714	171,130	-	406,844

11. Other assets

	2025 AED'000	*2024 AED'000*
Interest receivable	**7,319**	8,762
Prepaid expenses	**1,954**	1,741
Assets under acceptances (Note 16)	**28**	351
Fair value of derivatives	**-**	485
Others	**2,530**	124
	11,831	11,463

12. Property and equipment

	Office equipment AED'000	*Furniture and fittings AED'000*	*Vehicles AED'000*	*Leasehold improvements AED'000*	*Capital- work in progress AED'000*	*Total AED'000*
Cost						
At 1 January 2024	7,857	917	425	3,601	-	12,800
Additions during the year	180	7	-	-	-	187
At 31 December 2024	8,037	924	425	3,601	-	12,987
Additions during the year	460	-	-	46	763	1,269
Disposals	(2)	-	-	-	-	(2)
At 31 December 2025	**8,495**	**924**	**425**	**3,647**	**763**	**14,254**
Accumulated depreciation						
At 1 January 2024	6,680	906	425	2,839	-	10,850
Charge for the year	511	5	-	463	-	979
At 31 December 2024	7,191	911	425	3,302	-	11,829
Charge for the year	636	6	-	285	-	927
At 31 December 2025	**7,827**	**917**	**425**	**3,587**	**-**	**12,756**
Carrying amount						
At 31 December 2025	**668**	**7**	**-**	**60**	**763**	**1,498**
At 31 December 2024	846	13	-	299	-	1,158

13. Intangible assets

	Software AED'000	*Work-in-progress AED'000*	*Total AED'000*
Cost			
At 1 January 2024	20,958	192	21,150
Additions	438	326	764
Transfers	16	(16)	-
At 31 December 2024	21,412	502	21,914
Additions	121	1,723	1,844
Disposal	(5,424)	-	(5,424)
Transfers	1,610	(1,610)	-
At 31 December 2025	**17,719**	**615**	**18,334**
Accumulated amortisation			
At 1 January 2024	19,365	-	19,365
Charge for the year	679	-	679
At 31 December 2024	20,044	-	20,044
Charge for the year	1,013	-	1,013
Disposals	(5,424)	-	(5,424)
At 31 December 2025	**15,633**	**-**	**15,633**
Carrying amount			
At 31 December 2025	**2,086**	**615**	**2,701**
At 31 December 2024	1,368	502	1,870

14. Deposits and balances due to banks and financial institutions

(a) The analysis of the due to banks and financial institutions as at 31 December 2025 and 2024 is as follows:

	2025* *AED'000	*2024 AED'000*
Current accounts	**1,157**	1,640
	1,157	1,640

(b) The geographical analysis of the due to banks and financial institutions as at 31 December 2025 and 2024 is as follows:

	2025 AED'000	*2024 AED'000*
Due to banks and financial institutions outside the U.A.E.	**1,157**	1,640
Due to banks and financial institutions inside the U.A.E.	**-**	-
	1,157	1,640

15. Customers' deposits

By type:

	2025 AED'000	2024 AED'000
Current accounts	**252,895**	329,288
Saving accounts	**15,357**	16,758
Time deposits	**307,129**	290,247
Margin accounts	**40,263**	42,463
	615,644	678,756

Time deposits held under lien as security for loans and advances (funded and unfunded) as at 31 December 2025 amounted to AED 89 million (2024: AED 90 million).

By geographical area:

	2025 AED'000	2024 AED'000
Within the U.A.E.	**575,937**	645,171
Outside the U.A.E.	**39,707**	33,585
	615,644	678,756

16. Other liabilities

	2025 AED'000	2024 AED'000
Settlement and clearing accounts	**-**	23,284
Provision for employees' end-of-service benefits (i)	**8,961**	8,299
Liabilities under acceptances (Note 11)	**28**	351
Interest payable	**1,539**	1,966
Impairment loss allowance on commitments and financial guarantees (Note 19)(ii)	**3,272**	2,655
Other	**6,245**	6,608
	20,045	43,163

i) The movements in the provision for employees' end-of-service benefits during the year were as follows:

	2025 AED'000	2024 AED'000
Balance at 1 January	**8,299**	7,535
Charge for the year	**1,121**	1,172
Payments during the year	**(459)**	(408)
Balance at 31 December	**8,961**	8,299

16. Other liabilities (continued)

ii) Movement of the impairment loss allowance on commitments and financial guarantees is as follows:

	Stage 1 AED'000	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***
ECL allowance at 1 January 2025	**163**	**589**	**1,903**	**2,655**
Transfer to Stage 2	**(63)**	**63**	**-**	**-**
New ECL originated or purchased during year	**542**	**830**	**411**	**1,783**
ECL derecognised or repaid	**(79)**	**(391)**	**(696)**	**(1,166)**
ECL allowance at 31 December 2025	**563**	**1,091**	**1,618**	**3,272**

	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
ECL allowance at 1 January 2024	545	317	1,779	2,641
Transfer to Stage 2	(111)	111	-	-
New ECL originated or purchased during year	105	353	124	582
ECL derecognised or repaid	(376)	(192)	-	(568)
ECL allowance at 31 December 2024	163	589	1,903	2,655

17. Assigned capital and statutory reserve

(a) Assigned capital

The Branches maintained assigned capital of AED 375,000 thousand as at 31 December 2025 and 2024.

(b) Statutory reserve

In accordance with UAE Federal Decree Law No. (32) of 2021, the Branches have to establish a statutory reserve by appropriation of 10% of net profit for each year until the reserve equals 50% of the assigned capital. This reserve is not available for distribution.

18. Interest income

	2025 AED'000	*2024 AED'000*
Corporate & Retail Loans	**24,754**	33,826
FI Placements & Loans	**34,277**	35,757
Investment Securities	**15,081**	12,621
	74,112	82,204

19. Interest expense

	2025 AED'000	*2024 AED'000*
Corporate & Retail Deposits	**10,960**	10,282
FI Deposits	**-**	1,109
	10,960	11,391

20. Commission income

	2025 AED'000	2024 AED'000
Fee and commission income		
Loans and advances to customers	**1,691**	1,667
Indirect credit facilities	**3,085**	3,185
Bank service fees	**2,656**	2,772
Total fee and commission income	**7,432**	7,624
Fee and commission expense	**(435)**	(399)
Net fee and commission income	**6,997**	7,225

21. Other Operating Income

During the year ended 31 December 2025, the Branches recovered an amount of AED 17.8 million pertaining to loan to customers that was previously written off (31st December 2024: AED Nil).

22. General and administrative expenses

	2025 AED'000	2024 AED'000
Salaries and employees related expenses	**16,773**	15,197
Depreciation and amortisation (Note 12 & 13)	**1,940**	1,658
Head Office charges (Note 7)	**999**	909
Other	**10,862**	9,965
	30,574	27,729

During Fiscal year 2025 and 2024; there were no social contributions provided by the Branches.

23. Allowance for expected credit losses, net

a. The following tables show reconciliation of the opening to the closing balance of the loss allowance by class of financial instrument including net impairment loss on financial assets for the year. Comparative amounts represent allowance account for credit losses and reflect measurement basis under IFRS 9.

2025	*Loans and advances to customers AED'000*	*Investment securities AED'000*	*Financial commitments and guarantees AED'000*	*Other financial assets* AED'000*	*Total AED'000*
At 1 January	**49,436**	**14,282**	**2,655**	**4,393**	**70,766**
Impairment charge for the year	**4,884**	**653**	**1,783**	**11,846**	**19,166**
Reversal of impairment allowance	**(6,223)**	**(1,678)**	**(1,151)**	**(5,579)**	**(14,631)**
Recoveries during the year	**(4,790)**	**-**	**(15)**	**-**	**(4,805)**
Interest in suspense	**1,437**	**-**	**-**	**-**	**1,437**
Interest in suspense recovered	**(581)**	**-**	**-**	**-**	**(581)**
Allowance for impairment, net	**(5,273)**	**(1,025)**	**617**	**6,267**	**586**
Amounts written off during the year	**(7,669)**	**-**	**-**	**-**	**(7,669)**
Total allowance for impairment	**36,494**	**13,257**	**3,272**	**10,660**	**63,683**

23. Allowance for expected credit losses, net (continued)

2024	*Loans and advances to customers AED'000*	*Investment securities AED'000*	*Financial commitments and guarantees AED'000*	*Other financial assets* AED'000*	*Total AED'000*
At 1 January	47,941	15,280	2,641	2,253	68,115
Impairment charge for the year	3,439	509	582	2,193	6,723
Reversal of impairment allowance	(374)	(1,470)	(568)	(53)	(2,465)
Recoveries during the year	(882)	(37)	-	-	(919)
Interest in suspense	4,155	-	-	-	4,155
Interest in suspense recovered	(34)	-	-	-	(34)
Allowance for impairment, net	6,304	(998)	14	2,140	7,460
Amounts written off during the year	(4,809)	-	-	-	(4,809)
Total allowance for impairment	49,436	14,282	2,655	4,393	70,766

*This represents impairment charge on deposits and balances due from banks and financial institutions.

In accordance with the requirements of the credit risk management standards (CRMS) issued by CBUAE (Credit Risk Management Regulation and accompanying Standards, Circular No. 3/2024 dated 25/7/2024), the Branches must ensure that the total provision corresponding to all Stage 1 and Stage 2 exposures is not less than 1.50% of the Credit Risk weighted assets as computed under the CBUAE capital regulations. Where the collective provisions held are lower, the shortfall (if any) is held in a dedicated non-distributable balance sheet reserve called the 'impairment reserve-general'. The amount held in the impairment reserve-general (if any) is deducted from the capital base (Tier 1 capital for Banks) when computing the regulatory capital. Also, this reserve is not available for payment of dividends.

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

	2025 AED'000	*2024 AED'000*
Impairment reserve: General		
General provisions under Circular 3/2024 of CBUAE	**12,478**	11,526
Less: Stage 1 and Stage 2 provisions under IFRS 9	**(42,109)**	(37,304)
General provision transferred to the regulatory impairment reserve	**-**	-

24. Income tax - net

UAE Corporate Tax Law
On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime has become effective for accounting periods beginning on or after 1 June 2023. The Cabinet of Ministers Decision No. 116 of 2022 (widely accepted to be effective from 16 January 2023) specified the threshold of taxable income to which the 0% UAE CT rate would apply, and above which the 9% UAE CT rate would apply. It is widely considered that this would constitute 'substantive enactment' of the UAE CT Law for the purposes of IAS 12, the objective of which is to prescribe the basis for accounting for Income Taxes.

On the 6 February 2025, the UAE released the legislation introducing a Domestic Minimum Top-up Tax ("DMTT") for multinational enterprises ("MNEs"), through the publication of Cases, Provisions, Conditions, Rules, Controls, and Procedures on the Imposition of Top-up Tax on Multinational Enterprises which is applicable from 1 January 2025.

The Branches are subject to taxation at the rate of 20% at Emirate level and 9% at Federal level of the taxable income for the year. The taxable income is calculated after adding back certain provisions to the net profit before taxation, which management believes are likely to be disallowed as deductions by the tax authorities:

(a) The components of income tax for the years ended 31 December 2025 and 2024 are as follows:

	2025	*2024*
	AED'000	*AED'000*
In respect of the current year	**10,662**	11,876
In respect of the prior year	**250**	31
	10,912	11,907
Deferred tax	**1,417**	(14,153)
Total income tax expense/ (benefit) recognised in the current year	**12,329**	(2,246)

(b) The movements in the current income tax provision during the year were as follows:

	2025	*2024*
	AED'000	*AED'000*
Balance at 1 January	**11,876**	2,784
Provided during the year	**10,912**	11,907
Paid during the year	**(8,089)**	(2,815)
Balance at 31 December (Note 16)	**14,699**	11,876

24. Income tax – net (continued)

(c) Below is the reconciliation of tax (benefit) expense and the accounting profit multiplied by the Branches' statutory tax rate for the year:

	2025 AED'000	2024 AED'000
Accounting profit before tax	**59,810**	48,980
At United Arab Emirates' statutory income tax rate of 20% (2024: 20%)	**11,962**	9,796
Federal Tax Charge	**5,399**	4,418
Federal Tax Credit – Emirate of Dubai	**(3,394)**	(2,904)
Federal Tax Credit – Emirate of Abu Dhabi	**(2,005)**	(1,514)
ADH corporate income tax rate of 0% (2024: 9%)	**-**	1,513
Deferred tax assets recognized during the year	**-**	(14,153)
Prior year adjustment	**250**	31
Other adjustments	**117**	567
Income tax expense/(benefit) for the year	**12,329**	(2,246)
Effective tax rate	**21%**	-

The recognition of deferred tax assets is subject to specific requirements of IAS 12 *"Income Taxes"*. These require a deferred tax asset to be recognized to the extent that it is probable that the deferred tax asset will be recovered in near future. During the year 2025, management has assessed that the taxable profits realized by the Branches improved significantly and will be recoverable as allowed by the Tax Authorities in UAE; and therefore, management has recognized deferred tax assets on subject provisions amounting to AED 12.7 million as at 31 December 2025 (2024: AED 14.2 million).

(d) Deferred tax is reflected in the statement of financial position as follows:

	2025 AED'000	*2024 AED'000*
Non-current assets		
Deferred tax asset	**12,736**	14,153
Non-current liability		
Deferred tax liability	**-**	-
Deferred tax assets (net)	**12,736**	14,153

25. Cash and cash equivalents

	2025 **AED'000**	2024 AED'000
Cash and balances with the Central Bank of the U.A.E.	**12,758**	35,927
Cash reserves and deposits with the Central Bank of the U.A.E.	**220,032**	368,217
Due from related parties	**48,238**	46,628
Due from banks and financial institutions	**317,785**	237,913
	598,813	668,685
Due to related parties	**(10,007)**	(6,465)
Due to banks and financial institutions	**(1,157)**	(1,640)
Due from banks and financial institutions	**(287,884)**	(208,167)
Statutory reserve with the Central Bank of the UAE	**(55,032)**	(58,217)
Total cash and cash equivalents	**244,733**	414,196

26. Concentrations of assets, liabilities, equity and off-balance sheet items

	31 December 2025			*31 December 2024*		
	Assets AED'000	***Liabilities and equity AED'000***	***Off balance sheet items AED'000***	*Assets AED'000*	*Liabilities and equity AED'000*	*Off balance sheet items AED'000*
Geographic regions						
U.A.E.	**612,439**	**1,208,540**	**290,433**	833,781	1,279,173	246,167
Other Middle East countries	**389,302**	**50,695**	**23,996**	260,777	43,529	4,670
O.E.C.D.*	**225,524**	**20,524**	**-**	192,361	14,737	-
Other	**56,121**	**3,627**	**-**	55,862	5,342	-
Total	**1,283,386**	**1,283,386**	**314,429**	1,342,781	1,342,781	250,837
Industry sector						
Government and public sector	**516,714**	**23,278**	**-**	678,765	29,771	-
Commercial and business	**124,741**	**407,298**	**285,265**	185,336	495,469	246,141
Personal	**71,360**	**216,397**	**450**	78,594	186,178	489
Financial institutions	**540,864**	**69,955**	**28,714**	377,876	56,025	4,207
Other	**29,707**	**566,458**	**-**	22,210	575,338	-
Total	**1,283,386**	**1,283,386**	**314,429**	1,342,781	1,342,781	250,837

** Organization for Economic Co-operation and Development.*

27. Classification of financial assets and financial liabilities

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

	Amortised cost 2025 AED'000	***FVOCI 2025 AED'000***	*Amortised cost 2024 AED'000*	*FVOCI 2024 AED'000*
Financial assets				
Cash and balances with the Central Bank of the U.A.E.	**232,790**	**-**	404,144	-
Due from related parties	**48,238**	**-**	46,628	-
Due from banks and financial institutions	**307,125**	**-**	233,520	-
Investment securities	**336,995**	**-**	163,846	72,630
Loans and advances to customers	**350,418**	**-**	406,844	-
Other assets	**9,849**	**-**	8,886	-
Total	**1,285,415**	**-**	1,263,868	72,630
Financial liabilities				
Due to banks and financial institutions	**1,157**	**-**	1,640	-
Customers' deposits	**615,644**	**-**	678,756	-
Due to related parties	**10,007**	**-**	6,465	-
Other liabilities	**1,567**	**-**	2,317	-
Total	**628,375**	**-**	689,178	-

In addition to the above, the Branches carried derivative financial assets amounting to AED nil as at 31 December 2025 (AED 485 thousand as at 31 December 2024) which were classified at fair value through profit or loss (FVPL).

28. Liquidity profile

(a) The following table summarises the maturity profile of the Branches' assets and liabilities based on contractual repayment arrangements. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date:

28. Liquidity profile (continued)

	Less than 3 months AED'000	***3 months to 1 year AED'000***	***Over 1 year AED'000***	***Total AED'000***
2025				
Assets				
Cash and balances with the Central Bank of the U.A.E.	**177,758**	**-**	**55,032**	**232,790**
Due from related parties	**48,238**	**-**	**-**	**48,238**
Deposits and balances due from banks and financial institutions	**24,241**	**27,100**	**255,784**	**307,125**
Investment securities	**-**	**-**	**316,049**	**316,049**
Loans and advances to customers	**31,153**	**27,509**	**291,756**	**350,418**
Other assets	**11,831**	**-**	**-**	**11,831**
Deferred tax assets	**-**	**-**	**12,736**	**12,736**
Property and equipment	**-**	**-**	**1,498**	**1,498**
Intangible assets	**-**	**-**	**2,701**	**2,701**
Total assets	**293,221**	**54,609**	**935,556**	**1,283,386**
Liabilities and equity				
Due to banks and financial institutions	**1,157**	**-**	**-**	**1,157**
Customers' deposits	**532,842**	**81,501**	**1,301**	**615,644**
Due to related parties	**10,007**	**-**	**-**	**10,007**
Other liabilities	**25,783**	**-**	**8,961**	**34,744**
Equity	**-**	**-**	**621,834**	**621,834**
Total liabilities and equity	**569,789**	**81,501**	**632,096**	**1,283,386**

	Less than 3 months AED'000	*3 months to 1 year AED'000*	*Over 1 year AED'000*	*Total AED'000*
2024				
Assets				
Cash and balances with the Central Bank of the U.A.E.	345,927	-	58,217	404,144
Due from related parties	46,628	-	-	46,628
Deposits and balances due from banks and financial institutions	42,550	99,158	91,812	233,520
Investment securities	72,630	-	150,371	223,001
Loans and advances to customers	83,395	30,654	292,795	406,844
Other assets	11,463	-	-	11,463
Deferred tax assets	-	-	14,153	14,153
Property and equipment	-	-	1,158	1,158
Intangible assets	-	-	1,870	1,870
Total assets	602,593	129,812	610,376	1,342,781
Liabilities and equity				
Due to banks and financial institutions	1,640	-	-	1,640
Customers' deposits	606,364	72,392	-	678,756
Due to related parties	6,465	-	-	6,465
Other liabilities	46,467	105	8,467	55,039
Equity	-	-	600,881	600,881
Total liabilities and equity	660,936	72,497	609,348	1,342,781

28. Liquidity profile (continued)

(b) The following table details the Branches' contractual maturity for non-derivative financial liabilities. The table below is the undiscounted cash flow of financial liabilities based on the earliest date on which the Branches can be required to pay.

	Weighted average effective interest rates %	*Less than 3 months AED'000*	*3 months to 1 year AED'000*	*Over 1 year AED'000*	*Total AED'000*
2025					
Financial liabilities					
Due to banks and financial institutions	**-**	**1,157**	**-**	**-**	**1,157**
Customers' deposits	**1.51**	**534,569**	**83,569**	**1,379**	**619,517**
Due to related parties	**-**	**10,007**	**-**	**-**	**10,007**
Other liabilities*	**-**	**24,243**	**-**	**8,961**	**33,204**
Total		**569,976**	**83,569**	**10,340**	**663,885**
2024					
Financial liabilities					
Due to banks and financial institutions	4.62	1,640	-	-	1,640
Customers' deposits	1.44	608,069	73,987	-	682,056
Due to related parties	3.75	6,465	-	-	6,465
Other liabilities*	-	45,076	104	8,467	53,647
Total		661,250	74,091	8,467	743,808

*For the purpose of this disclosure, customers related payables were deducted from other liabilities and added within customers' deposits.

29. Fair value 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 Branches take 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.

Valuation techniques and assumptions applied for the purposes of measuring fair value
The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

29. Fair value of financial instruments (continued)

Fair value of the Branches' financial assets that are measured at amortised cost on recurring basis
Some of the Branches' financial assets are measured at amortised cost at the end of the reporting period. Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

		Fair value			
	Carrying amount AED'000	***Level 1 AED'000***	***Level 2 AED'000***	***Level 3 AED'000***	***Total AED'000***
2025					
Financial assets					
Investments at amortised cost	**316,049**	**336,995**	**-**	**-**	**336,995**
Investments at FVOCI	**-**	**-**	**-**	**-**	**-**
Derivative financial instruments (FVPL)	**-**	**-**	**-**	**-**	**-**

		Fair value			
	Carrying amount AED'000	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*	*Total AED'000*
2024					
Financial assets					
Investments at amortised cost	150,371	163,846	-	-	163,846
Investments at FVOCI	72,630	72,630	-	-	72,630
Derivative financial instruments (FVPL)	485	485	-	-	485

30. Capital management

The Branches' lead regulator, the Central Bank of the U.A.E., sets and monitors regulatory capital requirements.

The Branches' objectives when managing capital are:

- To safeguard the Branches' ability to continue as a going concern and to increase returns for shareholders; and
- To comply with regulatory capital requirements set by the Central Bank of the U.A.E.

In implementing current capital requirements, the Branches calculates its capital adequacy ratio in accordance with the guidelines issued by the Central Bank of the U.A.E. that essentially prescribe that this is a ratio of capital to risk weighted assets.

Regulatory capital
The Central Bank of U.A.E. sets and monitors capital requirements for the Branches as a whole.

Effective from 2018, the capital is computed using the Basel III framework of the Basel Committee on Banking Supervision ('Basel Committee'), after applying the amendments advised by the Central Bank of U.A.E., within national discretion. The Basel III framework, is structured around three 'pillars': minimum capital requirements, supervisory review process and market discipline.

30. Capital management (continued)

Regulatory capital (continued)

Minimum capital requirements
The Central Bank of U.A.E. issued Basel III capital regulations, which came into effect from 1 February 2018 introducing minimum capital requirements at three levels, namely Common Equity Tier 1 ('CET1'), Additional Tier 1 ('AT1') and Total Capital.

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

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

- CET1 capital is the highest quality form of capital, comprising share capital, share premium, legal, statutory and other reserves, retained earnings, after deductions for intangibles and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes under 'CBUAE' guidelines.
- AT 1 capital comprises eligible non-common equity capital instruments.
- T2 capital comprises collective impairment allowance.

Various limits are applied to elements of the capital base:

- Tier 2 capital cannot exceed 67% of tier 1 capital;
- Tier 1 capital must be a minimum of 7% of risk weighted assets; and
- Qualifying subordinated capital cannot exceed 50% of tier 1 capital.

The Branches' 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, and commodity risk. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events.

Capital adequacy and the use of regulatory capital are monitored on a regular basis by the Branch's management, employing techniques based on the guidelines developed by the Basel Committee and the Central Bank of U.A.E.

No changes have been made to the objectives, policies and processes from the previous year. However, they are under constant review by the management. During the years ended 31 December 2025 and 2024, the Branches complied in full with all its externally imposed capital requirements.

During the years ended 31 December 2025 and 2024, all banks operating in the U.A.E. were required to maintain a capital adequacy ratio at 12.375% and 11.75% inclusive of capital conservation buffer respectively. The Branches are computing and reporting Basel III ratios in accordance with guidelines of the Central Bank of U.A.E.

30. Capital management (continued)

Regulatory capital (continued)

Minimum capital requirement (continued)
The Branches' regulatory capital position is as follows:

	2025	*2024*
	AED'000	*AED'000*
Tier 1 capital		
Assigned capital	**375,000**	375,000
Statutory reserve	**74,097**	69,349
Retained earnings	**172,737**	157,004
Less: Regulatory adjustments	**(2,701)**	(2,342)
Total	**619,133**	599,011
Tier 2 capital		
Eligible stage 1 and stage 2 provision (max 1.25% of CRWA under standardised approach)	**10,398**	9,605
Total capital base	**629,531**	608,616
Risk-weighted assets		
Credit risk	**831,840**	768,386
Market risk	**1,896**	788
Operational risk	**149,766**	138,469
Total risk-weighted assets	**983,502**	907,643
Capital adequacy ratio	**64.01%**	67.05%
CET 1 Ratio	**62.95%**	66.00%

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.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Branches 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 Branches' longer term strategic objectives. The Branches' policies in respect of capital management and allocation are reviewed regularly.

31. Risk management

The Branches have set up a strong risk management infrastructure supported by adoption of certain practices in the field of risk management to manage and monitor the following major risks arising out of its day-to-day operations:

- Credit risk
- Liquidity risk
- Market risk
- Interest rate risk
- Operational risk

Risk management framework
The Head Office of the Branches has overall responsibility for the oversight of the risk management framework. It has established detailed policies and procedures in this regard along with senior management committees to ensure adherence to the approved policies and close monitoring of different risks within the Branches.

The Credit, Risk and Management Committees work under the mandate of the Head Office to set up risk limits and manage the overall risk in the Branches.

These committees are responsible for developing risk policies in line with the Branches' appetite. Highly experienced and trained managers have delegated authority within the risk management framework to approve credit risk transactions and monitor market and operational risk.

Credit risk management
Policies relating to credit are reviewed and approved by the Branches' Risk Committee. All credit lines are approved centrally for the Branches. Loans in general, are secured by acceptable forms of collateral in order to mitigate credit risk. The Branches further limit risk through diversification of its assets by industry sectors.

All credit facilities are administered and monitored by the Credit Administration Department. Periodic reviews are conducted by Credit Examination teams from the Audit, Review and Compliance and obligors are risk graded based on criterion established in the Credit Policy Manual.

The Credit Committees are responsible for setting credit policy of the Branches. It also establishes industry caps, approves policy exceptions and conducts periodic portfolio reviews to ascertain portfolio quality.

The branches also consider 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.

Different credit underwriting procedures are followed for retail and commercial lending as described below.

Retail lending
Each retail credit application is considered for approval according to a product program, which is devised in accordance with guidelines set out in the product policy approved by the Branches' Credit Committee. Different authority levels are specified for approving product programs and exceptions thereto, and individual loans/credits under product programs. Each product program contains detailed credit criteria (such as customer demographics and income eligibility) and regulatory, compliance and documentation requirements, as well as other operating requirements.

Commercial lending
All credit applications for commercial lending are subject to the Branches' credit policies, underwriting standards and industry caps (if any) and to regulatory requirements, as applicable from time to time. The Branches do not lend to companies operating in industries that are considered by the Branches inherently risky and where specialized industry knowledge is required. In addition, the Branches set credit limits for all customers based on an evaluation of their creditworthiness.

All credit lines or facilities extended by the Branches are made subject to prior approval pursuant to a set of delegated credit authority limits approved by the Branches' Head Office.

31. Risk management (continued)

Credit risk management (continued)

Credit review procedures and loan classification
The Branches' Credit Risk Team (the 'CRT'), subjects the Branches' risk assets to an independent quality evaluation on a regular basis in conformity with the guidelines of the Central Bank of the U.A.E. and Branches' internal policies in order to assist in the early identification of accrual and potential performance problems. The CRT validates the risk ratings of all commercial clients, provides an assessment of portfolio risk by product and segment for retail customers and monitors observance of all approved credit policies, guidelines and operating procedures across the Branches.

Specific allowance for impairment of classified assets is made based on recoverability of outstanding and risk ratings of the assets.

The Branches also comply with IFRSs, in accordance with which it assesses the need for any impairment losses on its loan portfolio by calculating the net present value of the expected future cash flows for each loan or its recoverability based either on collateral value or the market value of the asset where such price is available.

Impaired loans and advances
Impaired loans and advances are loans and advances for which the Branches determine that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/advances agreement(s). These loans are graded substandard, doubtful or loss in the Branches' internal credit risk grading system.

Past due but not impaired loans
Loans and advances where contractual interest or principal payments are past due but the Branches believe that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Branches.

Allowances for impairment
The Branches establish an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for Branches of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy
The Branches write off a loan (and any related allowances for impairment losses) when Branches' Credit Committee determines that the loan is uncollectible in whole or in part. This determination is reached after all avenues for recovery have failed. For smaller balance standardised loans, charge off decisions generally are based on a product specific past due status.

Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk
When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Branches considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis including internal credit risk grading system, external risk ratings, where available, delinquency status of accounts, credit judgement and, where possible, relevant historical experience. The Branches may also determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

In determining whether credit risk has increased significantly since initial recognition following criteria are defined in internal credit risk policy aligned with CBUAE regulation;

i) Two notches downgrade for ratings from Aaa to Baa or one notch downgrade for ratings from Ba to Caa;
ii) Facilities restructured during previous twelve months;
iii) Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
iv) Actual or expected significant changes in the operating results of the customer;
v) Significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customers in the Branches and changes in the operating results of the customer.

31. Risk management (continued)

Credit risk management (continued)

Credit risk grades
Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower. Exposures are subject to on-going monitoring, which may result in an exposure being moved to a different credit risk grade.

Generating the term structure of Probability of Default (PD)
The Branches employs statistical models to analyse the data collected and generate estimates of PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors, across various geographies in which the Branches has exposures.

Renegotiated financial assets
The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value. Where possible, the Branches seeks to restructure loans rather than to take possession of collateral, if available. This may involve extending the payment arrangements and documenting the agreement of new loan conditions. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The accounts which are restructured due to credit reasons in past 12 months will be classified under Stage 2.

Definition of default
The Branches considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Branches in full, without recourse by the Branches to actions such as realizing security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Branches; or
- the borrower is rated 8, 9 or 10.

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

- quantitative – e.g., overdue status and non-payment on another obligation of the same issuer to the Branches; and
- based on data developed internally and obtained from external sources.

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

Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect the Expected Credit Loss (ECL) applicable to the stage 1 and stage 2 exposures which are considered as performing. The methodologies and assumptions involved, including any forecasts of future economic conditions, are reviewed periodically

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

The Branches employs statistical models to incorporate macro-economic factors on historical default rates. In the case that none of the macro-economic parameters are statistically significant or the results of forecasted PDs are too deviated from the present forecast of the economic conditions, qualitative PD overlay is used by management based on portfolio analysis.

Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect the ECL applicable to the stage 1 and stage 2 exposures. The methodologies and assumptions involved, including any forecasts of future economic conditions, are reviewed periodically.

31. Risk management (continued)

Credit risk management (continued)

Forward-looking information incorporated in the ECL models (continued)
These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are based on available information and include mean reversion approaches for long-term forecasts. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, other possible scenarios are assessed along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. At 1 January 2025 and 31 December 2025, the Branches concluded that three scenarios appropriately captured non-linearities for all portfolios. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Branches measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3).

These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Branches considers these forecasts to represent its best estimate of the possible outcomes.

Economic variable assumptions
The most significant period-end assumption used for the ECL estimate as at 31 December 2025 is the gross domestic product, given the high level of correlation between this and other economic indicators. The scenarios "base", "upside" and "downside" were used for all portfolios.

Macroeconomic variables - 2025	**Scenario**	**Assigned probabilities**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Gross domestic product, constant prices (% change)	Base case	65.0%	4.0	5.0	4.7	4.4	4.3	3.9
	Upside	15.0%	5.8	6.8	6.6	6.3	6.3	5.9
	Downside	20.0%	2.2	3.2	2.9	2.7	2.6	2.3
General government revenue (% of GDP)	Base case	65.0%	26.9	26.9	27.0	27.1	27.2	27.4
	Upside	15.0%	30.6	30.5	30.4	30.4	30.4	30.6
	Downside	20.0%	23.2	22.7	22.4	22.3	22.2	22.4
Current account balance (% of GDP)	Base case	65.0%	6.6	6.4	6.4	6.1	6.1	6.1
	Upside	15.0%	11.4	11.0	10.9	10.5	10.3	10.2
	Downside	20.0%	1.8	1.2	0.9	0.4	0.2	0.1

The weightings assigned to each economic scenario at 31 December 2025 were as follows:

	Base	**Upside**	**Downside**
All portfolios	65%	15%	20%

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

31. Risk management (continued)

Credit risk management (continued)

Derivatives
The positive / negative fair values of derivative financial instruments, entered into by the Branches, at the reporting date are as below:

	31 December 2025			*31 December 2024*		
Derivatives	***Positive fair value AED'000***	***Negative fair value AED'000***	***Net AED'000***	*Positive fair value AED'000*	*Negative fair value AED'000*	*Net AED'000*
Interest rate swaps	**-**	**-**	**-**	485	-	485
Total	**-**	**-**	**-**	485	-	485

Notional amounts of derivative financial instruments amounted to nil as at 31 December 2025 (2024: AED 73.5 million).

Foreign exchange contracts are used to hedge mismatches between loans and deposits denominated in different currencies.

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

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

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

PD estimates are estimates at a certain date, which are calculated based on statistical rating models. These statistical models are primarily based on internally compiled data comprising both quantitative and qualitative factors and are supplemented by external credit assessment data where available.

LGD is the magnitude of the likely loss if there is a default. The Branches estimates LGD parameters based on a consistent rate for unsecured facilities and considers the impact of collateral for secured facilities.

Credit quality
Pursuant to the adoption of IFRS 9, the Branches has mapped its internal credit rating scale to Moody's rating scale, the table below provides an analysis of counterparties by rating grades and credit quality of the Branches' credit risk, based on Moody's ratings (or their equivalent) as at 31 December 2025. The following table sets out information about the credit quality of financial assets, commitments and financial guarantees.

31. Risk management (continued)

Credit risk management (continued)

Credit quality (continued)

	Stage 1 AED'000	***Stage 2 AED'000***	***Stage 3 AED'000***	***2025 Total AED'000***	*2024 Total AED'000*
Cash and balances with the Central Bank of the U.A.E (excluding cash on hand) and due from related parties and deposit and balances due from banks and financial institutions					
AAA to AA-	**232,972**	**-**	**-**	**232,972**	404,513
A+ to A-	**6,728**	**-**	**-**	**6,728**	4,158
BBB to BBB-	**45,600**	**-**	**-**	**45,600**	127,687
BB+ to B-	**164,366**	**-**	**-**	**164,366**	80,549
Unrated*	**102,674**	**36,894**	**-**	**139,568**	64,707
Total	**552,340**	**36,894**	**-**	**589,234**	681,614
Expected credit losses – IFRS 9	**(5,110)**	**(5,550)**	**-**	**(10,660)**	(4,393)
Carrying amount	**547,230**	**31,344**	**-**	**578,574**	677,221

*Externally unrated are internally rated by the Bank

	Stage 1 AED'000	***Stage 2 AED'000***	***Stage 3 AED'000***	***2025 Total AED'000***	*2024 Total AED'000*
Loans and advances to customers					
BB+ to B-	**123,947**	**-**	**-**	**123,947**	145,580
Unrated*	**66,561**	**176,448**	**19,956**	**262,965**	310,700
Total	**190,508**	**176,448**	**19,956**	**386,912**	456,280
Expected credit losses – IFRS 9	**(3,974)**	**(12,564)**	**(19,956)**	**(36,494)**	(49,436)
Carrying amount	**186,534**	**163,884**	**-**	**350,418**	406,844

*Externally unrated are internally rated by the Bank

31. Risk management (continued)

Credit risk management (continued)

Credit quality (continued)

	Stage 1	*Stage 2*	*Stage 3*	*2025*	*2024*
	Stage 1 AED'000	***Stage 2 AED'000***	***Stage 3 AED'000***	***2025 Total AED'000***	*2024 Total AED'000*
Investment securities					
AAA to AA-	**128,421**	**-**	**-**	**128,421**	73,367
A+ to A-	**36,632**	**-**	**-**	**36,632**	72,630
BBB to BBB-	**109,390**	**-**	**-**	**109,390**	36,551
BB+ to B-	**18,363**	**-**	**-**	**18,363**	18,363
Unrated*	**-**	**36,500**	**-**	**36,500**	36,372
Total	**292,806**	**36,500**	**-**	**329,306**	237,283
Expected credit losses – IFRS 9	**(1,008)**	**(12,249)**	**-**	**(13,257)**	(14,282)
Carrying amount	**291,798**	**24,251**	**-**	**316,049**	223,001

*Externally unrated are internally rated by the Bank

	Stage 1 AED'000	***Stage 2 AED'000***	***Stage 3 AED'000***	***2025 Total AED'000***	*2024 Total AED'000*
Financial commitments and guarantees					
A+ to A-	**350**	**-**	**-**	**350**	350
BB+ to B-	**-**	**-**	**-**	**-**	1,320
Unrated*	**191,393**	**115,832**	**6,854**	**314,079**	249,167
Total	**191,743**	**115,832**	**6,854**	**314,429**	250,837
Expected credit losses – IFRS 9	**(563)**	**(1,091)**	**(1,618)**	**(3,272)**	(2,655)
Carrying amount	**191,180**	**114,741**	**5,236**	**311,157**	248,182

*Externally unrated are internally rated by the Bank

31. Risk management (continued)

Credit risk management (continued)

Credit quality (continued)

Set out below is an analysis of the gross and net (of allowances for expected credit losses) amounts of impaired assets by risk grade.

	Due from banks and financial institutions		***Loans and advances to customers***		***Investment securities***	
	2025 AED'000	*2024 AED'000*	***2025 AED'000***	*2024 AED'000*	***2025 AED'000***	*2024 AED'000*
Impaired						
Doubtful	**-**	-	**2,040**	8,643	**-**	-
Loss	**-**	-	**17,916**	22,916	**-**	-
Gross amount	**-**	-	**19,956**	31,559	**-**	-
Interest suspended	**-**	-	**(11,164)**	(12,791)	**-**	**-**
Specific allowance for impairment	**-**	-	**(8,792)**	(18,768)	**-**	-
	-	-	**-**	-	**-**	-
Past due but not impaired						
Past due loans less than 30 days	**-**	-	**-**	-	**-**	-
	-	-	**-**	-	**-**	-
Neither past due nor impaired						
Gross amount	**317,785**	237,913	**366,956**	424,721	**329,306**	237,283
IFRS 9 allowance for impairment	**(10,660)**	(4,393)	**(16,538)**	(17,877)	**(13,257)**	(14,282)
	307,125	233,520	**350,418**	406,844	**316,049**	223,001
Carrying amount	**307,125**	233,520	**350,418**	406,844	**316,049**	223,001

Credit risk exposure of the Branches' loans and advances to customers as per the internal and external risk grade is as follows:

	2025 AED'000	*2024 AED'000*
Normal	**354,681**	409,905
OLEM	**12,275**	14,816
Doubtful	**2,040**	8,643
Loss	**17,916**	22,916
	386,912	456,280

31. Risk management (continued)

Credit risk management (continued)

Credit quality (continued)
The Branches hold collateral against loans and advances to customers 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 collateral assessed at the time of borrowing, and value of collaterals are monitored periodically as per the policy of Bank and as and when a loan is individually assessed as impaired. Collateral generally is not held over amounts due from banks and financial institutions. Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2025 or 2024.

At 31 December, the fair value of collateral held was as follows:

Loans and advances to customers

	31-December-2025				*31-December-2024*			
	Stage 1 AED'000	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***	*Stage 1 AED'000*	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
Property	**87,442**	**449,329**	**-**	**536,771**	188,632	399,008	10,830	598,470
Cash	**1,460**	**4,899**	**-**	**6,359**	6,389	2,039	-	8,428
Total	**88,902**	**454,228**	**-**	**543,130**	195,021	401,047	10,830	606,898

The Branch's internal credit rating grades for the year ended 31 December 2025:

ECL staging	***External rating description***	***Balances with UAE Central Bank AED'000***	***Contingencies and commitments* AED'000***	***Due from banks AED'000***	***Loans and advances AED'000***	***Investment securities AED'000***	***Due from related parties AED'000***	***Total AED'000***
Stage 1	AAA to B- or B3	**223,211**	**191,743**	**280,891**	**190,508**	**292,805**	**48,238**	**1,227,396**
Stage 2	Caa1 or CCC+ to CCC-	**-**	**115,832**	**36,894**	**176,448**	**36,501**	**-**	**365,675**
Stage 3	Ca or CC to D	**-**	**6,854**	**-**	**19,956**	**-**	**-**	**26,810**
Gross amount		**223,211**	**314,429**	**317,785**	**386,912**	**329,306**	**48,238**	**1,619,881**
Less provisions & interests in suspense		**-**	**(3,272)**	**(10,660)**	**(36,494)**	**(13,257)**	**-**	**(63,683)**
Net book value		**223,211**	**311,157**	**307,125**	**350,418**	**316,049**	**48,238**	**1,556,198**

**Includes the outstanding unutilised facilities as of 31 December 2025 amounted to AED 163 million (2024: AED 103 million).*

31. Risk management (continued)

Credit risk management (continued)

Credit quality (continued)

The Branch's internal credit rating grades for the year ended 31 December 2024:

ECL staging	*External rating description*	*Balances with UAE Central Bank AED'000*	*Contingencies and commitments* AED'000*	*Due from banks AED'000*	*Loans and advances AED'000*	*Investment securities AED'000*	*Due from related parties AED'000*	*Total AED'000*
Stage 1	AAA to B- or B3	397,073	151,358	219,381	238,178	200,911	46,628	1,253,529
Stage 2	Caa1 or CCC+ to CCC-	-	92,072	18,532	186,543	36,372	-	333,519
Stage 3	Ca or CC to D	-	7,407	-	31,559	-	-	38,966
Gross amount		397,073	250,837	237,913	456,280	237,283	46,628	1,626,014
Less provisions & interests in suspense		-	(2,655)	(4,393)	(49,436)	(14,282)	-	(70,766)
Net book value		397,073	248,182	233,520	406,844	223,001	46,628	1,555,248

The following table shows the mapping between the Branches Internal credit rating along with their related External rating used by the Credit Ratings Agencies (CRA's):

<table>
<tr><th>ORR</th><th>UAE</th><th>Moody's</th><th>S&P</th><th>FITCH</th></tr>
<tr><td>1</td><td rowspan="16">Normal</td><td>Aaa</td><td>AAA</td><td>AAA</td></tr>
<tr><td>2+</td><td>Aa1</td><td>AA+</td><td>AA+</td></tr>
<tr><td>2</td><td>Aa2</td><td>AA</td><td>AA</td></tr>
<tr><td>2-</td><td>Aa3</td><td>AA-</td><td>AA-</td></tr>
<tr><td>3+</td><td>A1</td><td>A+</td><td>A+</td></tr>
<tr><td>3</td><td>A2</td><td>A</td><td>A</td></tr>
<tr><td>3-</td><td>A3</td><td>A-</td><td>A-</td></tr>
<tr><td>4+</td><td>Baa1</td><td>BBB+</td><td>BBB+</td></tr>
<tr><td>4</td><td>Baa2</td><td>BBB</td><td>BBB</td></tr>
<tr><td>4-</td><td>Baa3</td><td>BBB-</td><td>BBB-</td></tr>
<tr><td>5+</td><td>Ba1</td><td>BB+</td><td>BB+</td></tr>
<tr><td>5</td><td>Ba2</td><td>BB</td><td>BB</td></tr>
<tr><td>5-</td><td>Ba3</td><td>BB-</td><td>BB-</td></tr>
<tr><td>6+</td><td>B1</td><td>B+</td><td>B+</td></tr>
<tr><td>6</td><td>B2</td><td>B</td><td>B</td></tr>
<tr><td>6-</td><td>B3</td><td>B-</td><td>B-</td></tr>
<tr><td rowspan="3">7</td><td rowspan="3">OLEM</td><td>Caa1</td><td>CCC+</td><td rowspan="5">CCC</td></tr>
<tr><td>Caa2</td><td>CCC</td></tr>
<tr><td>Caa3</td><td>CCC-</td></tr>
<tr><td rowspan="2">8</td><td rowspan="2">Substandard</td><td rowspan="2">Ca</td><td>CC</td></tr>
<tr><td>C</td></tr>
<tr><td rowspan="2">9</td><td rowspan="2">Doubtful</td><td rowspan="3">C</td><td rowspan="3">D</td><td>DDD</td></tr>
<tr><td>DD</td></tr>
<tr><td>10</td><td>Loss</td><td>D</td></tr>
</table>

31. Risk management (continued)

Credit risk management (continued)

Credit quality (continued)

Loans and advances to customer with renegotiated terms

The following table contains an analysis of the credit risk exposure of total non-distressed restructured loans and advances to customers:

		As at 31 December 2025		
Total restructured portfolio	***Stage 1 AED'000***	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***
Outstanding balance	**-**	**169,268**	**-**	**169,268**
Allowances for impairment (ECL)	**-**	**(12,271)**	**-**	**(12,271)**
Carrying amount	**-**	**156,997**	**-**	**156,997**

		As at 31 December 2024		
Total restructured portfolio	*Stage 1 AED'000*	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
Outstanding balance	-	180,584	-	180,584
Allowances for impairment (ECL)	-	(15,383)	-	(15,383)
Carrying amount	-	165,201	-	165,201

During the years ended 31st December 2025 and 31st December 2024, there were no distressed restructured portfolio.

Geographical sectors

The following tables break down the Branches' credit risk exposure at their net carrying amounts (without taking into account any collateral held or other credit support), as categorized by geographical region. For this table, the Branches has allocated exposures to regions based on the country of domicile of its counterparties.

	UAE AED'000	***Middle East countries AED'000***	***O.E.C.D AED'000***	***Other countries AED'000***	***Impairment allowance AED'000***	***Total AED'000***
At 31 December 2025						
Balances with the Central Bank of U.A.E. - excluding cash	**223,211**	**-**	**-**	**-**	**-**	**223,211**
Due from related parties	**-**	**424**	**47,814**	**-**	**-**	**48,238**
Deposits and balances due from banks and financial institutions	**45,881**	**39,561**	**177,256**	**55,087**	**(10,660)**	**307,125**
Loans and advances to customers	**242,457**	**144,455**	**-**	**-**	**(36,494)**	**350,418**
Investment securities	**127,945**	**201,361**	**-**	**-**	**(13,257)**	**316,049**
Other assets	**2,330**	**3,501**	**454**	**1,034**	**-**	**7,319**
Total exposure	**641,824**	**389,302**	**225,524**	**56,121**	**(60,411)**	**1,252,360**

31. Risk management (continued)

Credit risk management (continued)

Geographical sectors (continued)

	UAE AED'000	*Middle East countries AED'000*	*O.E.C.D AED'000*	*Other countries AED'000*	*Impairment allowance AED'000*	*Total AED'000*
At 31 December 2024						
Balances with the Central Bank of U.A.E. - excluding cash	397,073	-	-	-	-	397,073
Due from related parties	-	452	46,176	-	-	46,628
Deposits and balances due from banks and financial institutions	18,617	19,151	145,057	55,088	(4,393)	233,520
Loans and advances to customers	344,884	111,396	-	-	(49,436)	406,844
Investment securities	109,357	127,926	-	-	(14,282)	223,001
Other assets	3,379	3,481	812	1,090	-	8,762
Total exposure	873,310	262,406	192,045	56,178	(68,111)	1,315,828

Concentration of risks of financial assets with credit risk exposure - off balance sheet

Geographical sectors

	UAE AED'000	***Middle East countries AED'000***	***O.E.C.D AED'000***	***Other countries AED'000***	***Total AED'000***
At 31 December 2025					
Guarantees	**143,171**	**3,350**	**-**	**-**	**146,521**
Letters of credit	**5,372**	**-**	**-**	**-**	**5,372**
Unutilised credit facilities	**141,890**	**20,646**	**-**	**-**	**162,536**
Total exposure	**290,433**	**23,996**	**-**	**-**	**314,429**

	UAE AED'000	*Middle East countries AED'000*	*O.E.C.D AED'000*	*Other countries AED'000*	*Total AED'000*
At 31 December 2024					
Guarantees	141,329	3,350	-	-	144,679
Letters of credit	3,058	-	-	-	3,058
Unutilised credit facilities	101,780	1,320	-	-	103,100
Total exposure	246,167	4,670	-	-	250,837

31. Risk management (continued)

Credit risk management (continued)

Concentration of risks of financial assets with credit risk exposure - off balance sheet (continued)

Geographical sectors (continued)

The distributions by geographical concentration of impaired loans and advances and impairment allowance for credit losses are as follows:

	UAE AED'000	***Middle East countries AED'000***	***O.E.C.D AED'000***	***Other countries AED'000***	***Total AED'000***
2025					
Non-performing loans	**19,956**	**-**	**-**	**-**	**19,956**
Impairment allowance for credit losses	**(8,792)**	**-**	**-**	**-**	**(8,792)**
Interest in suspense	**(11,164)**	**-**	**-**	**-**	**(11,164)**
Total exposure	**-**	**-**	**-**	**-**	**-**

	UAE AED'000	*Middle East countries AED'000*	*O.E.C.D AED'000*	*Other countries AED'000*	*Total AED'000*
2024					
Non-performing loans	29,931	1,628	-	-	31,559
Impairment allowance for credit losses	(17,140)	(1,628)	-	-	(18,768)
Interest in suspense	(12,791)	-	-	-	(12,791)
Total exposure	-	-	-	-	-

31. Risk management (continued)

Credit risk management (continued)

Concentration of risks of financial assets with credit risk exposure - off balance sheet (continued)

Geographical sectors (continued)
The following table depicts the interest rate sensitivity position and interest rate gap position based on contractual repricing arrangement as at 31 December 2025:

Interest rate sensitivity gap:

	Within 3 months AED'000	*From 3 to 6 months AED'000*	*From 6 to 12 months AED'000*	*Over 1 year AED'000*	*Non-interest sensitive AED'000*	*Total AED'000*
Assets						
Cash and Balances with the Central Bank of U.A.E.	**165,000**	**-**	**-**	**-**	**67,790**	**232,790**
Due from related parties	**47,809**	**-**	**-**	**-**	**429**	**48,238**
Deposits and balances due from banks and financial institutions	**18,500**	**1,100**	**26,000**	**255,784**	**5,741**	**307,125**
Investment securities	**-**	**-**	**-**	**316,049**	**-**	**316,049**
Loans and advances to customers	**108,820**	**5,528**	**19,423**	**216,647**	**-**	**350,418**
Other assets	**-**	**-**	**-**	**-**	**11,831**	**11,831**
Deferred tax assets	**-**	**-**	**-**	**-**	**12,736**	**12,736**
Property and equipment	**-**	**-**	**-**	**-**	**1,498**	**1,498**
Intangible assets	**-**	**-**	**-**	**-**	**2,701**	**2,701**
Total assets	**340,129**	**6,628**	**45,423**	**788,480**	**102,726**	**1,283,386**
Liabilities and Equity						
Due to banks and financial institutions	**-**	**-**	**-**	**-**	**1,157**	**1,157**
Customers' deposits	**263,833**	**30,791**	**49,211**	**1,301**	**270,508**	**615,644**
Due to related parties	**-**	**-**	**-**	**-**	**10,007**	**10,007**
Other liabilities	**-**	**-**	**-**	**-**	**34,744**	**34,744**
Equity	**-**	**-**	**-**	**-**	**621,834**	**621,834**
Total liabilities and Equity	**263,833**	**30,791**	**49,211**	**1,301**	**938,250**	**1,283,386**
On balance sheet gap	**76,296**	**(24,163)**	**(3,788)**	**787,179**	**(835,524)**	**-**
Cumulative interest rate sensitivity gap	**76,296**	**52,133**	**48,345**	**835,524**	**-**	**-**

31. Risk management (continued)

Credit risk management (continued)

Concentration of risks of financial assets with credit risk exposure - off balance sheet (continued)

Geographical sectors (continued)
The following table depicts the interest rate sensitivity position and interest rate gap position based on contractual repricing arrangement as at 31 December 2024:

	Within 3 months AED'000	*From 3 to 6 months AED'000*	*From 6 to 12 months AED'000*	*Over 1 year AED'000*	*Non-interest sensitive AED'000*	*Total AED'000*
Assets						
Cash and Balances with the Central Bank of U.A.E.	310,000	-	-	-	94,144	404,144
Due from related parties	46,165	-	-	-	463	46,628
Deposits and balances due from banks and financial institutions	36,725	44,032	54,772	91,001	6,990	233,520
Investment securities	72,630	-	-	150,371	-	223,001
Loans and advances to customers	164,596	6,538	20,386	215,324	-	406,844
Other assets	-	-	-	-	11,463	11,463
Deferred tax assets	-	-	-	-	14,153	14,153
Property and equipment	-	-	-	-	1,158	1,158
Intangible assets	-	-	-	-	1,870	1,870
Total assets	630,116	50,570	75,158	456,696	130,241	1,342,781
Liabilities and Equity						
Due to banks and financial institutions	-	-	-	-	1,640	1,640
Customers' deposits	251,827	51,139	20,562	-	355,228	678,756
Due to related parties	-	-	-	-	6,465	6,465
Other liabilities	-	-	-	-	55,039	55,039
Equity	-	-	-	-	600,881	600,881
Total liabilities and Equity	251,827	51,139	20,562	-	1,019,253	1,342,781
On balance sheet gap	378,289	(569)	54,596	456,696	(889,012)	-
Cumulative interest rate sensitivity gap	378,289	377,720	432,316	889,012	-	-

Liquidity risk
Liquidity risk is the risk that the Branches will encounter difficulty in meeting obligations from its financial liabilities at a point of time.

Management of liquidity risk
The Branches' approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Branches' reputation.

Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short-term liquid assets, largely made up of loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Branches.

The daily liquidity position is monitored regularly and liquidity stress testing is conducted covering both normal and more severe market conditions. Liquidity policies and procedures are subject to review and approval by Head Office. Reports of the Branches liquidity positions are reviewed daily. A summary report including any exceptions and remedial action taken is also reviewed daily.

31. Risk management (continued)

Liquidity risk (continued)

Management of liquidity risk (continued)
The Central bank of U.A.E. through its circular no. 33/2015 dated 27 May 2015 announced new Regulations regarding Liquidity at Banks followed by a Guidance Manual. The above-mentioned regulations introduced a new Liquidity ratio called Eligible Liquid Assets ratio ("ELAR") applicable from 1 July 2015.

The key measure used by the Branches for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, other borrowings and commitments maturing within the next month. A similar, but not identical, calculation is used to measure the Branches' compliance with the liquidity limit established by the Branches' lead regulator. The other indicators closely monitored on regular basis are Advances to Deposit Ratio, Utilization of funds to stable resources and stress testing of liquid funds against unexpected withdrawal of liabilities and the recently implemented ELAR.

Market risk management
Market risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. The Branches classify exposures to market risk into either trading or non-trading or banking-book.

The Branches carry a limited amount of market risk as a policy preference and it is continuously monitored. Foreign exchange for the account of the Branches is managed properly.

Market risk - Non-Trading or Banking Book
Market risk on non-trading or banking positions mainly arises from the interest rate and foreign currency exposures.

i) Interest rate risk management
Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Branches are exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities.

The Branches use monitoring tools to periodically measure and monitor interest rate sensitivity. The results are analysed and monitored by Local Management Committee. Since a portion of the Branches' assets and liabilities have floating rates, deposits and loans generally repriced simultaneously providing a natural hedge, which reduces interest rate exposure. Moreover, the majority of the Branches' assets and liabilities are repriced within one year, thereby further limiting interest rate risk. The following paragraphs depicts the sensitivity to a reasonable possible change in interest rates, with other variables held constant, on the Branches' statement of profit or loss or Equity. The sensitivity of the income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held as at 31 December 2025, including the effect of hedging instruments. The sensitivity of equity is analysed by maturity of the asset or swap. All the banking book exposures are monitored and analysed in currency concentrations and relevant sensitivities are disclosed in AED million.

The impact of 1% sudden movement in benchmark interest rate on net income over 12 months period as at 31 December 2025 would have been a decrease in net income by -3.23% (in case of decrease of interest rate) and would have been an increase in net income by +3.23% (in case of increase of interest rate) [2024: -7.54% and +7.54%] respectively.

The effective interest rate on bank placements, financial institutions, investments with the Central Bank of the U.A.E. was 4.72% (2024: 5.20%), on loans and advances was 6.71% (2024: 7.69%), on customer deposits was 1.51% (2024: 1.44%) and on bank borrowings was 0.00% (2024: 3.99%).

31. Risk management (continued)

Market risk management (continued)

i) Interest rate risk management (continued)

Interest rate benchmark reform (continued)

Financial assets:
The Branches' IBOR exposures on floating-rate financial assets are covered in the following table:

Currency	***2025 AED'000***	*2024 AED'000*
USD	**441,638**	466,966
AED	**419,167**	589,141
EUR	**20,005**	-
GBP	**197**	-
	881,007	1,056,107

The IBOR Committee is in the process of establishing policies for amending the interbank offered rates on its existing floating-rate loan portfolio indexed to IBORs that will be replaced as part of the IBOR reform. The Branches expects that retail products will be amended in a uniform way. However, the Branches expects to participate in bilateral negotiations with the counterparties in its bespoke products, such as loans and advances issued to corporates. The Head office began amending the contractual terms of its existing floating-rate assets; however, the exact timing to complete the amendment will vary depending on the extent to which standardized language can be applied across certain loan types and the extent of bilateral negotiations between the Branches and loan counterparties.

ii) Currency risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Head Office has set limits on positions by currencies, which are monitored daily, and hedging strategies are also used to ensure that positions are maintained within the limits.

The Branches' assets are typically funded in the same currency as that of the business transacted in order to eliminate foreign exchange exposure. The Branches manage exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. The Branches' Head Office sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. At the end of the year, the Branches had the following significant net exposures denominated in foreign currencies:

	Net spot position AED'000	***Forward position AED'000***	***Total 2025 AED'000***	*Total 2024 AED'000*
Australian Dollars	**1**	**-**	**1**	-
Bahraini Dinars	**137**		**137**	-
Canadian Dollars	**5**	**-**	**5**	-
Swiss Francs	**3**	**-**	**3**	-
Euro	**-**	**-**	**-**	306
Sterling Pounds	**17**	**-**	**17**	387
Jordanian Dinars	**20**	**-**	**20**	-
Japanese Yen	**3**	**-**	**3**	95
Kuwaiti Dinars	**76**	**-**	**76**	-
Lebanese Pounds	**35**	**-**	**35**	-
Omani Riyals	**30**	**-**	**30**	-
Qatari Riyals	**416**		**416**	
Saoudi Riyals	**1,153**		**1,153**	
Total	**1,896**	**-**	**1,896**	788

The exchange rate of AED against US Dollar is pegged since November 1980 and the Branches' exposure to currency risk is limited to that extent.

31. Risk management (continued)

Operational risk
The Branches manage and undertake to minimise operational losses as follows:

- Identify and assess the operational risk inherent in all material products, activities, processes and systems, and ensure that before new products, activities, processes and systems are introduced or undertaken, the inherent operational risk in them is subject to adequate assessment procedures.

- Implement a process to monitor operational risk profiles and material exposures to losses on a regular basis.

- Establish and implement policies, processes and procedures to mitigate and/or control material operational risks. Periodically review organisational risk limitation and control strategy and adjust its operational risk profile using appropriate strategies in the context of the Branches' overall risk appetite and profile.

- Ensure contingency and business continuity plans are in place to ensure the Branches' ability to operate on an ongoing basis and to limit losses in the event of severe business interruption, disruption or loss.

Climate related matters
The Branches and their customers may face significant climate-related risks in the future. These risks include the threat of financial loss and adverse non-financial impacts that encompass the political, economic and environmental responses to climate change. The key sources of climate risks have been identified as physical and transition risks. Physical risks arise as the result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts and rising sea levels and risks. Transition risks may arise from the adjustments to a net-zero economy, e.g., changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behaviour and investor demand. These risks are receiving increasing regulatory, political and societal scrutiny, both within the country and internationally. While certain physical risks may be predictable, there are significant uncertainties as to the extent and timing of their manifestation. For transition risks, uncertainties remain as to the impacts of the impending regulatory and policy shifts, changes in consumer demands and supply chains.

The Branches are in the process of embedding climate risk in their risk framework, including the development of a comprehensive sustainable finance and climate risk framework. The Board Risk Committee of the Ultimate Parent Company is responsible for the oversight over management of climate risk. In addition, the Branches will start assessing their model landscape to incorporate climate-related risks and their impact on borrower's credit risk. The Branches will also make significant progress in building the knowledge and capacity of their workforce in matters relating to climate-related risk. Despite the progress, the Branches acknowledge the need for further efforts to fully integrate climate in the Branches' risk assessments and management protocols.

Therefore, the impact of this matter remains uncertain and depends on future developments that cannot be accurately predicted at this stage, and a reliable estimate of such an impact cannot be made at the date of authorisation of these financial statements. Notwithstanding, these developments could impact the Branches' future financial results, cash flows and financial position.

32. Contingent liabilities and commitments

a) Contingent liabilities

	2025 AED'000	*2024 AED'000*
Guarantees	**146,521**	144,679
Stage 1	**66,761**	81,623
Stage 2	**72,906**	55,649
Stage 3	**6,854**	7,407
Letters of credit	**5,372**	3,058
Stage 1	**72**	-
Stage 2	**5,300**	3,058
Stage 3	**-**	-
Unutilised credit facilities	**162,536**	103,100
Stage 1	**124,910**	69,735
Stage 2	**37,626**	33,365
Stage 3	**-**	-
	314,429	250,837

The outstanding unutilized facilities as of 31 December 2025 amounted to AED 163 million (2024: AED 103 million). The outstanding unused portion of commitments can be revoked unilaterally at any time by the Branches provided there are reasonable grounds as per contract terms.

b) Contingent liabilities - maturity profile

The maturity profile of the Branches' contingent liabilities was as follows:

	Within 3 months AED'000	***From 3 to 6 months AED'000***	***From 6 to 12 months AED'000***	***Over 1 year AED'000***	***Total AED'000***
2025					
Guarantees	**109,156**	**10,957**	**10,606**	**15,802**	**146,521**
Letters of credit	**258**	**5,114**	**-**	**-**	**5,372**
Unutilised credit facilities	**95,586**	**43,142**	**1,733**	**22,075**	**162,536**
	205,000	**59,213**	**12,339**	**37,877**	**314,429**

	Within 3 months AED'000	*From 3 to 6 months AED'000*	*From 6 to 12 months AED'000*	*Over 1 year AED'000*	*Total AED'000*
2024					
Guarantees	117,686	8,056	12,142	6,795	144,679
Letters of credit	40	3,018	-	-	3,058
Unutilised credit facilities	80,010	5,824	15,946	1,320	103,100
	197,736	16,898	28,088	8,115	250,837

The analysis of commitments and contingencies by geographical sector is shown in Note 27.

33. Legal proceedings

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Branches have been advised by their legal counsel that it is only possible, but not probable, that the action will succeed. Accordingly, no provision for any liability has been made in these financial statements.

34. Subsequent events

Geopolitical developments

- Subsequent to the reporting date, geopolitical tensions in the Middle East have intensified, including isolated incidents affecting the United Arab Emirates.

- At the date of authorisation of these financial statements, management is closely monitoring the situation. The evolving geopolitical environment may increase risks related to regional security, logistics, energy supply, insurance coverage, with possible impact on operation. As of the reporting date, no disruptions to Branches' operations have been identified.

- In addition, prolonged disruptions to Middle Eastern supply routes—such as a potential blockade or restriction of the Strait of Hormuz—could result in tighter global product supply and shifts in trade flows and could also lead to volatility in commodity prices. However, the extent and duration of any such effects remain uncertain and dependent on future developments.

- Given the rapidly evolving nature of the situation, it is not currently possible to reliably quantify any potential financial impact, whether adverse or favourable. Accordingly, no adjustments have been made to the financial statements as of the reporting date, as these events are considered non-adjusting subsequent events.

- Management will continue to monitor developments and assess potential implications for operations, financial position, and performance.