Agricultural Bank of China - Dubai Branch

Financial statements for the year ended 31 December 2025

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Financial statements
for the year ended 31 December 2025

KPMG

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Independent auditors' report

To the General Manager of the Agricultural Bank of China – Dubai Branch

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Agricultural Bank of China – Dubai Branch (the "Branch"), which comprise the statement of financial position as at 31 December 2025, the statements of profit or loss and other comprehensive income, movement in head office account and reserves and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Branch 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 (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Branch in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements 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. We have determined that there are no key audit matters to communicate in our report.

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 and their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021, as amended, and the UAE Federal Decree-Law No. (6) of 2025, and for such internal control as 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 Branch's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Branch or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Branch's financial reporting process.

Auditors' 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 auditors' 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 judgment 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's 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 Barnch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Branch 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.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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.

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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

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

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

iii) the Branch has maintained proper books of account;

iv) as disclosed in note 21 to the financial statements, the Branch has not purchased any shares during the year ended 31 December 2025;

v) note 33 to the financial statements discloses material related party transactions and the terms under which they were conducted; and

vi) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Branch 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, which would materially affect its activities or its financial position as at 31 December 2025;

Further, as required by Article (140) of the UAE Federal Decree-Law No. (6) of 2025, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

KPMG Lower Gulf Limited

Richard Ackland
Registration No.: 1015
Dubai, United Arab Emirates

Date: 31 MAR 2026

Agricultural Bank of China - Dubai Branch

Statement of financial position

As at 31 December

	Notes	2025 AED'000	2024 AED'000
Assets			
Cash and balances with the UAE Central Bank	7	**212,225**	28,562
Due from other banks, net	8	**1,648,070**	1,142,411
Due from group entities	9	**167,539**	671,966
Loans and advances, net	10	**299,468**	231,461
Financial assets measured at FVOCI	11 (i)	**1,681,819**	1,213,158
Financial assets measured at amortized cost	11 (ii)	**690,046**	882,930
Interest receivable	12	**15,253**	20,775
Property and equipment	13	**881**	166
Intangible assets	14	**-**	3
Other assets	15	**61,511**	72,274
Right-of-use assets	31	**2,168**	3,795
Total assets		**4,778,980**	4,267,501
Liabilities and Head office account and reserves			
Liabilities			
Due to other banks	16	**956,670**	203,274
Due to customers	17	**81,318**	46,358
Due to group entities	18	**3,198,137**	3,495,448
Interest payable	19	**13,323**	10,167
Other liabilities	20	**67,924**	70,839
Lease liabilities	31	**2,417**	3,917
Total liabilities		**4,319,789**	3,830,003
Head office account and reserves			
Allocated capital	21	**367,340**	367,340
Accumulated earnings		**56,845**	32,723
Legal reserve	22	**6,976**	4,741
General impairment reserve	23	**27,129**	31,135
Fair value reserve		**901**	1,559
Total Head office account and reserves		**459,191**	437,498
Total liabilities and Head office account and reserves		**4,778,980**	4,267,501

These financial statements have been approved on 31 March 2026 and signed by:

……………………………….

Wang Yuan
Deputy General Manager

The independent auditors' report is set out on pages 1-3.

The notes on pages 9 to 70 form an integral part of these financial statements.

Agricultural Bank of China - Dubai Branch

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2025

	Notes	2025 AED'000	2024 AED'000
Interest income	25	**150,705**	136,885
Interest expense	26	**(108,787)**	(107,605)
Net interest income		**41,918**	29,280
Fee and commission income		**4,588**	1,939
Loss from sale of debt investments at fair value through other comprehensive income		**-**	-
Net gains from foreign exchange and derivatives		**9,852**	20,230
Operating income		**56,358**	51,449
Operating expenses	27	**(27,725)**	(25,979)
Impairment (charge)/reversal	28	**(583)**	1,253
Non-operating income		**41**	-
Profit for the year before income tax		**28,091**	26,723
Tax expense	29	**(5,740)**	(5,094)
Net profit for the year		**22,351**	21,629
Other comprehensive income for the year:			
Items that may be subsequently reclassified to profit or loss:			
Debt instruments measured at FVOCI - net change in fair value		**(658)**	1,238
Total comprehensive income for the year		**21,693**	22,867

The independent auditors' report is set out on pages 1-3.

The notes on pages 9 to 70 form an integral part of these financial statements.

Agricultural Bank of China - Dubai Branch

Statement of movements in Head office account and reserves

For the year ended 31 December 2025

	Allocated capital AED'000	Fair value reserve AED'000	General impairment reserve AED'000	Accumulated earnings /(losses) AED'000	Legal reserve AED'000	Total AED'000
At 1 January 2024	367,340	321	31,135	13,257	2578	414,631
Net profit for the year	-	-	-	21,629	-	21,629
Movement in fair value reserve for the year	-	1,238	-	-	-	1,238
Transfer to legal reserve	-	-	-	(2163)	2163	-
Transfer to general impairment reserve	-	-	-	-	-	-
Exchange rate adjustment	-	-	-	-	-	-
At 31 December 2024	367,340	1,559	31,135	32,723	4,741	437,498
At 1 January 2025	**367,340**	**1,559**	**31,135**	**32,723**	**4,741**	**437,498**
Net profit for the year	-	-	-	**22,351**	-	**22,351**
Movement in fair value reserve for the year	-	**(658)**	-	-	-	**(658)**
Transfer to legal reserve	-	-	-	**(2,235)**	**2,235**	-
Movement in general impairment reserve	-	-	**(4,006)**	**4,006**	-	-
Exchange rate adjustment	-	-	-	-	-	-
At 31 December 2025	**367,340**	**901**	**27,129**	**56,845**	**6,976**	**459,191**

The independent auditors' report is set out on pages 1-3.

The notes on pages 9 to 70 form an integral part of these financial statements.

Agricultural Bank of China - Dubai Branch

Statement of cash flows

For the year ended 31 December 2025

	Notes	2025 AED'000	2024 AED'000
Operating activities			
Profit for the year before taxation		**28,091**	26,723
Adjustments for:			
Depreciation and amortization	13,14	**129**	256
Depreciation on right of use assets	31	**1,627**	1,418
Interest expense on lease liabilities	31	**19**	17
Amortization of discount relating to financial assets measured at FVOCI and amortized cost		**(11,695)**	(13,722)
Impairment (reversal) / charge	28	**(583)**	1,253
Loss from sale of debt investments at FVOCI		**-**	-
Net gains from foreign exchange and derivatives		**(9,852)**	(20,230)
Provision for employees' end of service benefits		**98**	205
Operating cash flows before changes in working capital		**7,834**	(4,080)
Changes in working capital:			
Due from other banks	8	**(187,439)**	6,343
Due from group entities	9	**414,058**	(461,430)
Loans and advances before provision for impairment	10	**(68,383)**	50,975
Interest receivable	12	**10,763**	(24,610)
Other assets	15	**5,522**	242
Due to customers	17	**34,960**	(15,942)
Due to other banks	16	**753,395**	(218,213)
Due to group entities	18	**(297,311)**	444,697
Interest payable		**(2,915)**	11,128
Other liabilities	20	**3,156**	(892)
		665,806	(207,702)
End of service benefits paid		**(132)**	(19)
Tax paid		**(4,752)**	(5,588)
Net cash generated from/(used in) operating activities		**668,756**	(217,389)

The independent auditors' report is set out on pages 1-3.

Agricultural Bank of China - Dubai Branch

Statement of cash flows (continued)

For the year ended 31 December 2025

	Notes	2025 AED'000	2024 AED'000
Investing activities			
Purchase of property and equipment and intangibles	13,14	**(841)**	(61)
Purchase of financial assets measured at FVOCI		**(1,601,657)**	(825,163)
Purchase of financial assets measured at amortized cost		**(2,486,622)**	(1,356,222)
Redemption of financial assets measured at FVOCI		**1,086,884**	1,040,826
Redemption on maturity of financial assets measured at amortized cost		**2,746,957**	1,525,609
Net cash (used in)/generated from investing activities		**(255,279)**	384,989
Financing activities			
Lease payments	31	**(1,519)**	(1,462)
Net cash used in financing activities		**(1,519)**	(1,462)
Net increase in cash and cash equivalents		**411,958**	166,138
Cash and cash equivalents at beginning of the year		**600,759**	434,621
Cash and cash equivalents at end of year	32	**1,012,717**	600,759

The independent auditors' report is set out on pages 1-3.

1 Incorporation and activities

Agricultural Bank of China Limited (the "Head Office") is a public limited company incorporated in Beijing, People's Republic of China and the address of its registered office is No.69 Jianguomen Nei Avenue, Beijing 100005, China. The Agricultural Bank of China-Dubai branch (the "Branch") is authorized, to engage in wholesale commercial banking services and business activity covering accepting deposits, providing credit, dealing in investments, and arranging credit or deals in investment. The registered address of the Branch is Office no 201-203, 2nd floor, Building no.1, Emaar Business Park, Sheikh Mohammad Bin Zayed road, Dubai, UAE.

2 Basis of preparation

(a) Basis of compliance

The financial statements have been prepared in accordance with and comply with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and the applicable requirements of laws of the United Arab Emirates.

(b) Basis of measurement

The financial statements are prepared under the historical cost convention except for derivative financial instruments and financial assets measured at fair value through other comprehensive income (FVOCI) which have been measured at fair value.

(c) Uses of estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates.

It also requires management to exercise its judgment in the process of applying the Branch's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(d) Functional and presentation currency

The financial statements are presented in UAE Dirhams ("AED"), which is the Branch's "functional currency", rounded to the nearest thousand.

3 Material accounting policies

The Branch has consistently applied the following accounting policies to all the periods presented in these financial statements, except if mentioned otherwise.

(a) Standards, amendments and interpretations

(i) Standards and interpretations adopted for accounting period beginning 1 January 2025

The Branch has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with an annual reporting period beginning on 01 January 2025.

- Lack of Exchangeability – Amendment to IAS 21 (Effective date: 01 January 2025);

These changes did not have a material impact on the Company's financial statements.

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

(ii) Standards and interpretations issued by not yet effective

- Classification and Measurement of Financial Instruments – Amendment to IFRS 9 and IFRS 7 (Effective date: 01 January 2026);
- Annual Improvement to IFRS Accounting Standards – Volume 11 (Effective date: 01 January 2026);
- IFRS 18 Presentation and Disclosure in Financial Statements (Effective date: 01 January 2027);
- IFRS 19 Subsidiaries without Public Accountability: Disclosures (Effective date: 01 January 2027);
- Translation to a Hyper inflationary Presentation Currency (Amendment to IAS 21) (Effective date: 01 January 2027) and
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (Available for optional adoption / effective date deferred indefinitely).

Management anticipates that these IFRS and amendments will be adopted in the financial statements in the initial period when they become mandatorily effective. The impact of these standards and amendments are currently being assessed by the management.

(b) Interest income and expense

Interest income and expenses are recognized in the income statement for all instruments measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

3 Material accounting policies (continued)

(b) Interest income and expense (continued)

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(c) Fee and commission income

The Branch earns fee and commission income from a range of services provided to its customers. Unless included in the effective interest calculation, fees and commission income is generally recognized on an accrual basis when the service has been provided. Fee and commission income is accounted as follows:

- Income which forms an integral part of the effective interest rate of a financial instrument is recognized as an adjustment to the effective interest rate, and is recorded as "Interest income"; and
- Income earned from the provision of services is recognized as revenue when services are rendered.

(d) Foreign currency translation

In preparing the financial statements, foreign currency transactions are translated into AED at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. 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 income statement in the period in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised initially in the foreign currency translation reserve and recognised in the income statement on disposal of the net investment.

3 Material accounting policies (continued)

(e) Property and equipment

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

Depreciation is computed on the straight line method at rates calculated to reduce the cost of assets to their estimated residual values over their expected useful lives as follows:

Category	**Useful life (in years)**
Office equipment	5
Furniture & fixtures	5
Leasehold improvements	5
Motor vehicles	8
Computer accessories	5

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount being the higher of the net selling price and value in use. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the statement of financial position date.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating income. Repairs and renewals are charged to the statement of income when the expenditure is incurred.

(f) Intangibles

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. The amortisation charge for the year is calculated on a straight line basis after taking into account the residual value, if any. The residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date. Amortisation on additions is charged from the month the asset is available for use. No amortisation is charged in the month of disposal.

Gains and losses on sale of intangible assets are included in the statement of income.

3 Material accounting policies (continued)

(g) Borrowings

Borrowings include due to other banks, due to customers and due to group entities. Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received), net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the statement of income over the period of the borrowings using the effective interest method.

(h) Provision for staff benefits

The end of service benefits for international staff are provided under UAE Labour Law. The liability for these benefits is settled and recorded as a charge in the statement of income.

Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with Federal Law No. (7), 1999 for Pension and Social Security.

(i) Due from other banks and group entities

Amounts due from other banks and due from group entities are stated at amortised cost less provision for impairment, if any.

(j) Impairment of tangible assets

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

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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized in the statement of income as an expense.

3 Material accounting policies (continued)

(j) Impairment of tangible assets (continued)

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

(k) Provisions

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

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

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

(l) Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognized immediately in the statement of income. An expected credit loss ("ECL") allowance is recognized for financial assets measured at amortized cost and investments in debt instruments measured at FVOCI, which results is recognized within the profit or loss.

3 Material accounting policies (continued)

(l) Financial instruments (continued)

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

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

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

(i) Classification and subsequent measurement of financial assets

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

Debt instruments:

Debt instruments are measured at amortized cost if both of the following conditions are met:

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

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

3 Material accounting policies (continued)

(l) Financial instruments (continued)

(i) Classification and subsequent measurement of financial assets (continued)

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

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

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

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

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

3 Material accounting policies (continued)

(l) Financial instruments (continued)

(i) Classification and subsequent measurement of financial assets (continued)

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Branch assesses whether financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test').

In making this assessment, the Branch considers whether contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and an interest rate that is consistent with basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

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

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

Amortised cost and effective interest method

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

3 Material accounting policies (continued)

(l) Financial instruments (continued)

(i) Classification and subsequent measurement of financial assets (continued)

Amortised cost and effective interest method (continued)

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

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

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

(ii) Impairment of financial assets

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

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

The measurement of ECL is disclosed in detail in Note 5.2 under credit risk.

(iii) Modification of loans

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

3 Material accounting policies (continued)

(l) Financial instruments (continued)

(iii) Modification of loans (continued)

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

If the terms are substantially different, the Branch derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Branch also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in statement of income as a gain or loss on derecognition.

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

Derecognition other than on a modification

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

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

3 Material accounting policies (continued)

(l) Financial instruments (continued)

(iii) Modification of loans (continued)

Derecognition other than on a modification (continued)

These transactions are accounted for as 'pass through' transfers that result in derecognition if the Branch:

- Has no obligation to make payments unless it collects equivalent amounts from the assets;
- Is prohibited from selling or pledging the assets; and
- Has an obligation to remit any cash it collects from the assets without material delay.

(iv) Financial liabilities

Classification and subsequent measurement

Financial liabilities (including due to other banks, due to customers, and due to group entities) are initially recognised at fair value and subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading and other financial liabilities designated as such on initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the change in fair value due to credit risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Branch recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments.

Derecognition

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

3 Material accounting policies (continued)

(l) Financial instruments (continued)

(v) Foreign exchange gains and losses

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

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

(vi) Offsetting of financial assets and liabilities

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

(vii) Derivative financial instruments

The Branch enters into derivatives such as forward foreign exchange contracts and interest rate swaps. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the statement of profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in the statement of profit or loss depends on the nature of the hedge relationship. All derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. Fair values are generally obtained by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate.

(m) Cash and cash equivalents

Cash and cash equivalents comprise balances with the UAE Central Bank, due from other banks and due from group entities with original maturity of less than or equal to three months.

3 Material accounting policies (continued)

(n) Taxes

Provision for taxation is made in respect of the Branch's operations in the Emirate of Dubai whereby tax is payable at the rate of 20% of the adjusted net profit generated during the year in the Emirate, in accordance with the relevant legislation of the Emirate.

Income tax is recognized as an expense for the period except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to other comprehensive income or to equity.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

(ii) Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

a. Temporary differences on the initial recognition of assets and liabilities in a transaction that:
- is not a business combination; and
- at the time of transaction (i) affects neither accounting nor taxable profit or loss and (ii) does not give rise to equal taxable and deductible temporary differences.

b. Temporary differences related to investments in subsidiaries to the extent that the Branch is able to control the
timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable
future; and

c. Taxable temporary differences arising on the initial recognition of goodwill.

Amendments to IAS 12 introduce a temporary mandatory relief from accounting for deferred tax that arises from legislation implementing Pillar Two. The Branch has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

4 Critical accounting judgements and key sources of estimation uncertainty

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

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

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

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

(a) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

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

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

(b) Classification and measurement of financial assets

The classification and measurement of the financial assets depend on management's business model for managing its financial assets and on the contractual cash flow characteristics of the financial asset assessed. Management is satisfied that the Branch's financial assets are appropriately classified and measured.

Financial assets that are measured at amortised cost are those assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that are measured at FVOCI are those assets that are held within a business model whose objective is achieve by both collecting contractual cash flows and for selling the assets, and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

5 Financial risk management

5.1 Risk management review

The Branch's activities expose it to a variety of financial risks, and its operations involve the identification, assessment, acceptance and management of different types and combinations of risk. In conducting its banking activities, the Branch is inherently exposed to risk and therefore seeks to achieve an appropriate balance between risk and return, while minimising potential adverse effects on its financial position and financial performance.

The principal sources of financial risk arise from the Branch's use of financial instruments, which form an integral part of its core business activities. Financial instruments may create, modify or reduce the Branch's exposure to liquidity, credit, and market risks, and are therefore a primary source of risk on the Branch's balance sheet. Accordingly, the Branch maintains a comprehensive risk management framework designed to identify, measure, monitor and control these risks in a prudent manner. The risk management framework, together with related policies, procedures, and systems, is reviewed on a regular basis to ensure continued effectiveness and alignment with the Branch's business strategy and applicable regulatory requirements.

Risk management is embedded within the Branch's governance and decision-making processes. The Branch promotes a risk-aware culture that supports the consistent integration of risk considerations into governance, management oversight, and day-to-day business objectives and activities.

The Branch ensures that it has the capacity and expertise to manage the risks arising from existing and new business activities, and that its business plans are consistent with the risk appetite, defined as the level of risk that the Branch is willing to accept in fulfilling its business objectives.

The Branch's risk management policies are designed to identify and analyse risks, establish appropriate risk limits and controls, and monitor risk exposures and compliance with approved limits. These policies provide an overarching framework for risk management, as well as guidance for specific risk areas including credit risk, liquidity risk, and market risk, which comprises foreign exchange risk, interest rate risk, and the use of derivative and non-derivative financial instruments. In addition, the internal audit function provides independent assurance on the effectiveness of the risk management framework and the internal control environment.

The most significant types of risk to which the Branch is exposed are credit risk, liquidity risk and market risk. Market risk comprises exposure to movements in foreign exchange rates, interest rates and market prices.

5 Financial risk management (continued)

5.2 Credit risk

Credit risk is defined as the risk that the Branch's customers, clients or counterparties fail to perform or are unwilling to perform, their contractual obligations to pay interest, repay the principal or otherwise to fulfil the terms of loan agreement or other credit facilities, resulting in a financial loss to the Branch. Adverse developments in economic conditions or in specific industry segments to which the Branch has exposure concentrations may result in credit losses that differ from those recognized at the reporting date.

Accordingly, credit risk exposures are managed prudently and on a continuous basis, in line with the Branch's approved risk appetite and regulatory requirements. Credit risk exposures arise primarily from loans and advances, balances with banks, investment in securities, other receivables and off-balance sheet exposures such as letters of guarantee and other unfunded commitments.

Credit risk, both on and off balance sheet, is actively managed and monitored in accordance with the Branch's approved credit risk management policies and procedures. The creditworthiness of each counterparty is evaluated prior to the approval of credit facilities, and appropriate credit limits are established. Approved limits and actual levels of exposure are regularly reviewed and updated by management. Credit review procedures are designed to identify, at an early stage, exposures requiring enhanced monitoring, risk mitigation and remedial actions.

The Branch measures credit risk for loans and advances to customers and to financial institutions at a counterparty level by using an internally developed rating system supplemented by external credit ratings from recognized rating agencies, applying the more prudent assessment where applicable. These measurement models are embedded in the Branch's credit approval, monitoring and risk management processes.

The measurement models are reviewed at least annual and enhanced as necessary by the Head Office in corroboration with the Branches. The Branch validates the performance and predictive capability of these models on a regular basis, recognizing that observed default rates by rating category may vary over economic cycles.

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

- Probability of Default (PD)
- Loss Given Default (LGD)
- Exposure at Default (EAD)

5 Financial risk management (continued)

5.2 Credit risk (continued)

Under IFRS 9, incurred loss is replaced by Expected Credit Loss (ECL), which is based on macro adjusted PD, LGD and EAD measures. Additionally, ECL incorporates forward-looking information, macroeconomic conditions, changes in credit quality, and the lifetime likelihood of default.

The Branch uses an internal credit rating system for each obligor before or when a credit limit is approved. All rating results are reviewed annually. The Branch conducts stress testing to assess the level of credit risk. The Branch also establishes a range of limits to control the credit risk losses in line with the Branch's risk tolerance and regulatory requirements. The Branch also maintains adequate provisions to enhance its ability to absorb potential future default losses.

The Branch uses external ratings, where available, to benchmark its internal credit risk assessments. Observed defaults per grading category vary year on year, particularly across different phases of the economic cycle.

Expected credit loss measurement

In accordance with the IFRS 9, the Branch applies a 'three-stage' model for impairment based on changes in the credit quality since initial recognition of a facility as summarised below:

- Stage 1: Financial instruments that have not experienced a significant increase in credit risk since initial recognition. Expected credit losses are measured on a 12-month basis and its credit risk continuously monitored by the Branch.

- Stage 2 : Financial instruments that have experienced a significant increase in credit risk (SICR) since initial recognition but are not credit-impaired. Expected credit losses are measured on a lifetime basis. The identification of SICR is assessed primarily based on changes in the one- year probability of default between the date of inception of the facility and the date of the IFRS9 ECL run.

- Stage 3 : Credit impaired financial instruments. Expected credit losses are measured on a life time basis.

Expected credit losses represent probability-weighted estimates of credit losses and reflect the time value of money. Forward-looking economic information is incorporated into the estimation of expected credit losses.

In performing these calculations, the management also follows the requirements of Article 9 (Standards) of the Credit Risk Management Regulation and the Circular No. 3/2024 dated 25/7/2024.

5 Financial risk management (continued)

5.2 Credit risk (continued)

Significant increase in credit risk (SICR)

The Branch assesses whether a Significant Increase in Credit Risk (SICR) has occurred since initial recognition for each exposure at each reporting date, in accordance with IFRS 9 and the Branch's Credit Risk Management and Expected Credit Loss (ECL) Policy.

The assessment of a significant increase in credit risk is based on a combination of quantitative and qualitative factors, and reflects changes in credit risk over the expected life of the exposure compared to the credit risk at initial recognition.

Quantitative factors include, but are not limited to:

- Deterioration in the internal credit rating;
- Changes in the probability of default; and
- Adverse movements in key risk indicators used within the Branch's internal credit risk assessment framework.

Qualitative factors considered in the SICR assessment include, but are not limited to:

- Deterioration in the borrower's solvency or financial condition;
- Adverse changes in operational capacity or cash flow generation ability;
- Weakening of guarantee information, including guarantor strength or collateral quality;
- Adverse changes in loan contract terms, including covenant breaches, restructuring, or forbearance
- Deterioration in repayment behaviour, including early signs of financial stress
- Negative developments in the regulatory and business environment affecting the borrower
- Deterioration in internal and external credit ratings, where available

A significant increase in credit risk is considered to have occurred when there is a deterioration in credit quality that is significant relative to the credit risk at initial recognition, resulting in the exposure being transferred from Stage 1 to Stage 2 for expected credit loss measurement purposes.

The Branch applies a rebuttable presumption that credit risk has increased significantly when contractual payments are more than 30 days past due, unless reasonable and supportable information demonstrates otherwise.

Exposures classified as having experienced a significant increase in credit risk are measured using lifetime expected credit losses until there is evidence of sustained improvement in credit quality in accordance with the Branch's policy.

5 Financial risk management (continued)

5.2 Credit risk (continued)

Treasury instruments

Expected credit loss for treasury instruments is measured based on the changes in probability of default of the underlying treasury instrument taking into account the investment's expected performance , counterparty behavior and relevant market information.

Definition of default and credit-impaired assets

A financial instrument is considered to be in default, and therefore credit-impaired, when one or more of the following criteria are met:

Quantitative criteria

A borrower is considered credit-impaired when it is more than 90 days past due on its contractual payments or when there is evidence that the borrower is unlikely to pay its credit obligations in full.

Qualitative criteria

Default is considered to have occurred with regard to particular obligors when one of the following events have taken place:

- The Branch considers that the obligor is unlikely to meet its credit obligations in full without recourse to actions such as the realization of collateral;
- The Branch puts the credit obligation on a non-accrual status;
- The Branch makes a charge-off or account-specific provision resulting from a perceived decline in credit quality subsequent to the Branch taking on the exposure.
- The Branch sells the credit obligation at a material credit-related economic loss.
- The Branch consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness or postponement of principal, interest and other fees.
- The Branch has filed for the obligor's bankruptcy or similar order in respect of the obligor's credit obligation.

The criteria above have been applied to all financial instruments held by the Branch and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD, and LGD throughout the Branch's ECL calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of twelve months.

5 Financial risk management (continued)

5.2 Credit risk (continued)

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

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

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

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

Forward-looking economic information is also included in determining the 12-month and lifetime PD.

Purchased or Originated Credit-impaired financial assets

In accordance with the Branch's approved policies and risk appetite, the Branch does not purchase or originate credit-impaired financial assets. Accordingly, no purchased or originated credit-impaired (POCI) financial assets were recognized during the reporting period.

5 Financial risk management (continued)

5.2 Credit risk (continued)

Maximum exposure to credit risk – Financial instruments subject to impairment

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

	ECL staging			
Credit risk exposures relating to on-balance sheet assets are as follows:	**Stage 1 12-month ECL AED'000**	**Stage 2 Lifetime ECL AED'000**	**Stage 3 Lifetime ECL AED'000**	**Total AED'000**
31 December 2025				
Cash and balances with the UAE Central Bank	**212,225**	**-**	**-**	**212,225**
Loss allowance	**-**	**-**	**-**	**-**
Carrying amount	**212,225**	**-**	**-**	**212,225**
31 December 2024				
Cash and balances with the UAE Central Bank	28,562	-	-	28,562
Loss allowance	-	-	-	-
Carrying amount	28,562	-	-	28,562
31 December 2025				
Due from other banks	**1,650,097**	**-**	**-**	**1,650,097**
Loss allowance	**(2,027)**	**-**	**-**	**(2,027)**
Carrying amount	**1,648,070**	**-**	**-**	**1,648,070**
31 December 2024				
Due from other banks	1,143,994	-	-	1,143,994
Loss allowance	(1,583)	-	-	(1,583)
Carrying amount	1,142,411	-	-	1,142,411

5 Financial risk management (continued)

5.2 Credit risk (continued)

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

Credit risk exposures relating to on-balance sheet assets are as follows:	ECL staging Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
31 December 2025				
Loans and advances				
Neither past due nor impaired	**300,821**	-	-	**300,821**
Past due but not impaired	-	-	-	-
Impaired	-	-	-	-
Gross balance	**300,821**	-	-	**300,821**
Loss allowance (Note 10(c))	**(1,353)**	-	-	**(1,353)**
Carrying amount	**299,468**	-	-	**299,468**
31 December 2024				
Loans and advances				
Neither past due nor impaired	232,438	-	-	232,438
Past due but not impaired	-	-	-	-
Impaired	-	-	-	-
Gross balance	232,438	-	-	232,438
Loss allowance (Note 10(c))	(977)	-	-	(977)
Carrying amount	231,461	-	-	231,461
31 December 2025				
Financial assets measured at FVOCI	**1,682,259**	-	-	**1,682,259**
Loss allowance	**(440)**	-	-	**(440)**
Carrying amount	**1,681,819**	-	-	**1,681,819**
31 December 2024				
Financial assets measured at FVOCI	1,213,945	-	-	1,213,945
Loss allowance	(787)	-	-	(787)
Carrying amount	1,213,158	-	-	1,213,158

5 Financial risk management (continued)

5.2 Credit risk (continued)

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

	ECL staging			
Credit risk exposures relating to on-balance sheet assets are as follows:	**Stage 1 12-month ECL AED'000**	**Stage 2 Lifetime ECL AED'000**	**Stage 3 Lifetime ECL AED'000**	**Total AED'000**
31 December 2025				
Financial assets measured at amortised cost	**690,510**	**-**	**-**	**690,510**
Loss allowance (Note 11(ii)(a))	**(464)**	**-**	**-**	**(464)**
Carrying amount	**690,046**	**-**	**-**	**690,046**
31 December 2024				
Financial assets measured at amortised cost	883,496	-	-	883,496
Loss allowance (Note 11(ii)(a))	(566)	-	-	(566)
Carrying amount	882,930	-	-	882,930
31 December 2025				
Due from group entities	**167,539**	**-**	**-**	**167,539**
Loss allowance	**-**	**-**	**-**	**-**
Carrying amount	**167,539**	**-**	**-**	**167,539**
31 December 2024				
Due from group entities	671,966	-	-	671,966
Loss allowance	-	-	-	-
Carrying amount	671,966	-	-	671,966

5 Financial risk management (continued)

5.2 Credit risk (continued)

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

Credit risk exposures relating to on-balance sheet assets are as follows:	**ECL staging** **Stage 1** **12-month ECL** **AED'000**	**Stage 2** **Lifetime ECL** **AED'000**	**Stage 3** **Lifetime ECL** **AED'000**	**Total** **AED'000**
31 December 2025				
Interest receivable	**15,253**	**-**	**-**	**15,253**
Loss allowance	**-**	**-**	**-**	**-**
Carrying amount	**15,253**	**-**	**-**	**15,253**
31 December 2024				
Interest receivable	20,775	-	-	20,775
Loss allowance	-	-	-	-
Carrying amount	20,775	-	-	20,775
31 December 2025				
Other assets	**61,511**	**-**	**-**	**61,511**
Derivatives	**(60,632)**	**-**	**-**	**(60,632)**
	879	**-**	**-**	**879**
Loss allowance	**-**	**-**	**-**	**-**
Carrying amount	**879**	**-**	**-**	**879**
31 December 2024				
Other assets	72,274	-	-	72,274
Derivatives	(71,540)	-	-	(71,540)
	734	-	-	734
Loss allowance	-	-	-	-
Carrying amount	734	-	-	734

5 Financial risk management (continued)

5.2 Credit risk (continued)

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

Credit risk exposures relating to Off-balance sheet assets are as follows:	**ECL staging** **Stage 1** **12-month ECL** **AED'000**	**Stage 2** **Lifetime ECL** **AED'000**	**Stage 3** **Lifetime ECL** **AED'000**	**Total** **AED'000**
31 December 2025				
Guarantees and acceptances	**1,781,658**	**-**	**-**	**1,781,658**
Undrawn credit commitments – Irrevocable	**-**	**-**	**-**	**-**
	1,781,658	**-**	**-**	**1,781,658**
Loss allowance	**(435)**	**-**	**-**	**(435)**
	1,781,223	**-**	**-**	**1,781,223**
31 December 2024				
Guarantees and acceptances	511,792	-	-	511,792
Undrawn credit commitments – Irrevocable	-	-	-	-
	511,792	-	-	511,792
Loss allowance	(150)	-	-	(150)
	511,642	-	-	511,642

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

	2025 **AED'000**	2024 AED'000
Derivatives	**60,632**	71,540

5 Financial risk management (continued)

5.2 Credit risk (continued)

Credit quality by credit risk rating grades

The Branch maintains an internal credit risk rating framework used to assess the credit quality of counterparties. The rating system categorizes exposures into different credit risk grades based on the probability of default and the financial strength of the counterparty.

As at the reporting date, the Branch's exposures are primarily to high-quality counterparties and financial institutions and are assessed to be within the low credit risk category under the Branch ' s internal credit rating framework. No exposures were classified as watchlist, substandard, doubtful or default. The below table summarize the credit risk rating of each asset class:

Asset	Moody's Equivalent Grade	2025 AED'000	2024 AED'000
Cash and Cash Balances CBUAE	Aa2	**212,225**	30,377
Due from Other Banks	Aa2-A2	**1,648,070**	1,008,665
Due From Group Entities	A1	**167,539**	184,255
Loans and Advances	Aa1- B1	**299,468**	283,413
Financial assets measured at FVOCI	Aa2-A1	**1,681,819**	1,392,124
Financial assets measured at amortized cost	Aa3-Baa2	**690,046**	1,056,827
Interest Receivables	Aa2-A2	**15,253**	21,017
Other Assets	Aa2-A1	**61,511**	1,140
Off-Balance sheet	A1	**1,781,658**	511,792

5 Financial risk management (continued)

5.2 Credit risk (continued)

Credit quality by credit risk rating grades (continued)

The table below presents the gross carrying amount of financial assets analyzed by credit risk rating grade :

Gross amounts	**Investment grade AED'000**	**Non-Investment grade / Unrated AED'000**	**Total AED'000**
On balance sheet items			
31 December 2025			
Cash and balances with the UAE Central Bank	**212,225**	-	**212,225**
Due from other banks	**1,650,097**	-	**1,650,097**
Due from group entities	**167,539**	-	**167,539**
Loans and advances	-	**300,821**	**300,821**
Financial assets measured at FVOCI	**1,682,259**	-	**1,682,259**
Financial assets measured at amortised cost	**690,510**	-	**690,510**
Total	**4,402,630**	**300,821**	**4,703,451**

On balance sheet items	Investment grade	Non-Investment grade / Unrated	Total
31 December 2024	AED'000	AED'000	AED'000
Cash and balances with the UAE Central Bank	28,562	-	28,562
Due from other banks	1,143,994	-	1,143,994
Due from group entities	671,966	-	671,966
Loans and advances		232,438	232,438
Financial assets measured at FVOCI	1,213,945	-	1,213,945
Financial assets measured at amortised cost	883,496	-	883,496
Total	3,941,963	232,438	4,174,401

5 Financial risk management (continued)

5.2 Credit risk (continued)

Credit quality by credit risk rating grades (continued)

Collateral and other credit enhancements

The Branch generally does not obtain physical collateral for its credit exposures. Instead, credit risk is primarily mitigated through guarantees obtained from borrowers or related entities, which are considered credit enhancements rather than collateral. These guarantees typically include corporate guarantees provided by parent companies of borrowers or guarantees issued by financial institutions. The Branch evaluates the financial strength and creditworthiness of guarantors as part of the credit approval process and monitors their financial standing on an ongoing basis. The guarantees are legally enforceable and are intended to reduce the Branch's exposure to credit risk in the event of borrower default.

The Branch ' s credit risk management framework therefore relies primarily on the creditworthiness of borrowers and guarantors rather than the use of pledged collateral. As of 31-Dec-2025 the Branch had exposures supported by guarantees, including a corporate guarantee from a client's parent company and guarantees provided by sister branches, amounting to AED 1,835 million (2024: 528 million).

Risk limit control and mitigation policies

The Branch maintains and manages limits and controls concentrations of credit risk wherever they are identified, in particular to individual counterparties and groups, and to industries and countries.

The credit risk is primarily managed by placing limits on the amount of risk accepted in relation to one borrower or groups of borrowers. Such risks are monitored on a daily basis.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing the lending limits where appropriate.

As part of the Branch's credit risk management policies and practices, it obtains security where deemed necessary for loans and advances. The security types are pledges of cash deposit and bank guarantees.

5 Financial risk management (continued)

5.2 Credit risk (continued)

Credit quality by credit risk rating grades (continued)
Sensitivity analysis

The Branch has calculated ECL at an individual financial instrument level, hence does not require any grouping of financial instruments in the process of loss calculation.

A sensitivity analysis is performed at the Head office level in order to determine the impact of a change in key assumptions on ECL. Given the size, composition and credit quality of the Branch's portfolio during the reporting period, no material sensitivity impact on the Branch's expected credit loss was identified.

Concentration of risks of financial assets with credit risk exposure

Concentration risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Branch's performance to developments affecting a particular industry or geographical location.

Geographical risk concentration

The following table breaks down the Branch's main credit exposure at their carrying amounts, as categorised by geographical regions as of 31 December 2025. For on-balance sheet assets, the exposures set out below are based on gross carrying amounts as reported in the statement of financial position. For this table, the Branch has allocated exposures to regions based on the country of domicile of its counterparties:

Gross amounts	UAE AED'000	Asia AED'000	Others AED'000	Total AED'000
On balance sheet items				
31 December 2025				
Cash and balances with the UAE Central Bank	**212,225**	**-**	**-**	**212,225**
Due from other banks	**589,619**	**825,853**	**234,625**	**1,650,097**
Due from group entities	**-**	**167,539**	**-**	**167,539**
Loans and advances	**216,862**	**83959**	**-**	**300,821**
Financial assets measured at FVOCI	**1,587,673**	**94,586**	**-**	**1,682,259**
Financial assets measured at amortised cost	**219,062**	**471,448**	**-**	**690,510**
Interest receivable	**5,899**	**8,274**	**1,080**	**15,253**
Other assets	**879**	**-**	**-**	**879**
Total	**2,832,219**	**1,651,659**	**235,705**	**4,719,583**

5 Financial risk management (continued)

5.2 Credit risk (continued)

Geographical risk concentration (continued)

Gross amounts	**UAE AED'000**	**Asia AED'000**	**Others AED'000**	**Total AED'000**
Off balance sheet items				
31 December 2025				
Guarantees and acceptances	**-**	**1,781,658**	**-**	**1,781,658**
Total	**-**	**1,781,658**	**-**	**1,781,658**

On balance sheet items 31 December 2024	UAE AED'000	Asia AED'000	Others AED'000	Total AED'000
Cash and balances with the UAE Central Bank	28,562	-	-	28,562
Due from other banks	474,350	550,241	119,403	1,143,994
Due from group entities	-	671,966	-	671,966
Loans and advances	123,670	108,768	-	232,438
Financial assets measured at FVOCI	495,139	718,806	-	1,213,945
Financial assets measured at amortised cost	218,158	665,338	-	883,496
Interest receivable	5,086	15,671	18	20,775
Other assets	734	-	-	734
Total	1,345,699	2,730,790	119,421	4,195,910

	UAE AED'000	Asia AED'000	Others AED'000	Total AED'000
Off balance sheet items				
31 December 2024				
Guarantees and acceptances	-	511,792	-	511,792
Total	-	511,792	-	511,792

5 Financial risk management (continued)

5.2 Credit risk (continued)

Concentration of credit risk by industry

The following table breaks down the Branch's credit exposures on loans and advances, due from banks, financial assets measured at FVOCI, financial assets measured at amortized cost and off balance sheet items categorised by industry as of 31 December 2025.

For on-balance sheet assets, the exposures set out below are based on gross carrying amounts as reported in the financial statements. For off-balance sheet assets, the exposures set out below are based on gross carrying amounts before Credit Conversion Factor (CCF).

31 December 2025	Loans and Advances AED'000	Due from other banks and group entities AED'000	Financial assets measured at FVOCI and amortized cost AED'000	Off balance sheet items AED'000	Total AED'000
Manufacturing	96,035	-	-	-	96,035
Electricity, Gas & Water	73,450	-	-	-	73,450
Other services	57,886	-	-	-	57,886
Sovereign	-	-	109,786	-	109,786
Non-banking financial institutions	73,450	-	-	-	73,450
Banks	-	1,817,636	2,262,543	1,781,658	5,861,837
Total	300,821	1,817,636	2,372,329	1,781,658	6,272,444

5 Financial risk management (continued)

5.2 Credit risk (continued)

Concentration of credit risk by industry (continued)

31 December 2024	Loans and Advances AED'000	Due from other banks and group entities AED'000	Financial assets measured at FVOCI and amortized cost AED'000	Off balance sheet items AED'000	Total AED'000
Manufacturing	110,618	-	-	-	110,618
Construction	-	-	-	-	-
Trade	59,218	-	-	-	59,218
Transport, Storage & Communication	19,472	-	-	-	19,472
Other services	43,130	-	-	-	43,130
Sovereign	-	-	495,139	-	495,139
Banks	-	1,815,960	1,602,302	511,792	3,930,054
	232,438	1,815,960	2,097,441	511,792	4,657,631
Total					

5 Financial risk management (continued)

5.2 Credit risk (continued)

Gross credit exposures by residual contractual maturity

For on-balance sheet assets, the exposures set out below are based on gross carrying amounts as reported in the balance sheet.

31 December 2025	**Up to 3 months AED'000**	**3 - 12 months AED'000**	**1-5 years AED'000**	**Over 5 years AED'000**	**Total AED'000**
Cash and balances with the UAE Central Bank	**212,225**	**-**	**-**	**-**	**212,225**
Due from other banks	**805,880**	**219,891**	**550,875**	**73,451**	**1,650,097**
Due from group entities	**47,630**	**119,909**	**-**	**-**	**167,539**
Financial assets measured at FVOCI	**493,090**	**1,189,169**	**-**	**-**	**1,682,259**
Financial assets measured at amortized cost	**367,041**	**104,407**	**219,062**	**-**	**690,510**
Loans and advances	**10,509**	**30,439**	**171,733**	**88,140**	**300,821**
Interest receivable	**6,656**	**4,083**	**2,963**	**1,551**	**15,253**
Other assets	**674**	**205**	**-**	**-**	**879**
Total funded	**1,943,705**	**1,668,103**	**944,633**	**163,142**	**4,719,583**

31 December 2024	Up to 3 months AED'000	3 - 12 months AED'000	1-5 years AED'000	Over 5 years AED'000	Total AED'000
Cash and balances with the UAE Central Bank	28,562	-		-	28,562
Due from other banks	501,306	73,450	569,238	-	1,143,994
Due from group entities	400,818	271,146	-	-	671,964
Financial assets measured at FVOCI	236,448	869,416	108,081	-	1,213,945
Financial assets measured at amortized cost	650,034	14,819	218,643	-	883,496
Loans and advances	84,277	24,491	123,670	-	232,438
Interest receivable	8,635	12,140	-	-	20,775
Other assets	481	253	-	-	734
Total funded	1,910,561	1,265,715	1,019,632	-	4,195,908

5 Financial risk management (continued)

5.3 Market risk

The Branch is exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Market risk arises from open positions in interest rates and foreign currencies, which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as movements in interest rates, credit spreads and foreign exchange rates. Market risk comprises price risk, currency risk and interest rate risk.

The Risk Management Committee and The Assets Liability Committee (ALCO) are responsible for formalising the Branch's key financial indicators, ratios and limits used to manage and monitor market risk and also analysing the sensitivity of the Branch's interest rate and maturity mis-matches. ALCO also guides the Branch's investment decisions and provides guidance in terms of interest rate and currency movements.

5.3.1 Price risk

Price risk is the risk that the value of the Branch's financial instruments will fluctuate as a result of changes in market prices arising from factors other than interest rates or foreign currency movements. The price risk arises primarily from uncertainty regarding the future market value of financial instruments held by the Branch. The Branch holds significant financial instruments whose value is affected by changes in market prices.

Price risk is monitored on an ongoing basis as treasury transactions are undertaken. The monitoring scope includes interbank placements and bond investments. The Branch conducts Stress testing every month as per the formulated stress testing plan and submits the quarterly stress testing results to the Risk Management Committee for review and approval according to relevant responsibilities.

5.3.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency.

The Branch takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Head Office sets limits on foreign currency exposure by individual currency and in aggregate for both overnight and intra-day positions, which are monitored on a daily basis. The table below summarises the Branch's exposure to foreign currency exchange rate risk. Included in the table are the Branch's financial instruments at gross carrying amounts, categorised by currency.

5 Financial risk management (continued)

5.3 Market risk (continued)

5.3.2 Currency risk (continued)

The Branch has limited net on-balance sheet gross exposure to foreign exchange risk as it has no significant net open positions in foreign currencies other than the USD to which the AED is pegged.

	AED	USD	EUR	CNY	Total
As at 31 December 2025	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Assets					
Cash and balances with the UAE Central Bank	212,211	14	-	-	212,225
Due from other banks	2,230	1,645,319	2,534	14	1,650,097
Due from group entities	-	-	-	167,539	167,539
Financial assets measured at FVOCI and amortised cost	1,477,448	328,848	-	566,033	2,372,329
Loans and advances	-	247,116	43,196	10,509	300,821
Interest receivable	18	13,393	48	1,794	15,253
Other assets	60,955	556	-	-	61,511
Total financial assets	**1,752,862**	**2,235,246**	**45,778**	**745,889**	**4,779,775**
Liabilities					
Due to other banks	-	865,975	34,557	56,138	956,670
Due to customers	29,257	47,310	904	3,847	81,318
Due to group entities	-	2,514,331	-	683,806	3,198,137
Interest payable	23	12,204	220	876	13,323
Other liabilities	63,718	8,478	385	250	72,831
Total financial liabilities	**92,998**	**3,448,298**	**36,066**	**744,917**	**4,322,279**
Net on-balance sheet financial position	**1,659,864**	**-1,213,052**	**9,712**	**972**	**457,496**

5 Financial risk management (continued)

5.3 Market risk (continued)

5.3.2 Currency risk (continued)

	AED	USD	EUR	CNY	Total
As at 31 December 2024	AED'000	AED'000	AED'000	AED'000	AED'000
Assets					
Cash and balances with the UAE Central Bank	20,946	7,616	-	-	28,562
Due from other banks	33,741	882,034	2,375	225,844	1,143,994
Due from group entities	-	20,199	61,030	590,737	671,966
Financial assets measured at FVOCI and amortised cost	387,300	325,998	-	1,384,144	2,097,442
Loans and advances	-	85,526	38,144	108,768	232,438
Interest receivable	103	6,925	91	13,656	20,775
Other assets	71,922	351	-	-	72,273
Total financial assets	514,012	1,328,649	101,640	2,323,149	4,267,450
Liabilities					
Due to other banks	-	62,432	53,402	87,440	203,274
Due to customers	12,324	29,858	1,381	2,795	46,358
Due to group entities	-	1,220,037	38,144	2,237,267	3,495,448
Interest payable	-	5,305	296	4,566	10,167
Other liabilities	62,611	3,453	22	-	66,086
Total financial liabilities	74,935	1,321,085	93,245	2,332,068	3,821,333
Net on-balance sheet financial position	439,077	7,564	8,395	(8,919)	446,117

5 Financial risk management (continued)

5.3 Market risk (continued)

5.3.3 Foreign currency Sensitivity analysis

The Branch is exposed to foreign exchange risk primarily in EUR and CNY. The following table demonstrates the sensitivity of the Branch's profit before tax to a 5% change in exchange rates, with all other variables held constant.

Currency	Impact ± 5% on profit 2025 (AED'000)	Impact ± 5% on profit 2024 (AED'000)Y
EUR	**485**	420
CNY	**59**	373
Total	**544**	793

5 Financial risk management (continued)

5.3 Market risk (continued)

5.3.4 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Branch takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Branch sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored daily by the treasury function.

The table below summarises the Branch's exposure to interest rate risks. It includes the Branch's financial instruments at gross carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

At 31 December 2025	Less than 3 months AED'000	3 months to 1 year AED'000	1 to 5 years AED'000	Over 5 years AED'000	Non-interest bearing AED'000	Total AED'000
Assets						
Cash and balances with the UAE Central Bank	175,000	-	-	-	37,225	212,225
Due from other banks	1,417,126	179,954			53,017	1,650,097
Due from group entities	47,630	119,909	-	-	-	167,539
Financial assets measured at FVOCI and amortised cost	860,130	1,293,137	219,062	-	-	2,372,329
Loans and advances	300,821	-	-	-	-	300,821
Interest receivable	-	-	-	-	15,253	15,253
Other assets	-	-	-	-	61,511	61,511
Total financial assets	2,800,707	1,593,000	219,062	-	167,006	4,779,775

5 Financial risk management (continued)

5.3 Market risk (continued)

5.3.4 Interest rate risk (continued)

At 31 December 2025	Less than 3 months AED'000	3 months to 1 year AED'000	1 to 5 years AED'000	Over 5 years AED'000	Non-interest bearing AED'000	Total AED'000
Liabilities						
Due to customers	81,318	-	-	-	-	81,318
Due to other banks	900,534	-	-	-	56,136	956,670
Due to group entities	2,519,350	678,081	-	-	706	3,198,137
Interest payable	-	-	-	-	13,323	13,323
Other liabilities	-	-	-	-	72,831	72,831
Total financial liabilities	3,501,202	678,081	-	-	142,996	4,322,279
Interest maturity gap	-700,495	914,919	219,062	-	24,010	457,496

5 Financial risk management (continued)

5.3 Market risk (continued)

5.3.4 Interest rate risk (continued)

At 31 December 2024	Less than 3 months AED'000	3 months to 1 year AED'000	1 to 5 years AED'000	Over 5 years AED'000	Non-interest bearing AED'000	Total AED'000
Assets						
Cash and balances with the UAE Central Bank					416,363	416,363
Due from other banks	1,073,128				70,868	1,143,996
Due from group entities	400,817	271,146	-	-	-	671,963
Financial assets measured at FVOCI and amortised cost	697,447	1,146,280	605,224	-	-	2,448,951
Loans and advances	206,437	76,976	-	-	-	283,413
Interest receivable	-	-	-	-	21,017	21,017
Other assets	-	-	-	-	47,664	47,664
Total financial assets	1,474,665	1,552,867	605,224	-	391,586	4,024,342
Liabilities						
Due to customers	62,300	-	-	-	-	62,300
Due to other banks and group entities	2,812,045	620,180	-	-	40,013	3,472,238
Interest payable	-	-	-	-	11,059	11,059
Other liabilities	-	-	-	-	54,715	54,715
Total financial liabilities	2,874,345	620,180	-	-	105,787	3,600,312
Interest maturity gap	(1,399,680)	932,687	605,224	-	285,799	424,863

5 Financial risk management (continued)

5.3 Market risk (continued)

5.3.4 Interest rate risk (continued)

The table below summarizes the average interest rate on the outstanding interest bearing balances by major currencies for monetary financial instruments:

	2025				2024			
	AED	**CNY**	**USD**	**EUR**	AED	CNY	USD	EUR
	%	**%**	**%**	**%**	%	%	%	%
Assets								
Due from other banks and group entities	**-**	**1.67**	**4.37**	**-**	4.45	2.17	4.60	2.75
Financial assets measured at FVOCI	**4.01**	**1.10**	**3.13**	**-**	5.31	2.53	3.90	-
Financial assets measured at AC	**-**	**1.63**	**4.65**	**-**	-	2.75	5.25	-
Loans and advances	**-**	**1.75**	**4.84**	**2.86**	-	2.15	5.33	3.66
Liabilities								
Due to other banks and group entities	**-**	**1.55**	**3.96**	**2.16**	-	1.82	4.88	3.29

Interest rate risk is also assessed by measuring the impact of a reasonable possible change in interest rate movements. The Branch assumes a fluctuation in interest rates of 200 basis points (bps) as being reasonable and estimates the following impact on interest income and interest expense for the period:

	2025	2024
	AED'000	AED'000
+ 200 basis point parallel move in all yield curves	**(3,967)**	(976)
- 200 basis point parallel move in all yield curves	**3,967**	976

The above sensitivity analysis does not incorporate actions that could be taken by management to mitigate the effect of interest rate movements.

5 Financial risk management (continued)

5.3 Market risk (continued)

5.3.4 Interest rate risk (continued)

Sensitivity of FVOCI securities to interest rate movements:

The table below summarize the impact of a reasonably possible change of 50 basis points in interest rates on the fair value of debt securities classified as fair value through other comprehensive income (FVOCI) at the reporting date, assuming all other variables remain constant.

Currency	**Impact ± 5% on profit 2025 (AED'000)**	**Impact ± 5% on profit 2024 (AED'000)**
+ 50 basis point parallel move in all yield curves	**(3,004)**	(3,569)
- 50 basis point parallel move in all yield curves	**3,004**	3,569

5.4 Liquidity risk

Liquidity risk is the risk that the Branch is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

The Branch manages its liquidity in accordance with the Central Bank of the UAE's requirements and the Branch's internal guidelines. The Central Bank of the UAE has reserve requirements on deposits ranging between 1% and 14% on demand and time deposits. The Central Bank of the UAE also imposes mandatory 1:1 advance to deposit ratio whereby loans and advances (combined with inter-bank placements having a remaining term of greater than three months) should not exceed stable funds as defined by the Central Bank of the UAE. The Branch monitors liquidity ratios on a regular basis and for covering the risk of any mismatch in liquidity, Head Office funding is available to the Branch.

5 Financial risk management (continued)

5.4 Liquidity risk (continued)

The table below presents the cash flows payable by the Branch under non-derivative financial liabilities by remaining contractual maturity at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Up to 3 months AED'000	3 - 12 months AED'000	1-5 years AED'000	Over 5 years AED'000	Total AED'000
Liabilities					
At 31 December 2025					
Due to other banks	**956,670**	-	-	-	**956,670**
Due to customers	**81,318**	-	-	-	**81,318**
Due to group entities	**2,520,058**	-	-	**678,079**	**3,198,137**
Interest payable	**13,323**	-	-	-	**13,323**
Other liabilities	-	**62,185**	-	-	**62,185**
Lease liabilities	-	**1,595**	**822**	-	**2,417**
Total financial liabilities	**3,571,369**	**63,780**	**822**	**678,079**	**4,314,050**

Off-balance sheet items	No later than 1 year AED'000	1-5 years AED'000	Over 5 years AED'000	Total AED'000
At 31 December 2025				
Guarantees and acceptances	**201,997**	**1,579,661**	-	**1,781,658**
Undrawn credit commitments – Irrevocable	-	-	-	-
Total	**201,997**	**1,579,661**	-	**1,781,658**

5 Financial risk management (continued)

5.4 Liquidity risk (continued)

	Up to 3 months AED'000	3 - 12 months AED'000	1-5 years AED'000	Over 5 years AED'000	Total AED'000
Liabilities					
At 31 December 2024					
Due to other bank	203,274	-	-	-	203,274
Due to customers	46,358	-	-	-	46,358
Due to group entities	2,844,648	32	-	650,768	3,495,448
Interest payable	10,167	-	-	-	10,167
Other liabilities	-	66,087	-	-	66,087
Lease liabilities	-	619	3,298	-	3,917
Total financial liabilities	3,104,447	66,738	3,298	650,768	3,825,251

Off-balance sheet items	No later than 1 year AED'000	1-5 years AED'000	Over 5 years AED'000	Total AED'000
At 31 December 2024				
Guarantees and acceptances	92,540	419,252	-	511,792
Undrawn credit commitments – Irrevocable	-	-	-	-
Total	92,540	419,252	-	511,792

5.5 Fair value of financial assets and liabilities

Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Branch's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

5 Financial risk management (continued)

5.5 Fair value of financial assets and liabilities (continued)

The following table presents the Branch's assets and liabilities that are measured at fair value:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 December 2025				
Financial assets measured at FVOCI	**204,371**	**1,477,448**	**-**	**1,681,819**
Derivative assets	**-**	**60,632**	**-**	**60,632**
Derivative liabilities	**-**	**49,748**	**-**	**49,748**
31 December 2024				
Financial assets measured at FVOCI	765,278	447,880	-	1,213,158
Derivative assets	-	71,540	-	71,540
Derivative liabilities	-	55,726	-	55,726

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

Management considers that the carrying amounts of financial assets and financial liabilities having short term maturity measured at amortized cost in the financial statements approximate their fair values. Cash and cash equivalents, Due from / to banks, other group entities and customers are considered as Level 2 and Loans and advances are considered as Level 3.

6 Capital management

The Branch's capital management framework is designed to ensure that the Branch maintains a stable capital base to support its business strategy, meet regulatory requirements, and safeguard the interests of depositors and other stakeholders. Capital is managed in accordance with the Central Bank of the UAE ("CBUAE") Standards re Capital Adequacy of Banks in the UAE (December 2022), which implement the Basel III capital framework.

Under the CBUAE Capital Adequacy Standards, regulatory capital is classified into three tiers: Common Equity Tier 1 ("CET1"), Additional Tier 1 ("AT1"), and Tier 2 capital. The Branch is required to maintain minimum capital ratios against risk-weighted assets ("RWAs") calculated for credit risk, market risk and operational risk

The minimum Pillar 1 capital requirements as set out by the Central Bank are as follows:

- Minimum common equity tier 1 (CET 1) ratio of 7% of risk weighted assets (RWAs).
- Minimum tier 1 ratio of 8.5% of RWAs.
- Total capital adequacy ratio of 10.5% of RWAs.

In addition, banks are required to maintain a Capital Conservation Buffer ("CCB") of 2.5%, comprised of CET1 capital. Accordingly, the effective minimum total capital adequacy requirement is 13.0%.

6 Capital management (continued)

The Branch ensures that the general impairment reserve is excluded from the computation of the capital base for the purposes of capital adequacy ratio calculations and is not eligible for inclusion in either Tier 1 or Tier 2 capital. Amounts are eligible to be added back to regulatory capital only where they are recognised as provisions charged to profit or loss, in accordance with Central Bank of the UAE regulations.

The Branch monitors its capital position on an ongoing basis to ensure compliance with all applicable regulatory requirements and internal risk appetite limits. Capital planning and management are integrated with the Branch's risk management framework and are supported by stress testing and forward-looking assessments as part of the Internal Capital Adequacy Assessment Process.

6.1 Capital structure and capital adequacy as per Basel III requirement

The table below summarizes the composition of regulatory capital and the ratios of the Branch as per BASEL III guidelines and has complied with all of the externally imposed capital requirements which it is subject to. As per the Central Bank regulation for Basel III, the capital requirement as at 31 December 2025 is 13% inclusive of capital conservation buffer of 2.5%. The Branch has also applied the standards issued vide its circular dated 30 December 2022 by the CBUAE which includes additional Guidance on the topics of Credit Risk, Market Risk, Operational Risk, Equity Investment in Funds (EIF), CounterParty Credit Risk (CCR) and Credit Value Adjustment (CVA). The Standards support the implementation of the "Regulations re Capital Adequacy" (Notice No:CBUAE/ BSD/2022/5280):

	2025	2024
	AED'000	AED'000
Common equity tier 1 (CET1) capital		
Allocated capital	**367,340**	367,340
Fair value reserve*	**254**	425
Accumulated earnings	**56,845**	32,723
Legal reserve	**6,976**	4,741
IFRS transitional arrangement**	**-**	95
CET 1 capital before regulatory deductions	**431,415**	405,324
Regulatory deductions		
Intangible assets	**-**	(3)
Total CET1 Capital	**431,415**	405,321
Total Tier 1 Capital	**431,415**	405,321
Tier 2 capital		
General impairment reserve***	**-**	26,215
Total capital base	**431,415**	431,536

6 Capital management (continued)

6.1 Capital structure and capital adequacy as per Basel III requirement (continued)

Risk weighted assets		
Credit risk	**1,817,806**	2,097,177
Market risk	**13,853**	30,750
Operational risk	**86,741**	69,813
Total risk weighted assets	**1,918,400**	2,197,740
Capital adequacy ratio	**22.49%**	19.64%
Tier 1 ratio	**22.49%**	18.44%
CET1 ratio	**22.49%**	18.44%

* Fair value reserve of AED 0.25 million with a haircut of 55% (2024: fair value loss of AED 0.43 million) on financial assets measured at FVOCI are added to CET 1 in accordance with Basel requirements.

** In order to relieve the pressure on financial institutions, the CBUAE, vide its official paper issued on 5 April 2020, had allowed banks to apply a prudential filter to IFRS 9 expected loss provisions. The prudential filter was intended to minimize the effect of IFRS 9 provisions on regulatory capital, in view of the expected volatility due to the COVID 19 crisis. This add-back was discontinued at the end of 2024. Accordingly, no IFRS9 ECL add-backs were applied in 2025.

*** As per the instructions of CBUAE, the general impairment reserve is excluded from the computation of the regulatory capital base for Capital adequacy ratio calculations and is not eligible for inclusion in the Tier 1 or Tier 2 capital unless recognized as provisions charged against income.

7 Cash and balances with the UAE Central Bank

	2025	2024
	AED'000	AED'000
Statutory reserve	**22,750**	7,700
Current account with the UAE Central Bank	**189,475**	20,862
Total	**212,225**	28,562

Statutory reserve balances with the UAE Central Bank are maintained in accordance with the regulatory requirements. The level of reserve required by the UAE Central Bank changes every 14 days.

8 Due from other banks

	2025 AED'000	2024 AED'000
Demand deposits	**53,018**	70,868
Loan to banks	**774,439**	642,688
Time deposits	**822,640**	430,438
	1,650,097	1,143,994
Less: Allowance for impairment (Note 8 (a))	**(2,027)**	(1,583)
Total	**1,648,070**	1,142,411

The interest rates on balances due from other banks shown above range from 1.65% to 5.50% (2024: 1.50% to 5.94%) per annum.

8 (a) Movement in allowance for impairment

	2025 AED'000	2024 AED'000
Opening balance	**1,583**	1,221
Impairment charge for the year	**440**	364
Foreign Exchange adjustment	**4**	(2)
Closing balance	**2,027**	1,583

9 Due from group entities

	2025 AED'000	2024 AED'000
Current accounts	**47,629**	137,998
Term deposits	**119,910**	533,968
Total	**167,539**	671,966

The interest rates on balances due from group entities shown above range from 1.62% to 1.77% (2024: 1.82% to 2.75%) per annum. The ECL on group related exposures is considered as immaterial and has not been recognized.

10 Loans and advances

10 (a) Loans and advances

	2025 **AED'000**	2024 AED'000
Loans and advances measured at amortised cost	**300,821**	232,438
Less: Allowance for impairment (Note 10(c))	**(1,353)**	(977)
Net loans and advances	**299,468**	231,461

10(b) Analysis of loans and advances

	2025 **AED'000**	2024 AED'000
Loans to customers:		
Bilateral loans	**10,509**	108,768
Syndication loans	**290,312**	123,670
Total loans and advances	**300,821**	232,438

10(c) Movement in allowance for impairment

	2025 **AED'000**	2024 AED'000
Opening balance	**977**	2,387
Impairment charge/(reversal) for the year	**325**	(1,358)
Exchange rate adjustment	**51**	(52)
Closing balance	**1,353**	977

11 Financial assets

(i) Financial assets measured at FVOCI

	2025 **AED'000**	2024 AED'000
Corporate bonds	**94,576**	716,480
Government bonds	**1,586,781**	495,906
Gross carrying amount before revaluation	**1,681,357**	1,212,386
Add: Fair value gain on corporate bonds	**9**	1,539
Add: Fair value gain/(loss) on government bonds	**453**	(767)
Total fair value change	**462**	772
Total	**1,681,819**	1,213,158

11 Financial assets (continued)

(i) Financial assets measured at FVOCI (continued)

The yields on these quoted securities vary from 1.10% to 4.20% (2024: 1.10% to 5.125%) per annum and have maturities ranging between Jan to Sep 2026.

11 (ii) Financial assets measured at amortized cost

	2025 **AED'000**	2024 AED'000
Corporate bonds measured at amortized cost	**690,510**	883,496
Less: Allowance for impairment (Note 11 (ii)(a))	**(464)**	(566)
Total	**690,046**	882,930

The yields on these quoted securities for 2025 vary from 1.62%-5.13% (2024: 1.54% to 4.92%) per annum.

11 (ii) (a) Movement in provision for impairment

	2025 **AED'000**	2024 AED'000
Opening balance	**566**	833
Impairment (reversal) /charge for the year	**(102)**	(267)
Exchange rate adjustment	**-**	-
Closing balance	**464**	566

12 Interest receivable

	2025 **AED'000**	2024 AED'000
Loans and advances	**2,344**	1,244
Due from other banks	**7,970**	3,337
Due from group entities	**973**	5,167
Investment in securities and certificate of deposits	**3,966**	11,027
Total	**15,253**	20,775

13 Property and equipment

	Furniture & fixtures AED'000	**Motor vehicles** AED'000	**Computer & accessories** AED'000	**Leasehold improvements** AED'000	**Total** AED'000
Cost					
At 1 January 2025	**524**	**324**	**2,457**	**3,121**	**6,426**
Additions during the year	**18**	**-**	**119**	**704**	**841**
At 31 December 2025	**542**	**324**	**2,576**	**3,825**	**7,267**
Accumulated Depreciation					
At 1 January 2025	**(524)**	**(290)**	**(2,325)**	**(3,121)**	**(6,260)**
Charge for the year	**(0)**	**(34)**	**(80)**	**(12)**	**(126)**
At 31 December 2025	**(524)**	**(324)**	**(2,405)**	**(3,133)**	**(6,386)**
	-	**-**		**-**	
Net book value					
At 31 December 2025	**18**	**-**	**171**	**692**	**881**

	Furniture & fixtures AED'000	**Motor vehicles** AED'000	**Computer & accessories** AED'000	**Leasehold improvements** AED'000	**Total** AED'000
Cost					
At 1 January 2024	524	324	2,396	3,121	6,365
Additions during the year	-	-	61	-	61
At 31 December 2024	524	324	2,457	3,121	6,426
Accumulated Depreciation					
At 1 January 2024	(516)	(250)	(2,255)	(2,999)	(6,020)
Charge for the year	(8)	(40)	(70)	(122)	(240)
At 31 December 2024	(524)	(290)	(2,325)	(3,121)	(6,260)
Net book value					
At 31 December 2024	-	34	132	-	166

14 Intangible assets

	2025	2024
	AED'000	AED'000
Cost		
Opening balance	**507**	507
Additions during the year	**-**	-
Closing balance	**507**	507
Accumulated amortization		
Opening balances	**(504)**	(488)
Charge for the year	**(3)**	(16)
Closing balances	**(507)**	(504)
Net book value	**-**	3

15 Other assets

	2025	2024
	AED'000	AED'000
Accounts receivable	**879**	734
Derivative assets (note 30)	**60,632**	71,540
	61,511	72,274

16 Due to other banks

	2025	2024
	AED'000	AED'000
Time deposits	**900,532**	115,834
Current accounts	**56,138**	87,440
	956,670	203,274

The interest rates on balances due to other banks for 2025 ranged from 2.16% to 4.13% (2024: 3.28% to 4.87%) per annum.

17 Due to customers

	2025	2024
	AED'000	AED'000
Time deposits	**3,500**	-
Current accounts	**77,818**	46,358
Total	**81,318**	46,358

Current accounts due to customers are non-interest bearing.

18 Due to group entities

	2025 AED'000	2024 AED'000
Loan from Head Office	**678,082**	650,799
Term deposits	**2,519,349**	2,824,533
Current account	**706**	20,116
Total	**3,198,137**	3,495,448

The interest rates on balances due to group entities shown above range from 1.53% to 5.60% (2024: 1.70% to 5.60%) per annum.

19 Interest payable

	2025 AED'000	2024 AED'000
Interest payable to customer	**23**	-
Interest payable to other banks	**5,757**	407
Interest payable to group entities	**7,543**	9,760
Total	**13,323**	10,167

20 Other liabilities

	2025 AED'000	2024 AED'000
Derivative liabilities	**49,748**	55,726
Income tax payable	**5,739**	4,751
Staff salary payable	**6,940**	6,599
Other payables	**5,497**	3,763
Total	**67,924**	70,839

21 Allocated capital

In accordance with the UAE Union Law Number (10) of 1980, as amended, allocated capital represents the amount of an interest free deposit provided by the Head Office.

The Branch has not purchased any shares during the year ended 31 December 2025.

22 Legal reserve

In accordance with the Articles of Association of the Branch and Decretal Federal Law No. (14) of 2018, 10% of the net profit for the year is transferred to the legal reserve. The Branch may resolve to discontinue such annual transfers when the reserve equals 50% of the nominal value of the paid-up share capital. Accordingly, an amount of AED 2.23 million has been transferred to legal reserve during the year (2024 - AED 2.16million). The legal reserve is not available for distribution.

23 General impairment reserve

In accordance with the Credit Risk Management regulation and accompanying Standards issued by the CBUAE (Circular No.3/2024), a general impairment reserve has been established to reflect the shortfall between the minimum regulatory general provision requirement of 1.50% of the Branch's Credit risk-weighted assets and the impairment provisions recognized under IFRS 9.

The general impairment reserve represents a non-distributable regulatory reserve established in equity for prudential purposes. The regulatory treatment of this reserve is determined in accordance with applicable CBUAE regulatory requirements. In accordance with CBUAE requirements, the amount held in the general impairment reserve is excluded from the capital base for the purposes of calculating capital adequacy ratios.

Pursuant to Article No.9 of the regulations, issued under Circular No.3/2024, the reconciliation between the general and specific provisions determined in accordance with CBUAE requirements and the impairment provisions recognized under IFRS9 is as follows:

	2025	2024
	AED'000	AED'000
Non-distributable impairment reserve - General		
Minimum provision for Stage 1 &2 as per CBUAE requirements	**31,847**	35,197
Less: Stage 1 and 2 impairment provision taken against income	**(4,719)**	(4,062)
Shortfall in stage 1 & 2 provision to meet minimum CBUAE requirements	**27,129**	31,135
Balance of impairment reserve - general as at January 1	**27,129**	31,135
Add: Non-distributable reserve during the year (Impairment reserve-general)	-	-
Balance of impairment reserve - general as at December 31	**27,129**	31,135

23 General impairment reserve (continued)

The calculation process, the methodology and the results relating to the general impairment reserve have been reviewed by the committee responsible for the oversight of provisions. These have been formally presented by the Chief Risk Officer to the committee. The resulting provisions and the related general impairment reserve have ultimately been presented to and approved by the Senior Management, in accordance with Article 9 of the Credit Risk Management Regulation and accompanying Standards issued under Circular No. 3/2024 dated 17-Oct-2024.

The Branch also considers relevant regulatory requirements, in the context of the alignment of those requirements with IFRS, in the estimation of ECL in respect of Stage 3 exposures. As at 31 December 2025, no exposure is classified under Stage 3.

24 Contingencies and commitments

	2025	2024
	AED'000	AED'000
Guarantees	**1,781,658**	511,792
Undrawn credit commitments – irrevocable	**-**	-
	1,781,658	511,792

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Branch will make payments in the event that a customer cannot meet his obligations to third parties, carry the same credit risk as loans and advances. Documentary and commercial letters of credit, which are written undertakings on behalf of a customer authorising a third party to draw drafts on the Branch up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore have less risk. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Branch does not generally expect the third party to draw funds under the agreement.

Guarantees and acceptances include AED 1,676 million (2024: AED 512 million) issued on behalf of other sister branches.

25 Interest income

	2025	2024
	AED'000	AED'000
Loans and advances	**11,603**	14,511
Due from other banks	**50,583**	41,946
Due from group entities	**6,473**	12,653
Investment in securities and CDs	**82,046**	67,775
Total	**150,705**	136,885

26 Interest expense

	2025 AED'000	2024 AED'000
Due to customers	**23**	-
Due to group entities	**91,472**	85,402
Due to other banks	**17,292**	22,203
Total	**108,787**	107,605

27 Operating expenses

	2025 AED'000	2024 AED'000
Staff costs (note 27 (a))	**20,930**	20,583
Telecommunications and computers	**1,256**	1,231
Depreciation and amortisation	**1,774**	1,692
Professional services charges	**1,182**	954
Other expenses	**2,583**	1,519
Total	**27,725**	25,979

27 (a) Staff costs

	2025 AED'000	2024 AED'000
Salaries and allowances	**18,702**	18,398
Other staff costs	**2,228**	2,185
Total	**20,930**	20,583

28 Allowances for impairment

	2025 AED'000	2024 AED'000
(Charge)/reversal on loans and advances	**(325)**	1,358
(Charge)/reversal on due from other banks	**(440)**	(364)
Reversal on financial assets	**467**	230
(Charge)/reversal on others	**(285)**	28
Total (Charge)/reversal for the year	**(583)**	1,252

29 Tax expense

The Branch implemented UAE Corporate Tax from 1 January 2024 in line with Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses. The entities within the UAE corporate tax group were subject to 9% corporate tax.

As per the Law no.1 of 2024 concerning tax on foreign banks operating in the emirate of Dubai, the Branch is subject to the income tax of 20%, however the percentage of corporate tax applied in accordance with the Corporate Tax Law shall be considered in calculating the additional tax to arrive at the tax rate of 20% as applicable to the foreign bank branches.

In line with the OECD's Global Minimum Tax initiative (Pillar Two), the UAE Ministry of Finance has implemented a Domestic Minimum Top-Up Tax (DMTT) of 15%, which will be applicable to Multinational Enterprises (MNEs) for financial years commencing on or after 1 January 2025. The Group qualifies as an MNE, having consolidated revenue that exceeds the EUR 750 million threshold in two out of the four preceding years; therefore, DMTT regulations will apply to the Group.

The tax charge for the year ended 31 December 2025 is AED 5.74 million (2024: AED 5.09 million), representing the Branch effective tax rate of 20.43% (2024: 19.06%).

Reconciliation of effective tax rate

	2025 AED'000	2024 AED'000
Accounting Profit before tax	**28,091**	26,723
Tax at applicable rate (20%)	**5,618**	5,345
Tax effect of:		
Exempt income/gain	**-**	(251)
Non-deductible expenses for tax purposes	**122**	-
Tax expense	**5,740**	5,094
Effective tax rate	**20.43%**	19.06%

Provision for Taxation

	2025 AED'000	2024 AED'000
Balance at 1 January	**5,001**	5,245
Charged during the year	**5,740**	5,344
Reversal during the year	**(250)**	-
Payment during the year	**(4,752)**	(5,588)
Balance at 31 December	**5,739**	5,001

30 Derivatives

Analysed by type of contract:

	Notional amounts AED'000	Fair value	
		Asset AED'000	**Liability AED'000**
As at 31 December 2025			
Foreign exchange currency Contracts	**6,068,552**	**60,632**	**49,748**

	Notional amounts AED'000	Fair value	
		Asset AED'000	Liability AED'000
As at 31 December 2024			
Foreign exchange currency Contracts	4,377,103	71,540	55,726

31 Leases

Right-of-use assets

	2025 AED'000	2024 AED'000
As of 1 January	**3,795**	470
Additions during the year	**-**	4,743
Depreciation for the year	**(1,627)**	(1,418)
As of 31 December	**2,168**	3,795

Lease liabilities

	2025 AED'000	2024 AED'000
As of 1 January	**3,917**	619
Interest expense	**19**	17
Additions during the year	**-**	4,743
Payment during the year	**(1,519)**	(1,462)
As of 31 December	**2,417**	3,917

32 Cash and cash equivalents

	2025 AED'000	2024 AED'000
Balances with UAE Central Bank	**212,225**	28,562
Due from banks (less than three months)	**752,863**	434,199
Due from group entities (less than three months)	**47,629**	137,998
	1,012,717	600,759

33 Related parties

A number of transactions are entered into with the group entities (Head office and sister branches) in the ordinary course of business at mutually agreed terms and conditions and are duly approved by the management of the branches . These include loans, deposits, foreign currency transactions and guarantees.

Related party transactions

	2025 AED'000	2024 AED'000
Interest income		
Head Office	**157**	1,845
Other branches	**6,316**	10,808
	6,473	12,653
Interest expense		
Head Office	**59,677**	68,763
Other branches	**31,795**	16,639
	91,472	85,402
Commission expense		
Head Office	**151**	122
Other branches	**-**	-
	151	122

Related party balances

	2025 AED'000	2024 AED'000
Due from group entities		
Head Office	**45,511**	134,303
Other branches	**122,028**	537,663
	167,539	671,966
Interest receivable		
Head Office	**-**	-
Other branches	**973**	5,167
	973	5,167

33 Related parties (Continued)

Related party balances (Continued)

	2025 AED'000	2024 AED'000
Due to group entities		0
Head Office	**1,361,181**	2,867,950
Other branches	**1,836,956**	627,498
	3,198,137	3,495,448
Interest payable		
Head Office	**2,418**	6,537
Other branches	**5,125**	**3,223**
	7,543	9,760

Derivative assets and liabilities

	2025 AED'000	2024 AED'000
Derivative assets		
Head Office	**-**	69,837
Other branches	**30,594**	1,669
	30,594	71,506
Derivative liabilities		
Head Office	**29,299**	-
Other branches	**-**	15,602
	29,299	15,602

Contingencies and commitments

	2025 AED'000	2024 AED'000
Guarantees		
Head Office	**-**	-
Other branches	**1,675,814**	511,792
	1,675,814	511,792

Key management personnel Remuneration

	2025 AED'000	2024 AED'000
Remuneration to key management personnel		
Short-term benefits	**1,719**	1,687
Long-term benefits	**137**	245
	1,856	1,932

34 Subsequent events

Subsequent to the balance sheet date, the Branch has evaluated events and transactions occurring up to date of issuance of these financial statements for potential recognition or disclosure. With respect to financial statements for the year ended 31 December 2025, the potential financial reporting effects of the conflict are considered to be non-adjusting in nature.

Management has evaluated the impact of the recent US-Israel-Iran conflict on the Branch's business. Given the fact that most of bank's customers are rated as sovereign-grade, the likelihood of being materially affected is low. In addition, the Branch has established contingency plans for liquidity, business continuity, and with the strong support of the head office, it is well-positioned to effectively respond to regional conflicts. As the situation is fast evolving and fluid, the effect of the escalations is subject to significant levels of uncertainty, and the full range of possible effects on the Branch's financial position and operating environment remains unknown.