Abu Dhabi Commercial Bank PJSC

Consolidated financial statements for the year ended December 31, 2025

The audited consolidated financial statements are subject to approval by CBUAE and Shareholders at the Annual General Meeting

بنك أبوظبي التجاري
ADCB

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ABU DHABI COMMERCIAL BANK PJSC

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

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

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

Basis for Opinion

We have conducted our audit in accordance with International Standards on Auditing (ISAs) and the applicable requirements of Abu Dhabi Accountability Authority (ADAA) Chairman Resolution No. 88 of 2021 Regarding Financial Statements Audit Standards for the Subject Entities. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Codes of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) applicable to audit of consolidated financial statements of public interest entities, together with the other ethical requirements that are relevant to our audit of the consolidated financial statements of public interest entities in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Expected credit loss ("ECL") allowance on loans and advances to customers	
As described in Notes 11 and 43 to the consolidated financial statements, the Group had loans and advances of AED 405.9 billion as at 31 December 2025, representing 52.4% of total assets. The determination of the Group's expected credit losses for loans and advances to customers measured at amortised cost is considered a key audit matter as it is a quantitatively significant estimate which requires significant management judgement to be applied in the evaluation of the credit quality and the estimation of inherent credit losses in the portfolio and consequently requires significant audit effort.	We performed the following audit procedures on the computation and reasonableness/ appropriateness of the ECL allowance included in the Group's consolidated financial statements for the year ended 31 December 2025: We obtained an understanding of the loans and advances origination process, credit risk management process and the estimation process of determining ECL allowances on loans and advances to customers. We assessed these controls to determine if they had been appropriately designed and implemented, and tested these controls to determine if they had been operating effectively.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ABU DHABI COMMERCIAL BANK PJSC (continued)

Key Audit Matters (continued)

Key audit matter	**How our audit addressed the key audit matter**
Expected credit loss ("ECL") allowance on loans and advances to customers (continued)	
The material portion of the non-retail portfolio of loans and advances to customers is assessed individually for credit impairment. This requires management to capture all qualitative and quantitative reasonable and supportable forward-looking information while assessing credit-impaired criteria for the exposure. Management judgement may also be involved in manual staging movements in accordance with the requirements of IFRS Accounting Standards. The measurement of ECL amounts for retail and non-retail exposures classified as Stage 1 and Stage 2 is model-based with limited manual intervention. It is important that these models, which contain Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD) and macroeconomic adjustments, are valid throughout the reporting period. The Group performed independent validation and monitoring of the PD, LGD and macro-economic models, during the reporting period. For further information on the accounting policies relating to impairment of loans and advances, as well as the Group's management of credit risk, refer to Note 3.8 and Note 43 to the consolidated financial statements, respectively.	We assessed, on a sample basis, that reported exceptions to policies and procedures as outlined in the Board risk appetite statement were approved by the Board Risk Committee and the approval process was formally documented. For a sample of new / renewed corporate credit facilities, we checked that reported exceptions to limits, as set out in the Board approved delegation of authority matrix, were approved by the Board Risk Credit Committee or its approved delegate and the approval process was formally documented. We performed an independent credit assessment for a sample of non-retail customers, by assessing quantitative and qualitative factors, including assessments of the financial performance of the customers, the source of their repayments and their history and other relevant risk factors. For a sample of individually assessed stage 3 customers, we assessed: • the estimated future discounted cash flows used in the measurement of ECL, including the discount rates used and the probable scenario analysis; and • the valuation and enforceability of collateral, including the underlying key assumptions. For loans assessed collectively, we evaluated controls over the modelling process, including model inputs, monitoring, validation and approval. With the involvement of our credit risk and modelling specialists, we assessed the methodology and assumptions used in the calculation of various components of ECL modelling, including the computation of PD, LGD and EAD for the models selected for testing. For a sample of customers, we tested the mathematical accuracy and reperformed the computation of the ECL based on relevant source data. We evaluated key assumptions such as the criteria used to determine significant increase in credit risk ("SICR"), definition of default, staging criteria and forward-looking macroeconomic information and the related weighting of these items. On a sample basis, we assessed the application the staging criteria, including the basis for movement between stages.

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Key Audit Matters (continued)

Key audit matter	**How our audit addressed the key audit matter**
Expected credit loss ("ECL") allowance on loans and advances to customers (continued)	
	On a sample basis, we assessed the application the staging criteria, including the basis for movement between stages. With the support of our credit risk and modelling specialists, we evaluated the post model adjustments and management overlays and challenged their rationale. For a sample of exposures, we evaluated the staging overrides during the process of determining their ECL. We considered the process of the independent validations of the models and their impact on the results of the impairment estimate. With the support of our IT specialist, we tested the IT application used in the credit impairment process and verified the integrity of data used as input to the models, including the transfer of data between source systems and the impairment models. We assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRS Accounting Standards.
Risk of inappropriate access or changes to information technology systems	
The Bank is dependent on its complex information technology environment for the reliability and continuity of its operations and financial reporting process due to the extensive volume and variety of transactions which are processed daily across the Bank's businesses; this includes cyber risks. Inappropriate granting of or ineffective monitoring of access rights to IT systems, therefore, presents a risk to the accuracy of financial accounting and reporting. Appropriate IT controls are required to protect the Bank's IT infrastructure, data and applications, ensure transactions are processed correctly and limit the potential for fraud and error as a result of changes to an application or underlying data. Unauthorised or extensive access rights cause a risk of intended or unintended manipulation of data that could have a material effect on the completeness and accuracy of consolidated financial statements. Therefore, we considered this area as a key audit matter. For further information on this key audit matter refer to Note 47.	Our audit approach depends to a large extent on the effectiveness of automated and IT-dependent manual controls, and therefore we updated our understanding of the Bank's IT-related controls environment and identified IT applications, databases and operating systems that are relevant for the financial reporting process and to our audit. For relevant IT-dependent controls within the financial reporting process, we identified, with the involvement of our internal IT specialists, supporting general IT controls and evaluated their design, implementation and operating effectiveness. We updated our understanding of applications relevant for financial reporting and tested key controls particularly in the area of access protection, integrity of system interfaces and linkage of such controls to the reliability, completeness and accuracy of financial reporting, including computer-generated reports used in financial reporting. Our audit procedures covered, but were not limited to, the following areas relevant to financial reporting: • IT general controls relevant to automated controls and computer-generated information covering access security, program changes, data centre and network operations;

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Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Risk of inappropriate access or changes to information technology systems (continued)	
	• Controls regarding initial access granted to IT systems for new employees or employees changing roles, whether that access was subject to appropriate screening and it was approved by authorised persons; • Controls regarding removal of employee or former employee access rights within an appropriate period of time after having changed roles or leaving the Bank; • Controls regarding the appropriateness of system access rights for privileged or administrative authorisations (superuser) are subject to a restrictive authorisation assignment procedure and regular review thereof; • Password protection, security settings regarding modification of applications, databases and operating systems, the segregation of departments and IT users and segregation of employees responsible for program development and those responsible for system operations; and • Program developers' approval rights in the modification process and their capability to carry out any modifications in the productive versions of applications, databases and operating systems. We analysed the segregation of duties on critical trading and payment systems in order to assess whether the segregation between front and back office was effective.

Other Information

The Board of Directors and management are responsible for the other information. The other information comprises the annual report of the Group, but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an audit opinion or any form of assurance conclusion thereon.

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

When we read the annual report of the Group, if we conclude that there is a material misstatement therein, we will be required to communicate the matter to those charged with governance.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ABU DHABI COMMERCIAL BANK PJSC (continued)

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the Group consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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Auditor's Responsibilities for the Audit of the Consolidated 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.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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

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

- We have obtained all the information we considered necessary for the purposes of our audit.
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021, as amended;
- The Group has maintained proper books of account.
- The financial information included in the Chairman's Statement (as included in Earnings Press Release and Management Discussion and Analysis) is consistent with the books of account and records of the Group;
- Note 10 to the consolidated financial statements of the Group discloses purchases or investments in shares during the financial year ended 31 December 2025;
- Note 37 to the consolidated financial statements of the Group discloses material related party transactions, the terms under which these were conducted and principles of managing conflict of interest;
- Based on the information that has been made available to us, nothing has come to our attention that causes us to believe that the Group has contravened during the financial year ended 31 December 2025 any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021, as amended or of its Articles of Association, which would materially affect its activities or its financial position as at 31 December 2025; and
- Note 50 to the consolidated financial statements of the Group discloses social contributions made during the financial year ended 31 December 2025.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ABU DHABI COMMERCIAL BANK PJSC (continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (continued)

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

- Articles of Association of the Bank; and
- relevant provisions of the applicable laws, resolutions and circulars that have an impact on the Group's consolidated financial statements.

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

Deloitte & Touche (M.E.)

Mohammad Khamees Al Tah
Registration No. 717
29 January 2026
Abu Dhabi
United Arab Emirates

Consolidated statement of financial position
As at December 31, 2025

	Notes	As at December 31 2025 AED million	As at December 31 2024 AED million	As at December 31 2025 USD million	As at December 31 2024 USD million
Assets					
Cash and balances with central banks, net	6	**63,019**	46,223	**17,157**	12,585
Deposits and balances due from banks, net	7	**56,594**	50,214	**15,408**	13,671
Financial assets at fair value through profit or loss	8	**21,686**	12,870	**5,904**	3,504
Derivative financial instruments	9	**15,160**	18,973	**4,127**	5,166
Investment securities, net	10	**166,137**	142,989	**45,232**	38,930
Loans and advances to customers, net	11	**405,967**	350,638	**110,527**	95,464
Investment in associates and joint venture	12	**306**	329	**83**	89
Investment properties	13	**1,193**	1,716	**325**	467
Other assets, net	14	**34,970**	20,004	**9,521**	5,445
Property and equipment, net	15	**689**	1,047	**188**	285
Intangible assets, net	16	**7,658**	7,672	**2,085**	2,089
Right of use assets, net		**275**	139	**75**	38
Total assets		**773,654**	652,814	**210,632**	177,733
Liabilities					
Due to banks	17	**19,086**	11,277	**5,196**	3,070
Derivative financial instruments	9	**28,264**	23,891	**7,695**	6,505
Deposits from customers	18	**499,775**	421,060	**136,067**	114,637
Euro commercial paper	19	**8,720**	6,153	**2,374**	1,675
Borrowings	20	**89,794**	88,687	**24,447**	24,146
Other liabilities	21	**39,274**	26,179	**10,693**	7,127
Total liabilities		**684,913**	577,247	**186,472**	157,160
Equity					
Share capital	22	**7,912**	7,320	**2,154**	1,993
Share premium		**17,879**	17,879	**4,868**	4,868
Other reserves	23	**18,287**	11,082	**4,979**	3,017
Retained earnings		**35,904**	30,526	**9,775**	8,311
Capital notes	26	**8,755**	8,755	**2,383**	2,383
Equity attributable to equity holders of the Bank		**88,737**	75,562	**24,159**	20,572
Non-controlling interests		**4**	5	**1**	1
Total equity		**88,741**	75,567	**24,160**	20,573
Total liabilities and equity		**773,654**	652,814	**210,632**	177,733

These consolidated financial statements were duly approved by the Board of Directors and authorised for issue on January 29, 2026, and signed on its behalf by:

Signed by: Khaldoon Al Mubarak 8EA7D7250F364EC...	DocuSigned by: 5ED75F3F067E4D2...	DocuSigned by: 9720F6148B7B41A...
Khaldoon Khalifa Al Mubarak	**Ala'a Eraiqat**	**Deepak Khullar**
Chairman	*Group Chief Executive Officer*	*Group Chief Financial Officer*

The accompanying notes 1 to 51 form an integral part of these consolidated financial statements.

Consolidated income statement
For the year ended December 31, 2025

	Notes	2025 AED million	2024 AED million	2025 USD million	2024 USD million
Interest income	27	**31,210**	30,217	**8,497**	8,227
Interest expense	28	**(19,119)**	(19,188)	**(5,205)**	(5,224)
Net interest income		**12,091**	11,029	**3,292**	3,003
Income from Islamic financing and investing products	24	**3,913**	3,516	**1,065**	957
Distribution on Islamic deposits and profit paid to sukuk holders	24	**(1,316)**	(1,320)	**(358)**	(359)
Net income from Islamic financing and investing products		**2,597**	2,196	**707**	598
Total net interest income and income from Islamic financing and investing products		**14,688**	13,225	**3,999**	3,601
Net fees and commission income	29	**3,607**	3,101	**982**	844
Net trading income	30	**2,716**	2,064	**739**	561
Net gains from investment properties	13	**51**	27	**14**	7
Other operating income	31	**1,121**	1,062	**305**	289
Operating income		**22,183**	19,479	**6,039**	5,302
Operating expenses	32	**(6,246)**	(6,031)	**(1,701)**	(1,642)
Operating profit before impairment charge		**15,937**	13,448	**4,338**	3,660
Impairment charge	33	**(3,103)**	(2,874)	**(845)**	(782)
Profit after impairment charge		**12,834**	10,574	**3,493**	2,878
Share in profit of associates	12	**9**	11	**3**	3
Profit before taxation		**12,843**	10,585	**3,496**	2,881
Income tax charge	34	**(1,398)**	(1,166)	**(380)**	(317)
Profit for the year		**11,445**	9,419	**3,116**	2,564
Attributable to:					
Equity holders of the Bank		**11,446**	9,421	**3,116**	2,565
Non-controlling interests		**(1)**	(2)	**-**	(1)
Profit for the year		**11,445**	9,419	**3,116**	2,564
Basic earnings per share (AED/USD)	35	**1.45**	1.17	**0.39**	0.32
Diluted earnings per share (AED/USD)	35	**1.44**	1.17	**0.39**	0.32

The accompanying notes 1 to 51 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
For the year ended December 31, 2025

	2025 AED million	2024 AED million	2025 USD million	2024 USD million
Profit for the year	**11,445**	9,419	**3,116**	2,564
Other comprehensive income				
Items that may be re-classified subsequently to the consolidated income statement				
Net movement in foreign currency translation reserve (Note 23)	**83**	(486)	**23**	(132)
Net movement in cash flow hedge reserve (Note 23)	**(64)**	(48)	**(17)**	(13)
Net movement in revaluation reserve of debt instruments designated at FVTOCI (net of tax) (Note 23)	**718**	319	**195**	86
	737	(215)	**201**	(59)
Items that will not be re-classified subsequently to the consolidated income statement				
Net movement in revaluation reserve of equity instruments designated at FVTOCI (net of tax) (Note 23)	**88**	19	**24**	5
Actuarial loss on defined benefit obligation (Note 21)	**(21)**	(41)	**(6)**	(11)
	67	(22)	**18**	(6)
Other comprehensive income/(loss) for the year	**804**	(237)	**219**	(65)
Total comprehensive income for the year	**12,249**	9,182	**3,335**	2,499
Attributable to:				
Equity holders of the Bank	**12,250**	9,184	**3,335**	2,500
Non-controlling interests	**(1)**	(2)	**-**	(1)
Total comprehensive income for the year	**12,249**	9,182	**3,335**	2,499

The accompanying notes 1 to 51 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
For the year ended December 31, 2025

	Share capital AED million	Share premium AED million	Other reserves AED million	Retained earnings AED million	Capital notes AED million	Equity attributable to equity holders of the Bank AED million	Non-controlling interests AED million	Total equity AED million
As at January 1, 2025	**7,320**	**17,879**	**11,082**	**30,526**	**8,755**	**75,562**	**5**	**75,567**
Profit/(loss) for the year	-	-	**-**	**11,446**	-	**11,446**	**(1)**	**11,445**
Other comprehensive income/(loss) for the year	-	-	**825**	**(21)**	-	**804**	**-**	**804**
Other movements (Note 23)	-	-	**872**	**(1,032)**	-	**(160)**	**-**	**(160)**
Amounts transferred within equity upon disposal of equity instruments designated at FVTOCI (net of tax)	-	-	**-**	**(47)**	-	**(47)**	**-**	**(47)**
Issuance of ordinary shares pertaining to rights issue, net of issuance cost (Note 22)	**592**	-	**5,508**	**(7)**	-	**6,093**	**-**	**6,093**
Capital notes coupon paid (Note 35)	-	-	**-**	**(642)**	-	**(642)**	**-**	**(642)**
Dividends paid to equity holders of the Bank (Note 22)	**-**	-	**-**	**(4,319)**	-	**(4,319)**	**-**	**(4,319)**
As at December 31, 2025	**7,912**	**17,879**	**18,287**	**35,904**	**8,755**	**88,737**	**4**	**88,741**
As at January 1, 2024	7,320	17,879	10,592	26,701	8,755	71,247	7	71,254
Profit/(loss) for the year	-	-	-	9,421	-	9,421	(2)	9,419
Other comprehensive loss for the year	-	-	(196)	(41)	-	(237)	-	(237)
Other movements (Note 23)	-	-	(95)	-	-	(95)	-	(95)
Amounts transferred within equity upon disposal of equity instruments designated at FVTOCI (net of tax)	-	-	-	11	-	11	-	11
Amounts transferred within equity upon creation of impairment reserve – general (Note 23)	-	-	781	(781)	-	-	-	-
Capital notes coupon paid (Note 35)	-	-	-	(686)	-	(686)	-	(686)
Dividends paid to equity holders of the Bank (Note 22)	-	-	-	(4,099)	-	(4,099)	-	(4,099)
As at December 31, 2024	7,320	17,879	11,082	30,526	8,755	75,562	5	75,567

For the year ended December 31, 2025, the Board of Directors has proposed to pay cash dividend representing 63% of the paid-up capital (Note 22).

The accompanying notes 1 to 51 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended December 31, 2025

	2025 AED million	2024 AED million	2025 USD million	2024 USD million
OPERATING ACTIVITIES				
Profit before taxation	**12,843**	10,585	**3,496**	2,881
Adjustments for:				
Depreciation on property and equipment and right of use assets (Note 32)	**211**	199	**57**	54
Amortisation of intangible assets (Note 16)	**237**	215	**65**	58
Net gain from investment properties (Note 13)	**(51)**	(27)	**(14)**	(7)
Gross impairment charge	**3,686**	3,367	**1,004**	917
Share in profit of associates (Note 12)	**(9)**	(11)	**(3)**	(3)
Discount unwind	**(131)**	(189)	**(36)**	(51)
Net loss from disposal of investment securities (Note 31)	**186**	318	**51**	87
Discount amortisation on investment securities	**(584)**	(798)	**(159)**	(217)
Dividend income (Note 31)	**(28)**	(34)	**(8)**	(9)
Gain on sale of property and equipment	**(100)**	(8)	**(27)**	(2)
Amortisation and interest capitalised on borrowings and ECPs	**1,775**	1,593	**483**	434
Net gain from financial assets at fair value through profit or loss	**(1,294)**	(960)	**(352)**	(261)
Ineffective portion of hedges – (gains)/losses (Note 9)	**(6)**	31	**(2)**	8
Employees' incentive plan expense (Note 25)	**110**	71	**30**	19
Cash flows from operating activities before changes in operating assets and liabilities	**16,845**	14,352	**4,585**	3,908
Net movement in balances with central banks and due from banks	**(8,677)**	(4,146)	**(2,362)**	(1,129)
Net movement in derivative financial instruments	**(765)**	198	**(208)**	54
Net movement in financial assets at fair value through profit or loss	**(7,241)**	(1,794)	**(1,971)**	(488)
Net movement in loans and advances to customers	**(57,899)**	(53,872)	**(15,763)**	(14,667)
Net movement in other assets	**(1,969)**	(1,478)	**(536)**	(402)
Net movement in due to banks	**7,808**	2,504	**2,126**	682
Net movement in deposits from customers	**78,102**	62,275	**21,264**	16,955
Net movement in other liabilities	**(335)**	1,915	**(91)**	521
Net cash from operations	**25,869**	19,954	**7,044**	5,434
Income tax paid	**(1,175)**	(134)	**(320)**	(36)
Net cash from operating activities	**24,694**	19,820	**6,724**	5,398
INVESTING ACTIVITIES				
Proceeds from redemption/disposal of investment securities	**50,088**	36,151	**13,637**	9,842
Net purchases of investment securities	**(64,747)**	(52,729)	**(17,628)**	(14,356)
Dividend received from investment securities (Note 31)	**28**	34	**8**	9
Dividend received from associates (Note 12)	**18**	-	**5**	-
Net proceeds from disposal in investment in associates and joint venture (Note 12)	**14**	-	**4**	-
Net proceeds from disposal of investment properties (Note 13)	**662**	49	**180**	13
Net movement of property and equipment, computer software, and right of use assets	**124**	(369)	**34**	(100)
Net cash used in investing activities	**(13,813)**	(16,864)	**(3,760)**	(4,592)
FINANCING ACTIVITIES				
Net movement in euro commercial paper (Note 19)	**2,179**	(1,933)	**593**	(526)
Net proceeds from borrowings (Note 20)	**91,200**	113,498	**24,830**	30,901
Repayment of borrowings (Note 20)	**(91,037)**	(99,079)	**(24,785)**	(26,975)
Payment of lease liabilities	**(98)**	(63)	**(27)**	(17)
Dividends paid to equity holders of the Bank	**(4,319)**	(4,099)	**(1,176)**	(1,116)
Net proceeds from rights issuance	**6,093**	-	**1,659**	-
Capital notes coupon paid (Note 35)	**(642)**	(686)	**(175)**	(187)
Net cash from financing activities	**3,376**	7,638	**919**	2,080
Effect of exchange rate changes on cash and cash equivalents	**199**	(1,321)	**54**	(361)
Net increase in cash and cash equivalents	**14,456**	9,273	**3,937**	2,525
Cash and cash equivalents at the beginning of the year (Note 36)	**61,110**	51,837	**16,638**	14,113
Cash and cash equivalents at end of the year (Note 36)	**75,566**	61,110	**20,575**	16,638

The accompanying notes 1 to 51 form an integral part of these consolidated financial statements.

1. General information

Abu Dhabi Commercial Bank PJSC ("ADCB" or the "Bank") is a public joint stock company with limited liability incorporated in the emirate of Abu Dhabi, United Arab Emirates (UAE). The Bank and its subsidiaries (together referred to as the "Group") is principally engaged in the business of retail, commercial and Islamic banking, and provision of other financial services.

The Group's Islamic banking activities are conducted in accordance with principles of Islamic Shari'ah as interpreted by Internal Shari'ah Supervision Committee ("ISSC") as well as the standards and resolutions issued by the higher Shari'ah authority of UAE Central Bank.

The Bank is listed on the Abu Dhabi Securities Exchange (Ticker: ADCB).

The registered head office of ADCB is at Abu Dhabi Commercial Bank PJSC Head Office Building, Sheikh Zayed Bin Sultan Street, Plot C- 33, Sector E-11, P. O. Box 939, Abu Dhabi, UAE.

2. Application of new and revised IFRS as issued by the International Accounting Standards Board (IASB) (IFRS Accounting Standards)

2.1 Standards and Interpretations in issue and effective

During the year, the Group has applied the amendments to IAS 21. The application of these amendments to IFRS Accounting Standards has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for the Group's future transactions or arrangements.

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

2.2 Standards and Interpretations in issue but not yet effective

New standards and significant amendments to standards applicable to the Group:	Effective for annual periods beginning on or after
Amendments to IFRS 9 and IFRS 7 - The amendments address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9.	January 1, 2026
Annual improvements to IFRS Accounting Standards.	January 1, 2026
IFRS 19 'Subsidiaries without Public Accountability' specifies the disclosure requirements an eligible subsidiary is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards.	January 1, 2027
Presentation and disclosures in financial statements (IFRS 18) - The new standard contains requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements.	January 1, 2027
Amendments to IFRS 19 'Subsidiaries without Public Accountability'- The amendments address reduced disclosures on supplier finance, excluding non-disclosure guidance, and replacing management-defined performance measure disclosures with a cross-reference to IFRS 18 for entities using those measures.	January 1, 2027
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28).	Effective date deferred indefinitely, available for early adoption.

The Group has not early adopted any new and revised IFRS Accounting Standards that have been issued but are not yet effective. Management anticipates that these amendments will be adopted in the consolidated 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.

3. Summary of material accounting policies

3.1 Basis of preparation

The consolidated financial statements have been prepared on a going concern basis and in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) and requirements of the applicable laws. IFRS Accounting Standards comprise accounting standards issued by the IASB as well as Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

Certain disclosure notes/numbers have been reclassified and rearranged from the Group's prior year consolidated financial statements to conform to the current year's presentation.

3.2 Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention except as modified by the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income and investment properties.

3.3 Functional and presentation currency

The consolidated financial statements are prepared and presented in United Arab Emirates Dirhams (AED), which is the Bank's functional and presentation currency. Except as indicated, financial information presented in AED has been rounded to the nearest million.

The United States Dollar (USD) amounts in the primary financial statements are presented for the convenience of the reader only by converting the AED balances at the pegged exchange rate of 1 USD = 3.673 AED.

3.4 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities recognised in the consolidated financial statements are described in Note 4.

3.5 Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries (collectively referred to as the "Group").

Subsidiaries

Subsidiaries are entities that are controlled by the Bank. Control is achieved when the Bank:

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

3. Summary of material accounting policies (continued)

3.5 Basis of consolidation (continued)

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

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

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

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

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

When necessary, adjustments are made to the consolidated financial statements of subsidiaries to align their accounting policies with the Bank's accounting policies.

All intragroup balances and income, expenses and cash flows resulting from intragroup transactions are eliminated in full on consolidation.

Changes in the Bank's ownership interests in existing subsidiaries

Changes in the Bank's ownership interests in subsidiaries that do not result in the Bank losing control over the subsidiaries are accounted for as equity transactions. The carrying amount of the Bank's interests is adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the shareholders of the Bank. When the Bank loses control of a subsidiary, a gain or loss is recognised in the consolidated income statement and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Bank had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to income statement or transferred to another category of equity as specified/permitted by applicable IFRS Accounting Standards). The fair value of any investment retained in the former subsidiary, at the date when control is lost, is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

3. Summary of material accounting policies (continued)

3.5 Basis of consolidation (continued)

Special Purpose Entities

Special purpose entities (SPEs) are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of particular assets, or the execution of a specific borrowing or lending transaction. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Bank, the Bank has power over the SPE, is exposed to or has rights to variable returns from its involvement with the SPE and its ability to use its power over the SPE at inception and subsequently to affect the amount of its return, the Bank concludes that it controls the SPE.

The assessment of whether the Bank has control over an SPE is carried out at inception and normally no further reassessment of control is carried out in the absence of changes in the structure or terms of the SPE, or additional transactions between the Bank and the SPE except whenever there is a change in the substance of the relationship between the Bank and an SPE.

Funds under management

The Bank manages and administers assets held in unit trusts on behalf of investors. The financial statements of these entities are not included in the consolidated financial statements except when the Bank controls the entity, as referred to above.

Investment in associates

Associates are those entities in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investments includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of investment in associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

The carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 – Impairment of Assets, as a single asset by comparing with the recoverable amount (higher of value in use and fair value less cost of disposal). Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of the impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the investment in prior years.

The Group discontinues the use of equity method of accounting from the date when the investment ceases to be an associate or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate at the date equity method was discontinued and the fair value of the retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of associate.

3. Summary of material accounting policies (continued)

3.5 Basis of consolidation (continued)

In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation of that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. They are classified and accounted for as follows:

- Joint operation – when the Group has rights to the assets and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities, and transactions, including its share of those held or incurred jointly, in relation to the joint operation.
- Joint venture – when the Group has rights only to the net assets of the arrangements, it accounts for its interest using the equity method, as for associates.

Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale. When the Group is committed to a sale plan involving disposal of an investment in an associate or, a portion of an investment in an associate, the investment, or the portion of the investment in the associate, that will be disposed of is classified as held for sale when the criteria described above are met. The Group then ceases to apply the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

3.6 Business combination under common control

A business combination involving entities under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Currently, there is no specific guidance on accounting for common control transactions under IFRS Accounting Standards, therefore the management needs to use judgement to develop an accounting policy that provides relevant and reliable information in accordance with IAS 8.

3. Summary of material accounting policies (continued)

3.6 Business combination under common control (continued)

The Group accounts for business combinations under common control using the acquisition method when there is a commercial substance to the transaction. Under the acquisition method, the consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date but does not exceed twelve months.

Impairment testing of goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

3. Summary of material accounting policies (continued)

3.6 Business combination under common control (continued)

A cash-generating unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.7 Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations as appropriate. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship by way of rebalancing the hedge on a case-by-case basis, so that it meets the qualifying criteria again.

Fair value hedges

The fair value change on qualifying hedging instruments is recognised in consolidated income statement except when the hedging instrument hedges an equity instrument designated at fair value through other comprehensive income (FVTOCI) in which case it is recognised in other comprehensive income. The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in consolidated income statement. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in consolidated income statement instead of other comprehensive income. When the hedged item is an equity instrument designated at FVTOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument.

Where hedging gains or losses are recognised in consolidated income statement, they are recognised in the same line as the hedged item. The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable).

3. Summary of material accounting policies (continued)

3.7 Hedge Accounting (continued)

This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk at the date of discontinuation is amortised to consolidated income statement as part of the recalculated effective interest rate over the period to maturity or derecognition. If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the consolidated income statement.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under cash flow hedge reserve. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to consolidated income statement in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in other comprehensive income will not be recovered in the future, that amount is immediately reclassified to consolidated income statement.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in consolidated income statement. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in consolidated income statement.

Net investment hedge

Hedges of net investments in foreign operations are accounted for in a similar way to cash flow hedges. A gain or loss on the effective portion of the hedging instrument is recognised in other comprehensive income and presented in translation reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement. Gains and losses accumulated in equity are reclassified from other comprehensive income and included in the consolidated income statement on the disposal or partial disposal of the foreign operation or other reduction in the Group's investment in the operations.

Hedge effectiveness testing

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed. The method the Group adopts for assessing hedge effectiveness depends on its risk management strategy.

The Group assesses economic relationship and effectiveness on its designated hedges by matching critical terms of hedged item and hedging instrument as part of its qualitative assessment.

3. Summary of material accounting policies (continued)

3.7 Hedge Accounting (continued)

The critical terms matching method replicates the hedge item and hence is not used for those hedge relationships where the hedging derivative includes features that are not present in the hedged item. In such cases, the hedge effectiveness assessment is performed using other quantitative methods and may result in ineffectiveness.

Some of the sources of ineffectiveness include the following:

- mismatches between the contractual terms of the hedged item and hedging instrument, including basis differences;
- significant changes in credit risk of the hedging instruments;
- the effects of the forthcoming reforms of Interest rate benchmark because these might take effect at a different time and have a different impact on hedged items and hedging instruments.

The ineffectiveness arising from quantitative assessments is recognised in the consolidated income statement.

Derivatives that do not qualify for hedge accounting

All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognised immediately in the consolidated income statement in "net gains from financial assets at fair value through profit or loss and derivatives" under net trading income.

3.8 Financial instruments

Financial assets

All financial assets are recognised and derecognised on settlement date basis (other than derivative contracts which are recognised and derecognised on trade date basis) where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL). Settlement date is the date that the Group physically receives or transfers the assets. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

(i) debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;
(ii) debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVTOCI);
(iii) all other debt instruments (e.g. debt instruments managed on a fair value basis or held for sale), and equity investments are subsequently measured at FVTPL. However, the Group may make the following irrevocable election/designation at the date of initial application of IFRS 9 or at the date of initial recognition of a financial asset on an asset-by-asset basis:
   - the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income (OCI) with dividend income recognised in profit or loss; and

3. Summary of material accounting policies (continued)

3.8 Financial instruments (continued)

- the Group may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

The Group holds equity investments and mutual funds as strategic investments and has elected to carry these investments at FVTOCI with changes in fair value through other comprehensive income.

The Group assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Group's business model for managing the asset.

(a) Debt instruments at amortised cost or at FVTOCI

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely SPPI. For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Group has more than one business model for managing its financial instruments, which reflects how the Group manages its financial assets in order to generate cash flows. The Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

At initial recognition of a financial asset, the Group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassess its business models during each reporting period to determine whether the business models have changed since the preceding period.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

(b) Financial assets at FVTPL

Financial assets at FVTPL are:

(i) assets with contractual cash flows that are not SPPI; or/and
(ii) assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
(iii) assets designated at FVTPL using the fair value option.

3. Summary of material accounting policies (continued)

3.8 Financial instruments (continued)

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

(c) Reclassifications

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that result in reclassifying the Group's financial assets. Changes in contractual cash flows are discussed under the accounting policy on modification and derecognition of financial assets.

(d) Impairment

The Group recognises allowances for expected credit losses (ECLs) on the following financial instruments that are not measured at FVTPL:

- balances with central banks;
- deposits and balances due from banks;
- reverse-repo placements;
- debt investment securities;
- loans and advances to customers;
- Other assets – accrued interest and acceptances;
- loan commitments issued; and
- financial guarantee contracts issued.

No impairment loss is recognised on equity investments.

With the exception of purchased or originated credit impaired financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. More details on the determination of a significant increase in credit risk are provided in note 3.8(h).

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR. However, for unfunded exposures, ECL is measured as follows:

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

Refer note 43 for more details on measurement of ECL.

3. Summary of material accounting policies (continued)

3.8 Financial instruments (continued)

(e) Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- a breach of contract such as a default or past due event;
- for economic or contractual reasons relating to the borrower's financial difficulty, concessions given to the borrower that would not otherwise be considered; or
- the disappearance of an active market for a security because of financial difficulties.

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

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession, the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted, the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more.

(f) Purchased or originated credit-impaired financial assets (POCI)

Financial assets that are credit-impaired on initial recognition are classified as purchased or originated credit impaired financial assets (POCI). The Group measures expected credit loss on a lifetime basis for POCI instruments throughout the expected life of the instrument. However, expected credit loss is not recognised in a separate loss provision on initial recognition for POCI instruments as the lifetime expected credit loss is inherent within the gross carrying amount of the instruments. The Group recognises the change in lifetime expected credit losses arising subsequent to initial recognition in the income statement and the cumulative changes as a loss provision. Where lifetime expected credit losses on POCI instruments are less than those at initial recognition, then the favourable differences are recognised as impairment gains in the income statement (and impairment loss where the expected credit losses are greater).

(g) Definition of default

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

The Group considers the following as constituting an event of default:

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

3. Summary of material accounting policies (continued)

3.8 Financial instruments (continued)

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. The decision to use cross-default is based on case-by-case assessment of borrower and facility conditions such as collateral and materiality of exposure.

When assessing if the borrower is unlikely to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset; for example, in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty, are key inputs in this analysis. The Group uses a variety of sources of information to assess default, which are either developed internally or obtained from external sources.

(h) Significant increase in credit risk (SICR)

The Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk (SICR), the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date based on the expected remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment including forward-looking information. For corporate lending, forward-looking information includes the future prospects of the industries in which the Group's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information.

For retail lending, forward-looking information includes the same economic forecasts as corporate lending with additional forecasts of local economic indicators, particularly for regions with a concentration to certain industries, as well as internally generated information of customer payment behaviour. Refer note 43 for more details about forward-looking information and criteria used to determine significant increase in credit risk.

The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both deterioration in internal/external ratings as well as qualitative assessment. For further details on SICR, refer to note 43.

Regardless of the analysis above, a significant increase in credit risk is presumed if a customer is more than 30 days past due in making a contractual payment.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However, the Group still considers separately some qualitative factors to assess if credit risk has increased significantly. For corporate lending there is particular focus on assets that are included on a 'watch list' given an exposure is on a watch list once there is a concern that the creditworthiness of the specific counterparty has deteriorated. For retail lending the Group considers credit scores and events such as unemployment, bankruptcy, or death. As a backstop when an asset becomes 30 days past due, the Group considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

3. Summary of material accounting policies (continued)

3.8 Financial instruments (continued)

(i) Modification and derecognition of financial assets

Modification of financial assets

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

In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Group renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants.

When a financial asset is modified, the Group assesses whether this modification results in derecognition. In accordance with the Group's policy a modification results in derecognition when it gives rise to substantially different terms. To determine the substantially different terms the Group considers the qualitative factors (i.e. contractual cash flows after modification, change in currency or counterparty, interest rates, maturity, covenants) and a quantitative assessment (i.e. compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, discounted at the original effective interest).

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

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Group determines if the financial asset's credit risk has increased significantly since initial recognition by comparing the credit rating at initial recognition and the original contractual terms; with credit rating at the reporting date based on the modified terms.

Where a modification does not lead to derecognition the Group calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Group measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

3. Summary of material accounting policies (continued)

3.8 Financial instruments (continued)

Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in other comprehensive income (OCI) and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but is transferred to retained earnings.

(j) Presentation of allowance for ECL

Loss allowances for ECL are presented in the consolidated financial statements as follows:

- for financial assets measured at amortised cost (loans and advances, balances due from central banks and other banks, reverse-repo placements, investment securities carried at amortised cost and other financial assets): as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVTOCI: as part of revaluation reserve of investments designated at FVTOCI and recognised in other comprehensive income; and
- for loan commitments and financial guarantee contracts: as a provision.

Financial liabilities

All financial liabilities are classified as amortised cost except for liabilities carried at FVTPL. The classification of financial liabilities at initial recognition depends on the purpose and management's intention for which the financial liabilities were incurred and their characteristics.

Financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities (other than financial liabilities at FVTPL) are deducted from the fair value of the financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at FVTPL are recognised immediately in profit or loss. If the transaction price differs from fair value at initial recognition, the Group will account for such difference as follows:

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

Financial liabilities are subsequently measured at amortised cost except for financial liabilities at fair value through profit or loss. Gains and losses on financial liabilities, other than derivative instruments, designated

3. Summary of material accounting policies (continued)

3.8 Financial instruments (continued)

at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in fair value of the financial liability that is attributable to the changes in credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially in 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 or losses attributable to changes in the credit risk of the liability are also presented in the profit or loss.

Derecognition of financial liabilities

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

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing liabilities, are accounted for as an extinguishment of the original financial liability and a recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

In addition, other qualitative factors such as, currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any cost or fees incurred is recognised as part of the gain or loss on extinguishment. If an exchange or modification is not accounted for as an extinguishment, any cost or fees incurred adjust the carrying amount of the liability and are amortised using EIR method over the remaining term of the modified liability.

3.9 Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements of the Group are presented in AED, which is the Bank's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the statement of financial position date. Any resulting exchange differences are included in the consolidated income statement. Non-monetary assets and liabilities are translated at historical exchange rates or year-end exchange rates if held at fair value, as appropriate. The resulting foreign exchange gains or losses are recognised in either consolidated income statement or consolidated other comprehensive income statement depending upon the nature of the asset or liability.

In the consolidated financial statements, the results and financial positions of branches and subsidiaries whose functional currency is not AED, are translated into the Group's presentation currency as follows:

- assets and liabilities at the rate of exchange prevailing at the statement of financial position date;
- income and expenses at the average rates of exchange for the reporting period; and
- all resulting exchange differences arising from the retranslation of opening assets and liabilities and arising from retranslation of the result for the reporting period from the average rate to the exchange rate prevailing at the period end are recognised in other comprehensive income and accumulated in equity under 'foreign currency translation reserve' (Note 23).

3. Summary of material accounting policies (continued)

3.9 Foreign currencies (continued)

On disposal or partial disposal (i.e. of associates or jointly controlled entities not involving a change of accounting basis) of a foreign operation, exchange differences relating thereto and previously recognised in reserves are recognised in the consolidated income statement on a proportionate basis, except in the case of partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, where the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the consolidated income statement.

3.10 Offsetting

Financial assets and liabilities are offset and reported net in the consolidated statement of financial position only when there is a legally enforceable right to set off the recognised amounts and when the Group intends to settle either on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the IFRS Accounting Standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

The Group is party to a number of arrangements, including master netting agreements that give it the right to offset financial assets and financial liabilities but, where it does not intend to settle the amounts net or simultaneously, the assets and liabilities concerned are presented on a gross basis.

3.11 Sale and repurchase agreements

Securities sold subject to a commitment to repurchase them at a predetermined price at a specified future date (repos) are continued to be recognised in the consolidated statement of financial position, and a liability is recorded in respect of the consideration received under borrowings that are carried at amortised cost or under financial liabilities carried at fair value through profit or loss, that are held for trading. The difference between sale and repurchase price is treated as interest expense using the effective interest rate yield method over the life of the agreement for repos carried at amortised cost. Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the consolidated statement of financial position. Amounts placed under these agreements are included in reverse-repo placements under 'Deposits and balances due from banks, net' in the consolidated statement of financial position that are carried at amortised cost or under financial assets carried at fair value through profit or loss that are held for trading. The difference between purchase and resale price is treated as interest income using the effective yield method over the life of the agreement for reverse repos carried at amortised cost.

Reverse-repo placements carried at fair value through profit or loss are generally matched by repo agreements as these are held for trading purposes with the net change in fair values of these instruments are recorded within net trading income in the consolidated income statement.

3.12 Securities borrowing and lending

Securities borrowing and lending transactions are usually secured by cash or securities advanced by the borrower. Borrowed securities are not recognised in the statement of financial position nor are lent securities derecognised. Cash collateral received or given is treated as a financial asset or liability. However, where securities borrowed are transferred to third parties, a liability for the obligation to return the securities to the stock lending counterparty is recorded. The securities borrowing and lending activity arrangements are generally entered into through repos and reverse repos.

3. Summary of material accounting policies (continued)

3.13 Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances held with central banks, deposits and balances due from banks, items in the course of collection from or in transmission to other banks and highly liquid assets with original maturities of less than three months from the date of acquisition, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost net of impairment allowance in the statement of financial position.

3.14 Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

3.15 Fair value measurement

The Group measures its financial assets and liabilities at market price that it would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market, or in its absence in the most advantageous market for the assets or liabilities. The Group considers principal market as the market with the greatest volume and level of activity for financial assets and liabilities.

The Group measures its non-financial assets at a price that take into account a market participant's ability to generate economic benefits by using the assets for their highest and best use.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. The fair value of a liability reflects its non-performance risk.

When applicable, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. When there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account into pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or a liability nor based on valuation technique that uses only data from observable markets, the instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, the difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data, or the transaction is closed out.

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

3. Summary of material accounting policies (continued)

3.15 Fair value measurement (continued)

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either the market or credit risk, are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

Different levels of fair value hierarchy based on the inputs to valuation techniques are discussed in note 41. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

3.16 Derivatives

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

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

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

The method of recognising fair value gains and losses depends on whether derivatives are held for trading or are designated as hedging instruments, and if the latter, the nature of the risks being hedged. All gains and losses from changes in the fair value of derivatives held for trading are recognised in the consolidated income statement under "net gains from financial assets at fair value through profit or loss and derivatives" (Note 30).

3.17 Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangement in which it is the lessee, except for short-term (defined as leases with a lease term of 12 months or less) and leases of low value asset. For these leases, the Group recognises the lease payments as an operating lease on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. This expense is presented within other expenses in the consolidated income statement.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect the interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the period of lease term or useful life of the underlying asset whichever is shorter. The Group applies IAS 36 to

3. Summary of material accounting policies (continued)

3.17 Leases (continued)

determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as per the Group's impairment policy for non-financial assets.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease component, and instead account for any lease and associated non-lease component as a single arrangement.

The Group has presented right of use asset within 'Property and equipment' and lease liabilities within 'Other liabilities' in the consolidated statement of financial position.

The Group as lessor

Leases where the Group does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating leases. Rental incomes are recognised in the consolidated income statement on a straight-line basis over the lease term. Contingent rents are recognised as revenue in the period in which they are earned.

3.18 Treasury shares and contracts on own shares

Own equity instruments of the Group which are acquired by the Group or any of its subsidiaries (treasury shares) are deducted from other reserves and accounted for at weighted average cost. Consideration paid or received on the purchase, sale, issue, or cancellation of the Group's own equity instruments is recognised directly in equity.

No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue, or cancellation of own equity instruments.

Contracts on own shares that require physical settlement of a fixed number of own shares for a fixed consideration are classified as equity and added to or deducted from equity. Contracts on own shares that require net cash settlement or provide a choice of settlement are classified as trading instruments and changes in the fair value are reported in the consolidated income statement.

3.19 Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified party fails to meet its obligation when due in accordance with the contractual terms.

Financial guarantee contracts are initially recognised at their fair value, which is likely to equal the premium received on issuance. The received premium is amortised over the life of the financial guarantee. The guarantee liability (the notional amount) is subsequently recognised at the higher of this amortised amount and the present value of any expected payments (when a payment under guarantee has become probable). The premium received on these financial guarantees is included within other liabilities.

3.20 Acceptances

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

3. Summary of material accounting policies (continued)

3.21 Collateral repossessed

The Bank acquires collaterals in settlement of certain loans and advances. These collaterals are recognised at fair value on the date of acquisition. Subsequent fair value adjustments on these acquired collaterals are included in the consolidated income statement in the period in which these gains or losses arise.

3.22 Investment properties

Investment property is property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is reflected at valuation based on fair value at the statement of financial position date. Refer note 3.15 for fair valuation policy.

The fair value is determined on a periodic basis by independent professional valuers. Fair value adjustments on investment property are included in the consolidated income statement in the period in which these gains or losses arise.

Investment properties under development that are being constructed or developed for future use as investment property are measured initially at cost including all direct costs attributable to the design and construction of the property including related staff costs. Subsequent to initial recognition, investment properties under development are measured at fair value. Gains and losses arising from changes in the fair value of investment property under development is included in the consolidated income statement in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property and investment property under development are permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3.23 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment loss, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is charged to the consolidated income statement so as to write off the depreciable amount of property and equipment over their estimated useful lives using the straight-line method. The depreciable amount is the cost of an asset less its residual value. Land is not depreciated.

Estimated useful lives are as follows:	
Freehold properties	15 to 40 years
Freehold and leasehold improvements	7 to 10 years
Furniture, equipment, and vehicles	3 to 5 years
Computer equipment, and accessories	4 to 10 years

Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

Property and equipment are derecognised on disposal or when no future economic benefits are expected from its use. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset at that date and is recognised in the consolidated income statement.

3. Summary of material accounting policies (continued)

3.24 Capital work in progress

Capital work in progress is stated at cost. When the asset is ready for use, capital work in progress is transferred to the appropriate property and equipment category and depreciated in accordance with the Group's policies.

3.25 Borrowing costs

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

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

3.26 Intangible assets

An intangible asset is recognised only when its cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the Group. Intangible assets acquired separately or in a business combination (other than goodwill) are measured on initial recognition at fair value and subsequently at cost less accumulated amortisation and impairment loss.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates and accounted for on a prospective basis. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Estimated useful lives are as follows:	
Trademark and license	Indefinite life
Egypt banking license	Indefinite life
Core deposits	4.5 to 7 years
Customer relationships	3 to 6 years
Computer software	4 to 10 years

An intangible asset is derecognised on disposal or when no future economic benefits are expected from use. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the consolidated income statement when the asset is derecognised.

3.27 Impairment of non-financial assets

At each consolidated statement of financial position date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3. Summary of material accounting policies (continued)

3.27 Impairment of non-financial assets (continued)

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 recognised in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.28 Employee benefits

(i) Employees' end of service benefits

(a) Defined benefit plan

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

Past-service costs are recognised immediately in income statement, unless the changes to the gratuity plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in other comprehensive income. Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), as well as the effects of changes in actuarial assumptions.

The Group provides end of service benefits for its expatriate employees. The entitlement to these benefits is based upon the employees' length of service and completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

(b) Defined contribution plan

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

3. Summary of material accounting policies (continued)

3.28 Employee benefits (continued)

Pension contributions are made by the Group to the Abu Dhabi Retirement Pensions and Benefits Fund for UAE citizens in accordance with UAE Federal Law No. 7 of 1999 and to respective pension authorities for other employees including GCC (Gulf Cooperation Council) Nationals as per applicable laws.

(ii) Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan either to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iv) Employees' incentive plan shares

The cost of the equity-settled share-based payments is expensed over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the consolidated income statement over the remaining vesting period, with a corresponding adjustment to the employees' incentive plan reserve.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share–based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the counterparty are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding incentive plan shares is reflected in the computation of diluted earnings per share (Note 35).

3. Summary of material accounting policies (continued)

3.29 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Refer note 39 on business segment reporting.

3.30 Fiduciary assets

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

3.31 Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. 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.

Provisions for onerous contracts are recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligation under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

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

Contingent liabilities, which include certain guarantees and letters of credit, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the Group's control; or are present obligations that have arisen from past events but are not recognised because it is not probable that settlement will require outflow of economic benefits, or because the amount of the obligations cannot be reliably measured. Contingent liabilities are not recognised in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements unless they are remote.

3.32 Revenue and expense recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Interest income and expense

Interest income and expense for all financial instruments except for those classified as held for trading or those measured or designated at fair value through profit or loss (FVPTL) are recognised in 'net interest income' as 'interest income' and 'interest expense' in the profit or loss account using the effective interest method. Interest on financial instruments classified as held for trading or those measured or designated at FVTPL is recognised in 'net gains from financial assets at fair value through profit or loss' under 'net trading income.'

3. Summary of material accounting policies (continued)

3.32 Revenue and expense recognition (continued)

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument. The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

(ii) Dividend income

Dividend income is recognised on the ex-dividend date when the Group's right to receive the payment is established. This includes accrued coupons on perpetual bonds classified as FVOCI, which are treated as dividend income, while related fair value movements are recorded in other comprehensive income.

(iii) Fee and commission income

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

(a) Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight-line basis.

(b) Fee income from providing transaction services

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

3.33 Islamic financing

The Group engages in Shari'ah compliant Islamic banking activities through various Islamic instruments such as below Islamic products:

Murabaha financing

A sale contract whereby the Group sells to a customer commodities and other assets at an agreed upon profit mark up on cost. The Group purchases the assets based on a promise received from customer to buy the item purchased according to specific terms and conditions. Profit from Murabaha is quantifiable at the commencement of the transaction. Such income is recognised as it accrues over the period of the contract on effective profit rate method on the balance outstanding.

3. Summary of material accounting policies (continued)

3.33 Islamic financing (continued)

Ijara financing

An agreement whereby the Group (lessor) leases or constructs an asset based on the customer's (lessee) request and promise to lease the assets for a specific period against certain rent instalments. Ijara could end in transferring the ownership of the asset to the lessee at the end of the lease period. Also, the Group transfers substantially all the risks and rewards related to the ownership of the leased asset to the lessee. Ijara income is recognised on an effective profit rate basis over the lease term.

Musharaka

An Islamic contract in which two parties (Islamic financial institution and its customer) pool their respective funds to form a partnership. In Musharaka both parties are involved in management of the business/partnership. Profit is shared on the basis of pre-agreed ratio and loss is shared in the ratio of capital contribution. It is not mandatory in Musharaka for all parties to participate in the management of business. Practically, this form of investment is used by the Islamic financial institution to finance its customers.

Salam

A sale contract where the customer (seller) undertakes to deliver/supply a specified tangible asset to the Group (buyer) at mutually agreed future date(s) in exchange for an advance price fully paid on the spot by the buyer.

Revenue on Salam financing is recognised on the effective profit rate basis over the period of the contract, based on the Salam capital outstanding.

Sukuk

Certificates of equal value representing undivided shares in ownership of tangible assets, usufructs, and services or (in the ownership of) the assets of particular projects or special investment activity. It is asset-backed trust certificates evidencing ownership of an asset or its usufruct (earnings or benefits) and complies with the principle of Shari'ah.

Wakala

An agreement between the Group and customer whereby one party (Rab Al Mal) provides a certain sum of money to an agent (Wakil), who invests it according to specific conditions in return for a certain fee (a lump sum of money or a percentage of the amount invested). The agent is obliged to guarantee the invested amount in case of default, negligence, or violation of any of the terms and conditions of the Wakala. The Group may be Wakil or Rab Al Mal depending on the nature of the transaction. Estimated income from Wakala is recognised on the effective profit rate basis over the period, adjusted by actual income when received. Losses are accounted for when incurred.

Mudaraba

A contract between the Group and a customer, whereby one party provides the funds (Rab Al Mal), and the other party (the Mudarib) invests the funds in a project, or a particular activity and any profits generated are distributed between the parties according to the profit shares that were pre-agreed in the contract. The Mudarib would bear the loss in case of default, negligence or violation of any of the terms and conditions of the Mudaraba, otherwise, losses are borne by the Rab Al Mal. Income is recognised based on expected results adjusted for actual results on distribution by the Mudarib, whereas if the Group is the Rab Al Mal the losses are charged to the Group's consolidated income statement when incurred.

3. Summary of material accounting policies (continued)

3.33 Islamic financing (continued)

Profit distribution mechanism

Islamic deposits are invested and managed in accordance with Shari'ah requirements through Mudaraba pool and profit is distributed in accordance with the Shari'ah approved profit distribution policy. To secure competitive return to the depositors, below profit smoothing techniques are used by the Group.

- Profit equalisation reserve (PER) represents the amounts appropriated out of the profits of Islamic banking division, before allocating the Mudarib share, in order to maintain a certain level of return on investments for all investment account holders and other investors in the common Mudaraba pool. This reserve is recognised under Equity.
- Investment risk reserve (IRR) represents a portion of the depositors' share of profits of Islamic banking division set aside as a reserve. This reserve is utilised to pay to Mudaraba depositors to maintain certain level of return on their deposits with Group in case of circumstances impacting the return adversely, upon the approval of the Group's Internal Shari'ah Supervision Committee ("ISSC"). This reserve is reported alongwith Mudaraba deposits from customers.

3.34 Taxation

Income tax expense comprises current and deferred tax.

Current tax expense (or benefit) is the tax payable (or receivable) on the current year's taxable income calculated using tax rates (and laws) enacted or substantively enacted by the end of the reporting period in each jurisdiction, adjusted for changes in deferred tax assets and liabilities. Current tax expense is recognised in the income statement except when the tax relates to items directly recognised in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity respectively. Tax provisions are recognised for uncertain tax positions when it is probable that there will be a future outflow of funds to a tax authority, measured at the best estimate of the amount expected to become payable.

Deferred tax is recognised using the liability method on temporary differences arising between the carrying amounts of assets and liabilities in the financial statements and their tax bases. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted as at the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax liabilities are recognised for all taxable temporary differences, except for goodwill and temporary differences arising from the initial recognition of assets and liabilities in transactions that do not affect taxable or accounting profit. Deferred tax assets are only recognised for temporary differences to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets are reviewed at each reporting date and adjusted to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax relating to items recognised in other comprehensive income or equity are recognised in other comprehensive income or directly in equity respectively. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

4. Critical accounting judgements and key sources of estimation uncertainty

The reported results of the Group are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of these consolidated financial statements. IFRS Accounting Standards requires the Management, in preparing the Group's consolidated financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. In the absence of an applicable standard or interpretation, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, requires Management to develop and apply an accounting policy that results in relevant and reliable information in the light of the requirements and guidance in IFRS dealing with similar and related issues and the IASB's Framework for the Preparation and Presentation of Financial Statements. The judgements and assumptions involved in the Group's accounting policies that are considered by the Board of Directors (the "Board") to be the most important to the portrayal of its financial condition are discussed below. The use of estimates, assumptions or models that differ from those adopted by the Group would affect its reported results.

4.1 Critical judgements in applying the changes in Group's accounting policies

The following are the critical judgements, apart from those involving estimations, that the management has made in applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements:

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the assets were held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Impairment losses

- Significant increase of credit risk: ECLs are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2, stage 3 and POCI assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.
- Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics (e.g. instrument type, credit risk grade, collateral type, date of initial recognition, remaining term to maturity, industry, geographic location of the borrower, etc.). The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflect the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

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

4.1 Critical judgements in applying the changes in Group's accounting policies (continued)

Impairment losses (continued)

- Models and assumptions used: The Group uses various models and assumptions in measuring ECL of financial assets. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. Refer note 43 for more details on ECL.

Valuation of financial instruments

The best evidence of fair value is a quoted price for the instrument being measured in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employ only observable market data and so the reliability of the fair value measurement is high. However, certain financial instruments are valued on the basis of valuation techniques that include one or more significant market inputs that are unobservable. Valuation techniques that rely to a greater extent on unobservable inputs require a higher level of management judgement to calculate a fair value than those based wholly on observable inputs.

Valuation techniques used to calculate fair values are discussed in note 41. Below are the judgements which management considers, while applying the model with valuation techniques:

- the likelihood and expected timing of future cash flows on the instrument. These cash flows are estimated based on the terms of the instrument, and judgement may be required when the ability of the counterparty to service the instrument in accordance with the contractual terms is in doubt. Future cash flows may be sensitive to changes in market rates;
- selecting an appropriate discount rate for the instrument. The determination of this rate is based on an assessment of what a market participant would regard as the appropriate spread of the rate for the instrument over the appropriate risk-free rate; and
- when applying a model with unobservable inputs, estimates are made to reflect uncertainties in fair values resulting from a lack of market data inputs, for example, as a result of illiquidity in the market. For these instruments, the fair value measurement is less reliable. Inputs into valuations based on unobservable data are inherently uncertain because there is little or no current market data available from which to determine the level at which an arm's length transaction would occur under normal business conditions. However, in most cases there is some market data available on which to base a determination of fair value, for example historical data, and the fair values of most financial instruments are based on some market observable inputs even when unobservable inputs are significant.

Fair valuation of investment properties

The fair value of investment properties is based on the highest and best use of the properties, which is their current use. The fair valuation of the investment properties is carried out by independent valuers based on models whose inputs are observable in an active market such as market conditions, market prices, future rental income, etc.

The fair value movements on investment properties are disclosed in more detail in note 13.

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

4.1 Critical judgements in applying the changes in Group's accounting policies (continued)

Consolidation of Funds

The changes introduced by IFRS 10 'Consolidated Financial Statements' require an investor to consolidate an investee when it controls the investee. The investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The definition of control requires the Group to exercise significant judgement on an ongoing basis to determine which entities are controlled, and therefore are required to be consolidated.

Tax positions

The income tax positions taken are considered by the Group to be supportable and are intended to withstand challenge from tax authorities. However, it is acknowledged that these positions are uncertain and include interpretations of complex tax laws which could be disputed by tax authorities. Evolving insights, for example following final tax assessments for prior years, can result in additional tax burdens or benefits, and new tax risks may arise.

The Group judges these positions on their technical merits on a regular basis using all the information available (legislation, case law, regulations, established practice, authoritative doctrine as well as the current state of discussions with tax authorities, where appropriate). A liability is recorded for each item that is not probable of being sustained on examination by the tax authorities, based on all relevant information. The liability is calculated taking into account the most likely outcome or the expected value, depending on which is thought to give a better prediction of the resolution of each uncertain tax position in view of reflecting the likelihood of an adjustment being recognised upon examination. These estimates are based on facts and circumstances existing at the end of the reporting period. The tax liability and income tax expense include expected penalties and late payment interests arising from tax disputes.

Management has used its best estimate of the correct value of liability to recognise in each case, which includes a judgement on the length of the future time period to use in such assessments.

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

4.2 Key sources of assumptions and estimation uncertainties

The following are key estimations that the management has used in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Group's consolidated financial statements:

Expected credit losses

- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario: When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect one another.
- Exposure at default (EAD) - The EAD over lifetime of a financial asset is modelled taking into account expected repayment profile. We apply specific credit conversion factors (CCFs) in order to calculate an EAD value. Conceptually, the EAD is defined as expected amount of credit exposure of counter party at the time of default. In the instance where a transaction involves an unfunded exposure, CCF models are applied in order to estimate amount of unfunded exposures that are drawn down in case of default. The calibration of such parameters (CCFs) is based on internal historical data and consider counterparty and product type specifics.
- Probability of default (PD) constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions, and expectations of future conditions.
- Loss given default (LGD) is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Impairment of goodwill and intangible assets

Goodwill is tested at least annually for impairment, along with the intangible assets and other assets of the Group's cash-generating units.

Determining whether goodwill or intangible assets are impaired requires an estimation of the value in use of the business being tested for impairment and of the cash-generating units to which these assets have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit, taking into account the achievability of long-term business plans and macroeconomic assumptions underlying the valuation process, and a suitable discount rate in order to calculate present value.

5. Subsidiaries

The following is the list of subsidiaries of the Bank as at December 31, 2025:

		Incorporation		
Name of subsidiary	**Ownership interest**	**Year**	**Country**	**Principal activities**
ADCB Securities LLC	100%	2005	UAE	Agent in trading of financial instruments and stocks.
Kinetic Infrastructure Development LLC	100%	2006	UAE	Financial investments.
Abu Dhabi Commercial Property Development LLC (1)	100%	2006	UAE	Property development.
Abu Dhabi Commercial Engineering Services LLC	100%	2007	UAE	Engineering services.
ADCB Finance (Cayman) Limited	100%	2008	Cayman Islands	Treasury financing activities.
ADCB Markets (Cayman) Limited	100%	2008	Cayman Islands	Treasury related activities.
ITMAM Services FZ LLC	100%	2010	UAE	Transaction processing and back-office support for the Group.
ITMAM Services LLC	100%	2013	UAE	Transaction processing and back-office support for the Group.
ADCB Asset Management Limited	100%	2018	UAE	Wealth management and private banking.
Al Wifaq Investment Properties PrJSC	90.08%	2006	UAE	Investment in real estate properties and earning rental income.
Abu Dhabi Commercial Bank – Egypt SAE (formerly known as Union National bank – Egypt SAE)	99.91%	1981	Egypt	Commercial banking services.
Al Hilal Bank PJSC	100%	2007	UAE	Islamic banking activities.
ADCB Islamic Bank JSC (formerly known as Al Hilal Islamic Bank JSC)	100%	2010	Kazakhstan	Islamic banking activities.
Al Hilal Leasing LLP(2)	100%	2011	Kazakhstan	Shari'ah compliant leasing operations.
Al Hur 1 Holding Limited	100%	2022	UAE	Real estate investment activities.
Al Hur 2 Holding Limited	100%	2022	UAE	Real estate investment activities.
Meedaf Investment Limited (formerly known as Meedaf Investment – Sole Proprietorship LLC)	100%	2023	UAE	Enterprise and service support.
ITMAM For Outsourcing Services LLC	100%	2025	Egypt	Back office support for the Group.
Touchpoints Data Services - LLC - S.P.C	100%	2025	UAE	Data classification & analysis services, marketing consultancy and studies.
Abu Dhabi Commercial Engineering Services LLC – Dubai	100%	2025	UAE	Engineering services.
ADCB LTIP SPV Limited	Controlling Interest	2025	UAE	Trust activities.

(1) dormant
(2) under liquidation

The Group does not have any subsidiary with material non-controlling interests.

For the list of associates and joint venture of the Group, refer note 12.

6. Cash and balances with central banks, net

	As at December 31 2025 AED million	As at December 31 2024 AED million
Cash on hand	**2,298**	2,339
Balances with central banks	**22,185**	11,307
Reserves maintained with central banks	**35,153**	27,310
Certificate of deposits with central banks	**3,384**	5,268
Gross cash and balances with central banks	**63,020**	46,224
Less: Allowance for impairment (Note 43.3)	**(1)**	(1)
Total cash and balances with central banks, net	**63,019**	46,223
The geographical concentration is as follows:		
Within the UAE	**59,735**	43,988
Outside the UAE	**3,285**	2,236
	63,020	46,224
Less: Allowance for impairment (Note 43.3)	**(1)**	(1)
	63,019	46,223

Reserves maintained with central banks represent deposits with central banks at stipulated percentages of its demand, savings, time, and other deposits. As per Central Bank of UAE (CBUAE) regulations, subject to meeting reserve requirements over 14 days' period, the Bank is allowed to draw their balances held in reserve account maintained with CBUAE. These reserves are available for day-to-day operations.

7. Deposits and balances due from banks, net

	As at December 31 2025 AED million	As at December 31 2024 AED million
Nostro balances	**7,260**	5,715
Margin deposits	**7,798**	3,914
Time deposits	**4,685**	9,314
Wakala placements	**2,704**	367
Reverse repurchase agreements(*)	**5,783**	225
Loans and advances to banks	**28,470**	30,785
Gross deposits and balances due from banks	**56,700**	50,320
Less: Allowance for impairment (Note 43.3)	**(106)**	(106)
Total deposits and balances due from banks, net	**56,594**	50,214
The geographical concentration is as follows:		
Within the UAE	**5,058**	3,840
Outside the UAE	**51,642**	46,480
	56,700	50,320
Less: Allowance for impairment (Note 43.3)	**(106)**	(106)
	56,594	50,214

(*) includes Islamic collateralised murabaha amounting to AED 150 million (December 31, 2024 – AED 225 million)

As at December 31, 2025, the Group received bonds with fair value of AED 7,267 million (December 31, 2024 – AED 310 million) under reverse repurchase agreements.

The Group hedges certain fixed and floating rate loans and advances to banks amounting to AED 421 million (December 31, 2024 – AED 387 million) for interest rate risk using either interest rate or cross currency swaps and designates these swaps as fair value and cash flow hedges, respectively. The net negative fair value of these swaps as at December 31, 2025 was AED 42 million (December 31, 2024 – net positive fair value of AED 5 million).

8. Financial assets at fair value through profit or loss

	As at December 31 2025 AED million	As at December 31 2024 AED million
Debt securities(*)	**11,575**	2,894
Equities and funds	**30**	83
Structured funding arrangements	**10,081**	9,893
Total financial assets at fair value through profit or loss	**21,686**	12,870
The geographical concentration is as follows:		
Within the UAE	**6,072**	1,419
Outside the UAE	**15,614**	11,451
	21,686	12,870

(*) includes perpetual debt securities amounting to AED 277 million (December 31, 2024 – AED nil) and Islamic investing assets amounting to AED 677 million (December 31, 2024 – AED 480 million)

The Group entered into structured funding arrangements where funding was provided against certain reference assets received under the arrangement and held by the Group. The risk and rewards relating to these reference assets remain with the counterparty. As at December 31, 2025, the fair value of these reference assets amounted to AED 14,597 million (December 31, 2024 – AED 14,346 million), of this AED 4,591 million (December 31, 2024 – AED nil) were posted against repo borrowings. Further, the Group also posted net cash collateral of AED 11 million (December 31, 2024 – posted net cash collateral of AED 32 million) against this structuring arrangements. The structuring arrangement and reference assets received are governed under International Swaps and Derivatives Association (ISDA) agreements.

Refer note 11 for loans and advances at fair value through profit or loss.

9. Derivative financial instruments

In the ordinary course of business, the Group enters into various types of derivative transactions that are affected by variables in the underlying instruments.

A derivative is a financial instrument or other contract with all three of the following characteristics:
(a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying');
(b) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
(c) it is settled at a future date.

Derivative financial instruments which the Group enters into includes forward foreign exchange contracts, interest rate futures, forward rate agreements, commodity swaps, interest rate swaps and currency and interest rate options.

The Group uses the following derivative financial instruments for hedging and trading purposes.

9. Derivatives financial instruments (continued)

Forward and Futures transactions

Currency forwards represent commitments to purchase foreign and domestic currencies, including non-deliverable forward transactions (i.e. the transaction is net settled). Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates or to buy or sell foreign currency or a financial instrument on a future date at a specified price established in an organised financial market. The credit risk for futures contracts is negligible as they are collateralised by cash or marketable securities and changes in the futures' contract value are settled daily with the broker. Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement at a future date for the difference between a contracted rate of interest and the current market rate based on a notional principal amount.

Swap transactions

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example: fixed rate for floating rate) or a combination of all these (for example: cross-currency interest rate swaps). No exchange of principal takes place except for certain cross currency interest rate swaps or prepaid commodity accumulator swaps. The Group's credit risk represents the potential loss if counterparties fail to fulfil their obligation. This risk is monitored on an ongoing basis through market risk limits on exposures and credit risk assessment of counterparties using the same techniques as those of lending activities.

Option transactions

Foreign currency and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency or a specific rate of interest or any financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of foreign exchange or interest rate risk. Options may be either exchange-traded or negotiated between the Group and a customer over the counter (OTC).

Derivative contracts can be exchange traded or OTC. The Group values exchange traded derivatives using inputs at market-clearing levels. OTC derivatives are valued using market based inputs or broker/dealer quotations. Where models are required, the Group uses a variety of inputs, including contractual terms, market prices, market volatilities, yield curves and other reference market data.

Fair value measurement models

For OTC derivatives that trade in liquid markets such as generic forwards, swaps and options, model inputs can generally be verified, and model selection conforms to market practice. Certain OTC derivatives trade in less liquid markets with limited pricing information and the determination of fair value for these derivatives is inherently more difficult. Subsequent to initial recognition, the Group only updates valuation inputs when corroborated by evidence such as similar market transactions, third-party pricing services and/or broker dealer quotations or other empirical market data. In the absence of such evidence, management's best estimates are used.

Derivatives held or issued for trading purposes

The Group's trading activities are predominantly related to offering hedging solutions to customers at competitive prices in order to enable them to transfer, modify or reduce current and expected risks. The Group also manages risks taken as a result of client transactions or initiates positions with the expectation of profiting from favourable movement in prices, rates, or indices.

9. Derivatives financial instruments (continued)

Derivatives held or issued for hedging purposes

The Group uses derivative financial instruments for hedging purposes as part of its asset and liability management activities in order to reduce its own exposure to fluctuations in currency and interest rates. The Group uses forward foreign exchange contracts, cross currency interest rate swaps and interest rate swaps as hedging instruments to hedge currency rate and interest rate risks. The Group uses foreign exchange derivatives to hedge its foreign currency risk on its net investment in foreign operations. In all such cases, the hedging relationship and objectives including details of the hedged item and hedging instrument are formally documented and the transactions are accounted for based on the type of hedge.

The table below shows the positive (assets) and negative (liabilities) fair values of derivative financial instruments.

	Fair values		
	Assets AED million	Liabilities AED million	Notional AED million
As at December 31, 2025			
Derivatives held or issued for trading			
Foreign exchange derivatives	**1,582**	**1,366**	**407,927**
Interest rate and cross currency swaps	**7,980**	**8,355**	**448,083**
Credit derivatives	**9**	**24**	**904**
Interest rate and commodity options	**715**	**747**	**72,794**
Futures (exchange traded)	**47**	**66**	**13,540**
Commodity and energy swaps	**1,296**	**649**	**13,855**
Swaptions	**1,016**	**62**	**24,248**
Total derivatives held or issued for trading	**12,645**	**11,269**	**981,351**
Derivatives held as fair value hedges			
Interest rate and cross currency swaps	**2,074**	**16,846**	**214,882**
Derivatives held as cash flow hedges			
Interest rate and cross currency swaps	**238**	**111**	**48,779**
Forward foreign exchange contracts	**203**	**38**	**21,049**
Total derivatives held as cash flow hedges	**441**	**149**	**69,828**
Total derivative financial instruments	**15,160**	**28,264**	**1,266,061**
As at December 31, 2024			
Derivatives held or issued for trading			
Foreign exchange derivatives	2,774	2,450	287,888
Interest rate and cross currency swaps	9,171	8,735	363,399
Credit derivatives	-	3	129
Interest rate and commodity options	699	918	84,664
Futures (exchange traded)	1	2	5,618
Commodity and energy swaps	209	158	15,709
Swaptions	896	163	62,290
Total derivatives held or issued for trading	13,750	12,429	819,697
Derivatives held as fair value hedges			
Interest rate and cross currency swaps	4,742	11,010	170,686
Derivatives held as cash flow hedges			
Interest rate and cross currency swaps	481	29	15,038
Forward foreign exchange contracts	-	423	11,995
Total derivatives held as cash flow hedges	481	452	27,033
Total derivative financial instruments	18,973	23,891	1,017,416

The notional amounts indicate the volume of transactions and are neither indicative of the market risk nor credit risk. Refer note 45 for maturity profile of notional value of derivatives held for hedging purposes.

9. Derivatives financial instruments (continued)

The net hedge ineffectiveness losses recognised in the consolidated income statement are as follows:

	2025 AED million	2024 AED million
Net change in the fair value of the hedged items attributable to risk hedged	**8,311**	3,555
Net change in the fair value of the hedging instruments	**(8,305)**	(3,586)
Net hedge ineffectiveness gains/(losses)	**6**	(31)

The hedge ineffectiveness losses in 2025 and 2024 mainly pertains to borrowings due to mismatch in timing of the cash flows between hedge instrument and hedge item.

As at December 31, 2025, the Group received cash collateral of AED 3,350 million (December 31, 2024 – AED 6,239 million) and bonds with fair value of AED 1,562 million (December 31, 2024 – AED 2,122 million) against positive fair value of derivative assets.

As at December 31, 2025, the Group placed cash collateral of AED 9,068 million (December 31, 2024 – AED 4,675 million) and bonds with fair value of AED 9,497 million (December 31, 2024 – AED 6,805 million) against the negative fair value of derivative liabilities.

These collaterals are governed by collateral service agreements under International Swaps and Derivatives Association (ISDA) agreements.

10. Investment securities, net

	UAE AED million	Other GCC(*) countries AED million	Rest of the world AED million	Total AED million
As at December 31, 2025				
At fair value through other comprehensive income (FVTOCI)				
Quoted:				
Government securities	13,510	13,631	35,449	62,590
Bonds – Banks and financial institutions	1,395	1,239	4,826	7,460
Bonds – Others	7,443	2,394	3,648	13,485
Equities and funds(**)	465	44	54	563
Total quoted	**22,813**	**17,308**	**43,977**	**84,098**
Unquoted:				
Equities and funds	116	1	28	145
Total investment securities at fair value through other comprehensive income	**22,929**	**17,309**	**44,005**	**84,243**
At amortised cost				
Quoted:				
Government securities	13,363	13,171	21,246	47,780
Bonds – Banks and financial institutions	1,549	1,559	10,282	13,390
Bonds – Others	10,595	2,216	7,921	20,732
Total quoted	**25,507**	**16,946**	**39,449**	**81,902**
Less: Allowance for impairment (Note 43.3)	(3)	(2)	(3)	(8)
Total investment securities at amortised cost	**25,504**	**16,944**	**39,446**	**81,894**
Total investment securities, net	**48,433**	**34,253**	**83,451**	**166,137**

(*) Gulf Cooperation Council
(**) includes investments in perpetual bonds

10. Investment securities, net (continued)

	UAE AED million	Other GCC(*) countries AED million	Rest of the world AED million	Total AED million
As at December 31, 2024				
At fair value through other comprehensive income (FVTOCI)				
Quoted:				
Government securities	11,336	6,874	19,281	37,491
Bonds – Banks and financial institutions	867	113	1,377	2,357
Bonds – Others	6,328	2,101	1,795	10,224
Equities and funds(**)	626	36	163	825
Total quoted	19,157	9,124	22,616	50,897
Unquoted:				
Equities and funds	71	1	24	96
Total investment securities at fair value through other comprehensive income	19,228	9,125	22,640	50,993
At amortised cost				
Quoted:				
Government securities	15,009	15,210	26,898	57,117
Bonds – Banks and financial institutions	1,566	1,574	8,359	11,499
Bonds – Others	11,457	2,729	9,216	23,402
Total quoted	28,032	19,513	44,473	92,018
Less: Allowance for impairment (Note 43.3)	(5)	(3)	(14)	(22)
Total investment securities at amortised cost	28,027	19,510	44,459	91,996
Total investment securities, net	47,255	28,635	67,099	142,989

(*) Gulf Cooperation Council
(**) includes investments in perpetual bonds

For Islamic investing assets included in the above table, refer note 24.

As at December 31, 2025, the allowance for impairment on debt instruments designated at FVTOCI amounting to AED 32 million (December 31, 2024 – AED 52 million) (Note 43.3) is included in revaluation reserve of investments carried at FVTOCI.

The Group hedges certain fixed and floating rate investments securities amounting to AED 106,615 million (December 31, 2024 – AED 92,180 million) for interest rate and foreign currency risks through interest rate and currency swaps and designates these as fair value and cash flow hedges, respectively. The net negative fair value of these swaps as at December 31, 2025, was AED 3,922 million (December 31, 2024 – net positive fair value of AED 3,322 million).

The Group entered into repurchase agreements whereby bonds were pledged and held by counterparties as collateral. The risks and rewards relating to the investments pledged remains with the Group. The bonds placed as collateral are governed under Global Master Repurchase Agreements (GMRA). The following table reflects the carrying value of these bonds and the associated financial liabilities:

	As at December 31, 2025		As at December 31, 2024	
	Carrying value of pledged securities(*) AED million	**Carrying value of associated liabilities AED million**	Carrying value of pledged securities AED million	Carrying value of associated liabilities AED million
Repurchase financing	**44,496**	**41,764**	45,478	44,351

(*) includes securities of AED 4,591 million (December 31, 2024 – AED nil) received as collateral by the Group (Note 8)

Further, the Group pledged investment securities with fair value amounting to AED 9,493 million (December 31, 2024 – AED 7,511 million) as collateral against margin calls. The risks and rewards on these pledged investments securities remains with the Group.

11. Loans and advances to customers, net

	As at December 31 2025 AED million	As at December 31 2024 AED million
Overdrafts (retail and corporate)	**16,294**	15,504
Retail loans – mortgages	**19,368**	19,396
Retail loans – others	**46,179**	46,403
Corporate loans	**292,477**	240,558
Credit cards	**6,192**	5,818
Other facilities	**30,455**	29,595
Gross loans and advances to customers at amortised cost	**410,965**	357,274
Less: Allowance for impairment (Note 43.3)	**(7,934)**	(9,834)
Total loans and advances to customers at amortised cost, net	**403,031**	347,440
Loans and advances to customers mandatorily measured at FVTPL	**2,936**	3,198
Total loans and advances to customers, net	**405,967**	350,638

For Islamic financing assets included in the above table, refer note 24.

The Group hedges certain fixed and floating rate loans and advances amounting to AED 66,164 million (December 31, 2024 – AED 22,826 million) for interest rate and foreign currency risk using interest rate and cross currency swaps and designates these swaps as fair value and cash flow hedges, respectively. The net negative fair value of these swaps as at December 31, 2025, was AED 889 million (December 31, 2024 – net positive fair value of AED 212 million).

12. Investment in associates and joint venture

	AED million
As at January 1, 2024	371
Share in profit of associates	11
Transferred to investment securities	(53)
As at December 31, 2024	329
Share in profit of associates	**9**
Dividend received from associates	**(18)**
Addition during the year	**2**
Disposal during the year	**(16)**
As at December 31, 2025	**306**

Details of investment in associates and joint venture as at December 31, 2025, are as follows:

Name of associate/joint venture	Effective ownership interest 2025	Effective ownership interest 2024	Country of incorporation	Principal activities
Four N Property LLC	**35.00%**	35.00%	UAE	Residential facilities for lower income group
NMC Holdco SPV Ltd	**40.98%**	40.51%	UAE	Healthcare services
EL Fouadeya Development Company	**25.00%**	25.00%	Egypt	Real estate contracting services
Relaam Real Estate LLC (formerly known as Abu Dhabi Commercial Properties LLC)	**20.00%**	20.00%	UAE	Real estate property management and advisory services
Brinks Managed Services Limited	**51.00%**	-	UAE	Private security activities, computer maintenance and information technology services
Indebted Debt Collection LLC	**50.00%**	-	UAE	Debt collection services

For balances and transactions with associates and joint venture, refer note 37.

13. Investment properties

	AED million
As at January 1, 2024	1,741
Additions during the year	2
Disposals during the year	(49)
Revaluation of investment properties	27
Impact of currency translation	(5)
As at December 31, 2024	1,716
Additions during the year	**88**
Disposals during the year	**(641)**
Revaluation of investment properties	**30**
As at December 31, 2025	**1,193**

For the year 2025, net gain from investment properties includes net gain of AED 21 million (2024 – net gain of AED 0.03 million) on disposal of investment properties.

Additions during the year represents properties acquired on settlement of loans and advances. These being non-cash transactions have not been reflected in the consolidated statement of cash flows.

Fair valuations

Valuations are carried out by registered independent valuers having an appropriate recognised professional qualification and experience in the location and category of the property being valued. In estimating the fair values of the properties, the highest and best use of the properties is their current use.

The valuation methodologies considered by external valuers include:

- Direct comparable method: This method seeks to determine the value of the property from transactions of comparable properties in the vicinity applying adjustments to reflect differences to the subject property.
- Investment method: This method is used to assess the value of the property by capitalising the net operating income of the property at an appropriate yield an investor would expect for an investment of the duration of the interest being valued.

All investment properties of the Group are primarily located within the UAE.

Details of rental income and direct operating expenses relating to investment properties during the year are as follows:

14. Other assets, net

	As at December 31 2025 AED million	As at December 31 2024 AED million
Interest receivable	**6,333**	5,195
Prepayments	**103**	161
Acceptances (Note 21)	**26,149**	12,956
Others	**2,410**	1,713
Gross other assets	**34,995**	20,025
Less: Allowance for impairment (Note 43.3)	**(25)**	(21)
Total other assets, net	**34,970**	20,004

15. Property and equipment, net

	Freehold properties and improvements AED million	Leasehold improvements AED million	Furniture, equipment, and vehicles AED million	Computer equipment, and accessories AED million	Capital work in progress AED million	Total AED million
Cost or valuation						
As at January 1, 2024	1,520	337	255	486	132	2,730
Additions during the year	68	9	12	33	14	136
Transfers during the year	-	19	6	10	(35)	-
Disposals during the year	(5)	-	(4)	-	(35)	(44)
Impact of currency translation	(26)	(14)	(7)	(10)	(36)	(93)
As at December 31, 2024	1,557	351	262	519	40	2,729
Additions during the year	**5**	**11**	**5**	**16**	**95**	**132**
Transfers during the year	**(35)**	**66**	**6**	**32**	**(69)**	**-**
Disposals during the year	**(587)**	**(3)**	**(30)**	**(10)**	**(14)**	**(644)**
Impact of currency translation	**5**	**1**	**1**	**3**	**7**	**17**
As at December 31, 2025	**945**	**426**	**244**	**560**	**59**	**2,234**
Accumulated depreciation						
As at January 1, 2024	708	268	207	384	-	1,567
Charge for the year (Note 32)	64	15	9	53	-	141
Disposals during the year	(5)	-	(3)	-	-	(8)
Transfers during the year	(53)	29	24	-	-	-
Impact of currency translation	(1)	(9)	(5)	(3)	-	(18)
As at December 31, 2024	713	303	232	434	-	1,682
Charge for the year (Note 32)	**59**	**25**	**10**	**45**	**-**	**139**
Disposals during the year	**(238)**	**(2)**	**(27)**	**(10)**	**-**	**(277)**
Impact of currency translation	**(1)**	**-**	**1**	**1**	**-**	**1**
As at December 31, 2025	**533**	**326**	**216**	**470**	**-**	**1,545**
Carrying amount						
As at December 31, 2025	**412**	**100**	**28**	**90**	**59**	**689**
As at December 31, 2024	844	48	30	85	40	1,047

During the year, the Group reclassified computer software from property and equipment to intangible assets amounting to AED 700 million (net of depreciation) (Note 16). This reclassification was reflected with effect from January 1, 2024, and accordingly the balances as at January 1, 2024, for cost and accumulated depreciation has been reclassified. These amounts have been reclassified for better presentation to align with the nature of the respective asset and has no impact on the total equity or total comprehensive income.

16. Intangible assets, net

		Other intangible assets				
	Goodwill AED million	Trademark and license AED million	Core deposits AED million	Customer relationships AED million	Computer software AED million	Total AED million
Cost or valuation						
As at January 1, 2024	6,754	190	457	84	1,935	9,420
Additions during the year	-	-	-	-	276	276
Impact of currency translation	-	(26)	-	-	(18)	(44)
As at December 31, 2024	6,754	164	457	84	2,193	9,652
Additions during the year	**-**	**-**	**-**	**-**	**220**	**220**
Impact of currency translation	**-**	**2**	**-**	**-**	**2**	**4**
As at December 31, 2025	**6,754**	**166**	**457**	**84**	**2,415**	**9,876**
Accumulated amortisation						
As at January 1, 2024	-	-	369	67	1,345	1,781
Amortisation for the year (Note 32)	-	-	38	13	164	215
Impact of currency translation	-	-	-	-	(16)	(16)
As at December 31, 2024	-	-	407	80	1,493	1,980
Amortisation for the year (Note 32)	**-**	**-**	**38**	**4**	**195**	**237**
Impact of currency translation	**-**	**-**	**-**	**-**	**1**	**1**
As at December 31, 2025	**-**	**-**	**445**	**84**	**1,689**	**2,218**
Carrying amount						
As at December 31, 2025	**6,754**	**166**	**12**	**-**	**726**	**7,658**
As at December 31, 2024	6,754	164	50	4	700	7,672

Refer note 15 for more details about reclass of computer software to intangible assets from property and equipment, net.

Goodwill

On May 1, 2019, Union National Bank PJSC (or "UNB") merged with Abu Dhabi Commercial Bank PJSC in an all-stock transaction. The merged entity subsequently completed 100% acquisition of Al Hilal Bank PJSC (or "AHB"). Based on the purchase price allocation exercise performed by an external consultant following the merger and acquisition, the Bank recognised AED 785 million as intangible assets and AED 6,735 million as goodwill.

On October 1, 2010, the Bank acquired the retail banking, wealth management and small and medium enterprise businesses (the "Business") of The Royal Bank of Scotland ("RBS") in the UAE for a consideration of AED 169 million. Based on the fair valuation and purchase price allocation exercise performed by an external consultant immediately following the acquisition in 2010, the Bank recognised AED 143 million as intangible assets which were fully amortised during the previous years and AED 19 million as goodwill.

Impairment assessment of goodwill

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to the revenue generating CGUs. In a goodwill impairment test, the recoverable amounts of the goodwill carrying CGUs are compared with the respective carrying amounts. The recoverable amount is the higher of a CGU's fair value less costs of disposal and its value in use.

The carrying amount of CGU is derived using a capital allocation model where the Group's core equity capital is allocated to the CGUs. The Group determines the recoverable amounts of its CGUs based on higher of fair value less cost to sell (FVLCS) or value in use (VIU).

16. Intangible assets, net (continued)

Impairment assessment of goodwill (continued)

Value in use is estimated using discounted cash flow (DCF) model, which reflects the specifics of the banking business and its regulatory environment. The model calculates the present value of the estimated future earnings that are distributable to shareholders after fulfilling the respective regulatory capital requirements and the risk appetite of the Group. The DCF model uses earnings projections which are discounted to their present value by using discount rate of 8.07% p.a.. Earnings projections beyond the initial five-year period are adjusted to derive a sustainable level using a terminal growth rate of 3.90% p.a.. The DCF value of a CGU is sensitive to the projections of distributable earnings, the discount rate applied and the terminal growth rate.

FVLCS of CGUs are estimated based on data from comparable companies' price to book (P/B) ratio and adding control premium to the same.

No impairment loss on above goodwill was recognised during the year (2024 – AED nil) since the recoverable amount of the CGU's were higher than the respective CGU's carrying amounts.

Other intangible assets

Trademark and license	AHB has built a strong franchise and has a reputation as a progressive Islamic bank offering a wide range of client centric Shari'ah compliant retail banking products. The AHB brand plays a key part in generating revenues for the Bank.
Egypt license	This has been recognised as an intangible asset as Central Bank of Egypt has not issued a new banking license to any entity for the past 20 years and has therefore restricted engagement in banking activities to banks already licensed and operating in Egypt. The license plays a key part in generating revenues for the Bank. Egypt license was valued considering the market approach using comparable transactions.
Core deposits	The value of core deposit intangible asset arises from the fact that the deposit base of the Group represents a cheaper source of funding than wholesale or money market funding. The spread between the cost of deposit funding and the cost of wholesale/money market funding represents the value of the core deposit intangible.
Customer relationships	Customer relationship intangible assets represent the value attributable to the business expected to be generated from customers that existed as at the acquisition date. In determining the fair value of customer relationships, trade finance customers were considered. These relationships are expected to generate material recurring income in the form of fees and commission.

No impairment loss on above other intangible assets were recognised during the year (2024 – AED nil).

17. Due to banks

	As at December 31 2025 AED million	As at December 31 2024 AED million
Vostro balances	**1,793**	1,002
Margin deposits	**3,207**	4,895
Time deposits	**14,086**	5,380
Total due to banks	**19,086**	11,277

18. Deposits from customers

	As at December 31 2025 AED million	As at December 31 2024 AED million
Time deposits	**267,610**	234,976
Current account deposits	**179,027**	149,574
Savings deposits	**49,794**	32,483
Long term government deposits	**149**	215
Margin deposits	**3,195**	3,812
Total deposits from customers	**499,775**	421,060

For Islamic deposits included in the above table, refer note 24.

The Group hedges customer deposits amounting to AED 62,027 million (December 31, 2024 – AED 32,788 million) for foreign currency and interest rate risks using foreign exchange and interest rate swaps and designates these swaps as either cash flow or fair value hedges. The net positive fair value of these swaps as at December 31, 2025 was AED 173 million (December 31, 2024 – net negative fair value of AED 23 million).

19. Euro commercial paper

The details of euro commercial paper ("ECP") issuances under the Bank's ECP programme are as follows:

	As at December 31 2025 AED million	As at December 31 2024 AED million
Currency (CCY)		
US dollar (USD)	**3,913**	2,147
Euro (EUR)	**2,684**	1,280
Great Britain pound (GBP)	**2,123**	2,726
Total euro commercial paper	**8,720**	6,153

The Group hedges euro commercial paper amounting to AED 4,807 million (December 31, 2024 – AED 4,006 million) for foreign currency using foreign exchange swaps and designates these swaps as cash flow hedges. The net positive fair value of these hedge contracts as at December 31, 2025, was AED 2 million (December 31, 2024 – net negative fair value of AED 140 million).

The effective interest rate on zero coupon ECPs ranges between 2.12% p.a. to 4.55% p.a. (December 31, 2024 – between 2.995% p.a. to 5.53% p.a.).

Reconciliation of ECP movement to cash flows arising from financing activities is as follows:

	AED million
As at January 1, 2024	7,778
Net proceeds from issuances	12,706
Repayments	(14,639)
Other movements	308
As at December 31, 2024	6,153
Net proceeds from issuances	**21,398**
Repayments	**(19,219)**
Other movements	**388**
As at December 31, 2025	**8,720**

Net proceeds from issuances include effects of changes in foreign exchange rates. Other movements include discount amortised.

20. Borrowings

The details of borrowings as at December 31, 2025 are as follows:

Instrument	Currency (CCY)	Within 1 year AED million	1-3 years AED million	3-5 years AED million	Over 5 years AED million	Total AED million
Global medium term notes	Australian dollar (AUD)	-	861	144	-	1,005
	Chinese renminbi (CNH)	358	169	-	-	527
	Swiss franc (CHF)	-	-	475	-	475
	Hong Kong dollar (HKD)	-	96	-	-	96
	US dollar (USD)	1,638	6,220	8,523	15,394	31,775
	Indonesian rupiah (IDR)	-	-	447	-	447
		1,996	7,346	9,589	15,394	34,325
Bilateral loans	US dollar (USD)	-	4,991	733	-	5,724
	Kazakhstan tenge (KZT)	-	60	-	-	60
Certificate of deposits issued	Great Britain pound (GBP)	3,225	-	-	-	3,225
	US dollar (USD)	1,609	-	-	-	1,609
	Hong Kong dollar (HKD)	216	-	-	-	216
	Chinese renminbi (CNH)	52	-	-	-	52
	Euro (EUR)	989	-	-	-	989
Subordinated notes - fixed rate	US dollar (USD)	-	-	-	1,830	1,830
Borrowings through repurchase agreements	US dollar (USD)	40,108	1,654	-	-	41,762
	Egyptian pound (EGP)	-	-	-	2	2
Total borrowings		48,195	14,051	10,322	17,226	89,794

The Group hedges borrowings amounting to AED 43,305 million for foreign currency and interest rate risks using either interest rate or cross currency swaps and designates these swaps as either fair value or cash flow hedges. The net negative fair value of these swaps as at December 31, 2025 was AED 9,802 million.

20. **Borrowings** (continued)

The details of borrowings as at December 31, 2024 are as follows:

Instrument	Currency (CCY)	Within 1 year AED million	1-3 years AED million	3-5 years AED million	Over 5 years AED million	Total AED million
Global medium term notes	Australian dollar (AUD)	-	797	50	80	927
	Chinese renminbi (CNH)	-	500	-	-	500
	Swiss franc (CHF)	-	-	-	417	417
	Hong Kong dollar (HKD)	73	-	-	-	73
	US dollar (USD)	1,102	5,684	5,662	15,658	28,106
	Indonesian rupiah (IDR)	-	-	423	-	423
		1,175	6,981	6,135	16,155	30,446
Bilateral loans	US dollar (USD)	734	2,562	2,420	-	5,716
	Kazakhstan tenge (KZT)	-	72	-	-	72
Certificate of deposits issued	Great Britain pound (GBP)	5,399	-	-	-	5,399
	US dollar (USD)	311	-	-	-	311
	Euro (EUR)	627	-	-	-	627
Subordinated notes - fixed rate	US dollar (USD)	-	-	-	1,765	1,765
Borrowings through repurchase agreements	US dollar (USD)	35,746	8,603	-	-	44,349
	Egyptian pound (EGP)	-	-	-	2	2
Total borrowings		43,992	18,218	8,555	17,922	88,687

The Group hedges borrowings amounting to AED 44,043 million for foreign currency and interest rate risks using either interest rate or cross currency swaps and designates these swaps as either fair value or cash flow hedges. The net negative fair value of these swaps as at December 31, 2024 was AED 9,615 million.

20. Borrowings (continued)

Interests are payable in arrears and the contractual coupon rates as at December 31, 2025, are as follows:

Instrument	Currency (CCY)	Within 1 year	1-3 years	3-5 years	Over 5 years
Global medium term notes	AUD	-	Fixed rate between 3.10% p.a. to 4.50% p.a. and quarterly coupons between 90 to 94 basis points over bank bill swap rate (BBSW)	Fixed rate between 2.696% p.a. to 2.80% p.a.	-
	CNH	Fixed rate between 3.35% p.a. to 3.38% p.a.	Fixed rate between 3.20% p.a. to 3.415% p.a.	-	-
	CHF	-	-	Fixed rate of 2.023% p.a.	-
	HKD	-	Fixed rate of 4.16% p.a.	-	-
	USD	Fixed rate between 1.63% p.a. to 1.72% p.a.	Fixed rate between 3.50% p.a. to 5.38% p.a. and quarterly coupon between 88 to 166 basis points over SOFR	Fixed rate of 5.50% p.a. and quarterly coupons between 100 to 140 basis points over SOFR	Fixed rate between 4.65% p.a. to 5.00% p.a. and zero coupon with an internal rate between 3.271% p.a. to 5.785% p.a.(*)
	IDR	-	-	Fixed rate between 7.50% p.a. to 8.16% p.a.	-
Bilateral loans	USD	-	Monthly coupon between 68 to 85 basis point over SOFR	Monthly coupon of 78 basis points over SOFR	-
	KZT	-	Fixed rate between 8.50% p.a.to 9.50% p.a.	-	-
Certificate of deposits issued	GBP	Zero coupon with an internal rate between 4.11% p.a. to 4.33% p.a.	-	-	-
	USD	Zero coupon with an internal rate between 3.91% p.a. to 4.50% p.a.	-	-	-
	HKD	Zero coupon with an internal rate between 2.25% p.a. to 3.94% p.a.	-	-	-
	CNH	Zero coupon with an internal rate of 1.80% p.a.	-	-	-
	EUR	Zero coupon with an internal rate between 2.12% p.a. to 2.21% p.a.	-	-	-
Subordinated notes - fixed rate	USD	-	-	-	Fixed rate of 5.36% p.a. from issue date but excluding the first reset date (March 10, 2030)(**) payable on semi-annual basis
Borrowings through repurchase agreements	USD	Fixed rate of 4.13 % p.a., monthly coupon between 25 to 52 basis points over SOFR, quarterly coupons between 0 to 65 basis points over SOFR, and semi-annual coupons between negative 20 to positive 41 basis points over SOFR	Quarterly coupons between 57 to 58 basis points over SOFR	-	-
	EGP	-	-	-	Fixed rate between 0.50% p.a. to 3.50% p.a.

(*) includes AED 14,907 million accreting notes for maturities ranging from 30 years to 40 years with internal rate of return ranging from 3.271% p.a. to 5.785% p.a. and are callable at the end of every 5th, 6th, 7th, or 10th year from issue date.

(**) first callable on September 10, 2029, if the subordinated notes are not redeemed on or prior to the reset date, interest will be payable from (and including) the reset date at a fixed rate equal to the relevant five year reset rate (5 year US Treasury rate) plus margin of 1.677% p.a.

20. Borrowings (continued)

The subordinated fixed rate note qualifies as Tier 2 capital in accordance with capital guidance issued by the UAE Central Bank (Note 49).

Refer note 10 for details of bonds pledged as collateral against borrowings through repurchase agreements.

Further, the Group received net cash collateral of AED 242 million (December 31, 2024 – AED nil) against margin calls.

Reconciliation of borrowings movement to cash flows arising from financing activities is as follows:

	AED million
As at January 1, 2024	76,653
Net proceeds from issuances	113,498
Repayments	(99,079)
Other movements	(2,385)
As at December 31, 2024	88,687
Net proceeds from issuances	**91,200**
Repayments	**(91,037)**
Other movements	**944**
As at December 31, 2025	**89,794**

Net proceeds from issuances include effects of changes in foreign exchange rates on borrowings. Other movements include interest capitalised on callable accreting notes, discount amortised and changes in fair value hedges.

21. Other liabilities

	As at December 31 2025 AED million	As at December 31 2024 AED million
Interest payable	**3,818**	4,197
Recognised liability for defined benefit obligation	**528**	518
Deferred income	**1,904**	1,287
Acceptances (Note 14)	**26,149**	12,956
Impairment allowance on letters of credit, guarantees and other commitments (Note 43.3)	**393**	574
Others(*)	**6,482**	6,647
Total other liabilities	**39,274**	26,179

(*) includes AED 268 million (December 31, 2024 – AED 157 million) pertaining to lease liability

Defined benefit obligation

The Group provides gratuity benefits to its eligible employees in UAE. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out in the last quarter of 2025 by a registered actuary in the UAE. The present value of the defined benefit obligation and the related current and past service cost were measured using the Projected Unit Credit Method.

Key assumptions used in the actuarial valuation are as follows:

Discount rate: 4.79% p.a. (2024 – 4.99% p.a.)
Salary increment rate: 2.50% p.a. (2024 – 2.00% p.a.)

Demographic assumptions for mortality, resignation and retirement were used in valuing the liabilities and benefits under the plan.

21. Other liabilities (continued)

The liability would be higher by AED 17 million (December 31, 2024 – AED 17 million) had the discount rate used in the assumption been lower by 0.50% and the liability would be lower by AED 16 million (December 31, 2024 – AED 16 million) had the discount rate used in the assumption been higher by 0.50%. Similarly, the liability would be higher by AED 17 million (December 31, 2024 – AED 17 million) had the salary increment rate used in the assumption been higher by 0.50% and the liability would be lower by AED 16 million (December 31, 2024 – AED 16 million) had the salary increment rate used in the assumption been lower by 0.50%.

The movement in defined benefit obligation is as follows:

	2025 **AED million**	2024 AED million
Opening balance	**518**	467
Net charge during the year(*)	**82**	70
Actuarial loss on defined benefit obligation	**21**	41
Benefits paid	**(93)**	(60)
Closing balance	**528**	518

(*) recognised under "staff expense" in the consolidated income statement

Defined contribution

Under defined contribution plans, the Group pays contributions to Abu Dhabi Retirement Pensions and Benefits Fund for UAE National employees and to respective pension funds for other employees including GCC Nationals. The charge for the year in respect of these contributions is AED 104 million (2024 – AED 105 million). As at December 31, 2025, pension payable of AED 0.5 million has been classified under 'Other liabilities – others' (December 31, 2024 – AED 0.6 million).

22. Share capital

	Authorised	**Issued and fully paid**	
		As at **December 31** **2025**	As at December 31 2024
	AED million	**AED million**	AED million
Ordinary shares of AED 1 each	**10,000**	**7,912**	7,320

In the Annual General Meeting held on February 27, 2025, the shareholders of the Bank approved cash dividend of AED 4,319 million.

Rights issue

On October 13, 2025, the Bank's shareholders approved rights issue to raise AED 6,100 million by way of issuing 592,228,700 new shares at an issue price of AED 10.3 per share, representing the nominal value of AED 1 per share and a share premium of AED 9.3 per share. The share premium has been recorded under legal reserve.

	AED million
Ordinary share capital issued	592
Legal reserve	5,508
	6,100

Dividends

For the year ended December 31, 2025, the Board of Directors has proposed to pay a cash dividend of AED 4,985 million, being AED 0.63 dividend per share and representing 63% of the paid-up capital (December 31, 2024 – cash dividend of AED 4,319 million, being AED 0.59 dividend per share and representing 59% of the paid-up capital). This is subject to the approval of the shareholders in the Annual General Meeting.

23. Other reserves

Reserves movement for the year ended December 31, 2025:

	Employees' incentive plan shares, net AED million	Statutory reserve AED million	Legal reserve AED million	General reserve AED million	Contingency reserve AED million	Foreign currency translation reserve AED million	Cash flow hedge reserve AED million	Impairment reserve - general AED million	Revaluation reserve of investments designated at at FVTOCI AED million	Attributable to equity holders of the Bank AED million	Non-controlling interests AED million	Total AED million
As at January 1, 2025	(175)	3,660	5,872	2,000	150	(712)	254	781	(748)	11,082	(1)	11,081
Exchange difference arising on translation of foreign operations	-	-	-	-	-	83	-	-	-	83	-	83
Net fair value changes on cash flow hedges	-	-	-	-	-	-	(188)	-	-	(188)	-	(188)
Net fair value changes on cash flow hedges reclassified to consolidated income statement	-	-	-	-	-	-	113	-	-	113	-	113
Net fair value changes of debt instruments designated at FVTOCI	-	-	-	-	-	-	-	-	776	776	-	776
Changes in allowance for expected credit losses on debt instrument designated at FVTOCI	-	-	-	-	-	-	-	-	(20)	(20)	-	(20)
Amounts reclassified to consolidated income statement for debt instruments designated at FVTOCI	-	-	-	-	-	-	-	-	60	60	-	60
Related tax impact	-	-	-	-	-	-	11	-	(98)	(87)	-	(87)
Net fair value changes of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	-	45	45	-	45
Related tax impact on fair value changes of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	-	(4)	(4)	-	(4)
Amounts transferred within equity upon disposal of equity instruments designated at FVTOCI (net of tax)	-	-	-	-	-	-	-	-	47	47	-	47
Total other comprehensive income/(loss) for the year	-	-	-	-	-	83	(64)	-	806	825	-	825
Acquisition of shares	(270)	-	-	-	-	-	-	-	-	(270)	-	(270)
Share premium pertaining to rights issuance (Note 22)	-	-	5,508	-	-	-	-	-	-	5,508	-	5,508
Transfers from retained earnings	-	296	-	-	-	-	-	736	-	1,032	-	1,032
Shares – vested portion (Note 25)	110	-	-	-	-	-	-	-	-	110	-	110
As at December 31, 2025	(335)	3,956	11,380	2,000	150	(629)	190	1,517	58	18,287	(1)	18,286

For more information on reserves, refer note 49.

23. Other reserves (continued)

Reserves movement for the year ended December 31, 2024:

	Employees' incentive plan shares, net AED million	Statutory reserve AED million	Legal reserve AED million	General reserve AED million	Contingency reserve AED million	Foreign currency translation reserve AED million	Cash flow hedge reserve AED million	Impairment reserve - general AED million	Revaluation reserve of investments designated at at FVTOCI AED million	Attributable to equity holders of the Bank AED million	Non-controlling interests AED million	Total AED million
As at January 1, 2024	(80)	3,660	5,872	2,000	150	(226)	302	-	(1,086)	10,592	(1)	10,591
Exchange difference arising on translation of foreign operations	-	-	-	-	-	(492)	-	-	-	(492)	-	(492)
Net gain on hedge of net investment in foreign operations	-	-	-	-	-	6	-	-	-	6	-	6
Net fair value changes on cash flow hedges	-	-	-	-	-	-	(108)	-	-	(108)	-	(108)
Net fair value changes on cash flow hedges reclassified to consolidated income statement	-	-	-	-	-	-	60	-	-	60	-	60
Net fair value changes of debt instruments designated at FVTOCI	-	-	-	-	-	-	-	-	65	65	-	65
Changes in allowance for expected credit losses on debt instrument designated at FVTOCI	-	-	-	-	-	-	-	-	(2)	(2)	-	(2)
Amounts reclassified to consolidated income statement for debt instruments designated at FVTOCI	-	-	-	-	-	-	-	-	257	257	-	257
Related tax impact	-	-	-	-	-	-	-	-	(1)	(1)	-	(1)
Net fair value changes of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	-	34	34	-	34
Related tax impact on fair value changes of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	-	(2)	(2)	-	(2)
Amounts transferred within equity upon disposal of equity instruments designated at FVTOCI (net of tax)	-	-	-	-	-	-	-	-	(13)	(13)	-	(13)
Total other comprehensive (loss)/income for the year	-	-	-	-	-	(486)	(48)	-	338	(196)	-	(196)
Acquisition of shares	(166)	-	-	-	-	-	-	-	-	(166)	-	(166)
Amounts transferred within equity upon creation of impairment reserve – general	-	-	-	-	-	-	-	781	-	781	-	781
Shares – vested portion (Note 25)	71	-	-	-	-	-	-	-	-	71	-	71
As at December 31, 2024	(175)	3,660	5,872	2,000	150	(712)	254	781	(748)	11,082	(1)	11,081

23. Other reserves (continued)

Impairment reserve – general

As per the new credit risk management standards (CRMS) issued by CBUAE, banks must ensure that the total provision corresponding to all stage 1 and stage 2 exposures is not less than 1.50% of the credit risk weighted assets as computed under the CBUAE capital regulations. Where the collective provisions held are lower, the shortfall may be held in a dedicated non-distributable balance sheet reserve called the 'impairment reserve-general'. The amount held in the impairment reserve-general must be deducted from the capital base (Tier 1 capital for banks) when computing the regulatory capital.

The computation of non-distributable impairment reserve - general as at December 31, 2025 is as follows:

	AED million
Minimum provision for stage 1 and stage 2 as per CBUAE requirements	6,414
Less: Stage 1 and stage 2 impairment provision taken against income	4,897
Shortfall in stage 1 and stage 2 provision to meet minimum CBUAE requirements	**1,517**
Balance of impairment reserve - general as at December 31, 2024	781
Add: Transfer from retained earnings during the year	736
Balance of impairment reserve - general as at December 31, 2025	**1,517**

24. Islamic financing

Islamic financing assets

	As at December 31 2025 AED million	As at December 31 2024 AED million
Murabaha	**33,801**	30,581
Ijara financing	**13,730**	13,474
Salam	**422**	403
Others	**1,201**	912
Gross Islamic financing assets	**49,154**	45,370
Less: Allowance for impairment	**(826)**	(1,206)
Net Islamic financing assets	**48,328**	44,164

Islamic investing assets

	As at December 31 2025 AED million	As at December 31 2024 AED million
At fair value through other comprehensive income (FVTOCI)		
Sukuk investments	**11,389**	6,763
Equities	**71**	127
	11,460	6,890
At amortised cost		
Sukuk investments	**5,884**	7,078
Less: Allowance for impairment	**(2)**	(4)
	5,882	7,074
Net Islamic investing assets	**17,342**	13,964

24. Islamic financing (continued)

Income from Islamic financing and investing products

	2025 AED million	2024 AED million
Murabaha	**2,320**	2,076
Ijara financing	**765**	740
Salam	**23**	26
Sukuk investments	**629**	548
Others	**176**	126
Total income from Islamic financing and investing products	**3,913**	3,516

Islamic deposits

	As at December 31 2025 AED million	As at December 31 2024 AED million
Current account deposits	**21,717**	19,761
Margin deposits	**343**	274
Mudaraba savings deposits(*)	**24,765**	19,616
Mudaraba term deposits	**586**	636
Murabaha deposits	**737**	1,170
Wakala deposits	**22,846**	23,832
Total Islamic deposits	**70,994**	65,289

(*) includes AED 15 million pertaining to investment risk reserve (IRR) as at December 31, 2025 (December 31, 2024 – AED 13 million)

Distribution on Islamic deposits and profit paid to sukuk holders

	2025 AED million	2024 AED million
Mudaraba savings and term deposits	**246**	127
Murabaha deposits	**38**	63
Wakala deposits	**1,026**	1,123
Islamic sukuk notes and reverse murabaha	**6**	7
Total distribution on Islamic deposits and profit paid to sukuk holders	**1,316**	1,320

25. Employees' incentive plan shares, net

The Group operates Deferred Compensation Plan (the "Plan") to recognise and retain good performing employees. Under the Plan, the employees are granted shares of the Bank when they meet the vesting conditions at a price prevailing at the grant date. These shares are acquired and held by a subsidiary of the Bank until vesting conditions are met. The Board Nomination Compensation HR and Governance Committee determines and approves the shares to be granted to employees based on the Group's key performance indicators.

During the year ended December 31, 2025, the Group had the following incentive plan in force:

Grant date	**January 1, 2025**	**January 1, 2024**	**January 1, 2023**	**January 1, 2023**	**January 1, 2022**
Number of shares granted (million)	15	11	4	3	3
Fair value of the granted shares at the grant date (AED million)	139	96	40	23	26
Final vesting date	**December 31, 2027**	**December 31, 2026**	**December 31, 2026**	**December 31, 2025**	**December 31, 2025**

Vesting conditions – In service from the grant date till respective vesting date or meeting special conditions during the vesting period (death or disability).

25. Employees' incentive plan shares, net (continued)

The movement of plan shares (in million) is as follows:

	2025	2024
Opening balance	**19**	10
Granted during the year	**15**	11
Exercised during the year	**(5)**	(2)
Forfeited during the year	**(1)**	-
Closing balance	**28**	19
Amount of "Plan" cost recognised under "staff expenses" in the consolidated income statement (AED million)	**110**	71

Total number of un-allotted shares under the Plan as at December 31, 2025, were 17 million shares (December 31, 2024 – 9 million shares). These un-allotted shares include forfeited shares and shares purchased for future awards.

26. Capital notes

Additional Tier I capital notes (the "Capital Notes") are non-cumulative perpetual securities for which there is no fixed redemption date. These Capital Notes are direct, unsecured, conditional, and subordinated obligations of the Bank and (i) rank pari passu without any preference among themselves; (ii) rank subordinate and junior to all senior obligations; (iii) rank pari passu with all pari passu obligations; and (iv) rank in priority only to all junior creditors.

In case the Bank at its sole discretion elects not to make a coupon payment, the holders of the Capital Notes do not have a right to claim the coupon and an election by the Bank not to service the coupon is not considered an event of default. In addition, there are certain circumstances ("non-payment event") under which the Bank is prohibited from making a coupon payment on a relevant coupon payment date. Further, if the CBUAE notifies the Bank that it is, or will become, non-viable without (i) a write-down; or (ii) a public sector injection of capital, the rights of the holders of the Capital Notes under the Capital Notes shall automatically be deemed to be irrevocably, unconditionally and permanently written-down in a proportion corresponding to the write-down amount determined by the CBUAE. This could result in Capital Notes being written down to zero and the Capital Notes being cancelled.

If the Bank makes a non-payment election or a non-payment event occurs, then the Bank will not (a) declare or pay any distribution or dividend or (b) redeem, purchase, cancel, reduce or otherwise acquire any of the share capital or any securities of the Bank ranking pari passu with or junior to the Capital Notes except notes, the term of which stipulate a mandatory redemption or conversion into equity, in each case unless or until one coupon payment has been paid in full.

The following tables shows issuances of Capital Notes by the Bank as at December 31, 2025:

Issuance	Currency	Interest rate	First call date	2025 AED million	2024 AED million
Government of Abu Dhabi AT1 Capital Notes	AED	Floating interest rate of 6 month-EIBOR plus 2.30% p.a.	February 23, 2027(*)	**6,000**	6,000
USD 750,000,000 AT1 Capital Notes	USD	Fixed rate of 8.00% p.a. from issue date but excluding the first reset date (May 27, 2029)(**)	November 27, 2028(*)	**2,755**	2,755
				8,755	8,755

(*) Call option is subject to prior approval of UAE Central Bank
(**) If the Capital Notes are not redeemed in accordance with the conditions on or prior to the first reset date, interest shall continue to be payable from (and including) the first reset date subject to and in accordance with the conditions at a fixed rate, to be reset on the first reset date and every five years thereafter, equal to relevant five-year reset rate (as defined in the conditions) plus a margin of 3.524% p.a.

27. Interest income

	2025 AED million	2024 AED million
Loans and advances to banks	**3,368**	3,392
Loans and advances to customers	**20,882**	19,945
Investment securities	**6,960**	6,880
Total interest income	**31,210**	30,217

28. Interest expense

	2025 AED million	2024 AED million
Deposits from banks	**595**	425
Deposits from customers	**12,967**	12,908
Euro commercial paper	**422**	330
Borrowings(*)	**5,135**	5,525
Total interest expense	**19,119**	19,188

(*) includes AED 13 million (2024 – AED 10 million) for interest expense on lease liabilities

29. Net fees and commission income

	2025 AED million	2024 AED million
Fees and commission income		
Card related fees	**1,938**	1,750
Loan processing fees	**1,287**	1,076
Accounts related fees	**581**	361
Trade finance commission	**793**	696
Asset management and investment services	**267**	218
Other fees	**1,108**	947
Total fees and commission income	**5,974**	5,048
Fees and commission expense		
Card related fees	**(1,399)**	(1,101)
Loan processing fees	**(112)**	(64)
Others	**(856)**	(782)
Total fees and commission expense	**(2,367)**	(1,947)
Net fees and commission income	**3,607**	3,101

30. Net trading income

	2025 AED million	2024 AED million
Net gain from dealing in foreign currencies	**1,124**	837
Net gain from financial assets at fair value through profit or loss and derivatives(*)	**1,592**	1,227
Net trading income	**2,716**	2,064

(*) includes net loss of AED 282 million from financial assets mandatorily measured at FVTPL (2024 – net loss of AED 68 million)

31. Other operating income

	2025 AED million	2024 AED million
Property management income	**18**	17
Net loss from disposal of investment securities(*)	**(186)**	(318)
Net gain from hedging derivatives(*)	**628**	489
Dividend income	**28**	34
Others(**)	**633**	840
Total other operating income	**1,121**	1,062

(*) includes realised gain of AED 172 million (2024 – AED 56 million) on sale of investments carried at amortised cost and its related hedges
(**) includes gain of AED 405 million (2024 – gain of AED 730 million) on sale/extinguishment of loans and advances

32. Operating expenses

	2025 AED million	2024 AED million
Staff expenses	**3,543**	3,360
General administrative expenses	**2,255**	2,257
Depreciation on property and equipment (Note 15)(*) and right of use assets	**211**	199
Amortisation of intangible assets (Note 16)(*)	**237**	215
Total operating expenses	**6,246**	6,031

(*) during the year, the Group reclassified computer software from property and equipment to intangible assets (refer Note 15 and 16). Accordingly, amortisation of computer software has been shown under amortisation of intangible assets for both years

33. Impairment charge

	2025 AED million	2024 AED million
Financial instruments carried at amortised cost – net charge(*)	**3,983**	3,350
Debt instruments designated at FVTOCI – net release	**(19)**	(2)
Commitment and contingent liabilities – net (release)/charge	**(157)**	67
Less: Recoveries/modifications during the year	**(704)**	(541)
Total impairment charge (Note 43.3)	**3,103**	2,874

(*) includes net release of AED 12 million (2024 – net release of AED 2 million) on investment securities at amortised cost

34. Taxation

On December 9, 2022, the United Arab Emirates (UAE) Ministry of Finance issued Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses ("Corporate Tax Law"), introducing a federal corporate tax regime in the UAE. The Corporate Tax Law applies to accounting periods beginning on or after June 1, 2023.

Below is the summary of total income tax expense recognised in consolidated income statement

	2025 AED million	2024 AED million
Current tax expense		
Related to current year	**1,400**	1,114
Related to prior years	**(6)**	16
Total current tax expense	**1,394**	1,130
Deferred tax		
Related to current year	**2**	(7)
Related to prior years	**2**	43
Total deferred tax expense	**4**	36
Total income tax expense recognised in consolidated income statement	**1,398**	1,166

In addition to the above, during the year, the Bank recognised an income tax expense of AED 4 million (2024 - AED 3 million) in the consolidated statement of comprehensive income.

Tax rates differ between jurisdictions in which the Group operates in. The tax rate applicable in the UAE is 9% for taxable profits exceeding AED 375,000. The overall effective tax rate for the Group, including all applicable jurisdictions, is 10.88% (2024 - 11.02%).

The income tax expense for the year reconciles to the profit before income tax as follows:

	2025 AED million	2024 AED million
Profit before taxation	**12,843**	10,585
Prima facie tax expense at 9% (2024: 9%)	**1,156**	953
Tax effect of difference:		
Tax effect of exempt income	**(6)**	1
Tax effect of non-deductible expenses	**11**	5
Tax effect of different tax rate of subsidiaries operating in foreign jurisdiction	**148**	133
Changes in deferred tax	**5**	43
Unrecoverable withholding tax	**87**	31
Others	**(3)**	-
Income tax expense	**1,398**	1,166

Domestic Minimum Top-up Tax (DMTT)

The judgments and estimations used for the assessment and computation of the current and deferred tax for the year ended December 31, 2025 are adequate and appropriate as per requirements of IAS 12 and prevailing laws and regulation in UAE. All foreign branches and subsidiaries have made adequate provision for taxes on income based on assessments and computations according to the laws of the respective countries. Recognized deferred tax assets are measured at the tax rates enacted or substantively enacted at the year end and represent those amounts that are probable of realization taking into account management's estimates of future taxable profit. The amount recognized for all deductible temporary differences, unused tax losses and income tax reductions has been limited to the amount that, based on management's best estimate, is more likely than not to be realised.

34. Taxation (continued)

Domestic Minimum Top-up Tax (DMTT) (continued)

Further, the UAE Ministry of Finance enacted the DMTT, aligned with the OECD Pillar Two Global Anti-Base Erosion Model Rules and is effective in the UAE for financial years commencing on or after January 01, 2025. Under the DMTT, the UAE tax rate increases from 9% to 15% for multinational enterprises operating in the UAE with consolidated global revenues of EUR 750 million or more in at least two of the four financial years immediately preceding the financial year.

The Group has assessed the implications of the DMTT across all jurisdictions in which it operates. This assessment includes a detailed evaluation of the Initial Phase of International Activity Exclusion (IAE), which if applicable, reduces the UAE tax rate from 15% to 9%. Based on the Group's assessment as at December 31, 2025, the Group meets the eligibility criteria for the IAE. Accordingly, the tax rate applicable for the year in the UAE is 9%.

The Group has applied the temporary exception issued by the International Accounting Standards Board (IASB) in May 2023 from the accounting requirements for deferred taxes under IAS 12. Accordingly, the Group does not recognise or disclose information relating to deferred tax assets and liabilities arising from Pillar Two income taxes.

35. Earnings per share

Basic and diluted earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Bank and the weighted average number of equity shares outstanding. Diluted earnings per share is calculated by adjusting the weighted average number of equity shares outstanding for the dilutive effects of potential equity shares held on account of employees' incentive plan.

	2025 **AED million**	2024 AED million
Profit for the year attributable to the equity holders of the Bank	**11,446**	9,421
Less: Coupons paid on capital notes (Note 26)	**(642)**	(686)
Net adjusted profit for the year attributable to the equity holders of the Bank (a)	**10,804**	8,735
	Number of shares in million	
Weighted average number of shares in issue throughout the year	**7,494**	7,487
Less: Weighted average number of shares resulting from employees' incentive plan shares	**(44)**	(16)
Weighted average number of equity shares in issue during the year for basic earnings per share (b)	**7,450**	7,471
Add: Weighted average number of shares resulting from employees' incentive plan shares	**44**	16
Weighted average number of equity shares in issue during the year for diluted earnings per share (c)	**7,494**	7,487
Basic earnings per share (AED) (a)/(b)	**1.45**	1.17
Diluted earnings per share (AED) (a)/(c)	**1.44**	1.17

36. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flow comprise the following statement of financial position amounts:

	As at December 31 2025 AED million	As at December 31 2024 AED million
Cash and balances with central banks (Note 6)	**63,020**	46,224
Deposits and balances due from banks (excluding loans and advances to banks) (Note 7)	**28,230**	19,535
	91,250	65,759
Less: Cash and balances with central banks and deposits and balances due from banks – with original maturity of more than three months	**(15,634)**	(4,649)
Less: Restricted balance with Central Bank	**(50)**	-
Total cash and cash equivalents	**75,566**	61,110

37. Related party transactions

The Group enters into transactions with the parent and its related entities, associates, joint ventures, funds under management, directors, senior management and their related entities and the Government of Abu Dhabi (ultimate controlling party and its related entities) in the ordinary course of business at agreed upon interest and commission rates.

Key management personnel are defined as those persons having authority and responsibility for planning, directing, and controlling the activities of the Group, being the directors, chief executive officer and members of Management Executive Committee. Details of all transactions in which a Director and/or related parties might have actual or potential conflicts are provided to the Board of Directors (the "Board") for its review and approval. Where a Director has interests that Director neither participates in the discussions nor votes on such matters. The Bank's policy is, so far as possible, to engage in transactions with related parties only on arm's length terms and in accordance with relevant laws and regulations. The Board Secretariat maintains a conflicts and related parties register which is regularly reviewed by the Board Corporate Governance Committee. In addition, the Board maintains awareness of other commitments of its Directors and senior management. The Bank has implemented a Directors' Conflict of Interest policy. As a result of written declarations submitted by each of the Board members, the Board recognises that the other commitments of the Directors do not conflict with their duties or that, where conflicts arise, the Board is sufficiently aware, and policies are in place to minimise the risks. For senior management, the Bank has implemented Code of Conduct and Conflict of Interest policy, where they are required to disclose the entities in which they or their relatives are or deemed to be interested.

Transactions between the Bank and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

Parent and ultimate controlling party

Mubadala Investment Company holds 60.69% of the Bank's issued and fully paid-up share capital through its wholly owned subsidiaries. The Government of Abu Dhabi owns 100% of Mubadala Investment Company and so the ultimate controlling party is the Government of Abu Dhabi.

37. Related party transactions (continued)

Related party balances and transactions of the Group included in the consolidated statement of financial position and consolidated income statement are as follows:

	Ultimate controlling party and its related parties AED million	Directors and their related parties AED million	Senior management personnel and their related parties AED million	Associates, joint ventures and funds under management AED million	Total AED million
Balances as at December 31, 2025					
Deposits and balances due from banks	53	-	-	-	53
Financial assets at fair value through profit or loss	48	-	-	-	48
Derivative financial instruments - assets	1,101	9	-	-	1,110
Investment securities	31,392	-	-	294	31,686
Loans and advances to customers(*)	66,547	3,672	47	3,127	73,393
Other assets	835	5	-	24	864
Due to banks	37	-	-	-	37
Derivative financial instruments - liabilities	1,333	5	-	-	1,338
Deposits from customers	105,323	546	19	1,628	107,516
Other liabilities	1,359	3	17	11	1,390
Capital notes	6,000	-	-	-	6,000
Commitments and contingent liabilities	41,508	70	3	61	41,642
Transactions for the year ended December 31, 2025					
Interest income, Islamic financing income and non-interest income(**)	5,691	212	2	(247)	5,658
Interest expense and Islamic profit distribution	4,176	13	-	59	4,248
Impairment charge/(release)	1	-	-	(38)	(37)
Share in profit of associates	-	-	-	9	9
Coupons paid on capital notes	421	-	-	-	421

(*) includes secured loans which are collateralised by tangible assets, including but not limited to real estate, cash, vehicles, shares and bonds
(**) includes net gain of AED 70 million on sale of property for AED 420 million under Ultimate controlling party and its related parties

37. Related party transactions (continued)

	Ultimate controlling party and its related parties AED million	Directors and their related parties AED million	Senior management personnel and their related parties AED million	Associates, joint ventures and funds under management AED million	Total AED million
Balances as at December 31, 2024					
Deposits and balances due from banks	83	-	-	-	83
Financial assets at fair value through profit or loss	23	-	-	53	76
Derivative financial instruments - assets	730	18	-	-	748
Investment securities	33,300	-	-	256	33,556
Loans and advances to customers(*)	70,315	4,114	32	3,416	77,877
Other assets	970	6	-	3	979
Due to banks	527	-	-	-	527
Derivative financial instruments - liabilities	1,927	25	-	-	1,952
Deposits from customers	110,532	905	45	1,243	112,725
Other liabilities	1,430	5	15	1	1,451
Capital notes	6,000	-	-	-	6,000
Commitments and contingent liabilities	33,102	47	4	186	33,339
Transactions for the year ended December 31, 2024					
Interest income, Islamic financing income and non-interest income	5,328	258	1	78	5,665
Interest expense and Islamic profit distribution	4,956	22	1	51	5,030
Impairment charge	10	-	-	-	10
Share in profit of associates	-	-	-	11	11
Coupons paid on capital notes	465	-	-	-	465

(*) includes secured loans which are collateralised by tangible assets, including but not limited to real estate, cash, vehicles, shares and bonds.

As at December 31, 2025, funds under management held 956,413 shares (December 31, 2024 – 1,234,262 shares) of the Bank. During the year, the Bank paid cash dividend of AED 0.7 million (2024 – cash dividend of AED 0.9 million) to these funds.

Remuneration of senior management employees and Board of Directors fees and expenses during the year are as follows:

	2025 AED million	2024 AED million
Short term benefits (including retirement benefits)	**49**	44
Post-employment benefits	**4**	3
Variable pay benefits	**27**	26
Total remuneration	**80**	73
Board of Directors fees and expenses	**41**	36

In addition to the above, the key management personnel were granted long term deferred compensation including share-based payments of AED 48 million (2024 – AED 36 million).

38. Commitments and contingent liabilities

The Group has the following commitments and contingent liabilities:

	As at December 31 2025 AED million	As at December 31 2024 AED million
Letters of credit	**14,284**	7,407
Guarantees	**90,696**	78,925
Commitments to extend credit(*)	**96,521**	66,279
Total commitments on behalf of customers	**201,501**	152,611
Commitments for future capital expenditure and others	**527**	544
Commitments to invest in investment securities	**432**	7
Total commitments and contingent liabilities	**202,460**	153,162

(*) includes AED 12,484 million (December 31, 2024 – AED 11,184 million) for undrawn credit card limits

Credit-related commitments

Credit-related commitment includes commitments to extend credit, letters of credit and guarantees which are designed to meet the requirements of the Bank's customers. Irrevocable commitments to extend credit represent contractual commitments to make loans and advances and revolving credits. Revocable commitments to extend credit represent commitments to make loan and advances and revolving credits which can be cancelled by the Bank unconditionally without any contractual obligations. Commitments generally have fixed expiry dates or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

Letters of credit and guarantees commit the Bank to make payments on behalf of customers, contingent upon the failure of the customer to perform under the terms of the contract. Commitments and contingent liabilities which have been entered into on behalf of customers and for which there are corresponding obligations from customers, are not included in assets and liabilities. The Bank's maximum exposure to credit loss, in the event of non-performance by the other party and where all counterclaims, collateral or security proves valueless, is represented by the contractual nominal amount of these instruments included in the table above. These commitments and contingent obligations are subject to the Bank's normal credit approval processes.

39. Operating segments

The Group has five reportable segments as described below. These segments offer different products and services and are managed separately based on the Group's management and internal reporting structure. The Group's Management Executive Committee (the Chief Operating Decision Maker "CODM") is responsible for allocation of resources to these segments, whereas, the Group's Performance Management Committee, based on delegation from CODM reviews the performance of these segments on a regular basis.

The following summary describes the operations in each of the Group's reportable segments:

Retail banking - comprises of retail products and wealth management including Islamic financing. It includes loans, deposits and other transactions and balances with retail customers.

Private banking - comprises of high-net-worth customers, asset management, brokerage, Islamic financing and investment in associates. It includes loans, deposits and other transactions and balances with corporate and private accounts of high-net-worth individuals and fund management activities.

Corporate and investment banking - comprises of business banking, cash management, trade finance, corporate finance, small and medium enterprise financing, investment banking, Islamic financing, infrastructure and asset finance, government and public enterprises. It includes loans, deposits and other transactions and balances with corporate customers.

Investments and treasury - comprises of central treasury operations, management of the Group's investment portfolio and interest rate, currency and commodity derivative portfolio and Islamic financing. Investments and treasury undertake the Group's funding and centralised financial risk management activities through borrowings, issue of debt securities and use of derivatives for risk management. It also undertakes trading and corporate finance activities and investing in liquid assets such as short-term placements, corporate and government debt securities.

Others - comprises of operations of subsidiaries not included in other segments, real estate management income of associate and rental income earned from properties of the Group.

Information regarding the results of each reportable segment is shown below. Performance is measured based on segment profit, as included in the internal management reports that are reviewed by the Performance Management Committee. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of these segments relative to other entities that operate within these industries.

39. Operating segments (continued)

The following is an analysis of the Group's revenue and results by operating segments:

For the year ended December 31, 2025	Retail banking AED million	Private banking AED million	Corporate and investment banking AED million	Investments and treasury AED million	Others AED million	Total AED million
Net interest income	**2,683**	**1,478**	**4,278**	**3,647**	**5**	**12,091**
Net income from Islamic financing and investing products	**1,513**	**115**	**591**	**378**	**-**	**2,597**
Total net interest income and income from Islamic financing and investing products	**4,196**	**1,593**	**4,869**	**4,025**	**5**	**14,688**
Non-interest income	**1,663**	**248**	**3,891**	**1,388**	**305**	**7,495**
Operating income	**5,859**	**1,841**	**8,760**	**5,413**	**310**	**22,183**
Operating expenses	**(3,285)**	**(319)**	**(2,078)**	**(438)**	**(126)**	**(6,246)**
Operating profit before impairment charge	**2,574**	**1,522**	**6,682**	**4,975**	**184**	**15,937**
Impairment (charge)/release	**(564)**	**(2,811)**	**235**	**37**	**-**	**(3,103)**
Profit/(loss) after impairment charge	**2,010**	**(1,289)**	**6,917**	**5,012**	**184**	**12,834**
Share in profit of associates	**-**	**8**	**-**	**-**	**1**	**9**
Profit/(loss) before taxation	**2,010**	**(1,281)**	**6,917**	**5,012**	**185**	**12,843**
Income tax (charge)/release	**(220)**	**116**	**(746)**	**(525)**	**(23)**	**(1,398)**
Profit/(loss) for the year	**1,790**	**(1,165)**	**6,171**	**4,487**	**162**	**11,445**
As at December 31, 2025						
Total assets	**73,496**	**42,791**	**374,582**	**281,492**	**1,293**	**773,654**
Total liabilities	**111,515**	**64,247**	**294,993**	**212,798**	**1,360**	**684,913**

For the year ended December 31, 2024	Retail banking AED million	Private banking AED million	Corporate and investment banking AED million	Investments and treasury AED million	Others AED million	Total AED million
Net interest income	2,505	1,206	3,488	3,823	7	11,029
Net income from Islamic financing and investing products	1,336	97	541	222	-	2,196
Total net interest income and income from Islamic financing and investing products	3,841	1,303	4,029	4,045	7	13,225
Non-interest income	1,480	228	3,621	791	134	6,254
Operating income	5,321	1,531	7,650	4,836	141	19,479
Operating expenses	(3,477)	(307)	(1,859)	(307)	(81)	(6,031)
Operating profit before impairment charge	1,844	1,224	5,791	4,529	60	13,448
Impairment (charge)/release	(461)	(1,520)	(898)	5	-	(2,874)
Profit/(loss) after impairment charge	1,383	(296)	4,893	4,534	60	10,574
Share in (loss)/profit of associates	-	(5)	-	-	16	11
Profit/(loss) before taxation	1,383	(301)	4,893	4,534	76	10,585
Income tax (charge)/release	(190)	27	(488)	(508)	(7)	(1,166)
Profit/(loss) for the year	1,193	(274)	4,405	4,026	69	9,419
As at December 31, 2024						
Total assets	71,701	47,511	299,037	232,618	1,947	652,814
Total liabilities	91,603	58,804	225,427	200,204	1,209	577,247

39. Operating segments (continued)

Other disclosures

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

	External		Inter-segment	
	2025 AED million	2024 AED million	**2025 AED million**	2024 AED million
Retail banking	**4,695**	4,357	**1,164**	964
Private banking	**1,298**	1,221	**543**	310
Corporate and investment banking	**13,873**	13,698	**(5,113)**	(6,048)
Investments and treasury	**2,007**	62	**3,406**	4,774
Others	**310**	141	**-**	-
Total operating income	**22,183**	19,479	**-**	-

Geographical information

The Group operates in two principal geographic areas i.e. domestic and international. The United Arab Emirates is designated as domestic area which represents the operations of the Group that originates from branches and subsidiaries in the UAE. International area represents the operations of the Group that originates from its subsidiaries and branches outside the UAE. The information regarding the Group's revenue from continuing operations and non-current assets by geographical location are detailed as follows:

	Domestic		International	
	2025 AED million	2024 AED million	**2025 AED million**	2024 AED million
Income				
Net interest income and income from Islamic financing and investing products	**13,853**	12,431	**835**	794
Non-interest income	**7,345**	6,151	**150**	103
Non-current assets				
Investment in associates and joint venture	**306**	329	**-**	-
Investment properties	**1,193**	1,715	**-**	1
Property and equipment, net	**544**	915	**145**	132
Intangible assets, net	**7,563**	7,583	**95**	89
Right of use assets, net	**240**	97	**35**	42

40. Financial instruments

Categories of financial instruments

The following tables analyse the Group's financial assets and financial liabilities in accordance with categories of financial instruments under IFRS 9 as at December 31, 2025.

	Measured at FVTPL AED million	Hedging derivatives AED million	Debt instruments classified at FVTOCI AED million	Equity instruments designated at FVTOCI AED million	Amortised cost AED million	Total AED million
As at December 31, 2025						
Assets						
Cash and balances with central banks, net	-	-	-	-	**63,019**	**63,019**
Deposits and balances due from banks, net	-	-	-	-	**56,594**	**56,594**
Financial assets at fair value through profit or loss	**21,686**	-	-	-	-	**21,686**
Derivative financial instruments	**12,645**	**2,515**	-	-	-	**15,160**
Investment securities, net	-	-	**83,535**	**708**	**81,894**	**166,137**
Loans and advances to customers, net	**2,936**	-	-	-	**403,031**	**405,967**
Other assets, net	-	-	-	-	**34,863**	**34,863**
Total financial assets	**37,267**	**2,515**	**83,535**	**708**	**639,401**	**763,426**
Liabilities						
Due to banks	-	-	-	-	**19,086**	**19,086**
Derivative financial instruments	**11,269**	**16,995**	-	-	-	**28,264**
Deposits from customers	-	-	-	-	**499,775**	**499,775**
Euro commercial paper	-	-	-	-	**8,720**	**8,720**
Borrowings	-	-	-	-	**89,794**	**89,794**
Other liabilities	**25**	-	-	-	**36,817**	**36,842**
Total financial liabilities	**11,294**	**16,995**	-	-	**654,192**	**682,481**
As at December 31, 2024						
Assets						
Cash and balances with central banks, net	-	-	-	-	46,223	46,223
Deposits and balances due from banks, net	-	-	-	-	50,214	50,214
Financial assets at fair value through profit or loss	12,870	-	-	-	-	12,870
Derivative financial instruments	13,750	5,223	-	-	-	18,973
Investment securities, net	-	-	50,072	921	91,996	142,989
Loans and advances to customers, net	3,198	-	-	-	347,440	350,638
Other assets, net	-	-	-	-	19,834	19,834
Total financial assets	29,818	5,223	50,072	921	555,707	641,741
Liabilities						
Due to banks	-	-	-	-	11,277	11,277
Derivative financial instruments	12,429	11,462	-	-	-	23,891
Deposits from customers	-	-	-	-	421,060	421,060
Euro commercial paper	-	-	-	-	6,153	6,153
Borrowings	-	-	-	-	88,687	88,687
Other liabilities	-	-	-	-	24,374	24,374
Total financial liabilities	12,429	11,462	-	-	551,551	575,442

41. Fair value hierarchy

Fair value measurements recognised in the consolidated financial statements

The fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

Quoted market prices – Level 1

Financial instruments are classified as Level 1 if their values are observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions.

Valuation techniques using observable inputs – Level 2

Financial instruments classified as Level 2 have been valued using models whose inputs are observable in an active market. Valuation based on observable inputs includes financial instruments such as swaps and forwards which are valued using market standard pricing techniques and options that are commonly traded in markets where all the inputs to the market standard pricing models are observable.

The category includes derivative financial instruments such as over the counter (OTC) derivatives, commodity derivatives, foreign exchange spot and forward contracts, certain investment securities, financial assets at FVTPL, euro commercial paper and borrowings. Valuation of the derivative financial instruments is made through discounted cash flow method using the applicable yield curve for the duration of the instruments for non-optional derivatives and standard option pricing models such as Black-Scholes and other valuation models for derivatives with options.

The Group periodically reviews its valuation techniques including the adopted methodologies and model calibrations. However, the base models may not fully capture all factors relevant to the valuation of the Group's financial instruments such as credit risk and funding costs. Therefore, the Group applies various techniques to estimate the credit risk associated with its financial instruments measured at fair value, which include a portfolio-based approach that estimates the expected net exposure per counterparty over the full lifetime of the individual assets, in order to reflect the credit risk of the individual counterparties for non-collateralised financial instruments. Credit valuation adjustment is calculated by applying Monte-carlo simulation models.

Collateral and netting arrangements are taken into account where applicable. The Group applies credit value adjustments to all relevant OTC positions with the exception of positions settled through central clearing houses.

Funding value adjustment (FVA) reflects the impact of funding associated with collateralised and partly collateralised OTC positions. The Group calculates the FVA by applying estimated future funding costs to the expected future exposure that the Group will be required to fund as a result of the uncollateralised component of the OTC portfolio (i.e. the uncollateralised component of a collateralised portfolio and the entire uncollateralised portfolio).

Valuation techniques using significant unobservable inputs – Level 3

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market.

Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations, or other analytical techniques. This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

41. Fair value hierarchy (continued)

Valuation techniques using significant unobservable inputs – Level 3 (continued)

Financial instruments under this category mainly include private equity instruments, funds and loans and advances to customers mandatorily measured at FVTPL. The carrying values of these investments are adjusted as follows:

a) Private equity instruments – using the latest available net book value;
b) Funds – based on the net asset value provided by the fund manager; and
c) Loans and advances to customers mandatorily measured at FVTPL – multiplying relevant market multiples to actual earnings before interest, tax, depreciation and amortisation (EBITDA).

Investment properties are classified as Level 3 as their valuation incorporates significant unobservable inputs. The significant unobservable inputs used in the fair value measurement of the Group's investment properties are rental income and capitalisation rates. Significant decrease in rental income, or increase in capitalisation rates, in isolation would result in a significant lower fair value measurement. Generally, a change in the assumption used for rental income should be accompanied by a change in the assumption for capitalisation rates in the same direction as increase in rental income raises the expectations of the seller to earn from the investment property. Therefore, the effects of these changes partially offset each other. Refer note 13 in respect of valuation methodology used for investment properties.

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

	Notes	Level 1 Quoted market prices AED million	Level 2 Observable inputs AED million	Level 3 Significant unobservable inputs AED million	Total fair value AED million	Carrying value AED million
As at December 31, 2025						
Assets at fair value						
Financial assets at fair value through profit or loss	8	11,152	10,504	30	21,686	21,686
Derivative financial instruments	9	47	15,113	-	15,160	15,160
Investment securities, net	10					
- At fair value through other comprehensive income		82,710	1,388	145	84,243	84,243
- At amortised cost		75,662	4,961	-	80,623	81,894
Loans and advances to customers mandatorily measured at FVTPL	11	-	-	2,936	2,936	2,936
Investment properties	13	-	-	1,193	1,193	1,193
Total		**169,571**	**31,966**	**4,304**	**205,841**	**207,112**
Liabilities at fair value						
Derivative financial instruments	9	66	28,198	-	28,264	28,264
Liabilities at amortised cost						
Euro commercial paper	19	-	8,726	-	8,726	8,720
Borrowings	20	15,307	75,000	-	90,307	89,794
Total		**15,373**	**111,924**	**-**	**127,297**	**126,778**

41. Fair value hierarchy (continued)

	Notes	Level 1 Quoted market prices AED million	Level 2 Observable inputs AED million	Level 3 Significant unobservable inputs AED million	Total fair value AED million	Carrying value AED million
As at December 31, 2024						
Assets at fair value						
Financial assets at fair value through profit or loss	**8**	1,401	11,439	30	12,870	12,870
Derivative financial instruments	**9**	1	18,972	-	18,973	18,973
Investment securities, net	**10**					
- At fair value through other comprehensive income		48,667	2,230	96	50,993	50,993
- At amortised cost		89,822	-	-	89,822	91,996
Loans and advances to customers mandatorily measured at FVTPL	**11**	-	-	3,198	3,198	3,198
Investment properties	**13**	-	-	1,716	1,716	1,716
Total		139,891	32,641	5,040	177,572	179,746
Liabilities at fair value						
Derivative financial instruments	**9**	2	23,889	-	23,891	23,891
Liabilities at amortised cost						
Euro commercial paper	**19**	-	6,156	-	6,156	6,153
Borrowings	**20**	12,553	75,479	-	88,032	88,687
Total		12,555	105,524	-	118,079	118,731

The Group's OTC derivatives in the trading book are classified as Level 2 as they are valued using inputs that can be observed in the market.

Reconciliation showing the movement in fair values of Level 3 investments designated at FVTOCI and FVTPL and loans and advances to customers mandatorily measured at FVTPL is as follows:

	As at December 31 2025 AED million	As at December 31 2024 AED million
Opening balance	**3,324**	3,360
Net additions during the year	**93**	78
Disposals including capital refunds during the year	**(76)**	(2)
Adjustment through income/other comprehensive income statement during the year	**(230)**	(112)
Closing balance	**3,111**	3,324

Net loss of AED 48 million (2024 – net gains of AED 0.7 million) was realised on disposal of Level 3 equity investments designated at FVTOCI and were transferred to retained earnings.

There were no significant transfers between Level 1 and Level 2 investments and no change in valuation techniques used during the year.

42. Risk management

Risk governance framework

The risk governance framework is based on the overall strong corporate governance structure in the Group. The Group has a formally documented Enterprise Risk Management (ERM) policy that covers the following:

- Establish principles of risk management that are common across all risks and lines of defence.
- Details the governance structure, roles and responsibilities of all stakeholders in relation to risk management.
- Outlines the risk strategy and risk appetite.
- Outline approach to risk management across the risk management lifecycle.

The Group's governance structure is anchored by a robust and effective Board, reinforced by specialized Board Committees, tasked with executing their roles and responsibilities. The Board Risk Committee (BRC) oversees management, monitoring and review of financial and non-financial risks. It works with management to define risk appetite and strategy as appropriate for particular sectors, geographic regions and customer types. It periodically reviews and monitors compliance with the Group's overall risk appetite and makes recommendations to the Board based on current and emerging risks.

The BRC receives on a regular basis, portfolio level briefings from the Group Chief Risk Officer (GCRO) along with deep dives on risk issues, including ADCB's portfolio trends, policy parameters, operational resilience, UAE and other market risk profiles, key risk indicators, results of stress testing and changes to the assumptions, liquidity measures, capital adequacy and planning. The BRC is authorized to investigate or seek any information relating to any activity within its terms of reference. The BRC also conducts 'deep dive' reviews on a rolling basis of different sections of the consolidated group risk information report.

The Management Executive Committee (MEC) has primary responsibility for implementing, overseeing, and taking ownership for the enforcement of risk strategy and internal control directives laid down by the Board and Board committees.

In addition to MEC, other management level committees that actively manage risk and compliance include:

- Assets and Liabilities Management Committee (ALCO),
- Risk Management Committee (RMC),
- Model Risk Management Committee (MRMC),
- Management Recoveries Committee (MRC),
- Management Credit Committee (MCC), and
- Management Compliance Committee.

The Risk Management function headed by the GCRO reports independently to BRC and administratively to the Group Chief Executive Officer (GCEO). The risk function is independent of the origination, trading, and sales function to ensure balance in risk reward decision is not compromised and to ensure transparency of decisions in accordance with laid down standards and policies. The risk function is also independent of the credit underwriting division which is headed by the Group Chief Credit Officer. The risk function exercises control over all areas of risks. Each key risk function is established as independent unit under the Group Risk Management and has functional heads leading them. These includes credit, market, liquidity, operational, fraud, Shari'ah, reputational, data management, information security, ESG (Environment, Social Governance), model risk and digital risk.

42. Risk management (continued)

Risk governance framework (continued)

The risk function also oversees Group's international branches and subsidiaries.

Board Audit Committee (BAC) provides assistance to the Board to fulfil its duties to ensure and oversee the Group's financial statements, independence and performance of the Group's external and internal auditors, adherence with legal and regulatory requirements and internal policies and internal control over financial reporting. BAC also has oversight of the Bank's compliance activities (financial crime prevention, anti-money laundering, know your customer requirements, etc.) and CBUAE standards and regulations that affect the operations of the Bank.

The Internal Audit division (IAD) aims to apply a systematic and disciplined approach to evaluating and improving the effectiveness of the Group's risk management, control, and governance processes. The IAD reports directly to BAC. The IAD consists of a team of auditors, whose tasks are, among other things, to evaluate the quality of the Group's lending portfolio, controls in operational processes and the integrity of the Group's information systems and databases. The IAD auditors, alongside the compliance department, also ensure that transactions undertaken by the Group are conducted in compliance with applicable legal and regulatory requirements and in accordance with the Group's internal procedures, thereby minimising the risk of fraudulent, improper, or illegal practices.

Three lines of defence model

ADCB has an activity-based three lines of defence model. The lines of defence structure are put in place to ensure a clear segregation between risk ownership (First line of defence), risk oversight and stewardship (Second line of defence) and independent assurance (Third line of defence) to support the effective identification, assessment, management and reporting of risks.

Risk appetite

The Group's risk appetite framework is based on a comprehensive perspective of its business model, organisational capabilities and skills and financial strength. By taking this holistic perspective, The Group ensures that the defined risk appetite measures are well grounded in the Group capabilities and realistically achievable. It not only broadens the perspective on potential risks, but also mitigating actions and ambitions to improve its risk management capabilities. The risk appetite is formally articulated through the RAS (risk appetite statement) which is approved by the Board. The Group's risk appetite statement has the following key call-outs:

- Covers 18 areas of risk articulated via qualitative and quantitative metrics.
- Framework covers ADCB Group and each subsidiary / international branch develops its RAS within the Group's framework. The RAS is reviewed on an annual basis.
- A separate reporting for Islamic window.
- Regular update to the Board Risk Committee via a dashboard to monitor all metrics.

Risk identification, assessment and mitigation

The Group identify and assess various types of risk and the risk management policies are designed to measure, monitor and control these risks. The Group also conducts regular stress tests to understand potential vulnerabilities and inform capital and liquidity decisions and also regularly scans the threat landscape and introduces new policies and functions to complement its suite of policies. In 2024, the Group introduced and/or strengthened several key polices and controls with respect to subsidiary oversight, climate risk stress tests, investment lending policies and digital risk.

42. Risk management (continued)

Risk governance framework (continued)

Culture and training

Regular training and development is recognized as an essential element in the successful execution of the Bank's risk strategy and ERM framework. Comprehensive ongoing training as well as specific learning and development opportunities are provided to employees including the following:

- Foundational basic awareness: Introductory training at all levels, including risk content within the Bank's induction programme for all new joiners, and mandatory eLearning for all existing employees.
- Role specific tailored content: Role specific training across all departments with deep dives on specific topics such as climate change.
- Advanced specialist certificates: Carefully selected specialized international certificates to support colleagues with deeper understanding of specific topics such as Islamic banking, sustainable finance and ESG.

Communication relating to risk management, policies, procedures are coordinated to ensure messages are delivered effectively to relevant recipients. Broad range of communication methods including circulars, memos, emails, town halls, etc. are used based on the urgency.

43. Credit risk management

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers and other banks (including related commitments to lend such as loan or credit card facilities), investments in debt securities and derivatives that are an asset position. The Group considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

The GCRO together with Group Chief Credit Officer are responsible for managing the Group's credit risk by:

- Ensuring that the Group has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Group's stated policies and procedures, IFRS and relevant supervisory guidance.
- Identifying, assessing and measuring credit risk across the Group.
- Formulating credit policies to protect the Group against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits.
- Limiting concentrations of exposure by type of asset, counterparties, industry, credit rating, geographic location, etc.
- Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities.
- Developing and maintaining the Group's risk grading to categorise exposures according to the degree of risk of default. Risk grades are subject to regular reviews.
- Developing and maintaining the Group's processes for measuring ECL including monitoring of credit risk, incorporation of forward looking information and the method used to measure ECL.
- Ensuring that the Group has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.
- Establishing a sound credit risk assessment and measurement process that provides it with a strong basis for common systems, tools and data to assess credit risk and to account for ECL. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

43. Credit risk management (continued)

- Managing the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances and limiting the duration of exposure. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk.

The Group wide credit policies and standards are approved by BRC. These govern all delegated lending authorities and include policies, standards, metrics, strategies and procedures specific to each of the different business segments and are decided based on the macro economic conditions, the risk appetite of the Group, market data and internal skill sets and capabilities. They are regularly reviewed and modified to ensure they stay current, relevant and protect the Group's interest in changing operating conditions. In addition to Group wide policies, there are underwriting standards set for each portfolio segment. The internal audit function performs regular audits making sure that the established controls and procedures are adequately designed and implemented.

The BRC that has been delegated by the Board for the implementation of adequate policies, procedures, processes, systems and controls for assessing the Group's overall credit and concentration risk including expected credit losses are maintained in line with or above regulatory requirements has reviewed and approved the impact of new credit risk management standards.

Risk ratings

Internal credit risk ratings

In order to measure credit risk, Group Risk Management has developed credit risk rating to categorise exposures according to their degree of risk of default. The Group's credit risk rating framework comprises of 10 categories and 21 risk grades. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The Group uses various qualitative and quantitative factors such as borrower financial strength, industry risk factors, management quality, operational efficiency, company standing, liquidity, capital structure, peer group analysis, etc. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. The Group uses several internal rating models to effecttively rate customers based on the customer segment. These rating models have been developed internally or externally purchased models have been modified by model development teams and validated on a regular basis in line with ADCB's model risk management policy. The rating models have been calibrated based on ADCB's default rate history. The Group also has an LGD rating scale and assigns LGD rating to each of its corporate customers.

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

- Financial ratios – absolute values, peer analyis;
- Industry risk;
- Qualitative factors such as management strength, concentrations, etc.;
- Payment record, including payment ratios and ageing analysis;
- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies;
- For retail exposures: internally generated data of customer behaviour, affordability metrics, etc.; and
- For corporate exposures: information obtained by periodic review of customer files including review of audited financial statements and market data.

43. Credit risk management (continued)

Risk ratings (continued)

The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed. The table below provides an indicative mapping of the Group's internal credit risk grades to external ratings.

Rating category	Moody's	S&P	Fitch	Description
1	Aaa	AAA	AAA	Investment grade
2	Aa1 - Aa3	AA+ - AA-	AA+ - AA-	Investment grade
3	A1 - A3	A+ - A-	A+ - A-	Investment grade
4	Baa1 - Baa3	BBB+ - BBB-	BBB+ - BBB-	Investment grade
5	Ba1 - Ba3	BB+ - BB-	BB+ - BB-	Non-investment grade
6	B1 - B3	B+ - B-	B+ - B-	Non-investment grade
7	Caa1 - Caa3	CCC - CCC-	CCC - C	Watch list
8-10	Default	Default	Default	Default

Some of these grades are further sub-classified with a plus or a minus sign. Lower grades are indicative of a lower likelihood of default. Credit grades 1-7 are assigned to performing customers or accounts while credit grades 8 – 10 are assigned to stage 3 or defaulting customers.

Credit ratings are used by the Group to decide the maximum lending amount per customer group and also to set minimum pricing thresholds. The Bank also uses these internal ratings as an input to the IFRS 9 ECL model and these ratings are also used to determine the staging of the customer.

Retail customers or individual borrowers are not assigned a credit rating under this structure. However, retail banking division uses behaviour scoring for its customers.

The internal credit grade system is not intended to replicate external credit grades but factors used to grade a borrower may be similar, a borrower rated poorly by an external rating agency is typically assigned a higher internal credit grade. The basis for determining ECL is as follows:

IFRS 9 Staging	Basis for determining ECL
Stage 1	12 months ECL
Stage 2	Lifetime ECL
Stage 3 including POCI	Lifetime ECL and credit impairment based on discounted cash flow model

The quality of credit risk exposure is disclosed in note 43.2.

43. Credit risk management (continued)

Risk ratings (continued)

External credit risk ratings

The table below presents the external credit ratings of the Group's deposits and balances due from banks, gross, debt securities, gross based on S&P's rating scale. Debt issuer level ratings are used in case ratings are not available at issuance level. Wherever S&P's ratings are not available, comparable Fitch or Moody's equivalent ratings scale is used. Internal ratings are used for structured funding arrangements that are part of the financial assets at fair value through profit and loss (FVTPL).

	As at December 31, 2025				As at December 31, 2024			
Ratings	Deposits and balances due from banks, gross AED million	Debt securities at FVTPL AED million	Debt securities at amortised cost, gross AED million	Debt securities designated at FVTOCI AED million	Deposits and balances due from banks, gross AED million	Debt securities at FVTPL AED million	Debt securities at amortised cost, gross AED million	Debt securities designated at FVTOCI AED million
AAA to AA-	**2,775**	**5,885**	**45,516**	**39,309**	4,412	1,277	45,486	28,759
A+ to A-	**29,561**	**31**	**26,449**	**33,465**	23,535	-	34,440	11,968
BBB+ to BBB-	**5,689**	**148**	**9,348**	**6,970**	5,129	35	10,420	5,564
BB+ to B-	**16,745**	**5,511**	**201**	**3,604**	16,256	1,582	1,211	3,572
CCC+ to C-	**158**	**-**	**-**	**-**	73	-	-	-
UAE Sovereigns	**-**	**-**	**215**	**152**	-	-	281	149
Unrated	**1,772**	**-**	**173**	**35**	915	-	180	60
	56,700	**11,575**	**81,902**	**83,535**	50,320	2,894	92,018	50,072

Internal ratings of UAE Sovereigns debt securities with comparable external ratings are as follows:

	Internal rating	External rating	2025 AED million	2024 AED million
UAE Sovereigns	Grades 2 to 3	AA to A-	**367**	430
Unrated	Grades 3- to 4	A-	**173**	173
	Grades 5 to 6	BB+ to BB	**35**	67
			575	670

Structured funding arrangements amounting to AED 10,081 million (December 31, 2024 – AED 9,893 million) (Note 8) carried at fair value through profit or loss are internally rated between grades 5 to 6.

Significant increase in credit risk (SICR)

As explained in note 3.8(h), the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL. The Group uses different criteria to determine whether credit risk has increased significantly. The criteria used are qualitative as well as quantitative such as significant increase in point-in-time (PIT) PD since origination, 30 days past due (DPD) and restructured in the last 12 months.

The SICR indicators per type of asset and the rating deterioration that are determined to be significant are summarised below.

SICR – from stage 1 to stage 2 for non-retail loans and advances, debt instruments and money market instruments

Criteria to determine whether credit risk has increased significantly are as follows:

- Annualized lifetime PD is 3 times or more than the PD at origination
- Customer level DPD more than 30 days past due (DPD)
- All other criteria as per CBUAE such as 3 or more deferrals in the last 24-month period

43. Credit risk management (continued)

Significant increase in credit risk (SICR) (continued)

SICR – from stage 1 to stage 2 for retail loans and advances and credit cards

Criteria to determine whether credit risk has increased significantly are as follows:

- greater than 30 DPD;
- at least three times 30 DPD or more in the last 12 months;
- at least two times 60 DPD or more in the last 12 months.

In addition to above rating deterioration criteria, the Group also considers other qualitative SICR indicators as required in IFRS 9 and CBUAE regulations.

For retail loans and advances and credit cards, SICR is assessed at a portfolio level through metrics such as:

- the extent of salary credits into personal loan customer accounts (currently a portfolio threshold of 85% or lower will trigger a SICR review); and
- Al Etihad Credit Bureau (AECB) alerts pertaining to occurrence of delinquency with other banks, but regular with ADCB, (currently a portfolio threshold of 2% or higher will trigger a SICR review).

Default – Stage 3

The Group employs customer level staging for non-retail customers. All non-retail customers that have faciliities that are 90 DPD or that have assessed as unlikely to pay are classified as stage 3. The unlikeliness to pay assessement is undertaken using a mix of qualitative and quantitative criteria.

Loan commitments are assessed along with the category of loan the Group is committed to provide, i.e. commitments to provide mortgages are assessed using similar criteria to mortgage loans while commitments to provide a corporate loan are assessed using similar criteria to corporate loans.

In addition, the Group also follows a probation period for backward transition of staging **-**

An account has to be in stage 2 for a minimum of 12 months (cure period) for it to move to stage 1 and an account in stage 3 has to move to stage 2 before moving to stage 1. The probation period can extend to 24 months depending on the repayment frequency of the facility.

The Group has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit risk are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted. The Group performs periodic back-testing on the models used to ensure that the models are still performing and predict well the default and loss rates for the Bank and take action in a timely manner in case of non-performance.

43. Credit risk management (continued)

Incorporation of forward-looking information

The Group uses forward-looking macro-economic variables in its measurement of ECL. The Group Chief Economist provides the macro-economic forecasts and scenarios which are also supplemented by external feed of other variables by Moody's.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and has macro-economic models that forecast relationships between macro-economic variables and credit losses.

During the year, the Group changed its macro-economic variables forecast in line with the prevailing market conditions. The Group has multiple macroeconomic models to cater the portfolio size and ensure homogeneity within the segments.

The table below summarises the principal macro-economic indicators included in the economic scenarios used as at December 31, 2025 for the years 2026 to 2028, for UAE which is the country where the Group primarily operates and therefore is the country that has a material impact on ECLs. The base case economic scenario is having a weightage of 50% while the optimistic and pessimistic scenarios have respectively 20% and 30% weightage.

List of macro-economic variables used	Definition	Scenario	2026	2027	2028
Oil price, Brent USD	Price per barrel	Base	62.1	63.5	64.9
		Upside	66.6	64.7	65.9
		Downside	39.1	57.4	63.3
Real GDP growth	% change	Base	4.2%	3.8%	3.9%
		Upside	6.6%	3.9%	4.0%
		Downside	-2.1%	3.6%	5.9%
Real non-oil GDP growth	% change	Base	4.4%	3.5%	3.6%
		Upside	6.7%	3.9%	3.8%
		Downside	-2.2%	2.6%	5.6%
Consumer inflation	% annual average	Base	1.7%	1.8%	2.0%
		Upside	1.8%	1.9%	2.0%
		Downside	0.9%	1.3%	1.8%
Dubai real estate sale prices	% change	Base	4.1%	4.8%	4.8%
		Upside	7.2%	5.7%	4.7%
		Downside	-10.4%	-0.4%	5.9%

Predicted relationships between the key indicators and default rates on various portfolios of financial assets have been developed based on analysing historical data of more than five years.

Measurement of ECL

The key inputs used for measuring ECL are:

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

These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

43. Credit risk management (continued)

Measurement of ECL (continued)

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated based on customer risk profile, adjusted to take into account the future economic conditions that will impact PD.

LGD is an estimate of the loss arising on default. It is either based on Basel LGD for low default portfolio or on internal ADCB experience in term of workout process and recovery data. The internal models take into consideration all the collected amounts, the time to recovery, the discount rate, the exposure at default and all direct and indirect costs. The seniority of the facility and the type of collateral are important criteria and are considered in the LGD calculation. For ECL calculation, the LGD are converted to point-in time to reflect the economic forecast in each scenario.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest and expected drawdowns on committed facilities. The Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default. The Group uses EAD models that reflect the characteristics of the portfolios.

The Group measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk. However, for financial instruments such as credit cards, revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment component, the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. For such financial instruments the Group measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. These financial instruments do not have a fixed term or repayment structure and have a short contractual cancellation period. However, the Group does not enforce in the normal day-to-day management the contractual right to cancel these financial instruments. This is because these financial instruments are managed on a collective basis and are cancelled only when the Group becomes aware of an increase in credit risk at the facility level.

The Group also considers relevant regulatory requirements, in the context of the alignment of those requirements with IFRS, in the estimation of ECL in respect of Stage 3 exposures. The Group has ensured that the appropriate methodology is used when calculating ECL for both accounting and regulatory purposes.

43.1 Maximum exposure to credit risk

The gross exposure to credit risk for on balance sheet items is their carrying value. For financial guarantees recorded off balance sheet, the gross exposure to credit risk is the maximum amount that the Group would have to pay if the guarantees were to be called upon. For loans and other credit related commitments that are irrevocable over the life of the respective facilities, the gross exposure to credit risk is the full amount of the committed facilities.

43. Credit risk management (continued)

43.1 Maximum exposure to credit risk (continued)

The following table presents the maximum exposure to credit risk for amortised cost financial instruments, derivative financial instruments, investment securities (bonds), financial instruments at fair value through profit or loss and off-balance sheet financial instruments as at December 31, 2025 and 2024, after allowance for impairment and netting where appropriate and after taking into account any collateral held or other credit risk mitigants (CRMs).

	On-balance sheet AED million	Off-balance sheet AED million	Gross credit risk exposure AED million	Gross CRMs AED million	Maximum credit risk exposure AED million
As at December 31, 2025					
Cash and balances with central banks, net	**63,019**	**-**	**60,721**	**-**	**60,721**
Deposits and balances due from banks, net	**56,594**	**-**	**56,594**	**5,617**	**50,977**
Financial assets at fair value through profit or loss	**21,686**	**-**	**21,656**	**10,017**	**11,639**
Derivative financial instruments	**15,160**	**-**	**15,160**	**12,453**	**2,707**
Investment securities, net	**166,137**	**-**	**165,429**	**-**	**165,429**
Loans and advances to customers, net(*)	**405,967**	**173,206**	**579,173**	**168,828**	**410,345**
Other assets, net	**34,970**	**-**	**34,863**	**13,087**	**21,776**
Total	**763,533**	**173,206**	**933,596**	**210,002**	**723,594**
As at December 31, 2024					
Cash and balances with central banks, net	46,223	-	43,884	-	43,884
Deposits and balances due from banks, net	50,214	-	50,214	310	49,904
Financial assets at fair value through profit or loss	12,870	-	12,787	9,893	2,894
Derivative financial instruments	18,973	-	18,973	17,007	1,966
Investment securities, net	142,989	-	142,068	-	142,068
Loans and advances to customers, net(*)	350,638	127,882	478,521	171,638	306,883
Other assets, net	20,004	-	19,834	4,674	15,160
Total	641,911	127,882	766,281	203,522	562,759

(*) includes loans and advances to customers mandatorily measured at FVTPL (Note 11)

43. Credit risk management (continued)

43.2 Gross exposure

An analysis of the Group's credit risk exposure per class of financial asset, internal rating and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

	Stage 1 AED million	Stage 2 AED million	Stage 3 AED million	POCI AED million	Total AED million
As at December 31, 2025					
Balances with central banks (Note 6)	**60,722**	**-**	**-**	**-**	**60,722**
Deposits and balances due from banks (Note 7)	**56,697**	**3**	**-**	**-**	**56,700**
Investment securities at amortised cost (Note 10)	**81,902**	**-**	**-**	**-**	**81,902**
Investment securities designated at FVTOCI (Note 10)	**83,535**	**-**	**-**	**-**	**83,535**
Loans and advances to customers (Note 11)(*)	**385,451**	**16,847**	**8,075**	**592**	**410,965**
Other assets (Note 14)	**34,598**	**253**	**35**	**2**	**34,888**
Letters of credit, guarantees and other commitments (Note 38)	**164,266**	**5,226**	**3,589**	**125**	**173,206**
Total gross exposure	**867,171**	**22,329**	**11,699**	**719**	**901,918**
As at December 31, 2024					
Balances with central banks (Note 6)	43,885	-	-	-	43,885
Deposits and balances due from banks (Note 7)	50,312	8	-	-	50,320
Investment securities at amortised cost (Note 10)	92,018	-	-	-	92,018
Investment securities designated at FVTOCI (Note 10)	50,072	-	-	-	50,072
Loans and advances to customers (Note 11)(*)	329,941	17,696	8,695	942	357,274
Other assets (Note 14)	19,489	353	9	4	19,855
Letters of credit, guarantees and other commitments (Note 38)	113,000	11,371	3,385	126	127,882
Total gross exposure	698,717	29,428	12,089	1,072	741,306

(*) excludes loans and advances to customers mandatorily measured at FVTPL

43. Credit risk management (continued)

43.2 Gross exposure (continued)

The table below summarises gross exposure as at year end per class of exposure/asset, internal rating and stage:

	Stage 1 AED million	Stage 2 AED million	Stage 3 AED million	POCI AED million	Total AED million
As at December 31, 2025					
Financial instruments carried at amortised cost					
Grades 1 - 4	397,490	497	-	-	397,987
Grades 5 - 6	139,842	9,549	127	-	149,518
Grade 7	4,435	5,033	625	-	10,093
Grades 8 - 10	-	-	6,624	549	7,173
Unrated	77,603	2,024	734	45	80,406
Gross financial instruments carried at amortised cost	619,370	17,103	8,110	594	645,177
Debt instruments designated at FVTOCI					
Grades 1 - 4	78,100	-	-	-	78,100
Grades 5 - 6	5,435	-	-	-	5,435
Gross debt instruments designated at FVTOCI	83,535	-	-	-	83,535
Commitments and contingent liabilities					
Grades 1 - 4	118,865	181	-	-	119,046
Grades 5 - 6	44,876	3,088	175	-	48,139
Grade 7	10	1,957	70	-	2,037
Grades 8 - 10	-	-	3,344	125	3,469
Unrated	515	-	-	-	515
Total commitments and contingent liabilities	164,266	5,226	3,589	125	173,206

Unrated exposure in financial instruments carried at amortised cost comprising mainly of retail loans and credit card exposures can be further classified as below:

	Stage 1 AED million	Stage 2 AED million	Stage 3 AED million	POCI AED million	Total AED million
As at December 31, 2025					
Performing (Grades 1 - 6)	77,603	1,564	-	-	79,167
Watch list (Grade 7)	-	460	-	-	460
Non-performing (Grades 8 - 10)	-	-	734	45	779
Total	77,603	2,024	734	45	80,406

43. Credit risk management (continued)

43.2 Gross exposure (continued)

	Stage 1 AED million	Stage 2 AED million	Stage 3 AED million	POCI AED million	Total AED million
As at December 31, 2024					
Financial instruments carried at amortised cost					
Grades 1 - 4	330,674	682	-	-	331,356
Grades 5 - 6	123,017	9,717	32	-	132,766
Grade 7	6,021	5,688	59	-	11,768
Grades 8 - 10	-	-	7,965	889	8,854
Unrated	75,933	1,970	648	57	78,608
Gross financial instruments carried at amortised cost	535,645	18,057	8,704	946	563,352
Debt instruments designated at FVTOCI					
Grades 1 - 4	45,219	-	-	-	45,219
Grades 5 - 6	4,853	-	-	-	4,853
Gross debt instruments designated at FVTOCI	50,072	-	-	-	50,072
Commitments and contingent liabilities					
Grades 1 - 4	76,643	756	-	-	77,399
Grades 5 - 6	35,787	8,293	79	-	44,159
Grade 7	169	2,322	22	-	2,513
Grades 8 - 10	-	-	3,284	126	3,410
Unrated	401	-	-	-	401
Total commitments and contingent liabilities	113,000	11,371	3,385	126	127,882

Unrated exposure in financial instruments carried at amortised cost comprising mainly of retail loans and credit card exposures can be further classified as below:

	Stage 1 AED million	Stage 2 AED million	Stage 3 AED million	POCI AED million	Total AED million
As at December 31, 2024					
Performing (Grades 1 - 6)	75,933	772	-	-	76,705
Watch list (Grade 7)	-	1,198	-	-	1,198
Non-performing (Grades 8 - 10)	-	-	648	57	705
Total	75,933	1,970	648	57	78,608

43. Credit risk management (continued)

43.2 Gross exposure (continued)

The movement of gross exposure is as follows:

	Stage 1 AED million	Stage 2 AED million	Stage 3 AED million	POCI AED million	Total AED million
Financial instruments carried at amortised cost					
Balance as at January 1, 2025	**535,645**	**18,057**	**8,704**	**946**	**563,352**
- Transfer from stage 1 to stage 2	(8,441)	8,441	-	-	-
- Transfer from stage 1 to stage 3	(837)	-	837	-	-
- Transfer from stage 2 to stage 1	2,261	(2,261)	-	-	-
- Transfer from stage 2 to stage 3	-	(5,136)	5,136	-	-
- Transfer from stage 3 to stage 2	-	930	(930)	-	-
Other movements within the same stage	(230)	(1,274)	29	(63)	(1,538)
New financial assets originated/purchased	250,090	2,448	261	-	252,799
Financial assets derecognised	(159,650)	(4,147)	(368)	(58)	(164,223)
Adjustments to gross carrying value due to changes in estimated cash flows	-	-	-	8	8
Net amounts written-off	-	-	(5,572)	(239)	(5,811)
Impact of currency translation	532	45	13	-	590
Balance as at December 31, 2025	**619,370**	**17,103**	**8,110**	**594**	**645,177**
Debt instruments designated at FVTOCI					
Balance as at January 1, 2025	**50,072**	-	-	-	**50,072**
Other movements within the same stage	3,155	-	-	-	3,155
New financial assets purchased	40,073	-	-	-	40,073
Financial assets derecognised	(9,941)	-	-	-	(9,941)
Impact of currency translation	176	-	-	-	176
Balance as at December 31, 2025	**83,535**	-	-	-	**83,535**
Commitments and contingent liabilities					
Balance as at January 1, 2025	**113,000**	**11,371**	**3,385**	**126**	**127,882**
- Transfer from stage 1 to stage 2	(559)	559	-	-	-
- Transfer from stage 1 to stage 3	(33)	-	33	-	-
- Transfer from stage 2 to stage 1	4,131	(4,131)	-	-	-
- Transfer from stage 2 to stage 3	-	(564)	564	-	-
Other movements within the same stage	(2,978)	(135)	(153)	-	(3,266)
New financial assets originated/purchased	79,461	834	7	-	80,302
Financial assets derecognised	(28,883)	(2,723)	(247)	(1)	(31,854)
Impact of currency translation	127	15	-	-	142
Balance as at December 31, 2025	**164,266**	**5,226**	**3,589**	**125**	**173,206**

43. Credit risk management (continued)

43.2 Gross exposure (continued)

	Stage 1 AED million	Stage 2 AED million	Stage 3 AED million	POCI AED million	Total AED million
Financial instruments carried at amortised cost					
Balance as at January 1, 2024	466,269	18,643	9,495	1,587	495,994
- Transfer from stage 1 to stage 2	(5,739)	5,739	-	-	-
- Transfer from stage 1 to stage 3	(496)	-	496	-	-
- Transfer from stage 2 to stage 1	1,531	(1,531)	-	-	-
- Transfer from stage 2 to stage 3	-	(3,634)	3,634	-	-
- Transfer from stage 3 to stage 2	-	71	(71)	-	-
Other movements within the same stage	(8,587)	(20)	(425)	(353)	(9,385)
New financial assets originated/purchased	219,594	2,713	238	-	222,545
Financial assets derecognised	(133,768)	(3,578)	(570)	(164)	(138,080)
Adjustments to gross carrying value due to changes in estimated cash flows	-	-	-	193	193
Net amounts written-off	-	-	(3,980)	(317)	(4,297)
Impact of currency translation	(3,159)	(346)	(113)	-	(3,618)
Balance as at December 31, 2024	535,645	18,057	8,704	946	563,352
Debt instruments designated at FVTOCI					
Balance as at January 1, 2024	40,527	-	-	-	40,527
Other movements within the same stage	179	-	-	-	179
New financial assets purchased	26,928	-	-	-	26,928
Financial assets derecognised	(16,079)	-	-	-	(16,079)
Impact of currency translation	(1,483)	-	-	-	(1,483)
Balance as at December 31, 2024	50,072	-	-	-	50,072
Commitments and contingent liabilities					
Balance as at January 1, 2024	113,615	11,217	-	195	125,027
- Transfer from stage 1 to stage 2	(4,189)	4,189	-	-	-
- Transfer from stage 1 to stage 3	(114)	-	114	-	-
- Transfer from stage 2 to stage 1	372	(372)	-	-	-
- Transfer from stage 2 to stage 3	-	(3,339)	3,339	-	-
Other movements within the same stage	(6,435)	(389)	(72)	-	(6,896)
New financial assets originated/purchased	53,963	2,136	5	-	56,104
Financial assets derecognised	(43,415)	(1,961)	-	(69)	(45,445)
Impact of currency translation	(797)	(110)	(1)	-	(908)
Balance as at December 31, 2024	113,000	11,371	3,385	126	127,882

43. Credit risk management (continued)

43.3 Expected credit losses

Impairment allowance as at December 31, 2025, is as follows:

	Stage 1 AED million	Stage 2 AED million	Stage 3 AED million	POCI AED million	Total AED million
As at December 31, 2025					
Balances with central banks (Note 6)	**1**	**-**	**-**	**-**	**1**
Deposits and balances due from banks (Note 7)	**106**	**-**	**-**	**-**	**106**
Investment securities at amortised cost (Note 10)	**8**	**-**	**-**	**-**	**8**
Investment securities designated at FVTOCI (Note 10)(*)	**32**	**-**	**-**	**-**	**32**
Loans and advances to customers (Note 11)	**1,296**	**3,164**	**3,383**	**91**	**7,934**
Other assets (Note 14)	**17**	**-**	**8**	**-**	**25**
Letters of credit, guarantees and other commitments (Note 21)	**41**	**11**	**334**	**7**	**393**
Total allowance for impairment	**1,501**	**3,175**	**3,725**	**98**	**8,499**

(*) recognised under "Revaluation reserve of investments designated at FVTOCI"

	Stage 1 AED million	Stage 2 AED million	Stage 3 AED million	POCI AED million	Total AED million
As at December 31, 2024					
Balances with central banks (Note 6)	1	-	-	-	1
Deposits and balances due from banks (Note 7)	106	-	-	-	106
Investment securities at amortised cost (Note 10)	22	-	-	-	22
Investment securities designated at FVTOCI (Note 10)(*)	52	-	-	-	52
Loans and advances to customers (Note 11)	1,392	3,242	4,981	219	9,834
Other assets (Note 14)	12	1	8	-	21
Letters of credit, guarantees and other commitments (Note 21)	46	83	389	56	574
Total allowance for impairment	1,631	3,326	5,378	275	10,610

(*) recognised under "Revaluation reserve of investments designated at FVTOCI"

43. **Credit risk management** (continued)

43.3 **Expected credit losses** (continued)

The table below summarises impairment allowance as at year end per class of exposure/asset, internal rating and stage:

	Stage 1 AED million	Stage 2 AED million	Stage 3 AED million	POCI AED million	Total AED million
As at December 31, 2025					
Financial instruments carried at amortised cost					
Grades 1 - 4	**52**	**2**	**-**	**-**	**54**
Grades 5 - 6	**690**	**941**	**57**	**-**	**1,688**
Grade 7	**7**	**2,033**	**90**	**-**	**2,130**
Grades 8 - 10	**-**	**-**	**2,699**	**86**	**2,785**
Unrated(*)	**679**	**188**	**545**	**5**	**1,417**
Allowance for impairment	**1,428**	**3,164**	**3,391**	**91**	**8,074**
Debt instruments designated at FVTOCI					
Grades 1 - 4	**4**	**-**	**-**	**-**	**4**
Grades 5 - 6	**28**	**-**	**-**	**-**	**28**
Allowance for impairment	**32**	**-**	**-**	**-**	**32**
Commitments and contingent liabilities					
Grades 1 - 4	**9**	**-**	**-**	**-**	**9**
Grades 5 - 6	**31**	**4**	**19**	**-**	**54**
Grade 7	**-**	**7**	**1**	**-**	**8**
Grades 8 - 10	**-**	**-**	**314**	**7**	**321**
Unrated	**1**	**-**	**-**	**-**	**1**
Allowance for impairment	**41**	**11**	**334**	**7**	**393**

(*) Stage 2 expected credit losses include AED 127 million towards performing exposure

	Stage 1 AED million	Stage 2 AED million	Stage 3 AED million	POCI AED million	Total AED million
As at December 31, 2024					
Financial instruments carried at amortised cost					
Grades 1 - 4	48	1	-	-	49
Grades 5 - 6	670	226	18	-	914
Grade 7	131	2,825	12	-	2,968
Grades 8 - 10	-	-	4,456	212	4,668
Unrated(*)	684	191	503	7	1,385
Allowance for impairment	1,533	3,243	4,989	219	9,984
Debt instruments designated at FVTOCI					
Grades 1 - 4	3	-	-	-	3
Grades 5 - 6	49	-	-	-	49
Allowance for impairment	52	-	-	-	52
Commitments and contingent liabilities					
Grades 1 - 4	12	-	-	-	12
Grades 5 - 6	33	38	12	-	83
Grade 7	1	45	2	-	48
Grades 8 - 10	-	-	375	56	431
Allowance for impairment	46	83	389	56	574

(*) Stage 2 expected credit losses include AED 118 million towards performing exposure

43. Credit risk management (continued)

43.3 Expected credit losses (continued)

The movement in impairment allowances is as follows:

	Stage 1 AED million	Stage 2 AED million	Stage 3 AED million	POCI AED million	Total AED million
Financial instruments carried at amortised cost					
Balance as at January 1, 2025	1,533	3,243	4,989	219	9,984
- Transfer from stage 1 to stage 2	(149)	149	-	-	-
- Transfer from stage 1 to stage 3	(27)	-	27	-	-
- Transfer from stage 2 to stage 1	46	(46)	-	-	-
- Transfer from stage 2 to stage 3	-	(58)	58	-	-
- Transfer from stage 3 to stage 2	-	356	(356)	-	-
Other movements within the same stage	(95)	(502)	4,296	103	3,802
New financial assets originated/purchased	567	131	149	-	847
Financial assets derecognised	(354)	(110)	(202)	-	(666)
Changes to methodologies, assumptions, and risk parameters(*)	(94)	(2)	-	-	(96)
Gross (release)/charge for the year	(106)	(82)	3,972	103	3,887
Recoveries	-	-	(583)	-	(583)
Net (release)/charge for the year	(106)	(82)	3,389	103	3,304
Adjustments to gross carrying value	-	-	-	8	8
Net amounts written-off	-	-	(4,989)	(239)	(5,228)
Impact of currency translation	1	3	2	-	6
Balance as at December 31, 2025	1,428	3,164	3,391	91	8,074
Debt instruments designated at FVTOCI					
Balance as at January 1, 2025	52	-	-	-	52
Other movements within the same stage	(4)	-	-	-	(4)
New financial assets originated/purchased	11	-	-	-	11
Financial assets derecognized	(26)	-	-	-	(26)
Changes to methodologies, assumptions, and risk parameters(*)	(1)	-	-	-	(1)
Net release for the year	(20)	-	-	-	(20)
Balance as at December 31, 2025	32	-	-	-	32
Commitments and contingent liabilities					
Balance as at January 1, 2025	46	83	389	56	574
- Transfer from stage 1 to stage 2	(1)	1	-	-	-
- Transfer from stage 2 to stage 1	10	(10)	-	-	-
- Transfer from stage 2 to stage 3	-	(19)	19	-	-
Other movements within the same stage	(2)	(28)	(25)	(49)	(104)
New financial assets originated/purchased	15	-	-	-	15
Financial assets derecognised	(11)	(8)	(49)	-	(68)
Changes to methodologies, assumptions, and risk parameters(*)	(16)	(8)	-	-	(24)
Net release for the year	(5)	(72)	(55)	(49)	(181)
Balance as at December 31, 2025	41	11	334	7	393

(*) included in 'Recoveries/modifications during the year' (Note 33)

43. Credit risk management (continued)

43.3 Expected credit losses (continued)

	Stage 1 AED million	Stage 2 AED million	Stage 3 AED million	POCI AED million	Total AED million
Financial instruments carried at amortised cost					
Balance as at January 1, 2024	2,062	3,492	4,793	509	10,856
- Transfer from stage 1 to stage 2	(24)	24	-	-	-
- Transfer from stage 1 to stage 3	(11)	-	11	-	-
- Transfer from stage 2 to stage 1	64	(64)	-	-	-
- Transfer from stage 2 to stage 3	-	(604)	604	-	-
- Transfer from stage 3 to stage 2	-	28	(28)	-	-
Other movements within the same stage	(730)	351	3,648	(147)	3,122
New financial assets originated/purchased	494	121	134	-	749
Financial assets derecognised	(298)	(73)	(131)	(19)	(521)
Changes to methodologies, assumptions, and risk parameters(*)	(16)	(17)	1	-	(32)
Gross (release)/charge for the year	(521)	(234)	4,239	(166)	3,318
Recoveries	-	-	(493)	-	(493)
Net (release)/charge for the year	(521)	(234)	3,746	(166)	2,825
Adjustments to gross carrying value	-	-	-	193	193
Net amounts written-off	-	-	(3,487)	(317)	(3,804)
Impact of currency translation	(8)	(15)	(63)	-	(86)
Balance as at December 31, 2024	1,533	3,243	4,989	219	9,984
Debt instruments designated at FVTOCI					
Balance as at January 1, 2024	54	-	-	-	54
Other movements within the same stage	1	-	-	-	1
New financial assets originated/purchased	15	-	-	-	15
Financial assets derecognized	(18)	-	-	-	(18)
Changes to methodologies, assumptions, and risk parameters(*)	(1)	-	-	-	(1)
Net release for the year	(3)	-	-	-	(3)
Impact of currency translation	1	-	-	-	1
Balance as at December 31, 2024	52	-	-	-	52
Commitments and contingent liabilities					
Balance as at January 1, 2024	126	322	-	76	524
- Transfer from stage 1 to stage 2	(6)	6	-	-	-
- Transfer from stage 1 to stage 3	(35)	-	35	-	-
- Transfer from stage 2 to stage 1	1	(1)	-	-	-
- Transfer from stage 2 to stage 3	-	(231)	231	-	-
Other movements within the same stage	1	25	123	-	149
New financial assets originated/purchased	18	3	-	-	21
Financial assets derecognised	(47)	(36)	-	(20)	(103)
Changes to methodologies, assumptions, and risk parameters(*)	(10)	(5)	-	-	(15)
Net (release)/charge for the year	(78)	(239)	389	(20)	52
Impact of currency translation	(2)	-	-	-	(2)
Balance as at December 31, 2024	46	83	389	56	574

(*) included in 'Recoveries/modifications during the year' (Note 33)

43. Credit risk management (continued)

43.4 Concentration of credit risk

Concentration of credit risk arises when a number of counterparties or exposures have comparable economic characteristics or such counterparties are engaged in similar activities or operate in the same geographical areas or economic sectors that would impact their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The analysis of credit risk concentrations presented below are based on the location of the counterparty or customer or country of risk in which they are engaged.

(a) Credit risk concentration by geographical sector

	Domestic (UAE) AED million	Other GCC countries AED million	Asia AED million	Europe AED million	USA AED million	Rest of the world AED million	Total AED million
As at December 31, 2025							
Balances with central banks, net	**57,504**	**-**	**368**	**-**	**-**	**2,849**	**60,721**
Deposits and balances due from banks, net	**5,023**	**10,809**	**11,012**	**13,363**	**5,970**	**10,417**	**56,594**
Financial assets at fair value through profit or loss	**6,042**	**445**	**3,483**	**151**	**13**	**11,522**	**21,656**
Derivative financial instruments	**2,583**	**106**	**121**	**11,294**	**4**	**1,052**	**15,160**
Investment securities – bonds, net	**47,852**	**34,208**	**24,712**	**27,865**	**15,666**	**15,126**	**165,429**
Loans and advances to customers, net	**294,273**	**23,160**	**23,629**	**23,186**	**6,274**	**35,445**	**405,967**
Other assets, net	**8,148**	**4,871**	**9,243**	**7,598**	**579**	**4,424**	**34,863**
Total	**421,425**	**73,599**	**72,568**	**83,457**	**28,506**	**80,835**	**760,390**
Commitment and contingent liabilities	**127,727**	**10,016**	**11,073**	**15,239**	**2,260**	**6,891**	**173,206**
As at December 31, 2024							
Balances with central banks, net	41,717	-	204	-	-	1,963	43,884
Deposits and balances due from banks, net	3,806	10,631	8,681	13,309	4,811	8,976	50,214
Financial assets at fair value through profit or loss	1,336	1,119	3,501	35	-	6,796	12,787
Derivative financial instruments	1,638	31	109	16,997	-	198	18,973
Investment securities – bonds, net	46,558	28,598	27,276	15,391	13,299	10,946	142,068
Loans and advances to customers, net	275,557	18,417	13,724	15,542	353	27,045	350,638
Other assets, net	5,871	717	6,139	3,491	172	3,444	19,834
Total	376,483	59,513	59,634	64,765	18,635	59,368	638,398
Commitment and contingent liabilities	97,999	5,662	8,174	10,432	1,270	4,345	127,882

43. Credit risk management (continued)

43.4 Concentration of credit risk (continued)

(b) Credit risk concentration by economic/industry sector

The economic activity sector composition of the loans and advances to customers is as follows:

	As at December 31, 2025			As at December 31, 2024		
	Within the UAE AED million	Outside the UAE AED million	Total AED million	Within the UAE AED million	Outside the UAE AED million	Total AED million
Economic activity sector						
Agriculture	**61**	**110**	**171**	93	127	220
Energy	**5,130**	**24,517**	**29,647**	1,596	12,526	14,122
Trading	**25,711**	**14,962**	**40,673**	16,578	12,213	28,791
Real estate investment	**44,917**	**1,649**	**46,566**	48,306	1,677	49,983
Hospitality	**5,388**	**-**	**5,388**	6,794	-	6,794
Transport and communication	**8,662**	**9,125**	**17,787**	1,952	6,625	8,577
Personal	**74,573**	**1,161**	**75,734**	75,525	1,032	76,557
Government and public sector entities	**79,755**	**13,736**	**93,491**	88,160	10,779	98,939
Financial institutions(*)	**18,504**	**27,246**	**45,750**	15,292	16,494	31,786
Manufacturing	**3,374**	**11,159**	**14,533**	4,287	9,148	13,435
Services(**)	**8,666**	**2,131**	**10,797**	8,884	712	9,596
Others	**27,046**	**6,318**	**33,364**	17,472	4,200	21,672
Gross loans and advances to customers	**301,787**	**112,114**	**413,901**	284,939	75,533	360,472
Less: Allowance for impairment (Note 43.3)			**(7,934)**			(9,834)
Total loans and advances to customers, net			**405,967**			350,638

(*) includes investment companies
(**) includes loans and advances to customers mandatorily measured at FVTPL

The industry sector composition of other exposures is as follows:

	Commercial and business AED million	Personal AED million	Public sector AED million	Government AED million	Banks and financial institutions AED million	Total AED million
As at December 31, 2025						
Balances with central banks, net	**-**	**-**	**-**	**60,721**	**-**	**60,721**
Deposits and balances due from banks, net	**-**	**-**	**-**	**-**	**56,594**	**56,594**
Financial assets at fair value through profit or loss	**357**	**-**	**40**	**14,618**	**6,641**	**21,656**
Derivative financial instruments	**1,318**	**12**	**1,435**	**220**	**12,175**	**15,160**
Investment securities – bonds, net	**6,821**	**-**	**27,391**	**110,368**	**20,849**	**165,429**
Other assets, net	**18,315**	**584**	**531**	**1,345**	**14,088**	**34,863**
Total	**26,811**	**596**	**29,397**	**187,272**	**110,347**	**354,423**
Contingent liabilities	**97,733**	**1,301**	**50,220**	**4,563**	**19,389**	**173,206**
As at December 31, 2024						
Balances with central banks, net	-	-	-	43,884	-	43,884
Deposits and balances due from banks, net	-	-	-	-	50,214	50,214
Financial assets at fair value through profit or loss	95	-	23	6,550	6,119	12,787
Derivative financial instruments	400	21	258	365	17,929	18,973
Investment securities – bonds, net	6,808	-	26,812	94,593	13,855	142,068
Other assets, net	10,291	652	757	1,097	7,037	19,834
Total	17,594	673	27,850	146,489	95,154	287,760
Contingent liabilities	71,179	1,551	37,039	1,612	16,501	127,882

43. Credit risk management (continued)

43.5 Credit risk measurement and mitigation policies

Loans and advances to customers is the main source of credit risk although the Group can also be exposed to other forms of credit risk through, for example, loans to banks, loan commitments and debt securities. The Group's risk management policies and processes are designed to identify and analyse risk, to set appropriate risk appetite and to monitor the risks and adherence to limits by means of reliable and timely data. The Group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparties.

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

Collateral

The Group holds collateral against various credit risk exposures in the form of mortgage interests over property, other registered securities over assets, fixed deposits and guarantees. Estimates of fair value of the collateral (including shares) are updated on a regular basis. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. The principal collateral types for loans and advances are:

- Cash and marketable securities;
- Mortgages over residential and commercial properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities; and
- Guarantees.

The estimated fair value of collateral and other security enhancements held against various credit risk exposures for the year ended December 31, 2025 was AED 357,544 million (December 31, 2024 – AED 311,184 million).

Collateral held as security against impaired loans primarily relates to commercial and residential properties and securities. Where the estimated fair value of collateral held exceeds the outstanding loan, any excess on realisation is paid back to the customers and is not available for offset against other loans.

Write-off

Financial assets are written off when a debtor fails to engage in a repayment plan and the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group categorises a loan or receivable for write off when a debtor fails to make contractual payments more than 180 days past due for retail and SME loans. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made susbequently, these are recognised as deduction from impairment charge in the consolidated income statement (Note 33).

Reversal of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the consolidated income statement in the period in which it occurs.

43. Credit risk management (continued)

43.5 Credit risk measurement and mitigation policies (continued)

Derivatives

The Group maintains strict control limits on net open derivative positions (i.e. the difference between purchase and sale contracts), by both amount and term. At any time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e. positive fair value of assets), which in relation to derivatives is a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers together with potential exposures from market movements.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risks arising from the Group's market transactions on any single day.

The following table represents internal credit ratings of derivative financial instruments:

	As at December 31 2025 AED million	As at December 31 2024 AED million
Internal risk grades		
Grades 1 to 4	**13,498**	18,142
Grades 5 to 6	**1,518**	789
Unrated	**144**	42
	15,160	18,973

Master netting arrangements

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of statement of financial position assets and liabilities, as transactions are usually settled on a gross basis, hence the impact of netting in practice is immaterial.

However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Group's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a year, as it is affected by each transaction subject to the arrangement.

Derivative related credit risk

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favourable to the Group. The Group enters into derivative contracts with financial institutions and corporates which are of satisfactory credit standing as per the Group's independent credit assessment. Credit risk in derivatives is mitigated through limit control and master netting arrangements and collateral agreements.

Off-balance sheet

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

44. Interest rate risk framework, measurement, and monitoring

Interest rate risk arises from interest bearing financial instruments and reflects the possibility that changes in interest rates will adversely affect the value of the financial instruments and the related income. The Group manages this risk principally through monitoring of interest rate gaps, economic value of equity and earnings at risk and by matching the re-pricing profile of assets and liabilities.

Interest rate risk in banking book (IRRBB) refers to the current or prospective risk to the Group's capital and earnings arising from adverse movements in interest rates that affect the Group's banking book positions. Excessive IRRBB can pose significant threat to a Group's capital base and/or earnings if not managed prudently. Changes in interest rates affect the underlying economic value of the Group's banking book assets, liabilities, and off balance sheet instruments by changing the present value of future cash flows. Changes in interest rates also affect Group's earnings by increasing or decreasing its earnings at risk (EaR)/net interest income (NII). The Group manages IRRBB through both economic value and earnings-based measures. In general, the sources of interest rate risk can include gap risk, yield curve risk, basis risk and option risk.

Overall interest rate risk positions are managed by the Group's Treasury division, where the objective of managing IRRBB is to manage the exposure to interest rate risk in the Banking Book within acceptable limits using approved products within the mandates available to the first line functions. Where possible, risks are managed via on balance sheet matching of assets and liabilities and central aggregation of risk. However, Treasury also hedges specific transactions and residual exposures through the use of derivatives.

Financial assets and liabilities exposed to interest rate risk are assets and liabilities with either a fixed or a floating contractual rate of interest. A significant portion of the Group's loans and advances, deposits, and balances due from banks, investment securities, deposits from customers, due to banks, and borrowings fall under this category. Interest rate sensitivity position of floating rate financial instruments is based on either repricing date or maturity date while that of fixed rate financial instruments is based on maturity date.

Derivative financial instruments (other than those designated in a hedge relationship) and trading book assets and liabilities (excluding non-interest bearing) are included in the 'less than 3 months' column at their fair value. Derivative financial instruments designated in a hedge relationship are included according to their contractual next re-pricing date or maturity date if floating rate and maturity date if fixed rate instrument.

Financial assets that are considered as non-rate sensitive mainly comprise of investments in equity and mutual funds, commodity and currency derivatives and cash and balances with central banks excluding overnight and certificate of deposits. Likewise, financial liabilities that are considered as non-rate sensitive mainly comprise of equity, non-interest-bearing liabilities, and non-remunerated, indeterminate maturing deposits.

The off-balance sheet gap represents the net notional amounts of the off-balance sheet financial instruments, such as interest rate and cross currency interest rate swaps which are used to manage interest rate risk.

The Group uses financial simulation tools to periodically measure and monitor interest rate sensitivity. The results are analysed and monitored by the Asset and Liability Committee (ALCO).

44. Interest rate risk framework, measurement, and monitoring (continued)

The Group's interest rate sensitivity position based on contractual repricing arrangements as at December 31, 2025, is as follows:

	Less than 3 months AED million	3 months to less than 6 months AED million	6 months to less than 1 year AED million	1 year to less than 3 years AED million	Over 3 years AED million	Non-interest bearing items AED million	Total AED million
Assets							
Cash and balances with central banks, net	24,385	-	-	-	-	38,634	63,019
Deposits and balances due from banks, net	44,092	6,556	5,200	27	-	719	56,594
Financial assets at fair value through profit or loss	21,656	-	-	-	-	30	21,686
Derivative financial instruments	11,632	20	5	4	-	3,499	15,160
Investment securities, net	12,894	12,544	8,419	43,723	87,850	707	166,137
Loans and advances to customers, net(*)	310,582	22,758	14,638	29,847	36,028	(7,886)	405,967
Investment in associates and joint venture	-	-	-	-	-	306	306
Investment properties	-	-	-	-	-	1,193	1,193
Other assets, net	1,379	-	-	-	-	33,591	34,970
Property and equipment, net	-	-	-	-	-	689	689
Intangible assets, net	-	-	-	-	-	7,658	7,658
Right of use assets, net	-	-	-	-	-	275	275
Total assets	**426,620**	**41,878**	**28,262**	**73,601**	**123,878**	**79,415**	**773,654**
Liabilities and equity							
Due to banks	10,983	3,465	3,284	-	-	1,354	19,086
Derivative financial instruments	25,719	1	3	52	-	2,489	28,264
Deposits from customers	245,729	47,954	78,803	3,439	8,403	115,447	499,775
Euro commercial paper	5,335	2,961	424	-	-	-	8,720
Borrowings	58,322	1,391	2,833	6,526	20,722	-	89,794
Other liabilities	25	-	-	-	-	39,249	39,274
Equity	-	-	-	-	-	88,741	88,741
Total liabilities and equity	**346,113**	**55,772**	**85,347**	**10,017**	**29,125**	**247,280**	**773,654**
On-balance sheet gap	**80,507**	**(13,894)**	**(57,085)**	**63,584**	**94,753**	**(167,865)**	**-**
Off-balance sheet gap	**(12,362)**	**10,132**	**41,559**	**(13,100)**	**(33,412)**	**7,183**	**-**
Total interest rate sensitivity gap	**68,145**	**(3,762)**	**(15,526)**	**50,484**	**61,341**	**(160,682)**	**-**
Cumulative interest rate sensitivity gap	**68,145**	**64,383**	**48,857**	**99,341**	**160,682**	**-**	**-**

(*) non-interest bearing items under loans and advances to customers include mainly impairment allowances.

44. Interest rate risk framework, measurement, and monitoring (continued)

The Group's interest rate sensitivity position based on contractual repricing arrangements as at December 31, 2024, was as follows:

	Less than 3 months AED million	3 months to less than 6 months AED million	6 months to less than 1 year AED million	1 year to less than 3 years AED million	Over 3 years AED million	Non-interest bearing items AED million	Total AED million
Assets							
Cash and balances with central banks, net	15,567	-	-	-	-	30,656	46,223
Deposits and balances due from banks, net	37,084	8,156	4,222	1	-	751	50,214
Financial assets at fair value through profit or loss	12,787	-	-	-	-	83	12,870
Derivative financial instruments	15,575	7	25	303	-	3,063	18,973
Investment securities, net	7,550	7,694	7,791	40,774	78,259	921	142,989
Loans and advances to customers, net	272,833	15,013	12,395	17,098	44,463	(11,164)	350,638
Investment in associates and joint venture	-	-	-	-	-	329	329
Investment properties	-	-	-	-	-	1,716	1,716
Other assets, net	710	-	-	-	-	19,294	20,004
Property and equipment, net	-	-	-	-	-	1,047	1,047
Intangible assets, net	-	-	-	-	-	7,672	7,672
Right of use assets, net	-	-	-	-	-	139	139
Total assets	362,106	30,870	24,433	58,176	122,722	54,507	652,814
Liabilities and equity							
Due to banks	7,240	2,204	918	-	-	915	11,277
Derivative financial instruments	20,774	-	-	-	1	3,116	23,891
Deposits from customers	187,359	46,869	68,618	4,454	9,153	104,607	421,060
Euro commercial paper	4,439	1,714	-	-	-	-	6,153
Borrowings	56,858	3,186	73	6,277	22,293	-	88,687
Other liabilities	-	-	-	-	-	26,179	26,179
Equity	-	-	-	-	-	75,567	75,567
Total liabilities and equity	276,670	53,973	69,609	10,731	31,447	210,384	652,814
On-balance sheet gap	85,436	(23,103)	(45,176)	47,445	91,275	(155,877)	-
Off-balance sheet gap	16,832	(4,966)	22,784	(12,330)	(22,320)	-	-
Total interest rate sensitivity gap	102,268	(28,069)	(22,392)	35,115	68,955	(155,877)	-
Cumulative interest rate sensitivity gap	102,268	74,199	51,807	86,922	155,877	-	-

Non-interest bearing items include mainly impairment allowances under loans and advances to customers.

45. Liquidity risk framework, measurement, and monitoring

Liquidity risk is the risk that the Group will be unable to meet its payment obligations associated with its financial liabilities when they fall due and to replenish funds when they are withdrawn. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Liquidity risk management process

The Group's Board of Directors (BOD) (via the BRC) approved liquidity risk appetite framework establishes the minimum liquidity required to survive a stress environment for a stipulated time horizon. The BOD has delegated to MEC the responsibility of liquidity management which is overseen on their behalf by ALCO on a day-to-day basis. ALCO monitors liquidity ratios and other indicators and regularly revises and calibrates the liquidity management policies to ensure that the Group is in a position to meet its obligations as they fall due. ALCO also ensures that the Bank remains compliant with all regulatory and internal policy guidelines pertaining to liquidity risk.

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

- Monitoring of liquidity position on a daily, weekly, and monthly basis. This entails forecasting of cash inflows/outflows and ensuring that the Group can meet the required outflows;
- Conducting regular liquidity stress testing of the Group's liquidity position under a variety of scenarios covering both normal and more severe market conditions with triggers and suggested actions;
- Ensuring compliance with the liquidity ratios such as Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR) as stipulated by CBUAE and internally approved management triggers for liquidity risk;
- Conducting regular enterprise-wide liquidity stress test which estimates liquidity requirements under idiosyncratic and systemic stress conditions. The enterprise-wide stress test incorporates diverse liquidity triggers linked to the Bank's Early Warning Indicator (EWI) framework like currency de-peg, failure of a major local bank, credit rating downgrades as model inputs; and
- Monitoring of depositor concentration to ensure that the Group's deposit funding is well diversified.

Monitoring composition of funding sources at a granular level includes setting triggers for avoiding concentration of funding by product. Some of the ratios monitored are as follows:

- Euro commercial paper to total liabilities and equity
- Wholesale funds to total liabilities and equity
- Money market deposits to total liabilities and equity
- Core deposits to customer deposits
- Offshore funds to total liabilities and equity

The Group has established several early warning indicators for liquidity risk in line with the CBUAE requirements and monitors them regularly. Some of the key early warning indicators are as follows:

- Credit rating downgrade
- Widening credit-default-swap levels
- Rising retail/wholesale funding costs
- Qualitative/event driven factors

The Group has also an established liquidity Contingency Funding Plan which is routinely tested.

45. Liquidity risk framework, measurement, and monitoring (continued)

Liquidity risk management process (continued)

Tools for liquidity management

The Group through its Treasury division ensures that it has access to diverse sources of funding ranging from local customer deposits from its retail, corporate and institutional customers as well as international sovereign wealth funds and central banks to long term funding such as debt securities and subordinated liabilities issued under the global medium term note program.

Whilst the Group's debt securities and sub-debt typically are issued with maturities of greater than one year, deposits from banks and customers generally have shorter maturities which increases the liquidity risk of the Group. The Group's Treasury division manages this risk by:

- Diversification of funding sources and balancing between long term and short-term funding sources through borrowing under its global medium term notes issue programs;
- Monitoring the stickiness of liability portfolio and rewarding business units for sticky deposits through the fund transfer pricing process; and
- Investing in various short-term or medium term but highly marketable assets in line with Basel-III guidelines for High Quality Liquid Assets (HQLA) such as certificate of deposit with Central Bank, investment grade bonds that can be repurchased at short notices, etc.

The Bank has in place a contingent funding plan which lists out the trigger points to be monitored for invoking the contingent funding plan. The trigger points are based on market observable data points such as credit spreads and internal and external events such as decline in customer deposits and drying up of wholesale markets. The contingent funding plan clearly defines the roles and responsibilities and is updated with changing market conditions by ALCO.

The table below summarises the maturity profile of the Group's assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the end of the reporting period date to the contractual maturity date and do not take into account the effective maturities as indicated by the Group's deposit retention history and the availability of liquid funds. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

Derivative financial instruments (other than those designated in a hedge relationship) and trading portfolio assets and liabilities are included in 'less than 3 months' at their fair value. Liquidity risk on these items is not managed on the basis of remaining maturity since they are not held for settlement according to such maturity and will frequently be settled before remaining maturity at fair value. Derivatives designated in a hedge relationship are included according to their remaining maturity at fair value. Investment securities in equities and mutual funds with no maturity are included in 'over 3 years'.

45. Liquidity risk framework, measurement, and monitoring (continued)

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

	Less than 3 months AED million	3 months to less than 6 months AED million	6 months to less than 1 year AED million	1 year to less than 3 years AED million	Over 3 years AED million	Total AED million
Assets						
Cash and balances with central banks, net	**63,019**	-	-	-	-	63,019
Deposits and balances due from banks, net	**28,169**	9,375	7,819	8,974	2,257	56,594
Financial assets at fair value through profit or loss	**21,686**	-	-	-	-	21,686
Derivative financial instruments	**12,886**	154	112	719	1,289	15,160
Investment securities, net	**10,059**	11,544	7,958	44,153	92,423	166,137
Loans and advances to customers, net	**77,514**	17,909	34,040	91,484	185,020	405,967
Investment in associates and joint venture	-	-	-	-	306	306
Investment properties	-	-	-	1,193	-	1,193
Other assets, net	**14,032**	6,891	13,944	79	24	34,970
Property and equipment, net	-	-	-	-	689	689
Intangible assets, net	-	-	-	12	7,646	7,658
Right of use assets, net	-	-	-	-	275	275
Total assets	**227,365**	**45,873**	**63,873**	**146,614**	**289,929**	**773,654**
Liabilities and equity						
Due to banks	9,562	3,203	6,321	-	-	19,086
Derivative financial instruments	11,330	70	130	1,215	15,519	28,264
Deposits from customers	360,950	47,986	78,845	3,441	8,553	499,775
Euro commercial paper	5,335	2,961	424	-	-	8,720
Borrowings	16,306	19,836	12,053	14,052	27,547	89,794
Other liabilities	19,222	5,597	13,295	289	871	39,274
Equity	-	-	-	-	88,741	88,741
Total liabilities and equity	**422,705**	**79,653**	**111,068**	**18,997**	**141,231**	**773,654**
Balance sheet liquidity gap	**(195,340)**	**(33,780)**	**(47,195)**	**127,617**	**148,698**	-
Off balance sheet						
Financial guarantees and irrevocable commitments(*)	3,072	3,014	7,022	34,061	28,917	76,086
Derivatives held for hedging purpose (notional)	**25,501**	**34,290**	**52,985**	**57,252**	**114,682**	**284,710**

(*) due to the nature of the financial guarantees and irrevocable commitments, these instruments could be called earlier than the bucket under which reported.

45. Liquidity risk framework, measurement, and monitoring (continued)

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

	Less than 3 months AED million	3 months to less than 6 months AED million	6 months to less than 1 year AED million	1 year to less than 3 years AED million	Over 3 years AED million	Total AED million
Assets						
Cash and balances with central banks, net	46,223	-	-	-	-	46,223
Deposits and balances due from banks, net	25,733	10,607	9,488	3,652	734	50,214
Financial assets at fair value through profit or loss	12,870	-	-	-	-	12,870
Derivative financial instruments	13,984	151	180	1,199	3,459	18,973
Investment securities, net	7,220	7,683	7,820	40,988	79,278	142,989
Loans and advances to customers, net	77,299	12,607	37,638	53,445	169,649	350,638
Investment in associates and joint venture	-	-	-	-	329	329
Investment properties	-	-	-	1,716	-	1,716
Other assets, net	8,512	3,056	8,274	111	51	20,004
Property and equipment, net	-	-	-	-	1,047	1,047
Intangible assets, net	-	-	-	55	7,617	7,672
Right of use assets, net	-	-	-	-	139	139
Total assets	191,841	34,104	63,400	101,166	262,303	652,814
Liabilities and equity						
Due to banks	7,200	184	3,893	-	-	11,277
Derivative financial instruments	12,730	131	22	526	10,482	23,891
Deposits from customers	291,682	47,219	68,612	4,403	9,144	421,060
Euro commercial paper	4,439	1,714	-	-	-	6,153
Borrowings	17,908	15,398	10,686	18,218	26,477	88,687
Other liabilities	15,610	1,985	7,415	180	989	26,179
Equity	-	-	-	-	75,567	75,567
Total liabilities and equity	349,569	66,631	90,628	23,327	122,659	652,814
Balance sheet liquidity gap	(157,728)	(32,527)	(27,228)	77,839	139,644	-
Off balance sheet						
Financial guarantees and irrevocable commitments(*)	1,778	3,479	8,935	9,129	24,798	48,119
Derivatives held for hedging purpose (notional)	14,883	7,823	31,129	40,490	103,393	197,718

(*) due to the nature of the financial guarantees and irrevocable commitments, these instruments could be called earlier than the bucket under which reported

45. Liquidity risk framework, measurement, and monitoring (continued)

The table below summarises the maturity profile of the Group's financial liabilities as at December 31, 2025, and 2024 based on contractual undiscounted repayment obligations. As interest payments up to contractual maturity are included in the table, totals do not match with the consolidated statement of financial position. The contractual maturities of liabilities other than derivatives have been determined based on the remaining period at the consolidated statement of financial position date to the contractual maturity date and do not take into account the effective expected maturities**.** Derivative financial instruments held for trading are included in "less than 3 months" bucket at their fair value while the cash flows for derivative financial instruments held for hedging are classified based on their contractual cash flows or next call date. The Group expects that many customers will not request repayment on the earliest date the Group could be required to pay, and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

	Carrying amount AED million	Gross outflow AED million	Less than 3 months AED million	3 months to less than 6 months AED million	6 months to less than 1 year AED million	1 year to less than 3 years AED million	Over 3 years AED million
As at December 31, 2025							
Due to banks	**19,086**	**19,372**	**9,594**	**3,256**	**6,522**	**-**	**-**
Derivative financial instruments	**28,264**	**18,508**	**10,976**	**404**	**157**	**1,305**	**5,666**
Deposits from customers	**499,775**	**510,117**	**365,534**	**48,658**	**81,026**	**3,628**	**11,271**
Euro commercial paper	**8,720**	**8,791**	**5,360**	**2,995**	**436**	**-**	**-**
Borrowings	**89,794**	**161,992**	**17,215**	**20,281**	**12,773**	**15,953**	**95,770**
Total financial liabilities	**645,639**	**718,780**	**408,679**	**75,594**	**100,914**	**20,886**	**112,707**
As at December 31, 2024							
Due to banks	11,277	11,496	7,230	188	4,078	-	-
Derivative financial instruments	23,891	15,902	12,579	763	(23)	754	1,829
Deposits from customers	421,060	443,532	301,000	49,992	74,241	5,131	13,168
Euro commercial paper	6,153	6,202	4,457	1,745	-	-	-
Borrowings	88,687	161,730	18,872	16,554	10,936	20,660	94,708
Total financial liabilities	551,068	638,862	344,138	69,242	89,232	26,545	109,705

46. Market risk framework, measurement, and management

The Group's activities expose it primarily to market risk which is defined as the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates, commodity prices and credit spreads (not relating to changes in the obligor's/issuer's credit standing) which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

- Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
- Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
- Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

The Group separates its exposure to market risk between trading and banking book as defined below:

Market risk arising from trading book

Trading positions are held by the Treasury division and include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis. Realised and unrealised gains and losses on these positions are reported in consolidated income statement.

Market risk arising from banking book

Market risk from banking book arises from execution of the Group's core business strategies, products, and services to its customers, that invariably create interest rate risk and open currency positions that the Group endeavours to manage through strategic positions to mitigate the inherent risk caused by these positions.

Banking book includes all positions that are not held for trading such as but not limited to the Group's investments in instruments designated at FVTOCI and amortised cost, loans and advances carried at amortised cost, derivatives used for hedging and other financial assets held for long term.

These exposures can result from a variety of factors including but not limited to re-pricing of gaps in assets, liabilities and off-balance sheet instruments and changes in the level and shape of market interest rate curves.

Risk identification and classification

The RMC and BRC approves market risk policies for the Group. All business segments are responsible for the comprehensive identification and verification of market risks within their business units. Regular meetings are held between market risk management and heads of risk-taking businesses to discuss and decide on risk exposures in the context of the market environment.

Management of market risk

The Board of Directors (via the BRC) have set risk limits based on the Value-at Risk (VaR), Stressed Value at Risk (SVaR), Greeks, sensitivity/stress analysis and foreign exchange open position limits which are closely monitored by the risk management division and reported regularly to the senior management, ALCO and BRC.

46. Market risk framework, measurement, and management (continued)

Management of market risk (continued)

Treasury, Market and Liquidity Risk is responsible for the independent second line oversight of market risk. It is overseen by GCRO and BRC and performs the following primary functions:

- establishment of a comprehensive mark-to-market valuation policy framework;
- establishment of a comprehensive market risk policy framework;
- independent measurement, monitoring, and control of market risk;
- setting and monitoring of limits.

Risk measurement

The following are the metrics used to measure the market risk, because no single measure can reflect all aspects of market risk. The Group uses various measurements, both statistical and non-statistical, including sensitivity analysis.

Statistical risk measures

The Group measures the risk of loss arising from future potential adverse movements in market rates, prices and volatilities using a historical VaR methodology with a lookback period of 12 months. The VaR that the Group measures is an estimate, using a confidence level of 99% of the potential loss that is not expected to be exceeded if the current market positions were to be held unchanged for one day. This confidence level suggests that potential daily losses in excess of the VaR measure are likely to be experienced, once every hundred days. The Board has set limits for the acceptable level of risks in managing the trading and banking book.

The Group uses simulation models to assess the possible changes in the market value of the trading and banking book based on historical data. VaR models are usually designed to measure the market risk in a normal market environment and therefore bares inherent limitations because it is based on historical correlations and volatilities in market prices and assumes that future movements will follow a statistical distribution. It provides a measurement of losses that could be expected under a typical range of market conditions. VaR does not typically provide an indication of potential losses under periods of extreme stress, given the lookback period coverage. To supplement this measurement, a “Stressed” VaR (SVaR) is calculated based upon the same VaR model over a historical period of market stress.

The Group’s VaR for the year ended December 31, 2025, is as below:

Daily value at risk (VaR at 99% - 1 day)	**2025** **AED million**	2024(*) AED million
Overall trading book risk	**(15)**	(29)

(*) include incremental default charge of AED 10 million

Non-statistical risk measures

Non-statistical risk measures, other than stress/sensitivity testing, include independent market valuations to ensure that the Group’s valuations are satisfactory as well as the risk Greeks to ensure that trading is within the risk appetite thresholds. These measures provide additional information of the Group’s exposures to non-linear risks.

46. Market risk framework, measurement, and management (continued)

Risk measurement (continued)

Sensitivity analysis

To complement VaR, the Group also carries out stress tests/sensitivity analysis of its portfolio to assess potential risks that may arise from extreme market events that are severe but plausible. The results of the stress tests are reported to the Group's ALCO and BRC.

Interest rate risk - trading book

The following table depicts the sensitivity of fair valuations in the trading book to hypothetical and instantaneous changes in the level of interest rates - with other market risk factors held constant – which would have an impact on the Group's consolidated income statement:

Relative instantaneous rate move shifts for all tenors:

	2025		2024	
	+25bps AED million	-25bps AED million	+25bps AED million	-25bps AED million
AED	**21**	**(16)**	20	(11)
USD	**(26)**	**24**	-	15

Interest rate risk – non-trading book

The following table depicts the sensitivity of net interest income in the non-trading book to hypothetical and instantaneous changes in the level of interest rates - with other market risk factors held constant – which would have an impact on the Group's consolidated income statement:

	2025		2024	
	+25 bps AED million	-25 bps AED million	+25 bps AED million	-25 bps AED million
Sensitivity of net interest income	**129**	**(131)**	134	(119)

The sensitivity on the consolidated income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities, including the effect of hedging instruments.

Currency risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. The Bank's functional currency is the UAE Dirham. The Board of Directors has set limits on delta notional positions by currency. Positions are closely monitored and hedging strategies are used to ensure positions are maintained within established limits. As at December 31, 2025, the Group's net delta notional positions in major currencies are as below:

	Net currency position long/(short)	
Currency	2025 AED million	2024 AED million
USD	**113,448**	72,808
EUR	**243**	154
GBP	**21**	14
INR	**221**	224
SAR	**647**	2,593
EGP	**1,518**	690
CHF	**(85)**	(43)
BHD	**(130)**	(516)
OMR	**(728)**	(1,323)

46. Market risk framework, measurement, and management (continued)

Currency risk (continued)

The following table depicts the sensitivity of fair valuations in the trading and banking book to hypothetical, instantaneous changes in the level of foreign currency exchange rates - with other market risk factors held constant (including the USD-AED currency pair which is pegged) – which would have an impact on the Group's consolidated income statement:

	2025		2024	
	+5%	-5%	+5%	-5%
Price shock in percentage	AED million	AED million	AED million	AED million
EUR-USD	(25)	67	1	18
GBP -USD	4	12	2	(2)
USD-INR	13	(10)	12	(11)
USD-SAR	204	64	206	(109)
USD-EGP	82	(74)	42	(38)
USD-CHF	(1)	1	-	15
USD-BHD	6	(7)	(27)	25
USD-OMR	35	(38)	(70)	63

47. Operational risk management

Overview

The Group defines operational risk as the risk of loss arising from inadequate or failed internal processes, people, and systems or from external events. While including legal risk, but excluding strategic and reputational risk, damage to the Group's reputation, legal or regulatory implications, financial losses and other factors are being considered when assessing impact of operational risk events.

Operational risk is inherent in all dimensions of the Bank, including all banking products, activities, processes, systems and third parties or outsourcing arrangements. Therefore, the effective management of operational risk is a fundamental element of the Group's risk management program.

The Board (via the BRC) is accountable for the effective management of operational risk. This includes defining the risk appetite for operational risk, approval of the Operational Risk Management Framework (ORMF), oversight of senior management to ensure that strategies, policies, and processes are reviewed and implemented effectively at all levels.

The objective of the Group is to manage and control operational risk in a proactive and cost-effective manner within targeted levels of operational risk consistent with a defined risk appetite. The Group's operational risk appetite sets out the amount of operational risk that it is willing to accept as a consequence of doing business. The Group have no appetite for certain type of operational risk events, such as system instability and ineffective business continuity planning and disaster recovery for critical systems, and in other cases, a certain amount of operational risk is accepted for the Group to achieve its business objectives. The Group primarily aims at early identification and assessment of operational risks allowing timely mitigation, as well as meaningful management reporting and continuous improvement of the control environment.

The strategy, approach, and design of the Group's ORMF is owned by the Group Operational Risk Management (GORM). In addition, this is overseen by a dedicated Operational Risk Working Group (ORWG) and MEC as applicable. The implementation of the ORMF is assigned to a decentralised risk community of Risk and Control Champions (RCCs) who execute this role either as a dedicated full-time responsibility or dual role in line with the inherent materiality of the exposure and complexity of operations of their specific organisational units.

47. Operational risk management (continued)

Overview (continued)

The GORM function has continue to evolve and mature in the adoption of the ORMF for a consistent forward-looking risk awareness approach. In 2025, the usage of Operational Risk Management System (ORMS) is further ingrained into the risk culture and practices in managing inherent operational risk exposures, by focusing on the risks and associated controls for effective implementation of action plans to mitigate known issues, towards achieving the expected operational resilience outcomes. The ORMS functionality was further enhanced with the second phase implementation by embedding the output from ORMS and from the Business Continuity Program with the Group's intelligent analytics tool to create an integrated near-real time operational resilience dashboard.

Operational Resilience

The Group continues to strengthen its Operational Risk Management framework towards an Operational Resilience Framework to ensure the ability to anticipate, withstand, respond to, and recover from disruptive events while maintaining critical services within defined tolerance levels. In 2025, the focus has been on embedding resilience across business processes, technology platforms, and third-party arrangements through enhanced scenario testing, impact tolerance assessments, and integration of resilience metrics into risk reporting. This approach aligns with regulatory expectations and industry best practices, ensuring that resilience is not only a compliance requirement but a strategic capability supporting the Group's long-term stability and customer trust.

Three lines of defence

To create a robust control environment to manage risks, the Group uses an activity-based three lines of defence model. This model delineates management accountabilities and responsibilities for risk management and the control environment. The model underpins the Group's approach to risk management by clarifying responsibility, encouraging collaboration, and enabling efficient coordination of risk and control activities.

The three lines of defence are summarised below:

- First line of defence (Organisational Units): owns the risks and is responsible for identifying, recording, reporting, and managing them, and ensuring that appropriate controls and assessments are in place to mitigate them.
- The second line of defence (Group Operational Risk Management, Group Compliance, Fraud Risk Management, Information and Physical Security Governance, Data Management, Treasury Liquidity & Market Risk, Islamic Internal control, Digital Risk, Credit Policy, etc.): define their specific frameworks, policies and guidelines for managing specific risk areas, provide advice and guidance in relation to the risk, and challenges the first line of defence on effective risk management.
- The third line of defence (Group Internal Audit function): provides independent assurance of the adequacy of the design and operational effectiveness of the ORMF.

Risk identification, monitoring, and reporting

The risk identification and assessment process involve risk assessment of operational risks inherent to the Group's licensed activities. Risk assessment methodology employs a structured Risk Assessment Framework (RAF) which comprises a series of a risk and control libraries, linked taxonomies, which enable consistent understanding of risks and related controls with regular review and updates to the Risk library.

The identification and early reporting of issues and operational risk events is a critical component and ensures transparency of the Group's operational risk management process. The escalation process ensures that relevant information is received by the impacted areas of the group and decision makers in a timely manner so that appropriate actions are taken.

47. Operational risk management (continued)

Risk identification, monitoring, and reporting (continued)

Monitoring and reporting processes are in place for periodic monitoring of key operational risks. The reports are submitted to the BRC and Board (as part of Group Chief Risk Officer update) and to Group Heads for information and resolution.

Outlook

There is a heightened operational risk outlook, in particular to Cyber Security and Technology Risk and Outsourcing Risk. The Group is persistent in assessing and addressing potential vulnerabilities on its technology infrastructure, vendors and business supply chains in building up resilience within its business.

The Group enhanced its operational risk management with renewed focus on promoting a strong operational risk culture across the first line, by continuous identification, monitoring and control of its exposures to operational risk, as well as a resilient back-up and recovery facilities for such eventualities.

Fraud risk

Fraud risk management is a critical aspect of Group's banking operations, especially in today's environment where financial institutions are increasingly targeted by more sophisticated fraud techniques. The Bank mitigates fraud risk through various fraud prevention strategies & detection capabilities and aligning itself with industry standards in fraud prevention. Through the fraud investigations process, data analysis and following industry best practice, the Bank adopts a holistic and multi-layered fraud management approach in safeguarding customer assets, managing the Bank's fraud risk appetite and aligning itself with regulatory expectations. Fraud risks within the Bank are broadly categorized into external and internal fraud. External fraud typically involves customers or third parties attempting to exploit customers and vulnerabilities in the Bank's systems, such as through phishing, social engineering, malware attacks, or card skimming. Internal fraud involves employees or contractors misappropriating funds, manipulating data, embezzling funds or engaging in other dishonest activities. With the rise of the digital and FinTech-driven banking services, the exposure to external fraud has increased. As a result, the Bank has adopted a multi-faceted approach to managing these risks, involving both technological tools and robust procedural safeguards.

The following measures are implemented to facilitate the effectiveness of the fraud risk management framework which comprises of Identification and Risk assessment, Detection and response, Preventive measures, Recommendations to first line of defence, Customer and staff education.

Fraud incident response plan: When a fraud attempt is detected, the Bank follows a structured incident response plan. This plan includes immediate action & steps to block or reverse fraudulent transactions.

Collaboration with law enforcement and regulatory authorities: The Bank works closely with law enforcement agencies, financial crime units, and regulatory bodies such as the UAE Central Bank and the Financial Intelligence Unit (FIU).

Authentication technologies: To prevent fraud, particularly in digital banking, the Bank has adopted advanced customer authentication technologies. This includes multi-factor authentication (MFA).

Encryption and secure communication: The Bank uses strong encryption protocols to protect sensitive customer data during transactions. By ensuring that all communications are encrypted end-to-end.

Employee training and awareness: The Bank focuses heavily on employee training/awareness to ensure that staff are aware of fraud risks and mitigation steps.

Customer awareness: The Bank has greater focus on customer awareness to keep them up to date on fraud trends and preventive measures. The Bank releases regular updates and awareness campaigns which are geared towards increasing customer awareness and vigilance.

47. Operational risk management (continued)

Business continuity management (BCM)

The BCM framework continues to evolve and mature, to provide the Bank with operational resilience, incident response and business continuity capabilities, aligned to industry best practices and CBUAE regulatory requirements, following any unexpected disruptive or major incidents.

The overarching goal of the Framework is to protect staff and to ensure the continuation of critical functions, products and services, within predefined tolerance levels, and to safeguard the Group's reputation and brand image, following any disruptive incidents.

Business continuity strategies and plans are exercised on an annual basis, to simulate incident scenarios, and to provide assurance that plans are effective, and include mobilising staff from a primary office location to their alternative location or remote working.

Regular incident response and crisis management training and business continuity awareness is also conducted so that staff have the knowledge and skillsets to respond to incidents and to minimise their operational impacts.

The Group continued its focus on assessing the operational resilience and recovery capabilities of the Group's critical third-party dependencies to ensure that supply chain risks have been assessed and any vulnerabilities identified and mitigated in advance of any disruptions to third parties, that could also adversely impact the Group's critical services and reputation.

Risk management

For operational risk measurement and determination of the amount that the Group needs to hold to absorb potential operational losses, Group follows the standardised approach under Basel III. As at December 31, 2025, the capital charge including buffer requirements was AED 4,871 million (December 31, 2024 – AED 4,258 million).

48. Trust activities

As at December 31, 2025, the net asset value of the funds under the management of the Group amounted to AED 7,068 million (December 31, 2024 – AED 4,815 million).

49. Capital adequacy ratio and capital management

Capital management process

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

- to comply with the capital requirements set by the CBUAE;
- to safeguard the Group's ability to continue as a going concern and increase the returns for the shareholders; and
- to maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored on a regular basis by the Bank's management employing techniques based on the guidelines developed by the Basel Committee and the CBUAE.

In December 2022, CBUAE issued an update on Capital Adequacy Standards, replacing the earlier issued standards. The updated standards include requirements on internal and external review, additional guidelines on credit, market and operational risk and details for Pillar 2 requirements. The regulations ensure compliance with Basel III Capital Standards set out by the Basel Committee on Banking Supervision (BCBS).

CBUAE has issued an updated Pillar 2 - Internal Capital Adequacy Assessment (ICAAP) reporting guidelines on December 30, 2022, vide notice number CBUAE/BSD/2022/5280 for implementation and banks are required to comply and report Pillar 2 - ICAAP assessment based on updated guidelines. For operational risk, the CBUAE has given banks the option to use the basic indicator approach, or the standardised approach and the Group has chosen to use the standardised approach.

The Bank currently uses the approach defined below for Pillar 1 reporting:

Credit risk: Standardised approach is used by the Group in calculating its capital requirements for credit risk. This approach allows the use of external ratings from designated credit rating agencies, wherever available, in determining the appropriate risk weights. The risk weight is determined by the asset class and the external rating of the counterparty. The net exposure incorporates off balance sheet exposures after applying the credit conversion factors (CCF) and credit risk mitigants (CRM).

Market risk: For the regulatory market risk capital requirement, the Group uses the standardised approach.

Operational risk: Basel III includes a capital requirement for operational risk, again utilising three levels of sophistication. The capital required under the basic indicator approach is a simple percentage of gross revenues, whereas under the standardised approach it is one of three different percentages of total operating income under each of eight defined business lines. Both these approaches use an average of the last three financial years' revenues. The Group has adopted the standardised approach in determining the operational risk capital requirements.

The Group also prepares an annual comprehensive ICAAP document. This document is a detailed assessment by the Group of its risk profile, approaches to assess and measure various material risks, capital planning under regular and stress scenarios.

The Group's capital management is driven by long/short term strategies and organisational requirements with due consideration to the regulatory, economic, and commercial environment in which the Group operates.

49. Capital adequacy ratio and capital management (continued)

Capital supply

As per Basel III requirements, total regulatory capital comprises of the following:

a) Tier 1 capital, composed of:
   (i) Common equity tier 1 (CET1) and
   (ii) Additional tier 1 (AT1).

b) Tier 2 capital.

CET1 capital includes paid-up share capital, share premium, retained earnings, legal reserves, statutory reserves, accumulated other comprehensive income, other disclosed reserves and non-controlling interest.

The following regulatory deductions and adjustments are applied in the calculation of CET1:

a) goodwill and other intangible assets;
b) cash flow hedge reserve;
c) employee's incentive plan shares
d) revaluation reserve of investments designated at FVTOCI
e) proposed cash dividend

AT1 capital comprises of instruments eligible for inclusion in AT1 capital (paragraph 55 of Basel III Accord).

Tier 2 capital includes collective provisions as per Basel guidelines and CBUAE rules, perpetual equity instruments issued by the Bank or its subsidiaries and not included in Tier 1 and their premium and instruments eligible for inclusion in Tier 2 capital such as hybrid (debt/equity) capital instruments and subordinated term loan.

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital and the Group's business strategy, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation by the Bank's risk and credit and finance functions and is subject to review by the ALCO as appropriate.

49. Capital adequacy ratio and capital management (continued)

Capital adequacy ratio

The Bank's capital adequacy ratio calculated in accordance with guidelines issued by the CBUAE after deducting proposed dividends from retained earnings is as below:

	As at December 31 2025 AED million	As at December 31 2024 AED million
Common equity tier 1 (CET1) capital		
Share capital (Note 22)	**7,912**	7,320
Share premium	**17,879**	17,879
Other reserves (Note 23)	**16,856**	10,969
Retained earnings	**35,840**	30,469
Regulatory deductions and adjustments	**(8,005)**	(8,291)
Proposed cash dividend (Note 22)	**(4,985)**	(4,319)
Total CET1 capital	**65,497**	54,027
Additional tier 1 (AT1) capital		
Capital notes (Note 26)	**8,755**	8,755
Total AT1 capital	**8,755**	8,755
Total tier 1 capital	**74,252**	62,782
Tier 2 capital		
Eligible general provision	**4,676**	4,781
Subordinated notes	**1,830**	1,831
Total tier 2 capital	**6,506**	6,612
Total regulatory capital	**80,758**	69,394
Risk-weighted assets		
Credit risk	**427,627**	382,468
Market risk	**11,403**	16,502
Operational risk	**35,872**	31,331
Total risk-weighted assets	**474,902**	430,301
CET1 ratio	**13.79%**	12.56%
AT1 ratio	**1.85%**	2.03%
Tier 1 ratio	**15.64%**	14.59%
Tier 2 ratio	**1.36%**	1.54%
Capital adequacy ratio	**17.00%**	16.13%

As per Basel guidelines and in accordance with IAS 10 'Events after the Reporting Period', which does not allow proposed dividends to be recognised as a liability, the Bank's capital adequacy ratio before deducting proposed cash dividends from retained earnings is as below:

	2025	2024
CET1 ratio	**14.84%**	13.56%
Tier 1 ratio	**16.68%**	15.59%
Capital adequacy ratio	**18.05%**	17.13%

49. Capital adequacy ratio and capital management (continued)

Capital adequacy ratio (continued)

In December 2010 (revised in June 2011), the Basel Committee on Banking Supervision issued Basel III, a global regulatory framework, to enhance international capital standards. Basel III is designed to materially improve the quality of regulatory capital and introduces a new minimum common equity capital requirement. Basel III also raises the minimum capital requirements and introduces capital conservation and countercyclical buffers to induce banking organisations to hold capital in excess of regulatory minimums. In November 2020, CBUAE issued an update to the Capital Adequacy Standards vide notice number CBUAE/BSD/N/2020/4980 superseding the previous notices. All requirements of revised guidelines are effective for capital reporting.

To achieve broader macro-prudential goal of protecting the banking sector from the periods of excess aggregate credit growth and in addition to the capital conservation buffer (CCB) requirement, banks may be required to implement the countercyclical buffer (CCyB). Banks must meet CCB and CCyB requirement by using CET1 capital. CBUAE has introduced a 0.50% CCyB requirement effective from January 1, 2026. Further, to reduce risks related to the failure of domestic systemically relevant institutions, CBUAE has introduced domestic systematically important banks (D-SIB) buffer of 0.50% for ADCB.

The Bank is required to meet the following minimum capital ratios:

Capital ratios	
CET1 including buffers	
- CET1	**7.00%**
- CCB	**2.50%**
- D-SIB buffer	**0.50%**
- CCyB buffer	**0.08%**
CET1 including buffers	**10.08%**
Tier 1	**11.58%**
Minimum capital requirement	**13.58%**

Common equity tier 1 (CET1) capital resources

(a) Ordinary shareholders' funds, which include the cumulative proceeds from the issuance of ordinary shares at their nominal value net of treasury shares. These instruments confer a share of ownership in the Bank and carry no obligations.

(b) Statutory and Legal reserves:

(i) Statutory reserve: As required by Article 241 of the UAE Federal Decree Law No. (32) of 2021 (as amended), 10% of the net profit for the year is transferred to the statutory reserve. The Bank 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 296 million has been transferred to statutory reserve during the year (2024 – AED nil). The statutory reserve is not available for distribution.

(ii) Legal reserve: In accordance with the Articles of Association of the Bank and Decretal Federal Law No. (14) of 2018, 10% of the net profit for the year is transferred to the legal reserve. The Bank may resolve to discontinue such annual transfers when the reserve equals 50% of the nominal value of the paid-up share capital. Accordingly, no transfers were made to legal reserve during the year (2024 – AED nil). The legal reserve is not available for distribution.

49. Capital adequacy ratio and capital management (continued)

Common equity tier 1 (CET1) capital resources (continued)

(c) General and Contingency reserves:

(i) General reserve: In accordance with the Articles of Association of the Bank, a further percentage of net profit for the year can be transferred to the general reserve based on the recommendation of the Board of Directors. This reserve may only be used for the purposes recommended by the Board of Directors and approved by the shareholders.

(ii) Contingency reserve: The contingency reserve is established to cover unforeseen future risks or contingencies which may arise from general banking risks.

(iii) Retained earnings which represent the cumulative profits not distributed to shareholders, and other eligible reserves.

(d) Regulatory deductions and adjustments:

(i) Goodwill and other intangible assets including computer software which are not integral to hardware.

(ii) Cash flow hedge reserve: The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in equity. However, it is limited to 45% of positive balance of cash flow hedge reserve relating to financial instruments that are carried at fair value.

(iii) Employees' incentive plan shares: The Bank grants equity-settled share-based payments to employees. These shares are acquired by the Bank for its employees and are deducted from capital.

(iv) Revaluation reserve of investments designated at FVTOCI: This includes the cumulative net change in the fair value of investments measured at fair value through other comprehensive income. However, it is limited to 45% if the balance is positive.

(v) Proposed cash dividend.

Additional tier 1 (AT1) capital resources

This represents Tier 1 regulatory capital notes issued by the Bank and subscribed mainly by the Department of Finance, Government of Abu Dhabi (Note 26).

Tier 2 capital resources

(a) Collective impairment limited to 1.25% of credit risk-weighted assets.

(b) Eligible subordinated notes (Note 20).

50. Social contributions

The Group made the following social contributions during the year:

	2025 AED million	2024 AED million
Donations	**1**	3
Sponsorships	**16**	10
Total social contributions	**17**	13

51. Legal proceedings

The Group is involved in various legal proceedings and claims arising in the ordinary course of business. While the outcome of these matters cannot be predicted with certainty, management does not believe that these matters will have a material adverse effect on the Group's consolidated financial statements, if disposed unfavourably.