

Arab Bank PLC
United Arab Emirates Branches
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

Arab Bank PLC

United Arab Emirates Branches

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REPORT OF THE MANAGEMENT

We are pleased to submit this report and the audited financial statements of Arab Bank PLC, United Arab Emirates (“UAE”) Branches (the “Branches” or the “Bank”) for the year ended 31 December 2025.

Incorporation and registered offices

The Branches were incorporated in the United Arab Emirates as a commercial bank in 1971. The Bank has eight branches, four in Dubai, two in Abu Dhabi and one each in Sharjah and Ras al-Khaimah.

The Head Office of the Branches is Arab Bank PLC (the “Head Office”), a public listed bank registered in Amman, Jordan. The Head office is listed on the Amman Securities Exchange.

Financial position and results

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

During the year ended 31 December 2025, the Branches recorded total operating income of AED 1,064,237 million (2024: AED 994,603 thousand) and net profit of AED 572,499 thousand (2024: net profit of AED 519,733 thousand).

Signed on behalf of the Management



Feras Darwish
Country Manager

Date: 11 March 2026



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INDEPENDENT AUDITOR'S REPORT

The Head Office
Arab Bank PLC – UAE Branches
Dubai
United Arab Emirates

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Arab Bank PLC – United Arab Emirates Branches** (the “Branches”), which comprise the statement of financial position as at 31 December 2025, and the statement of comprehensive income, statement of changes in head office equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT

To the Head Office of Arab Bank PLC – UAE Branches (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Allowance for expected credit losses on loans and advances</i>	
<p>Loans and advances are carried at AED 14.8 billion in the statement of financial position at the reporting date. This represented 57% of total assets at this date. Management have stated loans and advances net of an allowance for expected credit losses (“ECL”) of AED 582 million.</p> <p>The financial statement risk arises from several aspects requiring substantial judgement of management for corporate portfolios, such as the estimation of probabilities of default and loss given defaults for various stages, determination of significant increase in credit risk (SICR) and credit-impairment status (default) and the use of different modelling techniques.</p> <p>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.</p> <p>The measurement of ECL for exposures classified as Stage 1 and Stage 2 is carried out collectively by ECL models with limited manual intervention. It is important that these ECL models and their parameters (Probability of Default (“PD”), Loss Given Default (“LGD”), Exposure At Default (“EAD”) and macroeconomic adjustments) are valid throughout the reporting period and are subject to a validation/monitoring process by an independent reviewer. However, the accuracy of the results produced from these ECL models is dependent on using reasonable parameters and up to date inputs, which are relevant for the reporting period and subject to a timely validation process.</p> <p>The exposures are classified as impaired as soon as there is doubt about the borrower’s ability to meet payment obligations to the Branches in accordance with the original contractual terms.</p> <p>We identified the allowance for ECL on loans and advances as a key audit as a result of the following:</p> <ul style="list-style-type: none"> • the quantitative significance of loans and advances to the financial statements; • the level of judgements applied, and estimates made by management; and • the level of audit effort required. <p>For further information on this key audit matter, refer to notes 3 and 11 to the financial statements</p>	<p>We performed the following audit procedures, inter alia, to address the key audit matter:</p> <p>We obtained an understanding of the process adopted by management to determine the allowance for ECL on loans and advances, including the key controls in this process. We evaluated the abovementioned controls to determine if they were appropriately designed and implemented.</p> <p>We understood and evaluated the theoretical soundness of the ECL model by involving our subject matter experts to assess its compliance with the requirements of IFRS Accounting Standards.</p> <p>We Involved our subject matter experts, who tested the mathematical integrity of the ECL model by performing recalculations on a sample basis.</p> <p>We assessed the various inputs and assumptions used by management to determine ECL.</p> <p>For allowances against exposures classified as Stage 1 and Stage 2, we obtained an understanding of the Branches’ methodology to determine the ECL allowance and assessed the underlying assumptions of the Branches’ determination of significant increase in credit risk and the resultant basis for the classification of exposures into various stages.</p> <p>We evaluated key assumptions such as the criteria used to determine SICR, definition of default, staging criteria and forward-looking macroeconomic information and the related weighting of these items.</p> <p>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.</p> <p>With the involvement of our subject matter experts, we assessed the accuracy of the EAD, the appropriateness of the PD and the calculation of the LGD used by management in their ECL calculations.</p> <p>For a sample of individually assessed stage 3 customers, we assessed, where applicable:</p> <ul style="list-style-type: none"> • 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. <p>We assessed the disclosures in the financial statements relating to this matter against the requirements of IFRS Accounting Standards.</p>



INDEPENDENT AUDITOR'S REPORT

To the Head Office of Arab Bank PLC – UAE Branches (continued)

Other Information

Management is responsible for the other information. The other information comprises the report of the management. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

To the Head Office of Arab Bank PLC – UAE Branches (continued)

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branches' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branches to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Decree-Law No. (6) of 2025 as it replaced Federal Decree-Law No. (14) of 2018 from September 2025 onwards, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

Deloitte & Touche (M.E.)



Firas Anabtawi
Registration No. 5482
11 March 2026
Dubai
United Arab Emirates



Arab Bank PLC, United Arab Emirates Branches

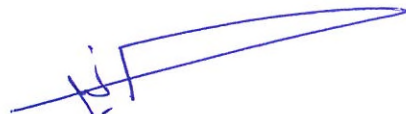
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	<i>Notes</i>	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Interest income	3	1,207,546	1,260,965
Interest expense	4	(443,285)	(499,486)
NET INTEREST INCOME		764,261	761,479
Other operating income, net	5	299,976	233,124
TOTAL OPERATING INCOME		1,064,237	994,603
Credit loss expense on financial assets, net	6	(26,422)	(49,991)
NET OPERATING INCOME		1,037,815	944,612
General and administrative expenses	7	(304,264)	(276,488)
Depreciation on property and equipment	15	(4,582)	(2,602)
Depreciation on right-of-use assets	19	(13,065)	(12,946)
TOTAL OPERATING EXPENSES		(321,911)	(292,036)
PROFIT BEFORE TAXATION		715,904	652,576
Income tax expense, net	30(b)	(143,405)	(132,843)
NET PROFIT FOR THE YEAR AFTER TAXATION		572,499	519,733
Other comprehensive income for the year			
<i>Items that may not be reclassified subsequently to profit or loss</i>			
- Unrealised gain on revaluation of financial assets at FVTOCI	12(e)	180	82
- Tax effect		(36)	(17)
Other comprehensive income for the year, net of tax		144	65
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		572,643	519,798



Feras Darwish
Country Manager – United Arab Emirates



Khalil Abu Farah
Country Head of Finance – United Arab Emirates

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

Arab Bank PLC, United Arab Emirates Branches

STATEMENT OF FINANCIAL POSITION

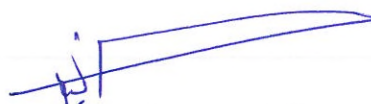
As at 31 December 2025

	Notes	2025 AED'000	2024 AED'000
ASSETS			
Cash and balances with the Central Bank of UAE	8	2,276,769	2,803,232
Due from banks, net	9	1,228,163	557,515
Due from Head Office and its branches abroad	10	419,365	262,057
Loans and advances, net	11	14,770,617	12,405,835
Other financial assets, net	12	6,109,695	5,758,537
Right-of-use assets	19	27,041	33,588
Other assets	13	773,092	657,714
Deferred tax assets	14	154,816	233,629
Property and equipment	15	17,857	8,305
TOTAL ASSETS		25,777,415	22,720,412
LIABILITIES AND HEAD OFFICE EQUITY			
LIABILITIES			
Due to banks	16	86,866	94,001
Due to Head Office and its branches abroad	17	179,862	101,560
Customers' deposits	18	20,790,634	18,507,234
Other liabilities	20	982,705	823,966
Provisions	21	25,144	23,951
Current tax liability	30	80,441	101,082
Deferred tax liability		275	240
Lease liabilities	19	21,064	30,597
TOTAL LIABILITIES		22,166,991	19,682,631
HEAD OFFICE EQUITY			
Allocated share capital	23	620,704	620,704
Statutory reserve	24	310,352	310,352
Other reserve	24	23,000	23,000
General impairment reserve	24	249,225	168,353
Revaluation reserve on financial assets - FVTOCI	24	1,102	958
Retained earnings		2,406,041	1,914,414
TOTAL HEAD OFFICE EQUITY		3,610,424	3,037,781
TOTAL LIABILITIES AND HEAD OFFICE EQUITY		25,777,415	22,720,412

These financial statements were approved and authorised for issue on 11 March 2026 by:



Feras Darwish
Country Manager – United Arab Emirates



Khalil Abu Farah
Country Head of Finance – United Arab Emirates

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

Arab Bank PLC, United Arab Emirates Branches

STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	<i>Notes</i>	2025 <i>AED'000</i>	2024 <i>AED'000</i>
OPERATING ACTIVITIES			
Profit before taxation		715,904	652,576
Adjustments for:			
Depreciation on property and equipment	15	4,582	2,602
Depreciation on right-of-use assets	19	13,065	12,946
Provision for expected credit losses		29,070	51,414
Gain on disposal of property and equipment		-	5
Provision for employees' end of service benefits	21(d)	4,096	4,685
Amortisation of premium on other financial assets	12 (e)	(38,343)	43,403
		<hr/>	<hr/>
Cash generated from operations before		728,374	767,631
Changes in operating assets and liabilities:			
Due from Central Bank on statutory deposits		(158,295)	(84,256)
Loans and advances, net		(2,392,055)	(1,233,370)
Other assets		10,318	121,156
Customers' deposits		2,283,400	1,075,027
Other liabilities		27,157	(65,951)
		<hr/>	<hr/>
Cash generated from operations		498,899	580,237
Income tax paid	30(a)	(85,234)	(13,625)
Employees' end of service benefits paid	21(d)	(2,903)	(2,786)
		<hr/>	<hr/>
Net cash generated from operating activities		410,762	244,247
		<hr/>	<hr/>
INVESTING ACTIVITIES			
Purchase of property and equipment	15	(14,218)	(4,244)
Purchase of investments	12(e)	(6,622,186)	(12,832,821)
Proceeds from redemption of investments	12(e)	6,308,098	12,592,818
		<hr/>	<hr/>
Net cash used in investing activities		(328,306)	(244,247)
		<hr/>	<hr/>
FINANCING ACTIVITIES			
Repayment of lease liability, net of accretion of interest	19	(10,425)	(12,352)
		<hr/>	<hr/>
Net cash used in financing activities		(10,425)	(12,352)
		<hr/>	<hr/>
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		72,031	307,227
Cash and cash equivalents at the beginning of the year		2,348,095	2,040,868
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	27	2,420,126	2,348,095
		<hr/> <hr/>	<hr/> <hr/>

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

Arab Bank PLC, United Arab Emirates Branches

STATEMENT OF CHANGES IN HEAD OFFICE EQUITY

For the year ended 31 December 2025

	<i>Allocated share capital AED '000</i>	<i>Statutory reserve AED '000</i>	<i>Other reserve AED '000</i>	<i>General impairment reserve AED '000</i>	<i>Revaluation reserve on Financial assets - FVTOCI AED '000</i>	<i>Retained earnings AED '000</i>	<i>Total Head Office equity AED '000</i>
Balance at 1 January 2024	620,704	310,352	23,000	112,954	893	1,450,080	2,517,983
Profit for the year	-	-	-	-	-	519,733	519,733
Other comprehensive income	-	-	-	-	65	-	65
Total comprehensive income for the year	-	-	-	-	65	519,733	519,798
Excess general impairment reserve transferred from retained earnings (note 24(c))	-	-	-	55,399	-	(55,399)	-
Balance at 31 December 2024	620,704	310,352	23,000	168,353	958	1,914,414	3,037,781
Profit for the year	-	-	-	-	-	527,499	527,499
Other comprehensive income	-	-	-	-	144	-	144
Total comprehensive income for the year	-	-	-	-	144	572,499	572,643
Excess general impairment reserve transferred from retained earnings (note 24(c))	-	-	-	80,872	-	(80,872)	-
Balance at 31 December 2025	620,704	310,352	23,000	249,225	1,102	2,406,041	3,610,424

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

1 ACTIVITIES

Arab Bank PLC, United Arab Emirates Branches (the “Branches” or the “Bank”) were incorporated in the United Arab Emirates (“UAE”) as a commercial bank in 1971. The Head Office of the Branches is Arab Bank PLC (the “Head Office”), a public shareholding bank, listed on the Amman Securities Exchange.

The Bank operates within the UAE through the following branches:

Abu Dhabi	2 branches
Dubai	4 branches
Sharjah	1 branch
Ras al-Khaimah	1 branch

These financial statements reflect the activities of the Branches in the United Arab Emirates only and exclude all transactions, assets and liabilities of the Head Office and its other branches elsewhere. Since the capital of the Branches is not publicly traded, no segmental analysis has been presented. On 8 September 2025, the UAE Federal Decree Law No. (6) of 2025 regarding the Central Bank, Regulation of Financial Institutions and Activities, and Insurance Business was issued and came into effect on 16 September 2025 which repealed the UAE Federal Law No. 14 of 2018. The Company/ Bank/Group must within a period not exceeding (1) one year from the date of the enforcement of its provisions from 16 September 2025 (“the transitional period”) comply with the provisions of the UAE Federal Decree Law No. (6) of 2025.

2 ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements of the Branches have been prepared in accordance with International Financial Reporting Standards (“IFRS Accounting Standards”) issued by the International Accounting Standards Board (“IASB”), the UAE Federal Law No. (32) of 2021, as amended and applicable regulations of the Central Bank of UAE.

The financial statements have been prepared on the historical cost basis except for the following:

- Derivative financial instruments measured at fair value;
- Financial instruments measured at fair value and classified as either fair value through profit or loss or fair value through other comprehensive income; and
- Recognised assets and liabilities that are a hedged item in a fair value hedge transaction are measured at fair value in respect of the risk that is hedged.

The financial statements have been presented in UAE Dirhams (AED), which is the functional currency of the Branches, rounded to the nearest thousand except when otherwise stated.

The Bank presents its statement of financial position in order of liquidity based on the Bank’s intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 33 (b).

2.2 ACCOUNTING STANDARDS AND INTERPRETATIONS

a. New and revised IFRS Accounting Standards applied on the financial statements

The following new and revised IFRS Accounting Standards, which became effective for annual periods beginning on or after 1 January 2025, have been adopted in these financial statements. The application of these revised 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 future transactions or arrangements.

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates relating to Lack of Exchangeability.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

2 ACCOUNTING POLICIES (continued)

2.2 ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

b. New and revised IFRS Accounting Standards in issue but not yet effective

The Bank has not early adopted the following new and revised standards that have been issued but are not yet effective. The management is in the process of assessing the impact of the new requirements.

<u>New and revised IFRS Accounting Standards</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures regarding the classification and measurement of financial instruments	01 January 2026
The amendments address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9.	
The amendments aim at enabling entities to include information in their financial statements that in the IASB's view more faithfully represents contracts referencing nature-dependent electricity.	
Annual improvements to IFRS Accounting Standards - Volume 11	01 January 2026
IFRS 18 Presentation and Disclosures in Financial Statements	01 January 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures	01 January 2027
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates relating to Translation to a Hyperinflationary Presentation Currency	01 January 2027

Management anticipates that these new standards, interpretations and amendments will be adopted in the Branches' financial statements for the period of initial application and adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of the Bank in the period of initial application.

2.3 SIGNIFICANT ACCOUNTING POLICIES INFORMATION

Recognition of income and expenses

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

Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability on initial recognition. When there is doubt in the collection of the principal or the interest, the recognition of interest income ceases.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

2 ACCOUNTING POLICIES (continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition of income and expenses (continued)

Fee and commission income

Fee and commission income is recognised at point in time when customer obtain controls over the related services as performed.

Fees and commission that are an integral part of the effective interest rate of a financial instrument are treated as an adjustment to the effective interest rate. Other fees and commissions are recognised over the period of service.

Income from recoveries

Recoveries in respect of defaulted loans are accounted for when recovery is virtually certain and amount can be measured reliably.

Contract balances

The following is recognised in the statement of financial position arising from revenue from contracts with customers:

- 'Unearned income' included under 'Other liabilities', which represent the Bank's obligation to transfer services to a customer for which the Bank has received consideration (or an amount of consideration is due) from the customer. A liability for unearned fees and commissions is recognised when the payment is made, or the payment is due (whichever is earlier). Unearned fees and commissions are recognised as revenue when (or as) the Bank performs.

Taxation

The income tax expense represents the sum of current and deferred income tax expense. Taxation is provided for in accordance with local regulations for assessment of tax on branches of foreign banks operating in the Emirates of Dubai, Abu Dhabi, Sharjah, and Ras al-Khaimah and corporate tax.

Deferred tax

Deferred tax is provided on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

2 ACCOUNTING POLICIES (continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date. Deferred taxes relating to items recognised directly in equity are also recognised in equity and not in the statement of comprehensive income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current tax and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Branches are measured in UAE Dirhams (AED) which is the functional and presentation currency of the Branches, rounded to the nearest thousand except when otherwise stated.

(b) Transactions and balances

Foreign currency transactions are translated into the UAE Dirham at the rate ruling on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into UAE Dirhams at the rates ruling at the reporting date. Any resultant gains or losses are accounted for in the statement of comprehensive income.

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

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

Fair value measurement

For those assets and liabilities carried at fair value, the Branches measure fair value at each reporting date. 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.

The fair value measurement of financial instruments is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Branches. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of non-financial instruments (instruments other than financial instruments) takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

2 ACCOUNTING POLICIES (continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

Fair values for financial instruments traded in active markets are based on closing bid prices. For all other financial instruments including instruments for which the market has become inactive, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the fair value derived from recent arm's length transaction, comparison to similar instruments for which market observable prices exist, discounted cash flow method or other relevant valuation techniques commonly used by market participants.

Fair values of non-financial instruments are measured based on valuation provided by independent valuers.

The fair value of a derivative financial instrument is the equivalent of the unrealised gain or loss from marking to market the derivative financial instrument, using relevant market rates or internal pricing models.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs based on unobservable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Branches determine whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Bank's Valuation Committee determines the policies and procedures for both recurring fair value measurement and unquoted financial assets. External valuers are involved for valuation of significant assets, such as unquoted financial assets, and significant liabilities, such as contingent consideration. At each reporting date, the Valuation Committee analyses the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Bank's accounting policies. For this analysis, the Valuation Committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

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

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions notes
- Quantitative disclosures of fair value measurement hierarchy
- Investment in non-listed equity shares (discontinued operations)
- Financial instruments (including those carried at amortised cost)
- Contingent consideration

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

2 ACCOUNTING POLICIES (continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprises cash on hand, non-restricted current accounts with the Central Bank and amounts due from (to) banks, including amounts due from (to) Head office and its branches abroad on demand or with an original maturity of three months or less.

Financial instruments

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

Date of recognition

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Branches become a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss where transaction costs are charged off to the statement of comprehensive income.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

For the purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are 'debt instruments'.

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

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

All other financial assets are subsequently measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

2 ACCOUNTING POLICIES (continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

Financial assets at amortised cost

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs (except if they are designated as at fair value through profit or loss - see below). They are subsequently measured at amortised cost using the effective interest method less any impairment (see below), with interest revenue recognised on an effective yield basis in interest income.

Subsequent to initial recognition, the Branches are required to reclassify debt instruments from amortised cost to fair value through profit or loss, if the objective of the business model changes so that the amortised cost criteria are no longer met.

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

The Branches may irrevocably elect at initial recognition to classify a debt instrument that meets the amortised cost criteria above as at fair value through profit or loss, if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortised cost.

Financial assets at FVTOCI

At initial recognition, the Branches can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

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

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not transferred to income statement, but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognised in income statement when the Branches' right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Financial assets at fair value through profit or loss (FVTPL)

Debt instruments that do not meet the amortised cost criteria (as described above) are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVTPL are measured at FVTPL. A debt instrument may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

2 ACCOUNTING POLICIES (continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

Financial assets at fair value through profit or loss (FVTPL) (continued)

Debt instruments are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in the income statement. The net gain or loss is recognised in the income statement.

Interest income on debt instruments as at FVTPL is included in the net gain or loss described above and is included in the income statement.

Dividend income on investments in equity instruments at FVTPL is recognised in the income statement when the Branches' right to receive the dividends is established.

Reclassification of financial assets

The financial assets are required to be reclassified if the objective of the Branches' business model for managing those financial assets changes. Such changes are expected to be very infrequent. The Branches' management determine these changes as a result of external or internal changes and must be significant to the Branches' operations and demonstrable to external parties.

If the Branches reclassify financial assets, it shall apply the reclassification prospectively from the reclassification date. Any previously recognised gains, losses or interest are not required to be restated.

If the Branches reclassify a financial asset so that it is measured at fair value, its fair value is determined at the reclassification date. Any gain or loss arising from a difference between the previous carrying amount and fair value is recognised in the income statement.

If the Branches reclassify a financial asset so that it is measured at amortised cost, its fair value at the reclassification date becomes its new carrying amount. The reclassification day is the first day of the first reporting period following the change in business model that results in an entity reclassifying financial assets.

Impairment calculation in accordance with IFRS 9

(i) Overview of expected credit losses

IFRS 9 requires the Bank to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

All ECL calculations for the Branches are performed at Head Office level.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

2 ACCOUNTING POLICIES (continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment calculation in accordance with IFRS 9 (continued)

(i) Overview of expected credit losses (continued)

The Bank recognises loss allowances for Expected Credit Losses (ECL) on the following financial instruments that are not measured at FVTPL:

- balances with central banks;
- due from banks and financial institutions;
- financial assets that are debt instruments;
- loans and advances;
- loan commitments issued; and
- financial guarantees contracts issued.

Equity instruments are not subject to impairment testing under IFRS 9.

The provision for credit losses is based on expected credit losses over the lifetime of the asset. If there is no significant change in credit risk from inception, the provision is based on the expected 12-month credit loss.

The expected credit loss weighted by the probability of default on credit exposure within 12 months is part of the expected credit loss on the lifetime of the asset arising from financial instrument deteriorations that may occur within 12 months of the reporting date.

The expected credit losses are calculated by the probability of default for the entire lifetime of the credit exposure or within 12 months of the credit exposure either on an individual or collective basis based on the nature of the portfolio of financial instruments.

The Bank has established a policy to periodically assess whether the credit risk of the financial instrument has increased significantly from the date of initial recognition, taking into account the change in the risk of default on the remaining life of the financial instruments.

Based on the above, the Bank classifies the financial instruments into three stages, stage (1), stage (2) and stage (3), as described below:

- Stage 1 – Upon initial recognition of financial instruments, the Bank records an allowance based on credit losses expected over the next 12 months. Stage 1 also includes financial assets which have been reclassified from Stage 2.
- Stage 2 – When a financial instrument experiences a significant increase in credit risk subsequent to origination, the Bank recognises an allowance for expected credit losses for the entire lifetime of the credit exposure. Stage 2 includes financial instruments which have seen an improvement in credit risk and have been reclassified from Stage 3.
- Stage 3 – Financial instruments that are considered to be impaired are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The key inputs into the measurement of ECL are:

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

2 ACCOUNTING POLICIES (continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment calculation in accordance with IFRS 9 (continued)

(i) Overview of expected credit losses (continued)

For financial assets where the Bank has no reasonable expectation of recovery, either for the full amount of the outstanding amount or part of it, the carrying amount of the financial asset is reduced. It is considered as a (partial) cancellation of the financial assets.

The Bank's internal credit rating system:

The Bank's credit review and evaluation process is governed by the credit rules and policies set out in the Credit Facility Policies. The credit rating of the borrower is a key element in the credit review and evaluation. Consequently, the Bank has developed an internal rating methodology "Arab Bank's Credit Rating System" whereby the customer is evaluated according to the customer's financial and non-financial criteria. In parallel, the Bank has also implemented the Moody's Risk Analysis System (MRA), a credit rating system issued by Moody's Credit Rating Company, which is based on financial and non-financial criteria for the evaluation of corporate customers and is equivalent to the Arab Bank Classification System. The system has been reviewed by a third party to ensure that the system outputs are properly aligned with the historical data of the bank's customers. Moody's rating system complements the Arab Bank's internal credit rating system and provides a mechanism consistent with Basel guidelines. The Moody's credit rating system is centrally managed by the Risk Management Department at Head Office level. The Corporate Business Department and the Credit Review Department represent the departments used by the system. The rating of customers' risks, whether by using the Arab Bank rating system or Moody's, is annually reviewed upon the annual review of each customer facility.

(ii) Measurement of ECL

The Bank calculates expected credit losses based on the weighted average of four scenarios to measure the expected cash deficit, discounted at an effective interest rate. The cash deficit is the difference between the cash flows due to the Bank in accordance with the contract and the expected cash flows.

The mechanism for calculating expected credit losses and key components is as follows:

- **Probability of default (PD):** The probability of default is an estimate of the probability of default over a certain period of time. Impairment may occur in a specified period during the valuation period.
- **Exposure at default (EAD):** The credit exposure at default is the estimate of the amount outstanding at a future date, taking into account expected changes to the amount after the reporting date, principal and interest, whether scheduled with a contract, expected withdrawals from facilities, or interest payable due to delayed payments.
- **Loss given default (LGD):** The loss given default is an estimate of the loss arising in a situation where the default occurs at a particular time. It represents the difference between the contractual cash flows due and the amount that the lender expects to collect from the existence of collateral. It is usually expressed as a percentage of credit exposure upon default.

In estimating the expected credit losses, the Bank took into account three scenarios (the base scenario, the upside scenario and the downside scenario), each with different probabilities of default, credit exposure at default, and loss given default. An additional severe downside scenario was used in the prior year to address the impact of Covid-19.

The multi-scenario assessment also includes how to recover non-performing loans, including the possibility of recovering non-performing loans and the amount of collaterals or amounts expected to be collected from the sale of collateral.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

2 ACCOUNTING POLICIES (continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment calculation in accordance with IFRS 9 (continued)

(ii) Measurement of ECL (continued)

Except for credit cards and other revolving loans, the maximum period for which credit losses are determined is the contractual life of the financial instruments unless the Bank has the legal right to purchase them in advance.

The mechanisms for calculating expected credit losses are summarized as follows:

- **Stage 1** – The expected credit losses are calculated as the probability of default on the credit exposure within 12 months as part of the expected credit losses on the lifetime of the asset. Accordingly, the Bank calculates the provision for the probability of default of the financial instruments within 12 months after the reporting date. These 12-month defaults are applied to the amount of credit exposure at default multiplied by the loss rate given default, discounted at the effective interest rate. This calculation is made for each of the four scenarios, as described above.
- **Stage 2** – In the event of a significant increase in credit risk from the date of initial recognition, the Bank calculates an allowance for expected credit loss for the entire lifetime of the credit exposure. The calculation mechanism is similar to the method described above, including the use of different scenarios, but the probability of default and credit exposure at default are used for the entire lifetime of the financial instrument and the expected cash deficit amount is deducted at the effective interest rate.
- **Stage 3** – Financial instruments to which the concept of default applies, the Bank calculates the expected credit loss for the entire lifetime of the credit exposure. The calculation mechanism is similar to that used in stage 2. The probability of default is 100% and the loss rate is assumed to be greater than that applied in stages 1 and 2. The Branches also consider relevant regulatory requirements, in the context of the alignment of those requirements with IFRS, in the estimation of ECL in respect of Stage 3 exposures.
- **Loan commitment and letter of credit** – The ECL related to loan commitments and letters of credit are recognised in other liabilities. When estimating ECLs for undrawn loan commitments, the Branch estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.
- **Financial guarantee contract** - The Branches' liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the statement of comprehensive income, and the ECL provision. For this purpose, the Branch estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the four scenarios. The ECLs related to financial guarantee contracts are recognised within other liabilities.

(iii) Forward-looking Expected Credit Losses approach

In the expected credit loss calculation model, the Bank relies on a wide range of future information used as inputs, for example:

- International oil prices
- Equity market indices

The inputs and models used to calculate expected credit losses may not include all market characteristics as at the date of the financial statements. As a result, qualitative adjustments are sometimes made as temporary modifications in case of significant differences.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

2 ACCOUNTING POLICIES (continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment calculation in accordance with IFRS 9 (continued)

(iv) Scenarios

Weighted average ECL is calculated considering base case, upside, and downside scenarios multiplied by the associated scenario weightings, at the contract level for reflection of the ECL impact in the books of accounts. The Bank updated the macroeconomic factors used for calculating ECL for the year ended 31 December 2025 in order to incorporate post-covid macroeconomic phenomenon. Further, management adopted a more conservative approach reducing the DPDs in stage 2 to 30 days instead of 45 days.

<i>Scenario (Corporate and Institutional Banking & Treasury)</i>	<i>Assigned weighted average 31 December 2025</i>	<i>Assigned weighted average 31 December 2024</i>
Base case	45%	45%
Upside	20%	20%
Downside	35%	35%

<i>Scenario (Retail Banking)</i>	<i>Assigned weighted average 31 December 2025</i>	<i>Assigned weighted average 31 December 2024</i>
Base case	40%	40%
Upside	30%	30%
Downside	30%	30%

Collateral valuation

To mitigate its credit risks on financial assets, the Branches seek to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories and other non-financial assets and credit enhancements such as netting agreements. The Branches' accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same it was under IAS 39. Collateral, unless foreclosed, is not recorded on the Branches' statement of financial position. However, the fair value of collateral is re-assessed periodically. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Branches uses active market date for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers or independent valuers.

Write-offs

Financial assets are written off either partially or in their entirety only when the Branches has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

2 ACCOUNTING POLICIES (continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Renegotiated loans and advances

Where possible, the Branches seek to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement on new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Derecognition of financial assets

The Branches derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Branches neither transfer nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Branches recognise its retained interest in the asset and an associated liability for amounts it may have to pay. If the Branches retain substantially all the risks and rewards of ownership of a transferred financial asset, the Branches continue to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the income statement.

On derecognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is not reclassified to the income statement, but is reclassified to retained earnings.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

2 ACCOUNTING POLICIES (continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL (continued)

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Branches' documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.
- Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of income.

Other financial liabilities

Other financial liabilities, include deposits and balances due to Head Office and its branches abroad, borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest rate.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The 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 on initial recognition.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the statement of comprehensive income.

Derivative financial instruments

The Branches enters into forward foreign exchange contracts to manage its exposure to fluctuations in exchange rates. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives with positive fair values (unrealised gains) are included in other assets and derivatives with negative fair values (unrealised losses) are included in other liabilities in the statement of financial position. For derivatives, which do not qualify for hedge accounting and for "held for trading" derivatives, any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

2 ACCOUNTING POLICIES (continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities (continued)

Financial guarantees

Financial guarantee contracts issued by the Branches are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Hedge accounting

As part of its asset and liability management, the Branches use derivatives for hedging purpose.

When derivatives are designated as hedges, the Branches classify them as either:

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

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

(i) Hedge documentation

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

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

(ii) Hedge effectiveness testing

Hedge effectiveness is measured by the Bank on a prospective basis at inception, as well as retrospectively (where applicable) and prospectively over the term of the hedge relationship.

(iii) Fair value hedge

The changes in the fair value of derivatives that are designated and qualify as fair value hedge instruments is recognised in the income statement.

(iv) Cash flow hedge

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

(v) Discontinuance of hedge accounting

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

2 ACCOUNTING POLICIES (continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities (continued)

Hedge accounting (continued)

(vi) Derivatives that do not qualify for hedge accounting

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

Offsetting

Financial assets and financial liabilities are only offset, and the net amount reported in the statement of financial position, when there is a legally enforceable right to set off the recognised amounts and the Branches intend to either settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment in value, if any. Depreciation is calculated on a straight-line basis over the estimated useful lives of property and equipment. Capital work in progress is not depreciated. The estimated useful lives are as follows:

	<i>Years</i>
Buildings	25
Furniture, information systems and vehicles	3 - 6
Leasehold improvements	10 years or as per lease term (whichever is lower)

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount being the higher of their fair value less costs to sell and their value in use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income' in the statement of comprehensive income in the year the asset is derecognised.

Right-of-use assets

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

2 ACCOUNTING POLICIES (continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Branch uses the incremental borrowing rate, as applicable, at the lease commencement date since the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

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

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

Assets held for sale

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets are classified as held for sale if their carrying amounts will be recovered principally 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 Branch is available for immediate sale in its present condition, management has committed to the sale, and the sale is expected to have been completed within one year from the date of classification.

Assets that are classified as held for sale are not depreciated or amortised.

Impairment of non-financial assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in statement of comprehensive income.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

2 ACCOUNTING POLICIES (continued)

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the Branches have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Branches expect some or all of a provision to be reimbursed, for example, under an insurance contract or through a counter guarantee, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement.

End of service benefits

With respect to its national employees, the Branches make contributions to a pension fund established by the UAE General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Branches' obligations are limited to these contributions, which are expensed when due.

The Branches provide end of service benefits to its other employees. The entitlement to these benefits is usually based upon the employees' length of service and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment and are not less than the liability arising under the UAE Labour and National Pension and Social Security Laws.

Contingencies

Contingent assets are not recognised in the financial statements but are disclosed when an inflow of economic benefit is probable.

Contingent liabilities are not recognised in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote.

2.4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Branches' accounting policies, which are described in Note 2.3, management is required to use certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment. Such estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances.

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

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

a) Fair value of financial instruments not quoted in active markets

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of unquoted financial instruments.

b) Classification and measurement of financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

2 ACCOUNTING POLICIES (continued)

2.4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(c) Impairment of financial assets

Key concepts in IFRS 9 that have the most significant impact and require a high level of judgment, as considered by the Branches while determining the impact assessment, are:

Assessment of Significant Increase in Credit Risk (SICR)

As per IFRS 9, SICR can be assessed at a collective/portfolio level if common risk characteristics are shared. Any instruments that are assessed collectively must possess shared credit risk characteristics. The Branches has followed the following criteria to determine the ECL calculation at collective basis vs on individual basis as follow:

- Retail Portfolio: on collective basis based on the product level (Loans, Housing Loans, Car Loans, and Credit Cards)
- Corporate Portfolio: individual basis at customer/ facility level
- Financial Institutions: individual basis at Bank/ facility level.
- Debt instruments measured at amortized cost: individual level at instrument level.

To assess whether the credit risk on a financial asset has increased significantly since origination, the Branches compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Branches' existing risk management processes.

The Branches' assessment of significant increases in credit risk is performed periodically for each individual exposure based on three factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2:

1. Significant increases in credit risk based on movement in the customer's internal credit grade and the related PDs relative to initial recognition against established thresholds.
2. Restructuring and/or Rescheduling on the customers' accounts/ facilities during the assessment period is considered as indicator for SICR.
3. Instruments which are 90 days past due have experienced a significant increase in credit risk as per the Branches' policies. Central Bank of UAE in its instructions requested to apply 90 days past due for significant increase in credit risk.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit impaired as at the reporting date. The determination of credit-impairment under IFRS 9 will be similar to the individual assessment of financial assets for objective evidence of impairment under IAS 39, as mentioned in the "Definition of default" below.

Curing criteria – upward ECL stage movement

The curing criteria is in line with UAE Central Bank IFRS 9 guidelines and is considered based on the combination of the following qualitative factors:

- DPD movement
- Probationary period
- Notches of ratings upward movement

From Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL)

- Where there is an evidence of a significant reduction in credit risk, financial instruments are monitored for probationary period of 12 months to confirm if the risk of default has decreased sufficiently before upgrading such exposures from stage 2 to stage 1.
- DPD shall be ≤ 30 days over the last 12 months period; and / or
- Upward movement of risk ratings is reflected as per internally defined criteria.

From Stage 3 (Lifetime ECL – credit impaired) to Stage 2 (Lifetime ECL – not credit impaired)

- Where there is an evidence of a significant reduction in credit risk, financial instruments are monitored for a probationary period of 3 months to confirm if the risk of default has decreased sufficiently before upgrading such exposures from stage 3 to stage 2.
- DPD shall be <90 days over the last 3 months period; and/or
- Upward movement of risk ratings is reflected as per internally defined criteria.

An exposure cannot be upgraded from Stage 3 to Stage 1 directly and should be upgraded to Stage 2 initially before upgrading to Stage 1 based on the above-mentioned criteria.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

2 ACCOUNTING POLICIES (continued)

2.4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

c) Impairment of financial assets (continued)

Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment in cooperation with international expert in this area.

PD, Loss Given Default (LGD) and Exposure At Default (EAD) inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio.

Each macroeconomic scenario used in our expected credit loss calculation will have forecasts of the relevant macroeconomic variables.

The estimation of expected credit losses in Stage 1 and Stage 2 will be a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios.

The base case scenario will be based on macroeconomic forecasts (e.g. stock exchange indices and international oil prices indices etc). Upside and downside scenarios will be set relative to our base case scenario based on reasonably possible alternative macroeconomic conditions.

Scenarios will be probability-weighted according to the best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights will be updated on a quarterly basis. All scenarios considered will be applied to all portfolios subject to expected credit losses with the same probabilities.

Definition of default

The definition of default used in the measurement of expected credit losses and the assessment to determine movement between stages will be consistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

Notwithstanding the above, the classification of credit facilities is governed by the Central Bank of UAE regulations.

The Branches has set out the definition of default where a default is considered to have occurred when either or both of the two following events have taken place:

- The obligor is considered unlikely to pay its credit obligations in full; and
- The obligor is past due for 90 days or more on any material credit obligation.

Expected Life

When measuring ECL, the Branches must consider the maximum contractual period over which the Branches are exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Branches are exposed to credit risk and where the credit losses would not be mitigated by management actions.

d) Useful lives of property and equipment

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

2 ACCOUNTING POLICIES (continued)

2.4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

e) Derivative financial instruments

Subsequent to initial recognition, the fair values of derivative financial instruments measured at fair value are generally obtained by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate. When prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. The main factors which management considers when applying a model are:

- The likelihood and expected timing of future cash flows on the instrument. These cash flows are usually governed by the terms of the instrument, although management judgment may be required in situations where the ability of the counterparty to service the instrument in accordance with the contractual terms is in doubt; and
- An appropriate discount rate of the instrument. Management determines this rate, based on its assessment of the appropriate spread of the rate for the instrument over the risk-free rate. When valuing instruments by reference to comparable instruments, management takes into account the maturity, structure and rating of the instrument with which the position held is being compared. When valuing instruments on a model basis using the fair value of underlying components, management considers, in addition, the need for adjustments to take account of a number of factors such as bid-offer spread, credit profile, servicing costs of portfolios and model uncertainty.

f) Tax liabilities and deferred tax assets

Deductions for loan impairments for UAE tax purposes generally occur when the impaired loan is specifically approved for deduction by UAE tax authority, written off, or if earlier, when the impaired loan is sold. The tax deduction often occurs in periods subsequent to that in which the impairment is recognised for accounting purposes.

As a result, the amount of the associated deferred tax asset should generally move in line with the impairment allowance balance.

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. Based on available evidence, it is assessed whether it is probable that all or a portion of the deferred tax assets will be realised, or will not be realised. The main factors which are considered include future earnings potential; cumulative losses in recent years; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset.

g) Determination of the lease term for lease contracts with renewal and termination options (Bank as a lessee)

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

h) Estimating the incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

2 ACCOUNTING POLICIES (continued)

2.4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

i) Provisions and other contingent liabilities

The Bank operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings both in United Arab Emirates and in other jurisdictions, arising in the ordinary course of the Bank's business. When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Bank is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Bank does not include detailed, case-specific disclosures in its financial statements.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

For further details on provisions and other contingent liabilities see Notes 21 and 25.

j) Effective Interest Rate (EIR) method

The Bank's EIR method recognises interest income using a rate of return, as explained in Note 2.3, that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well expected changes to base rate and other fee income/expense that are integral parts of the instrument.

3 INTEREST INCOME

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Loans and advances	854,903	864,069
Other financial assets – debt instruments	273,378	308,855
Due from banks and Certificates of Deposits with Central Bank of UAE	79,265	88,041
	1,207,456	1,260,965

4 INTEREST EXPENSE

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Customers' and security deposits	439,064	495,812
Due to banks	3,358	2,647
Interest expense on lease contracts	863	1,027
	443,285	499,486

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

5 OTHER OPERATING INCOME, NET

	2025 <i>AED'000</i>	2024 <i>AED'000</i>
Fees and commission income		
- Over time	134,966	100,315
- At a point in time	99,815	74,750
	<u>234,781</u>	<u>175,065</u>
Commission expense	(20,888)	(19,611)
	<u>213,893</u>	<u>155,454</u>
Net foreign currencies exchange income	72,493	62,482
Net interest income from derivatives, net	5,560	8,273
Others	8,030	6,915
	<u>299,976</u>	<u>233,124</u>

6 CREDIT LOSS EXPENSE ON FINANCIAL ASSETS, NET

The charge for the net impairment allowances in the statement of comprehensive income comprises of the following:

	2025 <i>AED'000</i>	2024 <i>AED'000</i>
Provision / (reversal) for expected credit losses:		
Stage 3 (Specific, see i below)	18,730	43,410
Stage 1 and 2 (Collective, see ii below)	7,692	6,581
	<u>26,422</u>	<u>49,991</u>

i) *Provisions /(reversal) against impaired loans, advances and off-balance sheet, net - Stage 3/Specific provision*

	2025 <i>AED'000</i>	2024 <i>AED'000</i>
Charge for specific impairment allowance (see note 11(h) & 25(f))	76,908	84,873
Reversal upon recoveries (see note 11(h) & 25(f))	(55,529)	(40,041)
Recoveries from written off loans and advances	(2,649)	(1,422)
	<u>18,730</u>	<u>43,410</u>

ii) *Expected credit losses (Stage 1 and 2)*

	2025 <i>AED'000</i>	2024 <i>AED'000</i>
Loans and advances, net (note 11 (i))	5,895	5,601
Other financial assets, at amortised cost (note 12 (a))	1,452	25
Due from banks (note 9 (a))	(28)	(29)
Indirect facilities (note 25 (f))	373	984
	<u>7,692</u>	<u>6,581</u>

Arab Bank PLC, United Arab Emirates Branches

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

7 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Salaries and related benefits	158,985	153,412
* Services expenses (see note 28)	8,826	7,956
** Head Office charges (see note 28)	27,396	23,246
*** IT services related expenses (see note 28)	14,132	11,763
Operating leases, utilities and related expenses (see note 19)	9,784	10,575
Telephone expenses	13,715	9,183
Amortization expenses	11,936	12,223
Advertising expenses	15,489	12,472
Legal expenses	6,604	6,654
Others	37,397	29,004
	304,264	276,488

* Services expenses represent cost of transaction processing and back-office support activities recharged to the Branches by Arab Company for Shared Services FZ – LLC and ACABES International (a 100% owned subsidiary of the Head office) (see note 28).

** Head office charge represents the allocated HO expense to Arab Bank UAE.

*** IT related expenses represent cost of IT support services recharged to the Branches by Arab Gulf-Tech for IT Services FZ-LLC (a 100% owned subsidiary of the Head office) (see note 28).

8 CASH AND BALANCES WITH THE CENTRAL BANK OF UAE

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Cash on hand	139,326	104,718
Balances with the Central Bank of UAE:		
- Current accounts	-	69,366
- Overnight deposits	900,000	1,550,000
- Statutory reserves (see note a)	1,237,443	1,079,148
	2,276,769	2,803,232

a) Statutory reserves are not available for use in the Branches' Day to day operations and cannot be withdrawn without the prior approval of the Central Bank of UAE. The level of reserves required changes periodically in accordance with the directives of the Central Bank of UAE.

b) Balances with the Central Bank of UAE were classified as Stage 1 financial assets throughout the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

9 DUE FROM BANKS, NET

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Current account	1,052,112	394,957
Time deposits	176,147	162,682
	1,228,259	557,639
Less: Provision for expected credit loss (see note a below)	(96)	(124)
	1,228,163	557,515

a) An analysis of the movement of provision for expected credit losses is as follows:

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
At 1 January	124	153
Released during the year	(28)	(29)
At 31 December	96	124

b) Following is the geographical distribution of due from banks:

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Banks in the U.A.E.	23,172	14,358
Banks abroad	966,993	314,317
Related parties – abroad (Subsidiaries & affiliates)	237,998	228,840
	1,228,163	557,515

c) As at 31 December 2025, there were no time deposits with an original maturity of more than 3 months (2024: Nil).

d) Gross exposure by credit rating (for due from banks) is as follows:

The table below shows the credit quality and the maximum exposure to credit risk based on the Branches' year-end stage classification. The amounts presented are gross of allowance for ECL. Details of the Bank's impairment assessment and measurement approach is set out in Note 2.3 and 24.

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Rated Aaa to Aa3	135,783	137,932
Rated A1 to A3	864,633	199,039
Rated Baa1 to Baa3	2,283	383
Rated below Baa3 and unrated - others	225,560	220,285
	1,228,259	557,639

Arab Bank PLC, United Arab Emirates Branches

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

9 DUE FROM BANKS, NET (continued)

e) Gross exposure by internal rating (of due from banks) is as follows:

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of allowance for ECL. Details of the Bank's internal grading system are explained in Note 24 and the Bank's impairment assessment and measurement approach is set out in Note 2.3 and 24.

<i>In AED'000</i>	<i>Stage 1</i>	<i>Total</i>
Internal rating grade		
Performing		
2	359,535	359,535
3	640,881	640,881
4	2,283	2,283
5	154,933	154,933
6	47,359	47,359
Unrated	23,268	23,268
At 31 December 2025	1,228,259	1,228,259

<i>In AED'000</i>	<i>Stage 1</i>	<i>Total</i>
Internal rating grade		
Performing		
2	137,932	137,932
3	199,039	199,039
4	383	383
5	2,107	2,107
6	203,696	203,696
Unrated	14,482	14,482
At 31 December 2024	557,639	557,639

10 DUE FROM HEAD OFFICE AND ITS BRANCHES ABROAD

	<i>2025</i>	<i>2024</i>
	<i>AED'000</i>	<i>AED'000</i>
Current accounts	83,463	55,581
Time deposits	335,902	206,476
	419,365	262,057

Due from Head Office and its branches abroad are classified as Stage 1 financial assets; hence, all balances are outside UAE with no provision.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

11 LOANS AND ADVANCES, NET

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

a) By type:

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Overdrafts	3,020,777	2,511,396
Loans	11,773,673	10,327,616
Bills discounted	510,289	354,384
Credit cards	48,106	46,294
	<hr/>	<hr/>
Loans and advances, gross	15,352,845	13,239,690
Less: Interest in suspense (see note h)	(141,973)	(167,942)
Specific provisions for impairment (Stage 3) (see note h)	(389,483)	(580,487)
ECL collective impairment provision for on-balance sheet (Stage 1 and 2) (see note i)	(50,772)	(85,426)
	<hr/>	<hr/>
Loans and advances, net	14,770,617	12,405,835
	<hr/> <hr/>	<hr/> <hr/>

b) By economic sector (Gross):

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Trading	2,428,911	2,638,541
Retail loans	3,513,976	2,492,507
Construction	1,036,833	1,041,027
Manufacturing	1,084,647	1,557,663
Services	2,614,028	1,824,532
Real estate	1,815,848	885,603
Government	725,000	725,000
Transportation, storing and communication	642,555	991,879
Others	1,491,047	1,082,938
	<hr/>	<hr/>
	15,352,845	13,239,690
	<hr/> <hr/>	<hr/> <hr/>

c) By classification (Gross):

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Corporate	11,838,867	10,747,183
Retail	3,513,978	2,492,507
	<hr/>	<hr/>
	15,352,845	13,239,690
	<hr/> <hr/>	<hr/> <hr/>

Arab Bank PLC, United Arab Emirates Branches

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

11 LOANS AND ADVANCES, NET (continued)

d) By geographical area (Gross):

	2025 AED'000	2024 AED'000
Within UAE	14,707,764	13,077,276
Outside UAE	645,081	162,414
	<u>15,352,845</u>	<u>13,239,690</u>

e) As at 31 December 2025, the total value of non-performing loans and advances, for which interest has been suspended amounted to AED 563 million (2024: AED 796 million) (see note 11(j) and 33).

f) As at 31 December 2025, loans and advances include AED 17 million (2024: AED 162 million) of loans and advances that are past due but not impaired.

g) The Branches do not hold any significant loans and advances outside the Middle East region.

h) Loans and advances are stated net of interest in suspense and allowance for expected credit loss (stage 1, 2 & 3). The movements for interest in suspense and allowance for expected credit loss (stage 3) are as follows:

	<u>31 December 2025</u>		<u>31 December 2024</u>	
	<i>Interest in suspense AED'000</i>	<i>Allowance for expected credit loss (stage 3) AED'000</i>	<i>Interest in suspense AED'000</i>	<i>Allowance for expected credit loss (stage 3) AED'000</i>
At 1 January	167,942	580,487	221,001	846,974
Suspended/provided during the year (see note 6)	23,608	70,116	26,132	65,846
Reversal upon recoveries (see note 6)	(2,345)	(53,232)	(102)	(39,032)
Amounts written off during the year	(47,232)	(248,437)	(79,089)	(323,101)
Transfers from other stages	-	40,549	-	29,800
At 31 December	<u>141,973</u>	<u>389,483</u>	<u>167,942</u>	<u>580,487</u>

i) The movement in the allowance for ECL for stage 1 & 2 is as follows:

	2025 AED'000	2024 AED'000
At 1 January	85,426	109,625
Provided during the year, net (see note 6)	20,653	15,367
Released during the year (see note 6)	(14,758)	(9,766)
Transfers to stage 3 (see note j below)	(40,549)	(29,800)
At 31 December	<u>50,772</u>	<u>85,426</u>

Arab Bank PLC, United Arab Emirates Branches

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

11 LOANS AND ADVANCES, NET (continued)

j) An analysis of changes in the gross carrying amount in relation to loans and advances is as follows:

<i>In AED'000</i>	<i>2025</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
At 1 January 2025	12,002,730	441,140	795,820	13,239,690
New assets originated	5,484,912	14,385	48,651	5,547,948
Assets derecognised or repaid (excluding write offs)	(2,990,725)	(52,783)	(95,617)	(3,139,125)
Transfers to Stage 1	80,160	(80,160)	-	-
Transfers to Stage 2	(32,302)	32,302	-	-
Transfers to Stage 3	-	(109,318)	109,318	-
Amounts written off	-	-	(295,669)	(295,669)
At 31 December 2025	14,544,775	245,566	562,503	15,352,844

<i>In AED'000</i>	<i>2024</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
At 1 January 2024	10,962,923	309,782	1,124,234	12,396,939
New assets originated	2,937,192	5,631	48,253	2,991,076
Assets derecognised or repaid (excluding write offs)	(1,594,065)	(107,274)	(44,796)	(1,746,135)
Transfers to Stage 1	13,966	(13,966)	-	-
Transfers to Stage 2	(306,598)	306,598	-	-
Transfers to Stage 3	(10,688)	(59,631)	70,319	-
Amounts written off	-	-	(402,190)	(402,190)
At 31 December 2024	12,002,730	441,140	795,820	13,239,690

Arab Bank PLC, United Arab Emirates Branches

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

11 LOANS AND ADVANCES, NET (continued)

j) An analysis of movement in the provision for impairment for loans and advances is as follows:

<i>In AED'000</i>	<i>2025</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
At 1 January 2025	28,477	56,949	580,487	665,913
Net charge for the year	17,214	3,439	70,116	90,769
Recoveries from repaid / derecognized facilities	(10,027)	(4,731)	(53,232)	(67,990)
Transfers to Stage 1	102	(102)	-	-
Transfers to Stage 2	(162)	162	-	-
Transfers to Stage 3	-	(40,549)	40,549	-
Amounts written off	-	-	(248,437)	(248,437)
At 31 December 2025	<u>35,604</u>	<u>15,168</u>	<u>389,483</u>	<u>440,255</u>

<i>In AED'000</i>	<i>2024</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
At 1 January 2024	26,531	83,094	846,974	956,599
Net charge for the year	10,775	4,437	65,846	81,058
Recoveries from repaid / derecognized facilities	(6,914)	(2,697)	(39,032)	(48,643)
Transfers to Stage 1	(2)	2	-	-
Transfers to Stage 2	(1,910)	1,910	-	-
Transfers to Stage 3	(3)	(29,797)	29,800	-
Amounts written off	-	-	(323,101)	(323,101)
At 31 December 2024	<u>28,477</u>	<u>56,949</u>	<u>580,487</u>	<u>665,913</u>

Arab Bank PLC, United Arab Emirates Branches

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

11 LOANS AND ADVANCES, NET (continued)

K) Set out below is an analysis of the loans and advances portfolio as per internal rating grade:

<i>In AED'000</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Internal rating grade				
Performing				
2	826,475	-	-	826,475
3	1,678,756	-	-	1,678,756
4	6,883,274	-	-	6,883,274
5	1,381,076	108,559	-	1,489,635
6	14,498	77,569	-	92,067
7	-	3,890	-	3,890
Unrated	3,760,696	55,548	104,742	3,920,986
Non-performing				
Individually impaired	-	-	457,761	457,761
At 31 December 2025	14,544,775	245,566	562,503	15,352,844

<i>In AED'000</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Internal rating grade				
Performing				
2	191,786	-	-	191,786
3	2,188,866	-	-	2,188,866
4	5,667,729	128,189	-	5,795,918
5	1,353,717	8,212	-	1,361,929
6	21,675	112,841	-	134,516
7	-	161,642	-	161,642
Unrated	2,578,957	30,260	-	2,609,217
Non-performing				
Individually impaired	-	-	795,816	795,816
At 31 December 2024	12,002,730	441,144	795,816	13,239,690

12 OTHER FINANCIAL ASSETS, NET

The analysis of the Branches' other financial assets as at 31 December is as follows:

	<i>2025</i>	<i>2024</i>
	<i>AED'000</i>	<i>AED'000</i>
Measured at FVTOCI		
Unquoted equities	3,140	2,961
Measured at amortised cost		
Quoted bonds	1,180,190	1,562,731
Measured at amortised cost		
Treasury bills	4,929,044	4,194,072
	6,112,374	5,759,764
Less: ECL collective provision	(2,679)	(1,227)
	6,109,695	5,758,537

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

12 OTHER FINANCIAL ASSETS, NET (continued)

a) An analysis of the movement in the provision for expected credit losses is as follows:

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
At 1 January	1,227	1,202
Provided during the year	1,452	25
	<u>2,679</u>	<u>1,227</u>
At 31 December	<u><u>2,679</u></u>	<u><u>1,227</u></u>

Other financial assets were classified as Stage 1 financial assets throughout the year.

b) By geographical area (Gross):

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Within UAE	5,819,280	5,547,018
Outside UAE	293,094	212,746
	<u>6,112,374</u>	<u>5,759,764</u>
Less: ECL collective provision	(2,679)	(1,227)
	<u><u>6,109,695</u></u>	<u><u>5,758,537</u></u>

c) By economic sector:

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Government and public sector	5,714,412	5,108,272
Trade and business sector	397,962	189,157
Financial institutions	-	462,335
	<u>6,112,374</u>	<u>5,759,764</u>
Less: ECL collective provision	(2,679)	(1,227)
	<u><u>6,109,695</u></u>	<u><u>5,758,537</u></u>

d) By credit rating (for debt securities) (Gross):

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Rated Aaa to Aa3	5,639,412	5,192,599
Rated A1 to A3	211,903	488,183
Rated Baa1 to Baa3	257,919	76,021
	<u>6,109,234</u>	<u>5,756,803</u>
Less: ECL collective provision	(2,679)	(1,227)
	<u><u>6,106,555</u></u>	<u><u>5,755,576</u></u>

The above represents approved rating from External Credit Assessment Institutions (ECAI) as per Basel III Pillar 3 guidelines.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

12 OTHER FINANCIAL ASSETS, NET (continued)

e) Movement in gross carrying value of other financial assets:

<i>31 December 2025</i>	<i>Measured at amortised cost AED'000</i>	<i>Measured at FVTOCI AED'000</i>	<i>Total AED'000</i>
At 1 January 2025	5,756,803	2,961	5,759,764
Purchases during the year	6,622,186	-	6,622,186
Matured during the year	(6,308,098)	-	(6,308,098)
Change in fair value	-	179	179
Accrued interest and amortisation	38,343	-	38,343
	6,109,234	3,140	6,109,920
Less: ECL collective provision	(2,679)	-	(2,679)
At 31 December 2025	6,106,555	3,140	6,109,695

<i>31 December 2024</i>	<i>Measured at amortised cost AED'000</i>	<i>Measured at FVTOCI AED'000</i>	<i>Total AED'000</i>
At 1 January 2024	5,560,203	2,879	5,563,082
Purchases during the year	12,832,821	-	12,832,821
Matured during the year	(12,592,818)	-	(12,592,818)
Change in fair value	-	82	82
Accrued interest and amortisation	(43,403)	-	(43,403)
	5,756,803	2,961	5,759,764
Less: ECL collective provision	(1,227)	-	(1,227)
At 31 December 2024	5,755,576	2,961	5,758,537

13 OTHER ASSETS

	<i>2025 AED'000</i>	<i>2024 AED'000</i>
Accrued interest receivable	56,794	70,530
Bankers' acceptances (notes 20 and 25(d))	664,902	533,691
Prepayments	4,821	5,124
Derivative financial assets (note 26)	13,658	3,400
Other receivables	32,917	44,969
	773,092	657,714

Arab Bank PLC, United Arab Emirates Branches

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

14 DEFERRED TAX ASSETS

Tax authorities in UAE review the tax calculation of the Branches on a periodic basis. As a result of the review, tax authorities do not allow certain allowances for expected credit losses/impairment against financial assets as tax deductible, based on their assessment. These disallowed amounts create a temporary difference in the tax base resulting in deferred tax assets, which will be utilised when tax authorities accept to allow the before mentioned allowances as tax deductible for purpose of taxable profit.

Following is the movement in each of the non-deductible items resulting in temporary differences:

<i>AED'000</i>	<i>31 December 2025</i>					<i>31 December 2024</i>				
	<i>Impairment allowance for loans and advances to customers (Stage 3)</i>	<i>Allowance for ECL collective provision (stage 1 & 2)</i>	<i>Suspended interest</i>	<i>Others</i>	<i>Total</i>	<i>Impairment allowance for loans and advances to customers (Stage 3)</i>	<i>Allowance for ECL collective provision (stage 1 & 2)</i>	<i>Suspended interest</i>	<i>Others</i>	<i>Total</i>
As at 1 January	547,177	91,825	162,057	367,084	1,168,143	795,421	115,084	215,701	199,674	1,325,880
Additions	77,578	25,118	22,685	-	125,381	92,363	18,103	25,136	204,205	339,807
Release	(55,530)	(17,426)	(2,345)	(163,751)	(239,052)	(47,530)	(11,521)	(102)	(36,795)	(95,948)
Write-offs	(246,641)	-	(44,642)	-	(291,283)	(323,101)	-	(79,089)	-	(402,190)
Other adjustments	-	-	-	10,891	10,891	-	183	411	-	594
Transfers to/from other stages	40,549	(40,549)	-	-	-	30,024	(30,024)	-	-	-
As at 31 December	363,133	58,968	137,755	214,224	774,080	547,177	91,825	162,057	367,084	1,168,143

Arab Bank PLC, United Arab Emirates Branches

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

14 DEFERRED TAX ASSETS (continued)

<i>AED'000</i>	<i>31 December 2025</i>					<i>31 December 2024</i>				
	<i>Impairment allowance for loans and advances to customers</i>	<i>Allowance for ECL collective provision</i>	<i>Suspended interest</i>	<i>Others</i>	<i>Total</i>	<i>Impairment allowance for loans and advances to customers</i>	<i>Allowance for ECL collective provision</i>	<i>Suspended interest</i>	<i>Others</i>	<i>Total</i>
<i>Deferred tax movement</i>										
As at 1 January	109,435	18,365	32,412	73,417	233,629	159,084	23,017	43,141	39,935	265,177
Transferred to statement of income for the year (note 21 (b))	(44,919)	1,538	(4,860)	(32,750)	(80,991)	(55,654)	1,316	(10,811)	33,482	(31,667)
Other adjustments	-	-	-	2,178	2,178	-	37	82	-	119
Transfers between stages	8,100	(8,110)	-	-	-	6,005	(6,005)	-	-	-
As at 31 December	72,626	11,793	27,552	42,845	154,816	109,435	18,365	32,412	73,417	233,629

The deferred tax assets are calculated using effective tax rate of 20% on the above allowances, which are considered as temporary differences for tax purposes.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

15 PROPERTY AND EQUIPMENT

	<i>Furniture, information systems and vehicles AED '000</i>	<i>Leasehold improvements AED '000</i>	<i>Total AED '000</i>
Cost:			
At 1 January 2024	32,743	29,507	62,250
Additions	3,696	548	4,244
Disposals	(902)	(29,019)	(29,921)
At 31 December 2024	35,537	1,036	36,573
Additions	7,488	6,730	14,218
Disposals	(162)	(1,389)	(1,551)
At 31 December 2025	42,863	6,377	49,240
Accumulated Depreciation:			
At 1 January 2024	27,071	28,308	55,379
Charge for the year	2,089	513	2,602
Disposals	(892)	(28,821)	(29,713)
At 31 December 2024	28,268	-	28,268
Charge for the year	3,193	1,389	4,582
Disposals	(78)	(1,389)	(1,467)
At 31 December 2025	31,383	-	31,383
<i>Net carrying amounts:</i>			
At 31 December 2025	11,480	6,377	17,857
At 31 December 2024	7,269	1,036	8,305

16 DUE TO BANKS

	<i>2025 AED '000</i>	<i>2024 AED '000</i>
Related parties – abroad (Subsidiaries & affiliates)	70,974	34,131
Banks abroad	15,892	59,870
	86,866	94,001

The above balance is classified as current account.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

17 DUE TO HEAD OFFICE AND ITS BRANCHES ABROAD

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Time deposits	157,537	75,450
Current accounts	22,325	26,110
	<u>179,862</u>	<u>101,560</u>

Balances due to Head Office and its Branches Abroad were classified as Stage 1 financial assets throughout the year; hence, all balances are outside UAE.

18 CUSTOMERS' DEPOSITS

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Time deposits	10,773,864	9,554,941
Current accounts	6,461,407	6,015,045
Saving accounts	1,630,132	1,445,998
Call deposits	463,133	254,830
Cash Margins	1,462,098	1,236,420
	<u>20,790,634</u>	<u>18,507,234</u>

a) By geographical area:

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Within UAE	18,777,625	16,517,719
Outside UAE	2,013,009	1,989,515
	<u>20,790,634</u>	<u>18,507,234</u>

19 LEASES

The Bank has lease contracts for branches and ATM locations used in its operations. Leases of branches generally have lease terms between 3 and 5 years, while ATM locations generally have shorter lease terms between 1 and 2 years. The Bank's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Bank is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options, which are further discussed below.

The Bank also has certain leases for ATM locations with lease terms of 12 months or less and with low value. The Bank applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

19 LEASES (continued)

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Right-of-use assets		
As at 1 January (modified retrospective approach) (post modification)	33,588	40,804
Additions	6,518	5,730
Depreciation expense	(13,065)	(12,946)
As at 31 December	27,041	33,588

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Lease Liabilities		
As at 1 January (modified retrospective approach) (post modification)	30,597	34,658
Additions	892	8,291
Accretion of interest	863	1,027
Payments during the year	(11,288)	(13,379)
As at 31 December	21,064	30,597

The maturity analysis of lease liabilities are disclosed under Liquidity risk management note.

The following are the amounts recognised in profit or loss:

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Depreciation expense of right-of-use assets	13,065	12,946
Interest expense on lease liabilities	863	1,027
Expense relating to leases of short-term and low-value assets (included in rent expenses)	9,784	10,575
Total amount recognised in profit or loss	23,712	24,548

The Bank had total cash outflows for leases of AED 11,425 thousand in 2025 (AED 12,352 thousand in 2024).

The Bank has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased asset portfolio and align with the Bank's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Arab Bank PLC, United Arab Emirates Branches

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

20 OTHER LIABILITIES

	2025 <i>AED'000</i>	2024 <i>AED'000</i>
Accrued interest payable	123,561	124,032
Bankers' acceptances (notes 13 and 25 (d))	664,902	533,691
Derivative financial liabilities (note 26)	849	3,254
Collected bills	69,084	35,964
Unearned income	55,778	15,900
ECL Stage 3 provisions for off-balance sheet (note 25 (f))	47,857	43,362
ECL Stage 1 and 2 provisions for off-balance sheet (note 25 (f))	5,238	4,865
Other payables	55,778	62,898
	<u>982,705</u>	<u>823,966</u>

21 PROVISIONS

	2025 <i>AED'000</i>	2024 <i>AED'000</i>
Employees' end of service benefits (see note a)	<u>25,145</u>	<u>23,951</u>

a) Movement in the provision for employees' end of service benefits is as follows:

	2025 <i>AED'000</i>	2024 <i>AED'000</i>
At 1 January	23,951	22,052
Charge for the year	4,096	4,685
Payments made during the year	(2,903)	(2,786)
At 31 December	<u>25,144</u>	<u>23,951</u>

22 CONCENTRATIONS OF ASSETS AND LIABILITIES

	<i>31 December 2025</i>			<i>31 December 2024</i>		
	<i>Assets AED'000</i>	<i>Liabilities AED'000</i>	<i>Off-balance sheet items AED'000</i>	<i>Assets AED'000</i>	<i>Liabilities AED'000</i>	<i>Off-balance sheet items AED'000</i>
<u><i>Geographic regions</i></u>						
United Arab Emirates	23,234,994	19,929,543	17,182,272	21,564,335	17,536,334	14,080,045
Middle East and other countries	2,635,912	2,330,939	2,054,870	1,233,553	2,223,773	3,320,846
Total	<u>25,870,906</u>	<u>22,260,482</u>	<u>19,237,142</u>	<u>22,797,888</u>	<u>19,760,107</u>	<u>17,400,891</u>

Arab Bank PLC, United Arab Emirates Branches

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

22 CONCENTRATIONS OF ASSETS AND LIABILITIES (continued)

	31 December 2025			31 December 2024		
	Assets AED'000	Liabilities AED'000	Off-balance sheet items AED'000	Assets AED'000	Liabilities AED'000	Off-balance sheet items AED'000
<i>Economic sectors</i>						
Government and Public Sector	9,523,070	456,640	224,024	8,891,230	97,896	224,024
Trading and commercial	9,082,876	12,028,067	15,714,967	8,149,455	8,103,388	14,822,645
Retail	3,461,201	8,305,929	-	2,438,578	10,305,949	-
Financial institutions	2,830,954	335,813	3,298,151	2,386,629	232,767	2,354,222
Others	972,805	1,134,033	-	931,996	1,020,107	-
Total	25,870,906	22,260,482	19,237,142	22,797,888	19,760,107	17,400,891

23 ALLOCATED SHARE CAPITAL

	2025 AED'000	2024 AED'000
Allocated capital	620,704	620,704

24 RESERVES

a) Statutory reserve

In accordance with the UAE Company's Law and Regulations, the Branches have established a statutory reserve by appropriation of 10% of net profit for each year until the reserve equalled 50% of the designated share capital. No transfers to statutory reserve were made during 2025 and 2024 as the statutory reserve had reached the limit of 50% of designated share capital. The statutory reserve is not available for distribution except under the circumstances stipulated by the relevant law.

b) Other reserve

The general reserve is established in accordance with the Head Office instructions and can be used for the purposes determined by the Head Office.

c) General impairment reserve

The impairment reserve was created in compliance with the Guidance note on implementation of IFRS 9 issued by the Central Bank of United Arab Emirates (CBUAE). The guidance note requires the Bank to maintain the impairment reserve in equity for an amount of shortfall in provision for expected credit losses as calculated under IFRS 9 compared to the amount of general provision if calculated as of 31 December 2025 per requirements of circular 3/2024 of CB UAE. The Bank assessed such shortfall to be AED 249,225 thousand (2024: AED 168,353 thousand), which is retained as impairment reserve as of 31 December 2025. The impairment reserve is not available for payment of dividend.

	2025 AED'000	2024 AED'000
Impairment reserve: Stage 1 and 2 / Collective		
Minimum provision for Stage 1 & 2 as per CBUAE requirements	308,010	259,995
Less: Stage 1 and 2 impairment provision taken against income (note 33 (a))	58,785	(91,642)
Shortfall in stage 1 & 2 provision to meet minimum CBUAE requirements*	249,225	168,353
As at 1 January	168,353	112,954
Add: Non-distributable reserve during the year (general impairment reserve)	80,872	55,399
At 31 December	249,225	168,353

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

24 RESERVES (continued)

d) Revaluation reserve on financial asset -FVTOCI

Fair value reserve includes the net change in fair value of FVOCI financial assets and the net effective portion of changes in fair value.

25 CONTINGENT LIABILITIES AND COMMITMENTS

In order to meet the financial needs of customers, the Branches enter into various revocable and irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Although these obligations may not be recognised on the statement of financial position, they contain credit risk and are therefore part of the overall risk of the Branches.

By virtue of issued letters of credit and guarantees, the Branches enter into commitments to make payments on behalf of their customers concerning certain business activities mainly for import and export purposes. These letters of credit and guarantees contain credit risk similar to those associated with loans.

a) Contractual commitments are set out by category in the following table. The amounts reflected in the table represent the maximum loss that can be recognised as of the reporting date if counterparties fail to meet the contractual terms.

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
<i>Contingent liabilities:</i>		
Guarantees	9,954,498	8,441,132
Letters of credit	1,240,065	960,585
Total (see note c)	11,194,563	9,401,717

b) At any time the Branches have outstanding commitments to extend credit. These commitments are in the form of approved loans facilities. The amounts reflected in the table below for commitments assume that amounts are fully made available.

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Loan commitments*	4,207,924	3,892,675
Capital contracts commitments	3,269	5,742
Total	4,211,193	3,898,417

* For the year ended 31 December 2025, an amount of AED 1,839 million (2024: AED 1,186 million) represent irrevocable loan commitments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

25 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

c) The maturity profile of the Branches' contingent liabilities were as follows:

<i>31 December 2025</i>	<i>Less than 1 year AED'000</i>	<i>More than 1 year AED'000</i>	<i>Total AED'000</i>
Guarantees	1,366,684	8,587,814	9,954,498
Letters of credit	1,204,947	35,118	1,240,065
Total	2,571,631	8,622,932	11,194,563

<i>31 December 2024</i>	<i>Less than 1 year AED'000</i>	<i>More than 1 year AED'000</i>	<i>Total AED'000</i>
Guarantees	1,046,853	7,394,279	8,441,132
Letters of credit	933,386	27,199	960,585
Total	1,980,239	7,421,478	9,401,717

d) Acceptances are recognised on balance sheet with a corresponding liability. Accordingly, these are not contingent liabilities (see notes 13 and 20).

e) An analysis of changes in the gross balance of off-balance sheet exposures (including acceptances) is as follows:

	2025			
<i>In AED'000</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
At 1 January	13,495,410	248,186	84,487	13,828,083
Additions during the year	4,689,062	2,413	17	4,691,492
Repaid / derecognized facilities	(2,355,814)	(77,391)	(18,981)	(2,452,186)
Transfers to Stage 1	71,745	(71,745)	-	-
Transfers to Stage 2	(4,211)	4,211	-	-
Transfers to Stage 3	-	-	-	-
At 31 December 2025	15,896,192	105,674	65,523	16,067,389

	2024			
<i>In AED'000</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
At 1 January	11,229,439	66,675	69,131	11,365,245
Additions during the year	4,796,636	191,332	-	4,987,968
Repaid / derecognized facilities	(2,507,523)	(11,151)	(6,456)	(2,525,130)
Transfers to Stage 1	7,864	(7,864)	-	-
Transfers to Stage 2	(31,006)	31,006	-	-
Transfers to Stage 3	-	(21,812)	21,812	-
At 31 December 2024	13,495,410	248,186	84,487	13,828,083

Arab Bank PLC, United Arab Emirates Branches

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

25 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

f) An analysis of changes in the provision for impairment of off-balance sheet exposures is as follows:

<i>In AED'000</i>	<i>2025</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
At 1 January	4,569	296	43,362	48,227
Net charge for the year	2,932	234	6,792	9,958
Recoveries during the year	(2,450)	(344)	(2,297)	(5,091)
Transfers to Stage 1	46	(46)	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
At 31 December 2025	5,097	140	47,857	53,094

<i>In AED'000</i>	<i>2024</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
At 1 January	3,919	187	25,119	29,225
Net charge for the year	2,175	359	19,027	21,561
Recoveries during the year	(1,522)	(28)	(1,009)	(2,559)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(2)	2	-	-
Transfers to Stage 3	(1)	(224)	225	-
At 31 December 2024	4,569	296	43,362	48,227

g) Set out below is an analysis of the gross balance of off-balance sheet exposures (including acceptances) as per internal rating grade:

<i>In AED'000</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Internal rating grade				
Performing				
1	4,329	-	-	4,329
2	292,433	-	-	292,433
3	2,857,692	11,303	-	2,868,995
4	8,735,864	1,632	-	8,737,496
5	2,202,222	3,116	-	2,205,338
6	33,365	829	-	34,194
7	4,435	88,794	-	93,229
8	-	-	-	-
9	-	-	3	3
10	-	-	65,520	65,520
Unrated	1,765,852	-	-	1,765,852
At 31 December 2025	15,896,192	105,674	65,523	16,067,389

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

25 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

g) Set out below is an analysis of the gross balance of off-balance sheet exposures (including acceptances) as per internal rating grade: (continued)

<i>In AED '000</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Internal rating grade				
Performing				
1	5,728	-	-	5,728
2	225,159	-	-	225,159
3	2,536,231	14,738	-	2,550,969
4	6,231,239	69,016	-	6,300,255
5	2,595,997	9,487	-	2,605,484
6	36,456	2,048	-	38,504
7	29,052	152,897	-	181,949
8	-	-	-	-
9	-	-	455	455
10	-	-	84,032	84,032
Unrated	1,835,548	-	-	1,835,548
At 31 December 2024	13,495,410	248,186	84,487	13,828,083

26 DERIVATIVES

In the ordinary course of business, the Branches enter into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. Derivative financial instruments include forwards, futures, swaps and options. During the year, the Branches entered into forward foreign exchange and swaps (cross currency and interest rate).

The table below shows the positive and negative fair values of derivative financial instruments, which are equivalent to the market values, together with the notional amounts. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are neither indicative of the market risk nor credit risk.

	<i>Positive fair value AED'000 (note 13)</i>	<i>Negative fair value AED'000 (note 20)</i>	<i>Notional amount AED'000</i>	<i>Notional amounts by term to maturity</i>		
				<i>Within 3 months AED'000</i>	<i>3-12 months AED'000</i>	<i>1-5 years AED'000</i>
Foreign exchange forward contracts	9,973	-	1,975,456	903,395	1,057,589	14,472
Cross currency & interest rate swaps	3,264	(849)	1,548,062	7,280	-	1,540,782
Options	421	-	311,137	-	86,137	225,000
At 31 December 2025	13,658	(849)	3,834,655	910,675	1,143,726	1,780,254

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

26 DERIVATIVES (continued)

	<i>Positive fair value AED'000 (note 13)</i>	<i>Negative fair value AED'000 (note 20)</i>	<i>Notional amount AED'000</i>	<i>Notional amounts by term to maturity</i>		
				<i>Within 3 months AED'000</i>	<i>3-12 months AED'000</i>	<i>1-5 years AED'000</i>
Foreign exchange forward contracts	-	(1,993)	2,288,744	1,645,841	642,903	-
Cross currency & interest rate swaps	3,400	(1,242)	1,407,991	80,777	164,724	1,162,490
Options	-	(19)	409,764	154,764	-	255,000
<i>At 31 December 2024</i>	3,400	(3,254)	4,106,499	1,881,382	807,627	1,417,490

	31 December 2025	
	<i>Carrying value assets</i>	<i>Carrying value liabilities</i>
Foreign exchange contracts	1,080,731	1,066,999
Cross currency & interest rate swaps	720,280	720,280
Trading	225,000	225,000
	2,026,011	2,012,279
Derivatives used as fair value hedges		
Cross currency & interest rate swaps	827,782	827,782
Total derivative financial instruments	2,853,793	2,840,061

	31 December 2024	
	<i>Carrying value assets</i>	<i>Carrying value liabilities</i>
Foreign exchange contracts	1,771,793	1,771,970
Cross currency & interest rate swaps	998,874	998,874
Trading	409,764	409,764
	3,180,431	3,180,608
Derivatives used as fair value hedges		
Cross currency & interest rate swaps	409,117	409,117
Total derivative financial instruments	3,589,548	3,589,725

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

27 CASH AND CASH EQUIVALENTS

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Cash and balances with the Central Bank of UAE (see note 8)	2,276,769	2,803,232
Due from banks (see note 9)	1,228,259	557,639
Due from the Head Office and its branches abroad (see note 10)	419,365	262,057
Due to banks (see note 16)	(86,866)	(94,001)
Due to Head Office and its branches abroad (see note 17)	(179,862)	(101,560)
	3,657,665	3,427,367
Less: ECL collective provision (see note 9)	(96)	(124)
	3,657,569	3,427,243
Less: Statutory deposits with Central Bank of UAE (see note 8)	(1,237,443)	(1,079,148)
	2,420,126	2,348,095

28 RELATED PARTY TRANSACTIONS AND BALANCES

The Branches enter into transactions with parties that fall within the definition of a related party in accordance with International Accounting Standard 24: Related Party Disclosures. Related parties comprise the Head Office and its branches abroad. Pricing policies terms and conditions of these transactions are approved by the Branches' management.

Details of outstanding balances due from/due to related parties are set out in notes 9, 10, 16, 17 and 26.

The above-mentioned outstanding balances arose from the ordinary course of business. There have been no guarantees provided or received for any related party receivables or payables. Outstanding balances at year end are unsecured. For the year ended 31 December 2025, the Branches have not made any provision for doubtful debts relating to amounts owed by related parties (2024: nil).

a) The following table shows the transactions with related parties for the relevant financial year:

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
<i>Interest income</i>		
Head Office and branches abroad	9,467	5,923
Other related parties	8,060	9,765
	17,527	15,688
<i>Interest expense</i>		
Head Office and branches abroad	2,758	2,175
Other related parties	1,900	7,875
	4,658	10,050

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

28 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

a) The following table shows the transactions with related parties for the relevant financial year: (continued)

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
<i>Commission income</i>		
Other related parties	<u>1,022</u>	<u>1,295</u>
Head Office charges (see note 7)	<u>27,396</u>	<u>23,246</u>
Services expenses (see note 7)	<u>8,826</u>	<u>7,956</u>
IT services related expenses (see note 7)	<u>14,132</u>	<u>11,763</u>
Acceptances	<u>87,800</u>	<u>54,851</u>
<i>Contingent liabilities</i>		
Letters of credit	<u>27,192</u>	<u>20,519</u>
Guarantees	<u>47,137</u>	<u>55,516</u>
	<u>74,329</u>	<u>76,035</u>

b) Compensation of key management personnel is as follows:

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Salaries, bonuses and other benefits	<u>17,290</u>	<u>14,500</u>

29 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

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

<i>31 December 2025</i>	<i>Financial assets at FVTPL</i> <i>AED'000</i>	<i>Financial assets at FVTOCI</i> <i>AED'000</i>	<i>Financial assets at amortised cost</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
<i>Financial assets</i>				
Cash and balances with the Central Bank of UAE	-	-	2,370,260	2,370,260
Due from banks	-	-	1,228,163	1,228,163
Due from the Head Office and branches abroad	-	-	419,365	419,365
Loans and advances, net	-	-	14,770,617	14,770,617
Other financial assets	-	3,140	6,106,555	6,109,695
Other assets	13,658	-	754,613	768,271
Total financial assets	<u>13,658</u>	<u>3,140</u>	<u>25,153,773</u>	<u>25,666,371</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

29 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES (continued)

<i>31 December 2025</i>	<i>Financial assets at FVTPL AED'000</i>	<i>Financial assets at FVTOCI AED'000</i>	<i>Financial assets at amortised cost AED'000</i>	<i>Other financial liabilities at amortised cost AED'000</i>	<i>Financial liabilities at FVTPL AED'000</i>	<i>Total AED'000</i>
<i>Financial liabilities</i>						
Due to banks	-	-	-	180,357	-	180,357
Due to the Head Office and branches abroad	-	-	-	179,862	-	179,862
Customers' deposits	-	-	-	20,790,634	-	20,790,634
Other liabilities	-	-	-	1,002,920	849	1,003,769
Total financial liabilities	-	-	-	22,153,773	849	22,154,622
<i>31 December 2024</i>	<i>Financial assets at FVTPL AED'000</i>	<i>Financial assets at FVTOCI AED'000</i>	<i>Financial assets at amortised cost AED'000</i>	<i>Other financial liabilities at amortised cost AED'000</i>	<i>Financial liabilities at FVTPL AED'000</i>	<i>Total AED'000</i>
<i>Financial assets</i>						
Cash and balances with the Central Bank of UAE	-	-	2,880,708	-	-	2,880,708
Due from banks	-	-	557,515	-	-	557,515
Due from the Head Office and branches abroad	-	-	262,057	-	-	262,057
Loans and advances, net	-	-	12,405,835	-	-	12,405,835
Other financial assets	-	2,961	5,755,576	-	-	5,758,537
Other assets	3,400	-	649,190	-	-	652,590
Total financial assets	3,400	2,961	22,510,881	-	-	22,517,242
<i>Financial liabilities</i>						
Due to banks	-	-	-	171,477	-	171,477
Due to the Head Office and branches abroad	-	-	-	101,560	-	101,560
Customers' deposits	-	-	-	18,507,234	-	18,507,234
Other liabilities	-	-	-	820,750	3,254	824,004
Total financial liabilities	-	-	-	19,601,021	3,254	19,604,275

Arab Bank PLC, United Arab Emirates Branches

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

30 TAXATION

	2025 AED'000	2024 AED'000
Current tax liability (see notes a, b and c)	80,441	101,082

a) Movements in the provision for income tax is as follows:

	2025 AED'000	2024 AED'000
At 1 January	101,082	13,703
Charge for the year	64,593	101,004
Payments made during the year	(85,234)	(13,625)
At 31 December	80,441	101,082

b) Taxation is provided at 20% (2024: 20%) on the profit, adjusted for taxation purposes, attributable to the operations of the Branches in each of the respective Emirates in which the Branches operate, where tax is applicable. The Branches have filed annually the tax return for Dubai, Abu Dhabi, Sharjah, and Ras Al Khaimah Branches up to 31 December 2024 and settled tax due. The tax assessments up to 31 December 2024 have been agreed with the taxation authorities for Dubai, up to 31 December 2023 for Sharjah and up to 31 December 2018 have been agreed with the taxation authority of Ras Al Khaimah. Tax assessed by the tax authorities for the prior assessment years was within the amount of tax provision maintained by the Branches. However, to date, the tax authorities for Abu Dhabi Branches have not raised final tax assessments.

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

	2025 AED'000	2024 AED'000
Current income tax at 20%	95,164	98,593
Prior year income tax adjustments	(30,571)	2,702
Total income tax	64,593	101,295
<i>Deferred tax</i>		
Relating to origination and reversal of temporary differences (see note 14)	78,813	31,548
Total income tax expense (At effective tax rate of 20% (2024: 20%))	143,405	132,843

c) Reconciliation between the taxation expenses and accounting profit multiplied by the Branches' statutory tax rate is as follows:

	2025 AED'000	2024 AED'000
Net profit for the year before taxation	715,904	652,576
Less: Provisions for impairment and IIS on loans disallowed in the previous years written back/off during the year upon recoveries/write offs	(366,585)	(207,246)
Add: Items that are not deductible in determining taxable profit	125,381	85,710
Other adjustments	1,120	175
Net taxable profit	475,820	531,215

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

30 TAXATION (continued)

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

Generally, UAE businesses will be subject to a 9% CT rate. A rate of 0% will apply to taxable income not exceeding a particular threshold to be prescribed by way of a Cabinet Decision (expected to be AED 375,000 based on information released by the Ministry of Finance). In addition, there are several other decisions that are yet to be finalised by way of a Cabinet Decision that are significant in order for entities to determine their tax status and the taxable income. Therefore, pending such important decisions by the Cabinet as at 31 December 2022, the Bank has considered that the Law is not substantively enacted from IAS 12 – Income Taxes perspective as at 31 December 2022. The Bank shall continue to monitor the timing of the issuance of these critical cabinet decisions to determine their tax status and the application of IAS 12 – Income Taxes.

The Bank is currently in the process of assessing the possible impact on financial statements, both from current and deferred tax perspective, once the critical cabinet decisions are issued.

31 December 2025

	<i>Dubai Branch AED'000</i>	<i>Abu Dhabi Branch AED'000</i>	<i>Sharjah Branch AED'000</i>	<i>Ras Al-Khaimah Branch AED'000</i>	<i>UAE Consolidated Branches AED'000</i>
Regional management expenses					<u>146,650</u>
Average gross adjusted assets	<u>21,220,019</u>	<u>6,079,572</u>	<u>3,595,693</u>	<u>1,048,860</u>	<u>31,944,145</u>
Share in regional management expenses allocated in proportion of branch's average adjusted assets to the total average adjusted assets of the UAE consolidated branches	<u>27,910</u>	<u>97,418</u>	<u>16,507</u>	<u>4,815</u>	<u>146,650</u>

31 December 2024

	<i>Dubai Branch AED'000</i>	<i>Abu Dhabi Branch AED'000</i>	<i>Sharjah Branch AED'000</i>	<i>Ras Al-Khaimah Branch AED'000</i>	<i>UAE Consolidated Branches AED'000</i>
Regional management expenses					<u>125,197</u>
Average gross adjusted assets	<u>17,759,584</u>	<u>6,807,448</u>	<u>3,432,384</u>	<u>1,225,032</u>	<u>29,224,448</u>
Share in regional management expenses allocated in proportion of branch's average adjusted assets to the total average adjusted assets of the UAE consolidated branches	<u>76,200</u>	<u>28,427</u>	<u>14,970</u>	<u>5,600</u>	<u>125,197</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

31 FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments held at fair value through profit and loss

Investments held for trading or designated at fair value through profit and loss represent loans and advances that provide the Branches with opportunity for returns through interest income, trading gains and capital appreciation. Included in these investments are unlisted loans and advances for which the fair values are derived from external valuation performed based on pricing done from an independent source adjusted for any additional consideration by the Bank's risk management team.

Unquoted investments held at fair value through other comprehensive income

The financial statements include holdings in unquoted securities amounting to AED 3.14 million (2024: AED 2.96 million) which are measured at fair value. Fair values are determined in accordance with generally accepted pricing models based on discounted cash flow analysis and capitalisation of sustainable earnings basis or comparable ratios depending on the investment and industry. The valuation model includes some assumptions that are not supported by observable market prices or rates.

Fair value of financial instruments carried at amortised cost

Except as stated below, the management consider the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements to approximate their fair values:

	<i>Carrying amount AED'000</i>	<i>Fair value AED'000</i>
2025		
Financial assets at amortised cost (Quoted bonds, gross – note 12)	6,106,555	6,112,374
2024		
Financial assets at amortised cost (Quoted bonds, gross – note 12)	5,755,576	5,759,741

The fair value for other financial assets measured at amortised cost is based on market prices.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value. They are ranked into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices, including over-the-counter quoted prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

31 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value measurements recognised in the statement of financial position (continued)

<i>31 December 2025</i>	<i>Level 1 AED'000</i>	<i>Level 2 AED'000</i>	<i>Level 3 AED'000</i>	<i>Total AED'000</i>
<i>Financial assets at FVTPL</i>				
- Derivative financial assets	-	13,658	-	13,658
<i>Financial assets at FVTOCI</i>				
- Unquoted equity instrument	-	-	3,140	3,140
<i>Financial liabilities at FVTPL</i>				
Derivative financial liabilities	-	849	-	849
 <i>31 December 2024</i>	 <i>Level 1 AED'000</i>	 <i>Level 2 AED'000</i>	 <i>Level 3 AED'000</i>	 <i>Total AED'000</i>
<i>Financial assets at FVTPL</i>				
- Derivative financial assets	-	3,400	-	3,400
<i>Financial assets at FVTOCI</i>				
- Unquoted equity instrument	-	-	2,961	2,961
<i>Financial liabilities at FVTPL</i>				
Derivative financial liabilities	-	3,216	-	3,216

- a) There were no transfers between Level 2 and Level 3 during the current year.
- b) The fair value of all other financial assets and liabilities which are carried at amortized cost approximate their carrying value as at the balance sheet date and would qualify for a level 2 disclosure under IFRS.

32 CAPITAL MANAGEMENT

a) Regulatory capital

The Central Bank of UAE (CB UAE) sets, supervises and monitors capital requirements for the Branches as a whole.

Effective from 2017, the capital is computed using the Basel III framework of the Basel Committee on Banking Supervision ('Basel Committee'), after applying the amendments advised by the CB UAE, within national discretion. The Basel III framework, like Basel II, is structured around three 'pillars': minimum capital requirements, supervisory review process and market discipline.

Minimum Capital Requirements

The CB UAE issued Basel III capital regulations, which came into effect from 1 February 2017 introducing minimum capital requirements at three levels, namely Common Equity Tier 1 ('CET1'), Additional Tier 1 ('AT1') and Total Capital.

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

CCB is required to be kept at 2.5% of the Capital base. CCyB is in effect and is not applicable on the Bank.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

32 CAPITAL MANAGEMENT (continued)

a) Regulatory capital (continued)

Regulatory Capital

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

- CET1 capital is the highest quality form of capital, comprising share capital, share premium, legal, statutory and other reserves, fair value reserve, retained earnings, non-controlling interest after deductions for goodwill and intangibles and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes under 'CBUAE' guidelines.
- AT1 capital comprises eligible non-common equity capital instruments.
- T2 capital comprises qualifying subordinated debt and undisclosed reserve

The Branches' RWA are weighted as to their relative credit, market, and operational risk. Credit risk includes both on and off-balance sheet risks. Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices and includes interest rate risk, foreign exchange risk, equity exposure risk, commodity risk, and options risk. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. The Branches are following the standardized measurement approach for credit, market and operational risk, as per Pillar 1 of Basel III.

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Tier 1 Capital		
Designated share capital	620,704	620,704
Statutory reserve	310,352	310,352
General reserve	23,000	23,000
Retained earnings	2,494,422	1,746,061
Accumulated other comprehensive income	496	431
	3,448,974	2,700,548
Deductions from Tier 1	(6,158)	(3,560)
Total Tier 1 capital [A]	3,442,816	2,696,988
Tier 2 Capital		
Provision for expected credit losses (stage 1 and 2)/general provision, including impairment reserve (up to 1.25% of credit risk weighted assets)	-	216,663
Total Tier 2 capital [B]	-	216,663
Total regulatory capital [C = A + B]	3,442,816	2,913,651

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

32 CAPITAL MANAGEMENT (continued)

a) Regulatory capital (continued)

	<i>2025</i> <i>AED '000</i>	<i>2024</i> <i>AED '000</i>
Credit Risk	20,533,983	17,333,027
Market Risk	36,995	26,762
Operational Risk	1,535,818	1,189,828
Total risk-weighted assets [D]	22,106,796	18,549,617
Total capital ratio	15.57%	15.71%
Tier 1 ratio	15.57%	14.54%
CET1 ratio	15.57%	14.54%
In AED '000	Actual 2025	Actual 2024
Tier 1 capital	3,442,816	2,696,988
Total Capital Ratio Without Buffer	-	216,663
Total capital	3,442,816	2,913,651

As per current requirement of the Central Bank of UAE, banks are required to maintain minimum capital levels as below:

	2025	2024
Capital element		
Minimum common equity tier 1 (CET 1) ratio	7%	7%
Minimum Tier I capital ratio	8.5%	8.5%
Minimum capital adequacy ratio	10.5%	10.5%
Capital conservation buffer (CCB)	3%	3%

b) Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based on the inherent risk it carries. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for these operations and activities, by finance department and risk management of the Branches, and is subject to review by the Assets and Liabilities Committee (ALCO) as appropriate.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

33 RISK MANAGEMENT

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

- a) Credit risk management
- b) Liquidity risk management
- c) Market risk
 - (i) Trading book
 - (ii) Non-trading book
 - (iii) Interest rate risk management
 - (iv) Foreign currency risk management
- d) Operational risk management

The Branches' management has overall responsibility for the oversight of the risk management frame-work. It has established detailed policies and procedures in this regard along with high powered senior management committees to ensure adherence to the approved policies and close monitoring of different risks within the Branches.

The Credit Policy Committee, Assets and Liabilities Committee and Investment Committee work under the mandate of the management to set up risk limits and manage the overall risk in the Branches. These committees approve risk management policies of the Branches developed by the Risk Management group.

The Head Office Audit, Risk and Compliance Committee (ARCC) is an independent Branch which is responsible to review the risk policies, risk exposures and the risk managing and monitoring framework.

a) Credit risk management

Risk management policies relating to credit are reviewed and approved by the Branches' Credit Policy Committee (CPC) based on policies established in the Credit Policy Manual. Credit and Marketing functions are segregated. In addition, whenever possible, loans are secured by acceptable forms of collateral in order to mitigate credit risk. The Branches further limit risk through diversification of their assets by industry sectors.

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

Cross border exposure and financial institutions exposure limits for money market and treasury activities are approved as per guidelines established by the Branches' CPC and are monitored by the Credit Risk Management Division. CPC is responsible for setting credit policy of the Branches. It also establishes industry caps, approves policy exceptions and conducts periodic portfolio reviews to ascertain portfolio quality.

Different credit underwriting procedures are followed for retail and corporate/institutional lending as described below.

(i) Retail lending

Each retail credit application is considered for approval according to a product program, which is in accordance with guidelines set out in the product policy approved by the Branches' CPC. All approval authorities are delegated by the CPC or by the Head Office. Different authority levels are specified for approving product programs and exceptions thereto, and individual loans/credits under product programs.

Each product program contains detailed credit criteria (such as customer demographics, income eligibility, etc.) and regulatory, compliance and documentation requirements, as well as other requirements.

Credit authority levels range from Level 1 (approval of a credit application meeting all the criteria of an already approved product program) to Level 5 (the highest level where CPC approval of the specific credit application is necessary).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

33 RISK MANAGEMENT (continued)

a) Credit risk management (continued)

(ii) Corporate lending

All credit applications for corporate lending are subject to the Branches' credit policies, underwriting standards and industry caps (if any) and to regulatory requirements.

The Branches do not lend to companies operating in industries that are considered by the Branches inherently risky and where industry knowledge specialized is required. In addition, the Branches set credit limits for all customers based on an evaluation of their credit worthiness.

All credit lines and facilities extended by the Branches are made subject to prior approval pursuant to a set of delegated credit authority limits under full supervision by CPC or Head Office.

The Branches have established limits for dealings with foreign financial institutions in order to mitigate risk. Individual country limits are defined based on a detailed credit policy defining acceptable country credit risk exposure and evaluating and controlling cross border risk. These limits are regularly reviewed by the Branches' credit risk management and periodically by the CPC.

(iii) Credit review procedures and loan classification

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

All commercial/institutional loan facilities of Branches are assigned one of ten risk ratings of the performing grades where grades 1-7 are for performing loans depending on their risk, with more severely classified exposures graded 8-10 for impaired loans. The Branches' internal rating system, which has been developed using historical loss data and customer behavioral scores, is also continually updated and strengthened in order to provide a statistically validated underpinning to customer ratings consistent with Basel III IRB guidelines.

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

The Branches write off retail unpaid advances when evidences for being uncollectable are established, approval is passed based on study cases and the management approval on case-by-case basis.

The Branches also comply with IFRS, in accordance with which they assesses the need for any impairment losses on its loan portfolio by calculating the net present value of the expected future cash flows for each loan using original effective interest rate. As required by Central Bank of the UAE guidelines, the Branches take the higher of the loan loss provisions required under IFRS and Central Bank of UAE regulations.

(iv) Impaired loans and advances

Impaired loans and advances for which the Branches determine that it is probable that they will be unable to collect all principal and interest due according to the contractual terms of the loan agreement(s). These loans are graded 8, 9 or 10 in the Branches' internal credit risk grading system which are classified as Stage 3 under IFRS 9.

(v) Past due but not impaired loans

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

(vi) Allowances for impairment

The Branches establish an allowance for impairment losses that represents their estimate of expected credit losses in its financial assets. The main components of this allowance are a specific loss component that relates to individually significant exposures (stage 3), expected credit losses on unimpaired financial assets (stage 1 and 2), a collective loan loss allowance established for a group of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

33 RISK MANAGEMENT (continued)

a) Credit risk management (continued)

(vii) Write-off policy

The Branches write off a loan (and any related allowances for impairment losses) when the Branches' credit administration determines that the loans are uncollectible in whole or in part. This determination is reached after considering information such as the occurrence of significant changes in the borrower financial position such that the borrower can no longer pay its obligation in full, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, charge off decisions generally are based on a product specific past due status.

In certain cases, the Branches continue to carry classified doubtful debts and delinquent accounts on its books even after making 100% provision for impairment. Interest is accrued on most of those accounts for litigation purposes only and accordingly not taken to statement of comprehensive income. Accounts are written off only when all legal and other avenues for recovery or settlement are exhausted.

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

	<i>Due from banks*</i>		<i>Loans and advances</i>		<i>Investments in securities and other assets</i>	
	<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Stage 3						
Impaired and not past due	-	-	-	-	-	-
Gross amount						
Substandard	-	-	6,574	8,515	-	-
Doubtful	-	-	99,351	22,034	-	-
Loss	-	-	456,578	765,271	-	-
Gross amount (note 11(k))	-	-	562,503	795,820	-	-
Interest suspended	-	-	(141,973)	(167,942)	-	-
Allowance for specific impairment	-	-	(389,483)	(580,487)	-	-
Net exposure	-	-	31,047	47,391	-	-
Stage 2						
Gross amount	-	-	245,566	441,140	-	-
ECL allowance for collective impairment	-	-	(15,168)	(56,949)	-	-
Total	-	-	230,398	384,191	-	-
Stage 1						
Gross amount	3,878,462	3,595,686	14,544,775	12,002,730	6,112,374	5,759,764
ECL allowance for collective impairment	(96)	(124)	(35,604)	(28,477)	(2,679)	(1,227)
Carrying amount	3,878,366	3,595,562	14,509,171	11,974,253	6,109,695	5,758,537

*Including balances with Central Bank of UAE and due from the head office and its branches abroad

Arab Bank PLC, United Arab Emirates Branches

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

33 RISK MANAGEMENT (continued)

a) Credit risk management (continued)

(vii) *Write-off policy (continued)*

Set out below is an analysis of the overall provision movement during the year

<i>AED'000</i>	<i>31 December 2025</i>				<i>31 December 2024</i>			
	<i>Collective 12-month ECL</i>	<i>Lifetime ECL not credit- impaired</i>	<i>Lifetime ECL credit- impaired</i>	<i>Total</i>	<i>Collective 12-month ECL</i>	<i>Lifetime ECL not credit- impaired</i>	<i>Lifetime ECL credit- impaired</i>	<i>Total</i>
As at 1 January	34,666	56,977	623,848	715,491	32,070	83,017	872,092	987,179
Allowances for impairment made during the year	21,670	3,448	76,907	102,025	12,975	4,796	84,873	102,644
Write back/ recoveries made during the year	(12,352)	(5,074)	(55,529)	(72,956)	(8,465)	(2,725)	(40,041)	(51,231)
Amounts written-off during the year	-	-	(248,435)	(248,437)	-	-	(323,101)	(323,101)
Transfers to Stage 1	148	(148)	-	-	2	(2)	-	-
Transfers to Stage 2	(162)	162	-	-	(1,912)	1,912	-	-
Transfers to Stage 3	-	(40,549)	40,549	-	(4)	(30,021)	30,025	-
As at 31 December	44,101	14,684	437,340	496,125	34,666	56,977	623,848	715,491

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

33 RISK MANAGEMENT (continued)

a) Credit risk management (continued)

(viii) Collaterals held (Corporate)

The Branches hold collaterals against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and subsequently are reviewed periodically and specifically when the loan is individually assessed as impaired. For all tangible securities with the exception of real estate, collaterals are reviewed at least once a year. In the case of real estate property, collaterals are reviewed every three years or when there is material adverse changes in the real estate markets that may affect the value and liquidity of the real estate markets or financial condition of the borrowers and/or material changes in the terms of the facility. When the facilities are classified as non-performing, the property is evaluated by an independent valuer, who is a member of the approved panel. In the case of cash, stocks, shares and bonds, the valuation is performed weekly. Collaterals generally are not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity.

(ix) Collaterals held (Retail)

The Branches hold collaterals against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collaterals generally are not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collaterals usually are not held against investment in securities.

At 31 December, the fair values of collaterals held were as follows:

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
<i>Against individually assessed loans and advances</i>		
Property	2,400,832	1,623,813
Equipment and vehicles	182,243	215,886
Cash	484,514	304,638
Others	4,517,474	5,233,099
	7,585,063	7,377,436
<i>Against collectively assessed loans and advances</i>		
Property	2,865,876	1,823,264
Cash	80,166	83,020
	2,946,042	1,906,284
Total	10,531,105	9,283,720

Arab Bank PLC, United Arab Emirates Branches

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

33 RISK MANAGEMENT (continued)

a) Credit risk management (continued)

(ix) *Collaterals held (continued)*

The tables below summarise the Bank's collateral for loans and advances:

31 December 2025 In AED'000s	Gross carrying amount			Collateral			Net exposure		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Retail Banking									
Credit Cards	43,108	1,065	3,933	-	-	-	43,108	1,065	3,933
Housing Loans	2,773,009	34,602	58,263	2,773,009	34,602	58,263	-	-	-
Personal Loans	441,967	18,708	40,802	80,168	-	-	361,799	18,708	40,802
Auto Loans	48,083	1,172	1,632	-	-	-	48,083	1,172	1,632
Others	47,521	-	111	-	-	-	47,521	-	111
Total	3,353,688	55,547	104,741	2,853,177	34,602	58,263	500,511	20,945	46,478
Corporate & Institutional Banking									
Federal Government	-	-	-	-	-	-	-	-	-
Emirates Governments	964,950	-	-	-	-	-	964,950	-	-
GREs (Gov ownership >50%)	1,187,860	-	-	94,192	-	-	1,093,668	-	-
Other Corporates	8,072,801	66,325	444,427	6,034,638	66,325	306,823	2,038,163	-	137,604
High Net Worth Individuals	565,248	109,297	4,246	545,828	109,297	4,246	19,420	-	-
SMEs	400,228	14,397	9,089	400,228	14,397	9,089	-	-	-
Total	11,191,087	190,019	457,762	7,074,886	190,019	320,158	4,116,201	-	137,604
Grand Total	14,544,775	245,566	562,503	9,928,063	224,621	378,421	4,616,712	20,945	184,082

Arab Bank PLC, United Arab Emirates Branches

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

33 RISK MANAGEMENT (continued)

a) Credit risk management (continued)

31 December 2024 In AED'000s	<i>Gross carrying amount</i>			<i>Collateral</i>			<i>Net exposure</i>		
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>
Retail Banking									
Credit Cards	39,102	421	6,771	-	-	-	39,102	421	6,771
Housing Loans	1,740,456	29,562	55,579	1,740,456	29,562	53,246	-	-	2,333
Personal Loans	455,400	11,855	57,727	83,020	-	-	372,380	11,855	57,727
Auto Loans	50,844	631	2,221	-	-	-	50,844	631	2,221
Others	41,841	-	97	-	-	-	41,841	-	97
Total	2,327,643	42,469	122,395	1,823,476	29,562	53,246	504,167	12,907	69,149
Corporate & Institutional Banking									
Federal Government	-	-	-	-	-	-	-	-	-
Emirates Governments	1,038,950	-	-	-	-	-	1,038,950	-	-
GREs (Gov ownership >50%)	671,572	-	-	52,214	-	-	619,358	-	-
Other Corporates	6,882,566	215,546	648,304	6,299,710	100,802	369,274	582,856	114,744	279,030
High Net Worth Individuals	581,637	145,710	13,316	154,632	29,183	-	427,005	116,527	13,316
SMEs	500,364	37,419	11,799	339,812	20,010	11,799	160,552	17,409	-
Total	9,675,089	398,675	673,419	6,846,368	149,995	381,073	2,828,721	248,680	292,346
Grand Total	12,002,732	441,144	795,814	8,669,844	179,557	434,319	3,332,888	261,587	361,495

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

33 RISK MANAGEMENT (continued)

a) Credit risk management (continued)

(x) Geographical concentration

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

	<i>U.A.E. AED'000</i>	<i>Total AED'000</i>
2025		
Impaired loans – Gross (see note 33 (a))	562,503	562,503
Interest suspended	141,973	141,973
Stage 3 provision (Specific)	389,483	389,483
Stage 1 and 2 provision (Collective)	50,772	50,772
	<hr/> <hr/>	<hr/> <hr/>
	<i>U.A.E. AED'000</i>	<i>Total AED'000</i>
2024		
Impaired loans – Gross (see note 33 (a))	795,820	795,816
Interest suspended	167,942	167,942
Stage 3 provision (Specific)	580,487	580,487
Stage 1 and 2 provision (Collective)	85,426	85,426
	<hr/> <hr/>	<hr/> <hr/>

(xi) Concentration of credit risk by industry

The following table breaks down the Bank's main credit exposures on loans and advances, due from other banks and due from related parties and off balance sheet items categorised by industry as of 31 December 2025 and 2024.

For on-balance sheet assets, the exposures set out below are based on gross carrying amounts before provisions which will be larger than that reported in the statement of financial position. For off-balance sheet assets, the exposures set out below are based on gross carrying amounts before Credit Conversion Factor (CCF) and Credit Risk Mitigation (CRM)s.

On balance sheet items

	<i>Loans and advances AED'000</i>	<i>Amounts due from other banks and group entities AED'000</i>	<i>Other financial assets at amortised cost AED'000</i>	<i>Total funded AED'000</i>	<i>Off balance sheet items AED'000</i>	<i>Total AED'000</i>
31 December 2025						
Mining and manufacturing	1,538,564	-	-	1,538,564	2,216,392	3,754,956
Construction	1,036,833	-	-	1,036,833	7,068,626	8,105,459
Real estate	1,815,848	-	-	1,815,848	479,645	2,295,493
Telecommunication and transportation	642,555	-	-	642,555	305,793	948,348
Financial institutions	536,320	3,924,393	6,109,234	10,569,947	-	10,569,947
Governmental	725,000	-	-	725,000	-	725,000
Individuals	3,513,978	-	-	3,513,978	-	3,513,978
Services	5,543,746	-	-	5,543,746	5,332,031	10,875,777
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	15,352,844	3,924,393	6,109,234	25,386,471	15,402,487	40,788,958

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

33 RISK MANAGEMENT (continued)

a) Credit risk management (continued)

(xi) Concentration of credit risk by industry (continued)

	<i>On balance sheet items</i>					
	<i>Loans and advances</i>	<i>Amounts due from other banks and group entities</i>	<i>Other financial assets at amortised cost</i>	<i>Total funded</i>	<i>Off balance sheet items</i>	<i>Total</i>
<i>31 December 2024</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Mining and manufacturing	1,877,340	-	-	1,877,340	1,745,453	3,622,793
Construction	1,041,027	-	-	1,041,027	5,908,712	6,949,739
Real estate	885,603	-	-	885,603	108,601	994,204
Telecommunication and transportation	991,879	-	-	991,879	309,432	1,301,311
Financial institutions	324,757	3,622,928	5,756,803	9,704,488	-	9,704,488
Governmental	725,000	-	-	725,000	-	725,000
Individuals	2,492,507	-	-	2,492,507	-	2,492,507
Services	4,901,577	-	-	4,901,577	5,222,070	10,123,647
	13,239,690	3,622,928	5,756,803	22,619,421	13,294,268	35,913,689

The analysis of the Bank's portfolio stage wise is given below:

31 December 2025	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<i>In AED'000</i>				
Due from Central Bank	2,276,769	-	-	2,276,769
Debt instruments at amortised cost	6,109,234	-	-	6,109,234
Due from banks	1,228,259	-	-	1,228,259
Due from the Head Office and branches abroad	419,365	-	-	419,365
Loans and advances	14,544,775	245,566	562,503	15,352,844
<i>Corporate lending</i>	10,625,645	84,797	444,425	11,154,867
<i>Small & Medium Entities</i>	565,442	105,221	13,336	683,999
<i>Consumer lending</i>	580,679	20,944	46,479	648,102
<i>Residential mortgages</i>	2,773,009	34,604	58,263	2,865,876
Financial guarantees	9,785,869	103,107	65,522	9,954,498
Letters of credit	1,240,065	-	-	1,240,065
Undrawn commitments to lend	4,205,354	2,570	-	4,207,924
	39,903,281	351,243	628,025	40,788,958

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

33 RISK MANAGEMENT (continued)

a) Credit risk management (continued)

(xi) Concentration of credit risk by industry (continued)

31 December 2025 In AED'000	Stage 1	Stage 2	Stage 3	Total
Per industry segment (*)				
Industry and mining	3,667,079	24,779	63,098	3,754,956
Construction	7,810,541	142,060	152,858	8,105,459
Real estate	2,258,931	17,530	19,032	2,295,493
Telecommunication and transportation	778,383	129	169,836	948,348
Financial institutions	10,569,947	-	-	10,569,947
Governmental	725,000	-	-	725,000
Individuals	3,353,688	55,548	104,742	3,513,978
Services	10,646,121	111,197	118,459	10,875,777
	<u>39,809,690</u>	<u>351,243</u>	<u>628,025</u>	<u>40,788,958</u>
Per region				
UAE	37,858,243	351,243	628,025	38,837,511
GCC countries	459,721	-	-	459,721
Other Arab countries	169,499	-	-	169,499
Asia	159,715	-	-	159,715
Europe	361,482	-	-	361,482
Africa	20,251	-	-	20,251
America	767,099	-	-	767,099
Other	13,680	-	-	13,680
	<u>39,809,690</u>	<u>351,243</u>	<u>628,025</u>	<u>40,788,958</u>

(*) Includes financial assets measured at FVOCI and also financial assets measured amortised cost.

The analysis of the Bank's portfolio stage wise is given below:

31 December 2024 In AED'000	Stage 1	Stage 2	Stage 3	Total
Due from Central Bank	2,803,232	-	-	2,803,232
Debt instruments at amortised cost	5,756,803	-	-	5,756,803
Due from banks	557,515	-	-	557,515
Due from the Head Office and branches abroad	262,057	-	-	262,057
Loans and advances	12,002,730	441,144	795,816	13,239,690
Corporate lending	8,842,206	260,882	657,636	9,760,724
Small & Medium Entities	832,880	137,793	15,785	986,458
Consumer lending	587,188	12,907	66,816	666,911
Residential mortgages	1,740,456	29,562	55,579	1,825,597
Financial guarantees	8,221,216	135,429	84,487	8,441,132
Letters of credit	922,915	37,670	-	960,585
Undrawn commitments to lend	3,833,171	59,504	-	3,892,675
	<u>34,437,115</u>	<u>673,747</u>	<u>880,303</u>	<u>35,913,689</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

33 RISK MANAGEMENT (continued)

a) Credit risk management (continued)

(xi) Concentration of credit risk by industry (continued)

31 December 2024 In AED'000	Stage 1	Stage 2	Stage 3	Total
Per industry segment (*)				
Industry and mining	3,999,437	22,077	77,529	4,099,043
Construction	6,183,245	310,350	456,144	6,949,739
Real estate	897,837	83,049	13,318	994,204
Telecommunication and transportation	1,122,170	86,766	92,375	1,301,311
Financial institutions	9,305,714	-	-	9,222,238
Governmental	725,000	-	-	725,000
Individuals	2,327,643	42,469	122,395	2,492,507
Services	9,876,069	129,036	118,542	10,123,647
	<u>34,437,115</u>	<u>673,747</u>	<u>880,303</u>	<u>35,913,689</u>
Per region				
UAE	30,123,320	673,747	880,303	31,599,894
Gcountries	2,293,570	-	-	2,293,570
Other Arab countries	147,208	-	-	147,208
Asia	471,466	-	-	471,466
Europe	610,717	-	-	610,717
Africa	92,913	-	-	92,913
America	457,888	-	-	457,888
Other	240,033	-	-	240,033
	<u>34,437,115</u>	<u>673,747</u>	<u>880,303</u>	<u>35,913,689</u>

(*) Includes financial assets measured at FVOCI and financial assets measured at amortised cost.

b) Liquidity risk management

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

The Branches manage liquidity to ensure, as far as possible, that they will always have sufficient liquidity to meet their liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Branches' reputation.

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

When a branch is subject to a liquidity limit imposed by its local regulator, the branch is responsible for managing its overall liquidity within the regulatory limit in co-ordination with Central Treasury. Central Treasury monitors compliance with local regulatory limits on a daily basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

33 RISK MANAGEMENT (continued)

b) Liquidity risk management (continued)

The liquidity position is monitored daily, and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the Branches. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

ALCO has a broad range of authorities delegated by the Head Office to manage the Branches' asset and liability structure and funding strategy. ALCO meets on a monthly basis or more often as circumstances dictate to review liquidity ratios, asset and liability structure, interest rates and foreign exchange exposures, internal and statutory ratio requirements, funding gaps and general domestic and international economic and financial market conditions. ALCO formulates liquidity risk management guidelines for the Branches' operation. The Branches use interest rates stimulation forms to measure and monitor interest rate sensitivity and prospective fluctuation.

The key measure used by the Branches for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as cash and cash equivalents and investment in an active and liquid market less any deposits from banks, debit notes issued, other borrowings and commitments maturing within the next month. A similar, but not identical, calculation is used to measure the Branches' compliance with the liquidity limit established by the Branches' lead regulator. The other indicators closely monitored on regular basis are Advances to Deposit Ratio, Utilization of funds to stable resources and stress testing of liquid funds vs unexpected withdrawal of liabilities. For all the measures, benchmarks are set and reviewed by ALCO on regular basis.

Arab Bank PLC, United Arab Emirates Branches

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

33 RISK MANAGEMENT (continued)

b) Liquidity risk management (continued)

The residual maturities of assets, liabilities and Head Office equity as at 31 December is as follows:

<i>31 December 2025</i>	<i>Within 3 months AED'000</i>	<i>3 to 6 months AED'000</i>	<i>6 to 12 months AED'000</i>	<i>Over 1 year AED'000</i>	<i>No fixed maturity AED'000</i>	<i>Total AED'000</i>
Assets						
Cash and balances with Central Bank of UAE	900,000	-	-	-	1,376,769	2,276,769
Deposits and balances due from banks, net	176,147	-	-	-	1,052,016	1,228,163
Deposits and balances due from Head Office and branches abroad	335,902	-	-	-	83,463	419,365
Loans and advances, net	3,915,639	1,618,168	817,485	8,419,325	-	14,770,617
Other financial assets	1,979,044	2,105,605	1,050,000	971,906	3,140	6,109,695
Other assets	-	-	-	-	773,092	773,092
Right-of-use assets	-	-	-	-	27,041	27,041
Deferred tax assets	-	-	-	-	154,816	154,816
Property and equipment	-	-	-	-	17,857	17,857
Total assets	7,306,732	3,723,773	1,867,485	9,391,231	3,488,194	25,777,415
Liabilities and Head Office equity						
Due to banks	250	-	-	-	86,616	86,866
Due to Head Office and branches abroad	157,538	-	-	-	22,324	179,862
Customers' deposits	9,000,031	1,665,015	3,265,343	430,466	6,429,779	20,790,634
Other liabilities	-	-	-	-	982,705	982,705
Deferred tax liability	-	-	-	-	275	275
Lease liability	-	-	-	21,064	-	21,064
Provisions	-	-	-	-	105,585	105,585
Head Office equity	-	-	-	-	3,610,424	3,610,424
Total liabilities and Head Office equity	9,157,819	1,665,015	3,265,343	451,530	11,237,708	25,777,415

Arab Bank PLC, United Arab Emirates Branches

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

33 RISK MANAGEMENT (continued)

b) Liquidity risk management (continued)

<i>31 December 2024</i>	<i>Within 3 months AED '000</i>	<i>3 to 6 months AED '000</i>	<i>6 to 12 months AED '000</i>	<i>Over 1 year AED '000</i>	<i>No fixed maturity AED '000</i>	<i>Total AED '000</i>
Assets						
Cash and balances with Central Bank of UAE	1,550,000	-	-	-	1,253,232	2,803,232
Deposits and balances due from banks, net	162,682	-	-	-	394,833	557,515
Deposits and balances due from Head Office and branches abroad	206,476	-	-	-	55,581	262,057
Loans and advances, net	3,938,876	1,410,011	946,362	6,110,586	-	12,405,835
Other financial assets	1,278,675	2,331,464	1,600,000	545,437	2,961	5,758,537
Other assets	-	-	-	-	657,714	657,714
Right-of-use assets	-	-	-	-	33,588	33,588
Deferred tax assets	-	-	-	-	233,629	233,629
Property and equipment	-	-	-	-	8,305	8,305
Total assets	7,136,709	3,741,475	2,546,362	6,656,023	2,639,843	22,720,412
Liabilities and Head Office equity						
Due to banks	43,000	-	-	-	51,001	94,001
Due to Head Office and branches abroad	75,450	-	-	-	26,110	101,560
Customers' deposits	8,015,777	1,610,550	2,395,304	513,435	5,972,168	18,507,234
Other liabilities	-	-	-	-	823,966	823,966
Deferred tax liability	-	-	-	-	240	240
Lease liability	1,620	-	9,578	19,399	-	30,597
Provisions	-	-	-	-	125,033	125,033
Head Office equity	-	-	-	-	3,037,781	3,037,781
Total liabilities and Head Office equity	8,135,847	1,610,550	2,404,882	532,834	10,113,775	22,720,412

Arab Bank PLC, United Arab Emirates Branches

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

33 RISK MANAGEMENT (continued)

b) Liquidity risk management (continued)

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

<i>31 December 2025</i>	<i>Within 3 months AED'000</i>	<i>3 to 6 months AED'000</i>	<i>6 to 12 months AED'000</i>	<i>Over 1 year AED'000</i>	<i>No fixed maturity AED'000</i>	<i>Total AED'000</i>
Due to banks	250	-	-	-	86,616	86,866
Due to Head Office and branches abroad	157,975	-	-	-	22,326	180,300
Customers' deposits	9,005,018	1,675,877	3,357,346	1,319,173	6,429,778	21,787,193
Other liabilities	-	-	-	-	859,419	859,419
Lease liability	-	-	-	21,064	-	21,064
Total financial liabilities	9,163,243	1,675,877	3,357,346	1,340,237	7,491,630	23,028,333
<i>31 December 2024</i>	<i>Within 3 months AED'000</i>	<i>3 to 6 months AED'000</i>	<i>6 to 12 months AED'000</i>	<i>Over 1 year AED'000</i>	<i>No fixed maturity AED'000</i>	<i>Total AED'000</i>
Due to banks	43,000	-	-	-	128,477	171,477
Due to Head Office and branches abroad	75,450	-	-	-	26,258	101,560
Customers' deposits	8,015,777	1,610,550	2,395,304	513,435	5,972,168	18,507,234
Other liabilities	-	-	-	-	696,958	696,958
Lease liability	1,620	-	9,578	19,399	-	30,597
Total financial liabilities	8,135,847	1,610,550	2,404,882	532,834	6,823,861	19,507,974

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

33 RISK MANAGEMENT (continued)

c) Market risk management

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

(i) Market risk - trading books

The Branches have set limits for the acceptable level of risks in managing the trading book. In order to manage the market risk in trading book, the Branches periodically assess the market risk positions held and also to estimate the potential economic loss based on a set of assumptions and changes in market conditions.

The Branches are exposed to fluctuations in equity price risk. The table summarises the impact on profit and loss and equity from changes in prices by +/-10%. The below analysis assumes that all equities move in parallel.

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Other financial assets measured at FVTOCI	314	296

(ii) Market risk - non-trading or banking books

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

(iii) Market risk - interest rate risk management

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

The Branches use simulation-modeling tools to periodically measure and monitor interest rate sensitivity. The results are analyzed and monitored by ALCO. Since most of the Branches' assets and liabilities are at floating rates, deposits and loans generally reprice simultaneously providing a natural hedge, which reduces interest rate exposure. Moreover, the majority of the Branches' assets and liabilities are repriced during the year, thereby further limiting interest rate risk.

Arab Bank plc, United Arab Emirates Branches

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

33 RISK MANAGEMENT (continued)

c) Market risk management (continued)

(iii) *Market risk - interest rate risk management (continued)*

The interest rate risk as at 31 December is as follows:

<i>31 December 2025</i>	<i>Less than 3 months AED'000</i>	<i>3 to 6 months AED'000</i>	<i>6 to 12 months AED'000</i>	<i>Over 1 year AED'000</i>	<i>Non-interest sensitive AED'000</i>	<i>Total AED'000</i>
Assets						
Cash and balances with Central Bank	900,000	-	-	-	1,376,769	2,276,769
Deposits due from banks	176,147	-	-	-	1,052,016	1,228,163
Deposits and balances due from Head Office and branches abroad	335,902	-	-	-	83,463	419,365
Loans and advances, net	11,249,610	168,365	157,434	3,195,208	-	14,770,617
Other financial assets	1,979,043	2,105,605	1,050,000	971,907	3,140	6,109,695
Other assets	-	-	-	-	773,092	773,092
Right-of-use assets	-	-	-	-	27,041	27,041
Deferred tax assets	-	-	-	-	154,816	154,816
Property and equipment	-	-	-	-	17,857	17,857
Total assets	14,640,702	2,273,970	1,207,434	4,167,115	3,488,194	25,777,415
Customers' deposits	9,133,730	1,597,006	2,749,825	478,100	6,831,973	20,790,634
Due to banks	250	-	-	-	86,616	86,866
Due to Head Office and branches abroad	157,538	-	-	-	22,325	179,863
Other liabilities	-	-	-	-	982,704	982,704
Deferred tax liability	-	-	-	-	275	275
Lease liability	-	-	-	21,064	-	21,064
Provisions	-	-	-	-	105,585	105,585
Head Office equity	-	-	-	-	3,610,424	3,610,424
Total liabilities and Head Office equity	9,291,518	1,597,006	2,749,825	499,164	11,639,902	25,777,415
On Balance Sheet gap	5,349,184	676,964	(1,542,391)	3,667,951	(8,151,708)	-
Cumulative interest rate sensitivity gap	5,349,184	6,026,148	4,483,757	8,151,708	-	-

Arab Bank plc, United Arab Emirates Branches

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

33 RISK MANAGEMENT (continued)

c) Market risk management (continued)

(iii) Market risk - interest rate risk management (continued)

31 December 2024	Less than 3 months AED '000	3 to 6 months AED '000	6 to 12 months AED '000	Over 1 year AED '000	Non-interest sensitive AED '000	Total AED '000
Assets						
Cash and balances with Central Bank	1,550,000	-	-	-	1,253,232	2,803,232
Deposits due from banks	162,682	-	-	-	394,833	557,515
Deposits and balances due from Head Office and branches abroad	206,476	-	-	-	55,581	262,057
Loans and advances, net	9,922,178	158,102	146,103	2,179,452	-	12,405,835
Other financial assets	1,462,189	2,147,950	1,600,000	545,437	2,961	5,758,537
Other assets	-	-	-	-	657,714	657,714
Right-of-use assets	-	-	-	-	33,588	33,588
Deferred tax assets	-	-	-	-	233,629	233,629
Property and equipment	-	-	-	-	8,305	8,305
Total assets	13,303,525	2,306,052	1,746,103	2,724,889	2,639,843	22,720,412
Customers' deposits	8,018,731	1,590,604	2,078,135	499,867	6,319,897	18,507,234
Due to banks	43,000	-	-	-	51,001	94,001
Due to Head Office and branches abroad	75,450	-	-	-	26,110	101,560
Other liabilities	-	-	-	-	823,966	823,966
Deferred tax liability	-	-	-	-	240	240
Lease liability	1,620	-	9,578	19,399	-	30,597
Provisions	-	-	-	-	125,033	125,033
Head Office equity	-	-	-	-	3,037,781	3,037,781
Total liabilities and Head Office equity	8,138,801	1,590,604	2,087,713	519,266	10,384,028	22,720,412
On Balance Sheet gap	5,164,724	715,448	(341,610)	2,205,623	(7,744,185)	-
Cumulative interest rate sensitivity gap	5,164,724	5,880,172	5,538,562	7,744,185	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

33 RISK MANAGEMENT (continued)

c) Market risk management (continued)

(iii) Market risk - interest rate risk management (continued)

The impact of 1% sudden movement in benchmark interest rate on net interest income over a 12-month period as on 31 December 2025 would have been an/(a) increase/decrease in net interest income by AED 81 million (2024: AED 55 million).

The average effective interest rate on bank placements was 2.74% (2024: 3.49%), certificates of deposits with central bank was 4.5% (2024: 5.22%), on loans and advances 6% (2024: 6.58%), on customer's deposits 2.2% (2024: 2.75%) and on bank borrowings 0.73% (2024: .51%).

d) Foreign currency risk management

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

The Branches' assets are typically funded in the same currency as that of the business transacted in order to eliminate foreign exchange exposure. The Branches manage exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its reporting and cash flows. The management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The Branches' net material risks from foreign currencies are as follows:

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
USD	13,172	(13,008)
Sterling Pounds	(880)	123
Euro	1,089	2,158
Japanese Yen	343	2,490
Qatari Riyal	1,857	1,076
Other	28,483	8,400
Net risk	44,064	1,239

The Branches' management sets policies and limits for foreign currencies transactions and periodically monitors foreign currency risks.

The analysis below calculates the effect of a possible movement of the currency rate against AED, with all other variables held constant, on the income statement (due to the fair value of the currency sensitive non-trading monetary assets and liabilities) and equity (due to change in fair value of currency swaps and forward foreign exchange contracts used as fair value hedges). A positive effect shows a potential increase in income statement or equity; whereas a negative effect shows a potential net reduction in income statement or equity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

33 RISK MANAGEMENT (continued)

d) Foreign currency risk management (continued)

Currency exposure as at 31 December:

<i>31 December 2025</i>	<i>Increase/decrease of 5%</i>	<i>Effect on profit</i>
		<i>AED'000</i>
Sterling Pounds	±5%	2
Japanese Yen	±5%	33
Euro	±5%	195
Others	±5%	(2)
<i>31 December 2024</i>	<i>Increase/decrease of 5%</i>	<i>Effect on profit</i>
		<i>AED'000</i>
Sterling Pounds	±5%	36
Japanese Yen	±5%	14
Euro	±5%	421
Others	±5%	4

34 COMPARATIVE INFORMATION

Certain comparative amounts in the statement of cashflows and notes to the financial statement have been adjusted to conform to the current presentation.

35 SUBSEQUENT EVENTS

Geopolitical Developments

- Subsequent to the reporting date, geopolitical tensions in the Middle East have intensified following military actions involving the United States and Israel and retaliatory actions by Iran, including isolated incidents affecting the United Arab Emirates.
- At the date of authorization of these financial statements, management is closely monitoring the situation. The evolving geopolitical environment may increase risks related to regional security, logistics, energy supply, insurance coverage, with possible impact on operation. As of the reporting date, no disruptions to Group's operations have been identified.
- In addition, prolonged disruptions to Middle Eastern supply routes—such as a potential blockade or restriction of the Strait of Hormuz—could result in tighter global product supply and shifts in trade flows and could also lead to volatility in commodity prices. However, the extent and duration of any such effects remain uncertain and dependent on future developments.
- Given the rapidly evolving nature of the situation, it is not currently possible to reliably quantify any potential financial impact, whether adverse or favourable. Accordingly, no adjustments have been made to the financial statements as of the reporting date, as these events are considered non adjusting subsequent events.
- Management will continue to monitor developments and assess potential implications for operations, financial position, and performance.