

**Industrial and Commercial Bank of China  
Limited - Abu Dhabi Branch**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2025**

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

**Industrial and Commercial Bank of China Limited  
Abu Dhabi Branch**

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## REPORT OF THE MANAGEMENT

We are pleased to submit this report and the audited financial statements of Industrial and Commercial Bank of China Limited – Abu Dhabi Branch (the “Branch”) for the year ended 31 December 2025.

### *Incorporation and registered offices*

Industrial and Commercial Bank of China Limited - Abu Dhabi Branch (the "Branch") is registered as a branch of Industrial and Commercial Bank of China Limited (the "Head Office") in Abu Dhabi, United Arab Emirates ("UAE"). The Head Office is an international public shareholding bank registered in the People's Republic of China and is listed on both the Shanghai Stock Exchange and the Stock Exchange of Hong Kong.

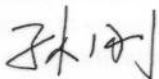
The Branch obtained a 'wholesale banking license' from the Central Bank of UAE on 14 December 2009 and is engaged in the provision of financial services as stipulated by its license. The Branch commenced operations from 7 June 2011. The Branch's registered office is at Addax Tower, Offices 5207, 5208, and 5209, Al Reem Island, Abu Dhabi, UAE, P.O. Box 62108, Abu Dhabi, United Arab Emirates.

### *Financial position and results*

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

The Branch recorded a net operating income of AED 123 million during the year ended 31 December 2025 (2024: AED 118 million) and net profit of AED 73 million for the year ended 31 December 2025 (2024: AED 50 million).

Signed on behalf of the Management



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Mr. Sun Gang  
General Manager

## INDEPENDENT AUDITOR'S REPORT TO THE HEAD OFFICE OF INDUSTRIAL AND COMMERCIAL BANK OF CHINA – ABU DHABI BRANCH

### Report on the audit of the financial statements

#### *Opinion*

We have audited the financial statements of Industrial and Commercial Bank of China Limited – Abu Dhabi Branch (the “Branch”), which comprise the statement of financial position as at 31 December 2025, and the statement of profit or loss and other 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 presents fairly, in all material respects, the financial position of the Branch as at 31 December 2025 and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (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 Branch in accordance with the International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.



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INDEPENDENT AUDITOR'S REPORT TO THE HEAD OFFICE OF  
INDUSTRIAL AND COMMERCIAL BANK OF CHINA – ABU DHABI BRANCH (continued)

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Expected credit losses (“ECL”) on financial assets and credit exposures</i></p> <p>The balance of expected credit loss allowances on financial assets and credit exposures represents management’s best estimates, at the balance sheet date, of the expected credit losses under the expected credit loss models (“ECL Models”) as stipulated by International Financial Reporting Standard No. 9: Financial Instruments (“IFRS 9”).</p> <p>Management first assesses whether the credit risk of financial assets has increased significantly since their initial recognition and then applies a three-stage impairment model to calculate the ECL.</p> <p>Financial assets are classified as stage 1 (no significant increase in credit risk) and stage 2 (with significant increase in credit risk), and loss allowances are assessed using the risk parameter modelling approach that incorporates key parameters, including probability of default, loss given default, exposure at default, discount rates and various macro-economic variables as inputs.</p> <p>In respect of financial assets classified as stage 3 (default and credit-impaired), if any, loss allowances are assessed by estimating the future discounted cash flows from the financial assets.</p> <p>Management has also applied a significant level of judgement in the areas noted above in determining the impact of economic volatility on the allowances for expected credit losses by considering the forward-looking information, including variables used in macro-economic scenarios and their associated weightings.</p> <p>Refer to Notes 4 and 5 for the material accounting policy and judgments and estimates and Note 26 for the credit risk disclosures.</p>	<p>We obtained an understanding of the Branch’s credit risk governance process and the ECL framework, policy and modelling methodology by performing a walk through of the process. We assessed the appropriateness of the accounting policies and methodologies for determining the ECL allowance in accordance with the requirements of IFRS Accounting Standards.</p> <p>We performed process walkthroughs to identify the controls over the ECL process. We tested the design and operational effectiveness of the internal controls relating to the measurement of ECL including where relevant, examining the reports and conclusion reached by the auditors of the Branch’s head office on the related internal controls.</p> <p>We performed the following audit procedures on the computation and reasonableness of the ECL included in the Branch’s financial statements:</p> <ul style="list-style-type: none"><li>• Evaluated the reasonableness and appropriateness of the IFRS 9 methodology and assumptions used in various components of ECL modelling including examining the reports and conclusion reached by the auditors of the Branch’s head office on the ECL model. This includes evaluating key assumptions/ judgements relating to significant increase in credit risk, definition of default, probability of default, loss given default, recovery rates and discount rate.</li><li>• We assessed, on a sample basis, that reported exceptions to policies and procedures, if any, as outlined in the Head Office risk appetite statement were approved by the Head Office and the approval process was formally documented.</li></ul>



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INDEPENDENT AUDITOR'S REPORT TO THE HEAD OFFICE OF  
INDUSTRIAL AND COMMERCIAL BANK OF CHINA – ABU DHABI BRANCH (*continued*)

Report on the audit of the financial statements (continued)

*Key audit matters (continued)*

Key audit matter	How our audit addressed the key audit matter
<i>Expected credit losses (“ECL”) on financial assets and credit exposures (continued)</i>	

We considered ECL for financial assets and credit exposures as a key audit matter as the determination of ECL involves significant management judgement such as categorisation of financial assets and credit exposures into stages 1,2 or 3, assumptions used in the ECL model such as expected future cash flows, macro-economic factors etc. These judgments have a material impact on the financial statements of the Branch.

- For a sample of credit facilities, we checked that reported exceptions to limits, if any, as set out in the Head Office approved delegation of authority matrix, were approved by the Head Office or its approved delegate and the approval process was formally documented.
- For selected samples, we performed procedures to determine whether significant increase in credit risk have been identified.
- For forward-looking measurements, evaluated management's selection of economic indicators, scenarios and application of weightings; assessed the appropriateness of the prediction of economic indicators and performed sensitivity analysis.
- We performed an independent credit assessment for a sample of customers, by assessing the quantitative and qualitative factors including assessment of financial performance of the customer, source of repayments and its history, discounted future cash flows of the borrower, credit risk mitigation through collateral and other relevant risk factors.
- We assessed the appropriateness of disclosures in the financial statements against the requirements of IFRS Accounting Standards.



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INDEPENDENT AUDITOR'S REPORT TO THE HEAD OFFICE OF  
INDUSTRIAL AND COMMERCIAL BANK OF CHINA – ABU DHABI BRANCH (*continued*)

Report on the audit of the financial statements (continued)

*Responsibilities of management and those charged with governance for the financial statements*

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

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

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

*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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Branch to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE HEAD OFFICE OF  
INDUSTRIAL AND COMMERCIAL BANK OF CHINA – ABU DHABI BRANCH (continued)

*Auditor's responsibilities for the audit of the financial statements (continued)*

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

Report on other legal and regulatory requirements

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

Ernst & Young Middle East (Abu Dhabi Branch)



Sanjay Khiara  
Registration No: 5513

29 March 2026

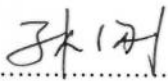
Abu Dhabi, United Arab Emirates

Industrial and Commercial Bank of China Limited - Abu Dhabi Branch

STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	<i>Notes</i>	<i>2025</i> <i>AED</i>	<i>2024</i> <i>AED</i>
<b>ASSETS</b>			
Cash in hand and balances with UAE Central Bank	6	1,255,614,087	1,252,213,661
Due from banks	7	2,284,435,785	360,250,219
Due from Head Office and affiliates	8	144,665,406	339,650,425
Investment securities	9	7,334,106,548	2,362,560,567
Loans and advances	10	1,168,906,927	1,103,242,973
Property, furniture and equipment	11	7,351,609	7,557,063
Other assets	12	101,750,611	65,127,685
<b>TOTAL ASSETS</b>		<b>12,296,830,973</b>	<b>5,490,602,593</b>
<b>LIABILITIES AND HEAD OFFICE EQUITY</b>			
<b>LIABILITIES</b>			
Due to banks	7	657,938,718	1,506,175,731
Due to Head Office and affiliates	8	3,633,391,384	1,710,604,695
Subordinated borrowings	8,17	-	183,625,000
Customer deposits	13	7,020,408,127	1,274,502,423
Other liabilities	14	218,507,117	143,688,500
<b>TOTAL LIABILITIES</b>		<b>11,530,245,346</b>	<b>4,818,596,349</b>
<b>HEAD OFFICE EQUITY</b>			
Allocated capital	17	312,120,000	312,120,000
Statutory reserve	18	41,464,581	34,171,325
Investment revaluation reserve		39,819,828	18,173,006
Retained earnings		373,181,218	307,541,913
<b>TOTAL HEAD OFFICE EQUITY</b>		<b>766,585,627</b>	<b>672,006,244</b>
<b>TOTAL LIABILITIES AND HEAD OFFICE EQUITY</b>		<b>12,296,830,973</b>	<b>5,490,602,593</b>



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Mr. Sun Gang  
General Manager

Industrial and Commercial Bank of China Limited - Abu Dhabi Branch

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	<i>Notes</i>	<b>2025 AED</b>	<b>2024 AED</b>
Interest income	21	<b>285,170,757</b>	188,898,722
Interest expense	22	<b>(197,383,836)</b>	(97,543,671)
<b>Net interest income</b>		<b>87,786,921</b>	91,355,051
Fees and commission income		<b>9,546,905</b>	5,067,226
Fees and commission expense		<b>(1,137,752)</b>	(728,657)
<b>Net fees and commission income</b>		<b>8,409,153</b>	4,338,569
Net gain on foreign exchange		<b>27,005,844</b>	7,102,327
Net (loss)/ gain on fair valuation of derivative financial instruments	20	<b>(2,957,383)</b>	15,017,481
Net realised gain on debt investments classified at FVOCI		<b>2,593,211</b>	-
<b>Operating income</b>		<b>122,837,746</b>	117,813,428
General and administrative expenses	24	<b>(25,232,927)</b>	(23,686,316)
Provision charged for expected credit gains/losses (net)	23	<b>5,137,742</b>	(24,351,517)
<b>Profit before tax</b>		<b>102,742,561</b>	69,775,595
Taxation charge	15	<b>(29,810,000)</b>	(20,184,000)
<b>PROFIT FOR THE YEAR</b>		<b>72,932,561</b>	49,591,595
<b><i>Other comprehensive income</i></b>			
<i>Items that may be reclassified to profit or loss</i>			
Debt investments at FVTOCI – net change in fair value, net of tax		<b>24,240,033</b>	9,164,442
Net realised gain on debt instruments classified at FVOCI reclassified to profit or loss		<b>(2,593,211)</b>	-
Total other comprehensive income for the year	9	<b>21,646,822</b>	9,164,442
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>94,579,383</b>	58,756,037

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

Industrial and Commercial Bank of China Limited - Abu Dhabi Branch

STATEMENT OF CHANGES IN HEAD OFFICE EQUITY

For the year ended 31 December 2025

	<i>Allocated capital AED</i>	<i>Statutory reserve AED</i>	<i>Investment revaluation reserve AED</i>	<i>Retained earnings AED</i>	<i>Total AED</i>
At 1 January 2024	312,120,000	29,212,165	9,008,564	262,909,478	613,250,207
Profit for the year	-	-	-	49,591,595	49,591,595
Other comprehensive income	-	-	9,164,442	-	9,164,442
Total comprehensive income for the year	-	-	9,164,442	49,591,595	58,756,037
Transfer to statutory reserve	-	4,959,160	-	(4,959,160)	-
At 31 December 2024	<u>312,120,000</u>	<u>34,171,325</u>	<u>18,173,006</u>	<u>307,541,913</u>	<u>672,006,244</u>
At 1 January 2025	312,120,000	34,171,325	18,173,006	307,541,913	672,006,244
Profit for the year	-	-	-	72,932,561	72,932,561
Other comprehensive income	-	-	21,646,822	-	21,646,822
Total comprehensive income for the year	-	-	21,646,822	72,932,561	94,579,383
Transfer to statutory reserve	-	7,293,256	-	(7,293,256)	-
<b>At 31 December 2025</b>	<b><u>312,120,000</u></b>	<b><u>41,464,581</u></b>	<b><u>39,819,828</u></b>	<b><u>373,181,218</u></b>	<b><u>766,585,627</u></b>

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

# Industrial and Commercial Bank of China Limited - Abu Dhabi Branch

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	<i>Notes</i>	<b>2025</b> <b>AED</b>	<b>2024</b> <b>AED</b>
<b>OPERATING ACTIVITIES</b>			
Profit before tax		<b>102,742,561</b>	69,775,595
<i>Adjustments:</i>			
Depreciation	24	<b>654,899</b>	660,293
Expected credit (reversal)/ loss charged on financial instruments	23	<b>(5,137,742)</b>	24,351,517
Amortisation of premium on investment securities	9	<b>21,081,832</b>	10,612,794
Net loss/ (gain) on fair valuation of derivative financial instruments	20	<b>2,957,383</b>	(15,017,481)
Provision for employees' end of service benefits	16	<b>1,317,120</b>	1,251,302
		<hr/>	<hr/>
Cash generated from operations before changes in operating assets and liabilities		<b>123,616,053</b>	91,634,020
<i>Changes in operating assets and liabilities:</i>			
Increase in reserve due from UAE Central Bank		<b>(155,750,020)</b>	(27,699,600)
(Increase)/ decrease in due from banks, Head Office and affiliates		<b>(1,206,680,876)</b>	348,883,813
Increase in loans and advances		<b>(64,651,376)</b>	(378,121,834)
(Increase)/ decrease in other assets		<b>(40,708,782)</b>	18,783,488
Increase in due to banks, Head Office and affiliates		<b>1,489,389,846</b>	973,915,307
Increase/ (decrease) in customer deposits		<b>5,745,905,704</b>	(1,019,101,534)
Increase in other liabilities		<b>62,818,748</b>	25,804,833
		<hr/>	<hr/>
Cash generated from operations		<b>5,953,939,297</b>	34,098,493
Income tax paid	15	<b>(6,287,631)</b>	(15,197,908)
Employees' end of service benefits paid	16	<b>(1,388,650)</b>	(1,340,185)
		<hr/>	<hr/>
<b>Net cash generated from operating activities</b>		<b>5,946,263,016</b>	17,560,400
<b>INVESTING ACTIVITIES</b>			
Purchase of property, furniture and equipment	11	<b>(449,445)</b>	(105,234)
Proceeds from redemption of investments	9	<b>1,900,529,641</b>	954,671,611
Purchase of investment securities	9	<b>(6,877,657,090)</b>	(1,776,340,000)
		<hr/>	<hr/>
<b>Net cash used in investing activities</b>		<b>(4,977,576,894)</b>	(821,773,623)
<b>FINANCING ACTIVITIES</b>			
Maturity of subordinated borrowings	17	<b>(183,625,000)</b>	-
		<hr/>	<hr/>
<b>Net cash used in financing activities</b>		<b>(183,625,000)</b>	-
		<hr/>	<hr/>
Increase/(decrease) in cash and cash equivalents		<b>785,061,122</b>	(804,213,223)
Cash and cash equivalents at the beginning of the year		<b>(370,119,239)</b>	434,093,984
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>414,941,883</b>	(370,119,239)
		<hr/> <hr/>	<hr/> <hr/>

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

## Industrial and Commercial Bank of China Limited - Abu Dhabi Branch

### STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2025

	<i>Notes</i>	<b>2025 AED</b>	<b>2024 AED</b>
<i>Cash and cash equivalents</i>			
Cash in hand	6	<b>1,098,562</b>	1,115,337
Balances with the Central Bank of UAE with original maturity of less than three months excluding reserve requirements	6	<b>959,790,245</b>	1,112,123,064
		<u><b>960,888,807</b></u>	<u>1,113,238,401</u>
<i>Following balances where the respective original maturity is less than three months:</i>			
- Due from banks, Head Office and affiliates		<b>1,222,471,191</b>	699,900,645
- Due to banks, Head Office and affiliates		<b>(1,768,418,115)</b>	(2,183,258,285)
		<u><b>(545,946,924)</b></u>	<u>(1,483,357,640)</u>
<b>TOTAL CASH AND CASH EQUIVALENTS</b>		<u><b>414,941,883</b></u>	<u>(370,119,239)</u>
 <b>Additional information on operational cash flows from interest</b>			
Interest paid		<u><b>121,384,998</b></u>	<u>85,876,961</u>
Interest received		<u><b>213,224,619</b></u>	<u>166,571,337</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

### 1 INCORPORATION AND PRINCIPAL ACTIVITIES

Industrial and Commercial Bank of China Limited - Abu Dhabi Branch (the "Branch") is registered as a Branch of Industrial and Commercial Bank of China Limited (the "Head Office") in Abu Dhabi, United Arab Emirates ("UAE"). The Head Office is an international public shareholding bank registered in the People's Republic of China and is listed on both the Shanghai Stock Exchange and the Stock Exchange of Hong Kong.

The Branch obtained a 'wholesale banking license' from the Central Bank of UAE on 14 December 2009 and is engaged in the provision of financial services as stipulated by its license. The Branch commenced operations from 7 June 2011. The Branch's registered office is at Addax Tower, Offices 5207, 5208, and 5209, Al Reem Island, Abu Dhabi, UAE, P.O. Box 62108, Abu Dhabi, United Arab Emirates.

The activities of the Branch are also governed by the provisions of the UAE Federal Decree Law No. (6) of 2025 and Federal Decree Law No. 32 of 2021 on Commercial Companies (the "Companies Law"), as amended.

The accompanying financial statements represent the operations of the Abu Dhabi Branch only and do not extend to any other operations elsewhere. For consideration of the financial position relating to the overall operations of Industrial and Commercial Bank of China Limited, reference should be made to consolidated financial statements of the Head Office.

### 2 BASIS OF PREPARATION

#### a) Statement of compliance

The financial statements of the Branch have been prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") and Interpretations ("IFRIC") issued by the International Accounting Standard Board ("IASB") and applicable requirements of the laws of the UAE, including Federal Decree Law No. (6) of 2025 and Federal Decree Law No. 32 of 2021, as amended.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

#### b) Basis of measurement

The financial statements are prepared under the historical cost convention, except for derivative financial instruments and certain debt securities carried at fair value.

The financial statements are presented in UAE Dirhams (AED), which is the functional and presentation currency of the Branch and all the values are rounded to the nearest AED except where otherwise stated.

The Branch is not a separate legal entity but meets the definition of a reporting entity under IFRS Accounting Standards under the Conceptual Framework for IFRS. IFRS Accounting Standards defines a reporting entity as an entity that is required, or chooses, to prepare financial statements.

The operating activities of the Branch are defined and separately managed from the other businesses of the Head office and accounting records are maintained on this basis. The assets of the Branch are used solely by the Branch and are registered in the name of the Branch. The liabilities relate to the activities of the Branch.

It is important to note whilst the reporting boundary is defined above, the assets and liabilities presented within the reporting boundary remain the assets and liabilities of the Head office and are not legally separable from the Head office's other assets and liabilities. As such legally, the assets of the Branch may be available to the other claims of the Head office.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

**3 APPLICATION OF NEW AND REVISED IFRSs**

**3.1 New and amended IFRS standards and interpretations**

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2025, have been adopted in these financial statements. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

<u><i>New and revised IFRSs</i></u>	<u><i>Summary</i></u>
Lack of exchangeability Amendments to IAS 21	– In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments had no material impact on the financial statements.

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

At the date of authorisation of these financial statements, the Branch has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

<u><i>New and revised IFRSs</i></u>	<u><i>Effective for annual periods beginning on or after</i></u>
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*Amendments to the Classification and Measurement of Financial Instruments— 1 January 2026*  
*Amendments to IFRS 9 and IFRS 7*

On 30 May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- A clarification that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date.
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed.
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments.
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI).

The Amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for classification of financial assets and related disclosures only.

*IFRS 19 Subsidiaries without Public Accountability: Disclosures* 1 January 2027

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

**3 APPLICATION OF NEW AND REVISED IFRS (continued)**

**3.1 New and amended IFRS standards and interpretations (continued)**

**New and revised IFRSs**

***Effective for  
annual periods  
beginning on or after***

*IFRS 18 Presentation and Disclosure in Financial Statements*

1 January 2027

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Branch anticipates that these new standards, interpretations and amendments will be adopted in the Branch's financial statements as and when they are applicable. The Branch is in the process performing a detailed assessment on the adoption of these new standards, interpretations and amendments of financial statements of Branch in the period of initial application.

**4 MATERIAL ACCOUNTING POLICY INFORMATION**

**a) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, unrestricted balances held with Central Bank of UAE and balance held with/by other banks Head Office and affiliates, and highly liquid financial assets with original maturities of less than three months from the acquisition date that are subject to an insignificant risk of change in their fair value and are used by the Branch in the management of its short term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

**b) Due from banks, Head Office and affiliates**

Due from banks are stated at amortised cost less any amounts written-off and allowance for impairment, if any.

**c) Property, furniture and equipment**

Property, furniture and equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and any impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

**4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**c) Property, furniture and equipment (continued)**

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	<u>Years</u>
Property	30
Vehicle	6
Furniture and fixtures	5
Computer equipment	3

The carrying values of property, furniture 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 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, furniture 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 assets) is included in the statement of profit or loss and other comprehensive income in the period the asset is derecognised. The assets residual values, useful lives and methods of depreciation are reviewed and adjusted if appropriate, at each financial period end.

**d) Customer deposits, due to banks and other financial institutions and other liabilities**

Customer deposits, due to banks and other financial institutions and other liabilities are initially recognised at fair value and subsequently measured at amortised cost.

**e) Provisions and contingent liabilities**

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

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

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

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the Branch's control. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements.

**f) Revenue recognition**

***Interest income and expense***

Interest income and expense for all interest-bearing financial instruments are recognised using the effective interest rate.

***Effective interest rate***

Interest income and expense are recognised in statement of profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset;
- or the amortised cost of the financial liability.

**4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**f) Revenue recognition (continued)**

*Interest income and expense (continued)*

*Effective interest rate (continued)*

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Branch estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated 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.

*Amortised cost and gross carrying amount*

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

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

*Calculation of interest income and expense*

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability.

The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

*Fee and commission income*

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Other fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the Branch's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Branch first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

**4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**g) Employees' benefits**

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

Pension and national insurance contributions for the U.A.E. citizens are made by the Branch in accordance with Federal Law No. 2 of 2000.

**h) Impairment of non-financial assets**

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that have suffered an impairment loss are reviewed for possible reversal of impairment at each reporting date.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

**i) Foreign currency transactions**

Transactions denominated in foreign currencies are translated into AED at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into AED at the foreign exchange rates ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into AED at the foreign exchange rates ruling on the date of the transaction. Realised and unrealised exchange gains and losses have been recognised within the statement of profit or loss.

*(i) Functional and presentation currency*

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

*(ii) 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 Profit or loss and other 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.

**4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**j) Fair value measurement**

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, group, 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 Branch 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.

**k) Financial instruments**

Financial assets and liabilities are recognised when a Branch's entity becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

**Business model assessment**

The Branch makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Branch's management;

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

**4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**k) Financial instruments (continued)**

**Business model assessment (continued)**

- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Branch's stated objective for managing the financial assets is achieved and how cash flows are realized.
- Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

**Financial assets**

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

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

- (v) Financing instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and profit on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;
- (ii) Financing instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVTOCI);
- (iii) all other financing instruments (e.g. instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL. However, the Branch may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:
- (iv) the Branch may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income (OCI); and
- (v) the Branch may irrevocably designate a financing instruments that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

**Financing instruments at amortised cost or at FVTOCI**

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

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and profit on the principal outstanding (SPPI).

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are payments of principal).

Profit consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic financing risks and costs, as well as a margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

**4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**k) Financial instruments (continued)**

*Financial assets (continued)*

*Financing instruments at amortised cost or at FVTOCI (continued)*

Contractual cash flows that are SPPI are consistent with a basic financing arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic financing arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Branch determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The Branch's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

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

At initial recognition of a financial asset, the Branch determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Branch reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Branch has not identified a change in its business models.

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

*Financial assets at FVTPL*

Financial assets at FVTPL are:

- (i) assets with contractual cash flows that are not SPPI; or/and
- (ii) assets that are held not for collecting contractual cash flows or held to collect and sell; or
- (iii) assets designated at FVTPL using the fair value option.

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

*Fair value option*

A financial instrument with a reliably measurable fair value can be designated as FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the purpose of selling or repurchasing. The fair value option can be used for financial assets if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognizing related gains and losses on a different basis (an "accounting mismatch"). The fair value option can be elected for financial liabilities if: (i) the election eliminates an accounting mismatch; (ii) the financial liability is part of a portfolio that is managed on a fair value basis, in accordance with a documented risk management or investment strategy; or (iii) there is an embedded derivative in the financial or non-financial host contract and the derivative is not closely related to the host contract. These instruments cannot be reclassified out of the FVTPL category while they are held or issued. Financial assets designated as FVTPL are recorded at fair value and any unrealized gains or losses arising due to changes in fair value are included in investment income.

**4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**k) Financial instruments (continued)**

*Financial assets (continued)*

*i) Reclassifications*

If the business model under which the Branch holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Branch's financial assets. During the current period and previous accounting period, there was no change in the business model under which the Branch holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on modification and derecognition of financial assets described below.

*ii) Impairment*

The Branch recognises loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- Balances with the Central Bank of UAE
- Due from banks and other financial institutions
- Due from Head Office and affiliates
- Loans and advances,
- Investment securities at amortized cost and FVTOCI
- Loan commitments, financial guarantees and letters of credit

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

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).
- A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.
- ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the branches under the contract and the cash flows that the Branch expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.
- for undrawn financial commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Branch if the holder of the commitment draws down the finance and the cash flows that the Branch expects to receive if the finance is drawn down; and
- for financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed financing instrument less any amounts that the Branch expects to receive from the holder, the customer or any other party.

The Branch measures ECL on an individual basis, or on a collective basis for portfolios of finances that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

The Branch applies the expected credit loss (ECL) model as required by IFRS 9 to recognise expected credit loss on its financial assets. In accordance with its policies, the Branch may apply an overlay in determining expected credit loss. Under this approach, the Branch applies an overlay on credit risk weighted assets, and recognizes such overlay on expected credit loss within loans and advances accordingly. Management determines the percentage of overlay based on a number of factors, including the nature of the Branch's financial assets, the credit quality of its counterparties, risk management framework, historical loss experience, and the guidance of Basel III. The overlay is a discretionary adjustment made by the management of the Branch to its expected credit losses estimate, applied consistently, to cover expected losses that may not be captured by the ECL model. The Branch regularly reviews and updates its ECL estimates to reflect changes in credit risk and market conditions.

**4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**k) Financial instruments (continued)**

*Financial assets (continued)*

*iii) Credit-impaired financial assets*

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

- significant financial difficulty of the customer or issuer;
- a breach of contract such as a default or past due event;
- the financier of the customer, for economic or contractual reasons relating to the customer's financial difficulty, having granted to the customer a concession that the financier would not otherwise consider;
- the financier of the customer has downgraded the ratings because of deterioration in financial condition of the customer; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event-instead; the combined effect of several events may have caused financial assets to become credit-impaired. The Branch assesses whether financing instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate financing instruments are credit impaired, the Branch considers factors such as delinquency, watchlist indication, restructuring flag, deterioration in credit ratings and the ability of the customer to raise funding.

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

*iv) Purchased or originated credit-impaired (POCI) financial assets*

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Branch recognises all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognised in profit or loss. A favourable change for such assets creates an impairment gain.

As at 31 December 2025 no POCI was purchased nor recorded in the books of the Branch.

*v) Definition of default*

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

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

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

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Further, the cases where the criteria of 90 days overdue are rebutted using reasonable information.

When assessing if the customer is unlikely to pay its credit obligation, the Branch takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate financing a qualitative indicator used is the 'watchlist flag'. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Branch uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

**4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**k) Financial instruments (continued)**

**Financial assets (continued)**

*vi) Significant increase in credit risk*

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

The Branch's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Branch monitors all financial assets, issued financial commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Branch compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Branch considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Branch's historical experience and expert credit assessment including forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

For corporate financing, forward-looking information includes the future prospects of the macroeconomic indicators like crude oil price, obtained from regulatory guidelines, economic expert reports, financial analysts, governmental bodies and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information.

The Branch allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The Branch considers the credit risk upon initial recognition of asset and whether there has been a significant increase in it on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Branch compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal risk grade;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- actual or expected significant changes in the operating results of the customer;
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customers in the group and changes in the operating results of the customer; and
- Macroeconomic information: in its models, the Branch relies on a broad range of forward looking information as economic inputs, such as: gross domestic product growth rate, average oil prices, real estate prices and transactions, inflation, ECI, hotel room occupancy etc. along with various transformations of the same. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are made as temporary adjustments using expert credit judgement.

**4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**k) Financial instruments (continued)**

**Financial assets (continued)**

*vi) Significant increase in credit risk (continued)*

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

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis.

However, the Branch still considers separately some qualitative factors to assess if credit risk has increased significantly. For corporate financing there is particular focus on assets that are included on a 'watch list' given an exposure is on a watch list once there is a concern that the creditworthiness of the specific counterparty has deteriorated.

For corporate financing, when an asset becomes 30 days past due, the Branch considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

*vii) Modification and derecognition of financial assets*

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing finance would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the profit rate that arises when covenants are breached).

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing finance would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the profit rate that arises when covenants are breached).

The Branch renegotiates finances to customers in financial difficulty to maximise collection and minimise the risk of default. A finance forbearance is granted in cases where although the customer made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the customer is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the finance, changes to the timing of the cash flows of the finance (principal and profit payment), reduction in the amount of cash flows due (principal and profit forgiveness) and amendments to covenants. The Branch has an established forbearance policy which applies for corporate financing.

When a financial asset is modified the Branch assesses whether this modification results in derecognition. In accordance with the Branch's policy a modification results in derecognition when it gives rise to substantially different terms.

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

**4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**k) Financial instruments (continued)**

*Financial assets (continued)*

*vii) Modification and derecognition of financial assets (continued)*

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

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

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

*viii) Write-offs*

Financial assets are written off when there is no reasonable expectation of recovery, such as a customer failing to engage in a payment plan with the company. The company categorises a finance or receivable for write off after almost all possible avenues of payments have been exhausted. However where finances or receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

*Financial liabilities*

*i) Classification and subsequent measurement*

Financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: the classification is applied to derivatives and other financial liabilities designated as such at initial recognition. Gains and losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in fair value of the financial liability that is attributable to the changes in credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains or losses attributable to changes in the credit risk of the liability are also presented in the profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies. When the transfer of financial assets did not qualify for derecognition, a financial liability is recognised for the consideration received for the transfer; and
- Financial guarantee contracts and financial commitments.

*Effective interest method*

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 profit rate is the rate that exactly discounts estimated future cash payments (including all fees that form an integral part of the effective profit rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

**4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**k) Financial instruments (continued)**

*Financial liabilities (continued)*

*ii) Modification and derecognition of financial liabilities*

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

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

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

*iii) Financial guarantee contracts and derivative financial instruments*

*Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified customer fails to make payments when due in accordance with the terms of a financing instrument.

Financial guarantee contracts issued by the Branch are initially measured at their fair values and, if not designated as at FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount come recognised in accordance with the Branch's revenue recognition policies.

Financial guarantee contracts not designated at FVTPL are presented as provisions on the statement of financial position and the remeasurement is presented in other revenue.

The Branch has not designated any financial guarantee contracts as at FVTPL.

*Derivative financial instruments*

The Branch makes use of derivative financial instruments to manage exposures to interest rate and foreign currency. In order to manage particular risks, the Branch applies hedge accounting for transactions which meet specified criteria.

At inception of the hedge relationship, the Branch formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period to qualify for hedge accounting. Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item.

**4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**k) Financial instruments (continued)**

*Financial liabilities (continued)*

**iii) Financial guarantee contracts and derivative financial instruments (continued)**

*Fair value hedges*

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognised in the statement of profit or loss. Meanwhile, the cumulative change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item in the statement of financial position and is also recognised in the statement of profit or loss.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is discontinued prospectively. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the recalculated EIR method. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the statement of profit or loss and other comprehensive income.

*Cash flow hedges*

For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognised in other comprehensive income and accumulated under the heading Hedge reserve within equity. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in statement of profit or loss.

When the hedged cash flow affects the statement of profit or loss and other comprehensive income, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the statement of profit or loss and other comprehensive income. When the forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in the other comprehensive income are removed from the reserve and included in the initial cost of the asset or liability.

When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in other comprehensive income at that time remains in other comprehensive income and is recognised when the hedged forecast transaction is ultimately recognised in the statement of profit or loss and other comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported.

**l) 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 Branch intends 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.

**m) Leases**

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

**4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**n) Taxation**

Provision for taxation is made in respect of the Branch's operations in the Emirate of Abu Dhabi whereby tax is payable at the rate of 20% of the adjusted net profit generated during the year, in accordance with the relevant legislation of the Emirate ("Emirate Tax"). On 3 October 2022, the United Arab Emirates (UAE) Ministry of Finance ("MoF") issued Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law ("CT Law") to implement a new CT regime in the UAE at the rate of 9% on the taxable profit for the year. As the Government of Abu Dhabi has not yet issued any regulations or clarifications on the possibility of a credit allowed of UAE Corporate Tax from the Emirate Tax, the Branch continues to accrue for both, i.e. Emirate Tax and UAE Corporate Tax.

Deferred tax is accounted for using the asset and liability method. Deferred tax assets and liabilities are recognised for the full tax consequences of all temporary differences between the Branch financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Recognition of deferred tax assets are, however, restricted to the extent that it is probable that sufficient taxable profits will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured using tax rates that are expected to apply to the period in which the asset is expected to be realised or the liability is expected to be settled.

Deferred tax assets are reviewed periodically to reduce the carrying amount by the extent to which it is no longer probable that sufficient taxable profits will be available to utilise the differences.

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

**5 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY**

*Critical judgments in applying the Branch's accounting policies*

The Branch's financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgment, which necessarily have to be made in the course of preparation of the financial statements.

The Branch makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRSs are best estimates undertaken in accordance with the applicable standard. Estimates and judgments are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgments for certain items are especially critical for the Branch's results and financial situation due to their materiality.

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

**Judgements**

*Business model assessment*

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

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

*Critical judgments in applying the Branch's accounting policies (continued)*

**Judgements (continued)**

*Significant increase of credit risk*

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Branch takes into account qualitative and quantitative reasonable and supportable forward-looking information, a significant increase in credit risk is presumed if a customer is more than 30 days past due in making a contractual payment.

*Establishing groups of assets with similar credit risk characteristics*

Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics (e.g. instrument type, credit risk, stage classification etc.). The Branch monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets.

**Estimates**

*Key sources of estimation uncertainty*

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

*Expected Credit loss on financial assets*

- When measuring ECL the Branch uses reasonable and supportable forward-looking information, to establish relative weightings of forward-looking scenarios for each type of product/market. Determining the forward-looking information relevant to each scenario is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.
- Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
- Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.
- The Branch also considers relevant regulatory requirements, in the context of the alignment of those requirements with IFRS, in the estimation of ECL in respect of Stage 3 exposures, if any.

*Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded in 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 if this is not available, judgement is required to establish fair values. The judgements 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.

*Taxes*

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Branch establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile.

# Industrial and Commercial Bank of China Limited - Abu Dhabi Branch

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

### 6 CASH AND BALANCES WITH THE CENTRAL BANK OF UAE

	2025 AED	2024 AED
Cash on hand	1,098,562	1,115,337
Balances with the Central Bank of UAE:		
- Current accounts	3,790,245	4,123,064
- Overnight deposits	956,000,000	1,108,000,000
- Reserve requirements	294,725,280	138,975,260
	<u>1,255,614,087</u>	<u>1,252,213,661</u>

The reserve requirements kept with the Central Bank of UAE in AED are not available for use in the Branch's day to day operations and cannot be withdrawn without the Central Bank's approval.

Overnight deposits are at an average interest rate of 4.31% (2024: 5.25%) per annum. Balances with Central Bank of UAE are classified under Stage 1.

### 7 DUE FROM/TO BANKS

*Due from banks*

	2025 AED	2024 AED
Current accounts	2,284,490,388	360,253,946
Less: expected credit loss allowance (Note 26)	(54,603)	(3,727)
	<u>2,284,435,785</u>	<u>360,250,219</u>

Due from banks is classified under Stage 1 in accordance with the requirements IFRS 9.

	2025 AED	2024 AED
Due to banks	<u>657,938,718</u>	<u>1,506,175,731</u>

### 8 RELATED PARTY TRANSACTIONS AND BALANCES

The Branch carries out transactions with related parties, defined as shareholders who have a significant equity interest in Industrial and Commercial Bank of China Limited, directors of Industrial and Commercial Bank of China Limited and entities in which such shareholders and directors have a significant influence, key management personnel, Head Office and other affiliates. Pricing policies and terms of these transactions are approved by the Branch's management.

Significant balances outstanding as at 31 December 2025 with related parties were as follows:

	2025 AED	2024 AED
Due from the Head Office and affiliates	<u>144,665,406</u>	<u>339,650,425</u>
Due to Head Office and affiliates	<u>3,633,391,384</u>	<u>1,710,604,695</u>
Interest payable	<u>33,779,131</u>	<u>10,191,919</u>

# Industrial and Commercial Bank of China Limited - Abu Dhabi Branch

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

### 8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	2025 AED	2024 AED
Subordinated borrowings (Note 17)	-	183,625,000
Counter guarantees from related parties (Note 25)	<u>1,657,423,954</u>	<u>444,698,666</u>

The following table shows the transactions with related parties for the year:

	2025 AED	2024 AED
Interest income, fees and commission income	<u>1,878,579</u>	<u>1,479,102</u>
Interest expense, fees and commission expense	<u>(70,431,106)</u>	<u>(27,571,849)</u>

#### *Terms and conditions of transactions with related parties*

Most of the outstanding balances with related parties at the year-end are unsecured interest-bearing financial assets, including loans and advances, due from banks, interbank placements and counter-guarantees. Other than model provisions for all stage 1 exposures including amounts owed by related parties, no other specific impairment loss allowance has been recorded relating to related party balances.

#### *Compensation of key management personnel*

	2025 AED	2024 AED
Compensation of key management personnel	<u>1,968,000</u>	<u>2,103,743</u>

### 9 INVESTMENT SECURITIES

	2025 AED	2024 AED
<b>Designated at FVTOCI</b>		
<b>Domestic</b>		
Government debt securities	3,949,791,799	990,111,668
Financial institutions debt securities	774,563,568	551,686,814
Corporate debt securities	<u>537,431,948</u>	<u>60,115,369</u>
<b>Overseas</b>		
Government debt securities	585,774,217	89,025,807
Financial institutions debt securities	940,583,821	671,620,909
Corporate debt securities	<u>545,961,195</u>	<u>-</u>
<b>Net investment securities</b>	<u>7,334,106,548</u>	<u>2,362,560,567</u>

During the year, an unrealised gain of AED 21,646,822 (2024: unrealised gain of AED 9,164,442) has been recorded in other comprehensive income on the above investment securities. During the year, net charge against impairment allowance for FVTOCI investment securities amounted to AED 6,146,458 (2024: AED 6,644,267).

Other than the fair value adjustment and impairment, the movement in investment securities also includes additions amounting to AED 6,877,657,090 (2024: AED 1,776,340,000), redemptions totalling AED 1,911,380,000 (2024: AED 956,680,000) and net amortization of premium and discounts amounting to AED 21,081,832 (2024: AED 10,612,794).

# Industrial and Commercial Bank of China Limited - Abu Dhabi Branch

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

### 10 LOANS AND ADVANCES

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

	2025 AED	2024 AED
<b>(a) By type:</b>		
<b>Corporate lending</b>		
Loan	<b>1,181,672,193</b>	1,117,020,817
<b>Loans and advances, gross</b>	<b>1,181,672,193</b>	1,117,020,817
Less: expected credit loss allowance (Note 26)	<b>(12,765,266)</b>	(13,777,844)
<b>Net loans and advances</b>	<b>1,168,906,927</b>	1,103,242,973
<b>(b) By economic sector (Gross)</b>		
Manufacturing	-	55,087,500
Government	<b>183,625,000</b>	183,625,000
Transport, storage and communication	-	161,479,567
Financial institutions	<b>578,690,943</b>	352,560,000
Other services	<b>419,356,250</b>	364,268,750
Gross amount of loans and advances	<b>1,181,672,193</b>	1,117,020,817
<b>(c) By geographical area (Gross)</b>		
Within UAE	<b>472,607,500</b>	584,508,317
Rest of the world	<b>709,064,693</b>	532,512,500
Gross amount of loans and advances	<b>1,181,672,193</b>	1,117,020,817

Loans and advances are stated net of provision for impairment. The movements for provision are as follows:

	2025 AED	2024 AED
Balance at 1 January	<b>13,777,844</b>	46,769,662
Release for the year (Note 23)	<b>(1,012,578)</b>	(32,991,818)
	<b>12,765,266</b>	13,777,844

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

	<i>Stage 1</i> AED	<i>Stage 2</i> AED	<i>Stage 3</i> AED	<i>Total</i> AED
Gross exposure at 1 January 2025	1,117,020,817	-	-	1,117,020,817
Net disbursements	64,651,376	-	-	64,651,376
<b>At 31 December 2025</b>	<b>1,181,672,193</b>	<b>-</b>	<b>-</b>	<b>1,181,672,193</b>
ECL allowance at 1 January 2025	13,777,844	-	-	13,777,844
Net impairment release (Note 23)	(1,012,578)	-	-	(1,012,578)
<b>At 31 December 2025</b>	<b>12,765,266</b>	<b>-</b>	<b>-</b>	<b>12,765,266</b>

Industrial and Commercial Bank of China Limited - Abu Dhabi Branch

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

**10 LOANS AND ADVANCES (continued)**

	<i>Stage 1 AED</i>	<i>Stage 2 AED</i>	<i>Stage 3 AED</i>	<i>Total AED</i>
Gross exposure at 1 January 2024	738,898,983	-	-	738,898,983
Net disbursements	378,121,834	-	-	378,121,834
At 31 December 2024	<u>1,117,020,817</u>	<u>-</u>	<u>-</u>	<u>1,117,020,817</u>
ECL allowance at 1 January 2024	46,769,662	-	-	46,769,662
Net impairment release (Note 23)	(32,991,818)	-	-	(32,991,818)
At 31 December 2024	<u>13,777,844</u>	<u>-</u>	<u>-</u>	<u>13,777,844</u>

**11 PROPERTY, FURNITURE AND EQUIPMENT**

	<i>Property AED</i>	<i>Vehicle AED</i>	<i>Furniture and fixtures AED</i>	<i>Computer equipment AED</i>	<i>Total AED</i>
<b>Cost</b>					
At 1 January 2024	7,793,749	167,689	2,013,415	1,037,313	11,012,166
Additions	-	-	23,048	82,186	105,234
At 31 December 2024	<u>7,793,749</u>	<u>167,689</u>	<u>2,036,463</u>	<u>1,119,499</u>	<u>11,117,400</u>
Additions	1	-	10,999	438,445	449,445
<b>At 31 December 2025</b>	<b><u>7,793,750</u></b>	<b><u>167,689</u></b>	<b><u>2,047,462</u></b>	<b><u>1,557,944</u></b>	<b><u>11,566,845</u></b>
<b>Accumulated depreciation</b>					
At 1 January 2024	839,491	90,792	1,365,726	604,035	2,900,044
Charge for the year	260,384	28,746	161,599	209,564	660,293
At 31 December 2024	<u>1,099,875</u>	<u>119,538</u>	<u>1,527,325</u>	<u>813,599</u>	<u>3,560,337</u>
Charge for the year (Note 24)	259,672	28,667	136,621	229,939	654,899
<b>At 31 December 2025</b>	<b><u>1,359,547</u></b>	<b><u>148,205</u></b>	<b><u>1,663,946</u></b>	<b><u>1,043,538</u></b>	<b><u>4,215,236</u></b>
<b>Carrying amount:</b>					
<b>At 31 December 2025</b>	<b><u>6,434,203</u></b>	<b><u>19,484</u></b>	<b><u>383,516</u></b>	<b><u>514,406</u></b>	<b><u>7,351,609</u></b>
At 31 December 2024	<u>6,693,874</u>	<u>48,151</u>	<u>509,138</u>	<u>305,900</u>	<u>7,557,063</u>

# Industrial and Commercial Bank of China Limited - Abu Dhabi Branch

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

### 12 OTHER ASSETS

	2025 AED	2024 AED
Interest receivable	71,590,005	22,074,453
Deferred tax asset (see below)	14,900,414	15,920,414
Positive fair value of derivatives (Note 20)	13,340,826	25,150,641
Prepayments	93,906	97,978
Other receivables	1,825,460	1,884,199
	<u>101,750,611</u>	<u>65,127,685</u>

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 20%. The temporary difference primarily arises on account of impairment of loans and advances disallowed for tax purposes for the Emirate of Abu Dhabi obligations.

### 13 CUSTOMER DEPOSITS

	2025 AED	2024 AED
<b>Corporate customers</b>		
Time deposits	5,406,443,636	116,016,650
Current accounts	1,031,117,435	959,543,110
Saving accounts	582,847,056	198,942,663
	<u>7,020,408,127</u>	<u>1,274,502,423</u>

### 14 OTHER LIABILITIES

	2025 AED	2024 AED
Interest payable	86,713,263	17,293,379
Income tax payable (Note 15)	47,617,157	25,114,788
Allowance for expected credit loss - off-balance sheet items (Note 26)	41,712,440	52,143,409
Fund transfer clearing items*	23,837,644	42,609,046
Negative fair value of derivatives (Note 20)	6,106,423	2,314,576
Deferred tax liabilities**	5,214,716	-
Deferred income	2,212,962	1,474,551
Provision for employees' end of service benefits (Note 16)	191,505	263,035
Other staff related provisions	2,424,183	570,408
Others	2,476,824	1,905,308
	<u>218,507,117</u>	<u>143,688,500</u>

\* The clearing items pertain to fund transfer payment that takes place from the Branch to other banks through the Central Bank of UAE system.

\*\* Deferred tax liabilities are calculated on FVOCI item using an effective tax rate of 20%. The temporary difference primarily arises on reserve changes of FVOCI debt securities.

# Industrial and Commercial Bank of China Limited - Abu Dhabi Branch

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

### 15 TAXATION

The components of income tax expense for the year ended 31 December 2025 and 2024 are:

	2025 AED	2024 AED
Current income tax	28,790,000	25,034,000
Deferred tax expense/(benefit)	1,020,000	(4,850,000)
Taxation charge	<u>29,810,000</u>	<u>20,184,000</u>

Movement in the provision for current tax is as follows:

	2025 AED	2024 AED
Balance at the beginning of the year	25,114,788	15,278,696
Add: provision for the year	28,790,000	25,034,000
Less: income tax paid during the year	(6,287,631)	(15,197,908)
Balance at the end of the year (Note 14)	<u>47,617,157</u>	<u>25,114,788</u>

The total deferred tax assets recognized in the financial statements amounted to AED 14,900,414 (2024: 15,920,414) in Note 12 and the deferred tax liabilities recognized amounted to AED 5,214,716 (2024: Nil) in Note 14. Both of these deferred tax assets and liabilities related to temporary differences pertaining to provision disallowances and net unrealized movement on investments relating to other comprehensive income.

#### (1) Emirate level banking tax (Emirate Tax)

The taxable income is calculated after making certain adjustments (timing differences) as guided by existing tax laws, regulations and practices to the profit before tax for the year. Tax determination is based on management's best estimate.

The tax rate applicable to the Branch in the Emirate of Abu Dhabi is 20%. The relationship between the tax expense for the year for Emirate of Abu Dhabi and the accounting profit before tax for the year is as follows:

	2025 AED	2024 AED
Profit for the year before tax	102,742,561	69,775,595
Less: non-taxable income/ add: disallowed expenses (net)	(5,092,561)	24,194,405
Taxable income	<u>97,650,000</u>	<u>93,970,000</u>
Income tax expense at 20%	<u>19,530,000</u>	<u>18,794,000</u>

In accordance with the tax laws of Emirate of Abu Dhabi, non-taxable income of AED 5,092,561 represents mainly the impairment charge reversal on financial instruments disallowed for the purpose of calculation of taxable income (2024: disallowed expenses AED 24,194,405 represents mainly the impairment charge provision on financial instruments).

#### (2) Federal Corporate Tax (UAE Corporate Tax)

On 3 October 2022, the United Arab Emirates (UAE) Ministry of Finance ("MoF") issued Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law ("CT Law") to implement a new CT regime in the UAE.

As the Government of Abu Dhabi has not yet issued any regulations or clarifications on the possibility of a credit allowed of UAE Corporate Tax from the Emirate Tax, the Branch continues to accrue for the UAE Corporate Tax in 2025.

# Industrial and Commercial Bank of China Limited - Abu Dhabi Branch

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

### 15 TAXATION (continued)

#### (2) Federal Corporate Tax (UAE Corporate Tax) (continued)

The reconciliation of the tax expense to the accounting profit before tax is as follows:

	2025 AED	2024 AED
Accounting profit before tax	102,742,561	69,775,595
<i>Adjustments for amounts which are non-deductible / (taxable) in calculating taxable income</i>		
Non-deductible expenses for tax purposes	165,932	118,627
Less: Standard exemption	(33,397)	(375,000)
Taxable income	<u>102,875,096</u>	<u>69,519,222</u>
Income tax expense at 9%	<u>9,260,000</u>	<u>6,240,000</u>
Effective tax rate	<u>9.01%</u>	<u>8.98%</u>

#### (3) Global minimum Tax

For the year ended 31 December 2025, the Branch falls within the scope of the OECD Pillar Two Global Minimum Tax regime. In line with the UAE Ministry of Finance's introduction of the Domestic Minimum Top-Up Tax, applicable for financial years beginning on or after 1 January 2025, the Branch has assessed its effective tax position and determined that its current effective tax rate of 28% already exceeds the minimum 15% requirement. As a result, no top-up tax is due for the period. The Branch will continue to monitor developments in relevant legislation and guidance and will update its assessment should further clarifications be issued.

### 16 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

The movement of provision for employees' end of service benefits is as follows:

	2025 AED	2024 AED
At 1 January	263,035	351,918
Charge for the year	1,317,120	1,251,302
Paid during the year	(1,388,650)	(1,340,185)
<b>At 31 December (Note 14)</b>	<u>191,505</u>	<u>263,035</u>

### 17 ALLOCATED CAPITAL AND SUBORDINATED BORROWINGS

The capital allocated to the Branch by the Head Office is USD 85 million. This capital was re-measured to AED 312,120,000 as required by the Central Bank of UAE. The allocated capital is not distributable to the Head Office.

The Head Office provided a subordinated loan facility of USD 50 million (AED 183.625 million) with a fixed rate of 4.5% pa to the Branch after the approval of the Central Bank of UAE (Note 8). The subordinated loan matured on 14 May 2025 and was repaid in full.

### 18 STATUTORY RESERVES

As required by the UAE Federal Law, 10% of the profit for the year is transferred to a legal reserve. Such transfers may be discontinued when the reserve equals 50% of the allocated capital. This reserve is not available for distribution, except under the circumstances stipulated by the law.

# Industrial and Commercial Bank of China Limited - Abu Dhabi Branch

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

### 19 REGULATORY IMPAIRMENT RESERVE

*Impairment reserve under the Central Bank of UAE (CBUAE) guidance*

During 2024, CBUAE issued the new Credit Risk Management Regulation and accompanying Standards (“CRMS”), vide Circular No. 3/2024 dated 25 July 2024, which apply to all financial institutions licensed by the CBUAE that provide credit facilities. As per the new CRMS issued by CBUAE, Banks must ensure that the total provision corresponding to all Stage 1 and Stage 2 exposures is not less than 1.50% of the Credit Risk Weighted Assets (“CRWA”) as computed under the CBUAE capital regulations. Where the collective provisions held are lower, the shortfall may be held in a dedicated non-distributable balance sheet reserve called the ‘impairment reserve-general’.

The reconciliation between prescribed minimum provision and provision computed as per IFRS is as below:

	2025 AED	2024 AED
<b><i>Allowances for impairment losses – General</i></b>		
General provision calculated based on 1.5% of CRWA	65,761,289	53,650,257
Total general provisions considered		
Stage 1 and Stage 2 provisions under IFRS 9 [Note 26(a)]	74,570,145	79,702,333
	<u>-</u>	<u>-</u>
Impairment reserve – general*	-	-

\* This impairment reserve – general is held in a non-distributable reserve based on the relevant CBUAE regulations under equity and is not available for distribution to the Head Office of the Branch.

### 20 DERIVATIVES

In the ordinary course of business, the Branch enters 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 Branch entered into forward foreign exchange contracts, currency swaps contract and interest rate swaps.

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.

	Positive fair value AED	Negative fair value AED	Notional amount AED	Notional amounts by term to maturity		
				Within 3 months AED	3-12 months AED	1-5 years AED
<b><i>At 31 December 2025</i></b>						
<i>Derivatives designated as hedging instruments</i>						
Interest rate swaps	6,118,385	-	187,297,500	-	-	187,297,500
<i>Derivatives not designated as hedging instruments</i>						
Interest rate swaps	3,447,315	(748,437)	275,437,500	-	-	275,437,500
Currency swaps	3,775,126	(331,425)	775,877,868	293,800,000	482,077,868	-
Forward swap	-	(5,026,561)	403,694,724	-	290,581,724	113,113,000
	<u>13,340,826</u>	<u>(6,106,423)</u>	<u>1,642,307,592</u>	<u>293,800,000</u>	<u>772,659,592</u>	<u>575,848,000</u>

# Industrial and Commercial Bank of China Limited - Abu Dhabi Branch

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

### 20 DERIVATIVES (continued)

	Positive fair value AED	Negative fair value AED	Notional amount AED	Notional amounts by term to maturity		
				Within 3 months AED	3-12 months AED	1-5 years AED
<i>At 31 December 2024</i>						
<i>Derivatives designated as hedging instruments</i>						
Interest rate swaps	13,449,018	-	187,297,500	-	-	187,297,500
<i>Derivatives not designated as hedging instruments</i>						
Interest rate swaps	-	(110,786)	36,725,000	-	-	36,725,000
Currency swaps	8,169,098	(2,203,790)	2,497,317,534	1,395,550,000	1,101,767,534	-
Forward swap	3,532,525	-	77,769,341	-	-	77,769,341
	<u>25,150,641</u>	<u>(2,314,576)</u>	<u>2,799,109,375</u>	<u>1,395,550,000</u>	<u>1,101,767,534</u>	<u>301,791,841</u>

During the year, net loss on fair valuation of derivative financial instruments of AED 2,957,383 has been recognised in the statement of profit or loss (2024: net gain AED 15,017,481). Out of which, loss on hedging instruments, (fair value) was AED 1,694,991 (2024: loss of AED 1,644,270).

At their inception, derivatives often involve only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Branch.

Over-the-counter derivatives may expose the Branch to the risks associated with the absence of an exchange market on which to close out an open position.

#### *Derivative related credit risk*

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of such instruments.

#### *Purpose of derivatives*

In the normal course of meeting the needs of the Branch's customers, the Branch is the party to interest rate swaps, currency swaps and forward foreign exchange contracts.

### 21 INTEREST INCOME

	2025 AED	2024 AED
Interest on loans and advances	56,858,763	36,013,009
Interest on money market and inter-bank transactions	64,796,541	74,035,151
Interest on investments	163,515,453	78,850,562
	<u>285,170,757</u>	<u>188,898,722</u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

**22 INTEREST EXPENSE**

	2025 AED	2024 AED
Interest on customer deposits	102,472,773	34,132,763
Interest on money market and interbank transactions	91,835,344	55,010,061
Interest on subordinated borrowings	3,075,719	8,400,847
	<u>197,383,836</u>	<u>97,543,671</u>

**23 EXPECTED CREDIT LOSSES**

	2025 AED	2024 AED
Net impairment charge/ (release) on due from banks (Note 7)	50,876	(248,465)
Net impairment charge on investments (Note 9)	6,146,458	6,644,267
Net impairment release on loans and advances (Note 10)	(1,012,578)	(32,991,818)
Net impairment (release)/charge on off-balance sheet items (Note 25)	(10,430,970)	50,635,224
Net impairment charge on other financial receivables	6,772	58,378
Net impairment charge on accrued interest receivable	107,254	252,932
Foreign currency exchange	(5,554)	999
Net charge	<u>(5,137,742)</u>	<u>24,351,517</u>

**24 GENERAL AND ADMINISTRATIVE EXPENSES**

	2025 AED	2024 AED
Staff costs	21,021,678	19,408,888
Rental costs - operating leases	204,757	98,000
Depreciation (Note 11)	654,899	660,293
Other operating expenses	3,351,593	3,519,135
	<u>25,232,927</u>	<u>23,686,316</u>

**25 CONTINGENT LIABILITIES AND COMMITMENTS**

*Credit related commitments*

The Branch's contractual amounts in respect of letters of credit, guarantees and acceptances commit the Branch to make payments on behalf of customers contingent upon the terms of the contract being satisfied. The contractual amounts represent the credit risk, assuming that the amounts are fully advanced and that any collateral or other security is of no value. However, the total contractual amount of commitments does not necessarily represent future cash requirements since many of such commitments will expire or terminate without being funded.

The loan commitments represent the contractual commitments to make the loan. These generally have fixed expiry date or other termination clauses and require a payment of a fee. Since commitments may expire without being drawn down, the total contract amounts do not necessarily represent future cash requirements:

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

**25 CONTINGENT LIABILITIES AND COMMITMENTS (continued)**

	2025 AED	2024 AED
<i>Contingent liabilities:</i>		
Commitment	175,000,000	175,000,000
Guarantees	4,076,311,034	2,751,635,823
	<u>4,251,311,034</u>	<u>2,926,635,823</u>
Less: Counter guaranteed by cash	(7,379,296)	(650,000)
Counter guaranteed by other banks	(279,706,286)	-
Counter guaranteed by related parties	(1,657,423,954)	(444,698,666)
	<u>(2,936,509,536)</u>	<u>(1,094,748,666)</u>
Net exposure	<u>2,306,801,498</u>	<u>2,481,287,157</u>

During the year, an impairment charge release of AED 10,430,970 (31 December 2024: impairment charge provision of AED 50,635,224) was recognised in profit or loss on these contingent liabilities (Note 23). The total allowance in relation to the above off balance sheet items (mainly guarantees) as at the reporting date amounted to AED 41,712,440 (2024: AED 52,143,410) in Note 26 (a).

**26 FINANCIAL RISK MANAGEMENT OBJECTIVE**

**Introduction**

Risk is inherent in the Branch's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Branch's continuing profitability and each individual within the Branch is accountable for the risk exposures relating to his or her responsibilities.

The risk reporting line is independent from operational processes and monitors credit risk, operational risk including legal and compliance risk, anti-money laundering and market risk, the latter being subdivided into trading and non-trading risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored by the General Manager in association with the Head Office management.

*Risk mitigation*

The Branch actively, when appropriate, uses collateral to reduce credit risks.

*Risk concentration*

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

In order to avoid excessive concentrations of risk, the Branch's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

**a) Credit risk**

Credit risk is the risk that a customer or counterparty will fail to meet a commitment, resulting in financial loss to the Branch. Such risk arises from lending, trade finance, treasury and other activities undertaken by the Branch. Credit risk is actively monitored in accordance with the credit policies which clearly define delegated lending authorities, policies and procedures. The management of credit risk also involves the monitoring of risk concentrations by industrial sector as well as by geographic location.

The Branch has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Branch to assess the potential loss as a result of the risks to which they are exposed and take corrective action.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

**26 FINANCIAL RISK MANAGEMENT OBJECTIVE (continued)**

**a) Credit risk (continued)**

The Branch manages, limits and controls concentration of credit risk wherever it is identified - in particular, to individual counterparties and groups, and to industries and countries. The Branch has a Guide that sets limits of exposure and lending criteria. The Branch also has credit limits that set out the lending and borrowing limits to/from other banks.

The Branch stratifies the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on an ongoing basis. Limits on the level of credit risk by product, industry sector and by country are approved by the Credit Committee department.

The Branch builds, validates and uses Credit Scoring tools that are populated by internally and externally derived historical data, forward looking models and behavioural models to assess counterparty risk on a customer and portfolio level for some of its corporate products.

*Significant increase in credit risk*

The Branch monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Branch will measure the loss allowance based on lifetime rather than 12-month ECL.

*Internal credit risk ratings*

In order to minimize credit risk, the Branch has adopted the Head Offices' credit risk grading to categorize exposures according to their degree of risk of default. The Head Office's credit risk grading framework comprises 13 categories. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. The table below provides a mapping of the Head Office's internal credit risk grades to external ratings:

<b>Moody's rating</b>	<b>Credit risk grades</b>	<b>Internal description</b>
Aaa	1	Low. The borrower has extremely strong capacity to meet its financial commitments. This is the highest credit rating assigned.
Aa1	2	Low. The borrower has very strong capacity to meet its financing commitments. It differs from the highest rated borrowers only to a small degree. This credit rating is in the upper level in its category and closest to the highest rating.
Aa2	3	Low. The borrower has very strong capacity to meet its financial commitments. This credit rating is in the base level in its category. An upgrade to 2 or a downgrade to 4 will not change the risk perception.
Aa3	4	Low. The borrower has very strong capacity to meet its financial commitments. This credit rating is in the lower level in its category. A downgrade will change the overall perception from very strong to strong capacity,
A1	5	Medium The borrower has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than borrower in higher rated categories.
A2	5	
A3	5	
Baa1	6	Medium. The borrower has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the borrower to meet its financial commitments.
Baa2	6	
Baa3	6	
Ba1	7	Monitoring. The borrower is less vulnerable in the near term than other lower rated borrowers. However, it faces major ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to its inadequate capacity to meet its financial commitments.
Ba2	7	
Ba3	7	

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

**26 FINANCIAL RISK MANAGEMENT OBJECTIVE (continued)**

*a) Credit risk (continued)*

*Internal credit risk ratings (continued)*

<i>Moody's rating</i>	<i>Credit risk grades</i>	<i>Internal description</i>
B1	8	Monitoring. The borrower is vulnerable to any adverse business, financial or economic conditions which would likely impair its capacity or willingness to meet its financial commitments.
B2	8	
B3	8	
Caa1	9	Monitoring. The borrower is highly vulnerable, and is dependent upon favourable business, financial, and economic conditions to meet its financial commitments.
Caa2	10	
Caa3	11	Substandard
Ca	11	Substandard
C	12	Doubtful
D	13	Loss

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

The following data are typically used to monitor the Branch's exposures:

- Payment record, including payment ratios and ageing analysis;
- Extent of utilization of granted limit;
- Forbearances (both requested and granted);
- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies; and
- For corporate exposures: information obtained by periodic review of customer files including audited financial statements review, market data such as prices of credit default swaps (CDS) or quoted bonds where available, changes in the financial sector the customer operates etc.

The Branch analyses all data collected using statistical models and estimates the remaining lifetime PD of exposures and how these are expected to change over time. The factors taken into account in this process include macro-economic data. The Branch generates a 'base case' scenario of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The Branch then uses these forecasts, which are probability-weighted, to adjust its estimates of PDs.

The Branch uses different criteria to determine whether credit risk has increased significantly per portfolio of assets.

*Incorporation of forward-looking information*

The Branch uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Branch employs experts who use external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Branch applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Branch for strategic planning and budgeting. The Branch has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The Branch has not made changes in the estimation techniques or significant assumptions made during the reporting period.

# Industrial and Commercial Bank of China Limited - Abu Dhabi Branch

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

### 26 FINANCIAL RISK MANAGEMENT OBJECTIVE (continued)

#### a) Credit risk (continued)

##### Credit quality

The Branch monitors credit risk per class of financial instrument. The table below outlines the classes identified, as well as the financial statement line item and the note that provides an analysis of the items included in the financial statement line for each class of financial instrument:

<i>Class of financial instrument</i>	<i>Notes</i>
Due from banks	7
Due from the Head Office and affiliates	8
Investment securities	9
Loans and advances	10
Interest rate swaps and other derivatives	20
Other assets (excluding prepayments)	12

##### Exposure to credit risk

The Branch measures its exposure to credit risk by reference to gross carrying amount of financial assets less interest suspended and expected credit allowances, if any.

	2025				2024 AED
	Stage 1 AED	Stage 2 AED	Stage 3 AED	Total AED	
<b>Due from banks</b>					
Gross exposure	2,284,490,388	-	-	2,284,490,388	360,253,946
Allowance for expected credit losses	(54,603)	-	-	(54,603)	(3,727)
<b>Net carrying amount</b>	<b>2,284,435,785</b>	<b>-</b>	<b>-</b>	<b>2,284,435,785</b>	<b>360,250,219</b>
<b>Loans and advances</b>					
Gross exposure	1,181,672,193	-	-	1,181,672,193	1,117,020,817
Allowance for expected credit losses	(12,765,266)	-	-	(12,765,266)	(13,777,844)
<b>Net carrying amount</b>	<b>1,168,906,927</b>	<b>-</b>	<b>-</b>	<b>1,168,906,927</b>	<b>1,103,242,973</b>
<b>Investment securities</b>					
Gross exposure	7,334,106,548	-	-	7,334,106,548	2,376,025,276
Allowance for expected credit losses	(19,611,167)	-	-	(19,611,167)	(13,464,709)
<b>Net carrying amount</b>	<b>7,314,495,381</b>	<b>-</b>	<b>-</b>	<b>7,314,495,381</b>	<b>2,362,560,567</b>

##### Expected credit loss allowance

A summary of the provision for credit loss and the net movement on financial instruments by category are as follows:

	1 January 2025 AED	Net (charge)/ release during the year AED	31 December 2025 AED
Due from banks (Note 7)	(3,727)	(50,876)	(54,603)
Investment securities (Note 9)	(13,464,709)	(6,146,458)	(19,611,167)
Loans and advances (Note 10)	(13,777,844)	1,012,578	(12,765,266)
Guarantees (Note 25)	(52,143,410)	10,430,970	(41,712,440)
Other financial receivables	(59,711)	(6,772)	(66,483)
Accrued interest receivable	(252,932)	(107,254)	(360,186)
<b>Total</b>	<b>(79,702,333)</b>	<b>5,132,188</b>	<b>(74,570,145)</b>

# Industrial and Commercial Bank of China Limited - Abu Dhabi Branch

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

### 26 FINANCIAL RISK MANAGEMENT OBJECTIVE (continued)

#### a) Credit risk (continued)

	1 January 2024 AED	Net (charge)/ release during the year AED	31 December 2024 AED
Due from banks (Note 7)	(252,192)	248,465	(3,727)
Investment securities (Note 9)	(6,820,442)	(6,644,267)	(13,464,709)
Loans and advances (Note 10)	(46,769,662)	32,991,818	(13,777,844)
Guarantees (Note 25)	(1,508,186)	(50,635,224)	(52,143,410)
Other financial receivables	(1,333)	(58,378)	(59,711)
Accrued interest receivable	-	(252,932)	(252,932)
<b>Total</b>	<b>(55,351,815)</b>	<b>(24,350,518)</b>	<b>(79,702,333)</b>

#### Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk for the components of the statement of financial position, including contingent liabilities, derivatives, commitments and excluding cash on hand. The maximum exposure is shown including impairment provision on loans and advances but before the effect of mitigation through the use of master netting and collateral agreements:

	Notes	2025 AED	2024 AED
Cash and balances with the Central Bank of UAE	6	1,254,515,525	1,251,098,324
Due from banks	7	2,284,490,388	360,253,946
Due from the Head Office and affiliates	8	144,665,406	339,650,425
Investments	9	7,334,106,548	2,362,560,567
Loans and advances	10	1,181,672,193	1,117,020,817
Other assets (excluding prepayments and deferred tax assets)	12	86,756,291	49,109,293
<b>Total</b>		<b>12,286,206,351</b>	<b>5,479,693,372</b>
<i>Off-balance sheet</i>			
Commitment	25	175,000,000	175,000,000
Guarantees	25	4,076,311,034	2,751,635,823
Interest swaps and other derivatives	20	1,642,307,592	2,799,109,375
<b>Total</b>		<b>5,893,618,626</b>	<b>5,725,745,198</b>
<b>Total credit risk exposure</b>		<b>18,179,824,977</b>	<b>11,221,358,983</b>

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more detail on the maximum exposure to credit risk for each class of financial instrument, references have been made to the specific notes. The effect of collateral and other risk mitigation techniques is shown below.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

**26 FINANCIAL RISK MANAGEMENT OBJECTIVE (continued)**

*a) Credit risk (continued)*

*Risk concentrations of the maximum exposure to credit risk (continued)*

*Amounts due from banks*

The Branch held amounts due from banks consists of placements with banks and current account. The table below presents an analysis of amounts due from banks by rating agency designation at 31 December 2025 and 2024, based on Moody's, Standard and Poor's and Fitch ratings or their equivalent:

	<i>2025</i>	<i>2024</i>
	<i>AED</i>	<i>AED</i>
AAA	-	-
AA to AA-	<b>69,420,275</b>	4,999,121
A+ to A-	<b>293,911,668</b>	263,392,109
BBB+ to BBB-	<b>1,921,143,364</b>	91,847,788
BB+ to BB	<b>15,081</b>	14,928
<b>Total</b>	<b>2,284,490,388</b>	360,253,946

*Amounts due from the Head Office and affiliates*

The Branch held amounts due from related parties which consists of placements with banks and current account. The table below presents an analysis of amounts due from the Head Office and affiliates by rating agency designation at 31 December 2025 and 2024, based on Moody's, Standard and Poor's and Fitch ratings or their equivalent:

	<i>2025</i>	<i>2024</i>
	<i>AED</i>	<i>AED</i>
A+ to A-	<b>144,538,182</b>	339,529,001
Unrated	<b>127,224</b>	121,424
	<b>144,665,406</b>	339,650,425

*Investments*

Investment securities mainly comprise of debt securities issued by various governments and local/foreign reputable organisations. The table below presents an analysis of debt securities by rating agency designation at 31 December 2025 and 2024, based on Moody's, Standard and Poor's and Fitch ratings or their equivalent:

	<i>2025</i>	<i>2024</i>
	<i>AED</i>	<i>AED</i>
AAA to A-	<b>6,863,082,376</b>	1,690,939,658
BBB to B-	<b>471,024,172</b>	671,620,909
	<b>7,334,106,548</b>	2,362,560,567

Concentration of risk is managed by client/counterparty, by geographical region and by industry sector. The total credit exposure to clients or counterparties as of 31 December 2025 was AED 12,301,200,671 (2024: AED 5,495,613,785) before taking account of collateral or other credit enhancements.

# Industrial and Commercial Bank of China Limited - Abu Dhabi Branch

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

### 26 FINANCIAL RISK MANAGEMENT OBJECTIVE (continued)

#### a) Credit risk (continued)

##### *Risk concentrations of the maximum exposure to credit risk (continued)*

##### *Interest rate swaps and other derivatives*

The Branch entered into interest rate swaps and other back to back derivatives with banks. The table below presents an analysis of commitments with other banks by rating agency designation at 31 December 2025 and 2024, based on Moody's, Standard and Poor's and Fitch ratings or their equivalent:

	<b>2025</b>	<b>2024</b>
	<b>AED</b>	<b>AED</b>
AA to AA-	<b>202,722,000</b>	838,733,085
A+ to A-	<b>1,439,585,592</b>	1,960,376,290
	<b>1,642,307,592</b>	2,799,109,375

The Branch's maximum exposure to credit risk, before taking into account any collateral held or other credit enhancements can be analyzed by the following geographical regions:

	<b>2025</b>		<b>2024</b>	
	<i>Assets</i>	<i>Contingent liabilities and commitments</i>	<i>Assets</i>	<i>Contingent liabilities and commitments</i>
	<b>AED</b>	<b>AED</b>	<b>AED</b>	<b>AED</b>
United Arab Emirates	<b>7,093,282,377</b>	<b>2,314,180,794</b>	3,503,985,051	2,148,311,791
Other Middle East countries	<b>1,483,006,131</b>	-	622,830,949	-
Chinese mainland	<b>3,137,458,522</b>	<b>1,923,265,058</b>	929,423,842	778,324,032
China Hong Kong	<b>20,215,915</b>	<b>13,865,182</b>	64,823,411	-
Europe	<b>71,682,375</b>	-	16,378,737	-
Rest of the world	<b>495,555,351</b>	-	358,171,795	-
	<b>12,301,200,671</b>	<b>4,251,311,034</b>	5,495,613,785	2,926,635,823

An industry sector analysis of the Branch's maximum exposure to credit risk before taking into account collateral held or other credit enhancements, is as follows:

	<b>2025</b>	<b>2024</b>
	<b>AED</b>	<b>AED</b>
Government and public sectors	<b>5,973,706,540</b>	3,039,609,115
Financial sectors	<b>4,824,744,737</b>	2,340,801,800
Commercial and business	<b>1,502,749,394</b>	115,202,870
	<b>12,301,200,671</b>	5,495,613,785

##### *Collateral and other credit enhancements*

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. The main types of collateral obtained are cash, securities, charges over real estate properties, inventory and trade receivables.

The Branch also obtains guarantees from parent companies for loans to their subsidiaries or other group companies.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

It is the Branch's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim.

**26 FINANCIAL RISK MANAGEMENT OBJECTIVE (continued)**

**a) Credit risk (continued)**

*Collateral and other credit enhancements (continued)*

*Measurement of ECL*

The key inputs used for measuring ECL are:

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

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

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

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, time to realization of collateral, cross-collateralization and seniority of claim, cost of realization of collateral and cure rates (i.e. exit from non-performing status). LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the loan. Regulatory LGDs are taken for portfolios with limited historic data and low default portfolios.

EAD is an estimate of the current exposure for funded facilities. For non-funded facilities the EAD is taken as the product of the applicable credit conversion factors and contract values. Exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Head Office's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortization profiles, early repayment or overpayment, changes in utilization of undrawn commitments and credit mitigation actions taken before default. The Head Office uses EAD models that reflect the characteristics of the portfolios.

The Branch measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contract extension or renewal is common business practice. However, for financial instruments such as credit cards, revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment component, the Branch's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Branch's exposure to credit losses to the contractual notice period. For such financial instruments the Branch measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period.

These financial instruments do not have a fixed term or repayment structure and have a short contractual cancellation period. However, the Branch does not enforce in the normal day-to-day management the contractual right to cancel these financial instruments. This is because these financial instruments are managed on a collective basis and are cancelled only when the Branch becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Branch expects to take to mitigate ECL, e.g. reduction in limits or cancellation of the loan commitment.

*Groupings based on shared risks characteristics*

When ECL are measured on a collective basis, the financial instruments are grouped based on shared risk characteristics, such as:

- Instrument type;
- Credit risk grade;
- Collateral type;

# Industrial and Commercial Bank of China Limited - Abu Dhabi Branch

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

### 26 FINANCIAL RISK MANAGEMENT OBJECTIVE (continued)

#### a) Credit risk (continued)

##### *Collateral and other credit enhancements (continued)*

##### *Groupings based on shared risks characteristics (continued)*

The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

The Branch uses external benchmark information for portfolios with limited historical data and for low default portfolios where there are no instances of historical default.

The Branch has in place policies, which govern the determination of eligibility of various collaterals including credit protection, to be considered for credit risk mitigation, which includes the minimum operational requirements that are required for the specific collateral to be considered as effective risk mitigating. The Branch's major collaterals are cash.

The collateral is valued periodically ranging from quarterly to annually, depending on the type of collateral.

#### b) Liquidity risk

Liquidity risk is the risk that an institution will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management has diversified funding sources and assets are managed with liquidity in mind and by maintaining a healthy balance of cash and cash equivalents.

The Branch maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Branch also has committed lines of credit that it can access to meet liquidity needs. In addition, the Branch maintains a statutory deposit with the Central Bank of UAE equal to 11% of demand deposits and 1% of time deposits. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Branch.

Maturities of assets and liabilities based on the remaining period at the statement of financial position date to the contractual maturity date not taking account of the effective maturities as indicated by the Branch's deposit retention history and the availability of liquid funds, as at 31 December 2025 is as follows:

	<i>Less than 3 months AED</i>	<i>3 months to 12 months AED</i>	<i>1-5 years AED</i>	<i>Over 5 years AED</i>	<i>Total AED</i>
<b>2025</b>					
<b>ASSETS</b>					
Cash and balances with the Central Bank of UAE	1,255,614,087	-	-	-	1,255,614,087
Due from banks	2,100,865,388	183,570,397	-	-	2,284,435,785
Due from the Head Office and affiliates	144,665,406	-	-	-	144,665,406
Investment securities	2,332,359,245	2,454,516,330	1,301,539,356	1,245,691,617	7,334,106,548
Loans and advances - net	146,900,000	29,652,193	808,729,734	183,625,000	1,168,906,927
Property, furniture and equipment	-	-	561,594	6,790,015	7,351,609
Other assets	101,750,611	-	-	-	101,750,611
<b>Total</b>	<b>6,082,154,737</b>	<b>2,667,738,920</b>	<b>2,110,830,684</b>	<b>1,436,106,632</b>	<b>12,296,830,973</b>
<b>LIABILITIES</b>					
Due to banks	290,688,718	367,250,000	-	-	657,938,718
Due to the Head Office and affiliates	3,346,264,133	287,127,251	-	-	3,633,391,384
Subordinated borrowings	-	-	-	-	-
Customer deposits	5,540,512,252	1,477,895,875	2,000,000	-	7,020,408,127
Other liabilities (including taxation)	170,889,960	47,617,157	-	-	218,507,117
<b>Total</b>	<b>9,348,355,063</b>	<b>2,179,890,283</b>	<b>2,000,000</b>	<b>-</b>	<b>11,530,245,346</b>
<b>Net liquidity gap</b>	<b>(3,266,200,326)</b>	<b>487,848,637</b>	<b>2,108,830,684</b>	<b>1,436,106,632</b>	<b>766,585,627</b>

Industrial and Commercial Bank of China Limited - Abu Dhabi Branch

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

**26 FINANCIAL RISK MANAGEMENT OBJECTIVE (continued)**

**b) Liquidity risk (continued)**

	<i>Less than 3 months AED</i>	<i>3 months to 12 months AED</i>	<i>1-5 years AED</i>	<i>Over 5 years AED</i>	<i>Total AED</i>
2024					
<b>ASSETS</b>					
Cash and balances with the Central Bank of UAE	1,252,213,661	-	-	-	1,252,213,661
Due from banks	360,250,219	-	-	-	360,250,219
Due from the Head Office and affiliates	339,650,425	-	-	-	339,650,425
Investment securities	748,440,042	940,796,726	481,670,604	191,653,195	2,362,560,567
Loans and advances - net	-	159,487,567	762,395,406	181,360,000	1,103,242,973
Property, furniture and equipment	-	-	378,539	7,178,524	7,557,063
Other assets	65,127,685	-	-	-	65,127,685
<b>Total</b>	<b>2,765,682,032</b>	<b>1,100,284,293</b>	<b>1,244,444,549</b>	<b>380,191,719</b>	<b>5,490,602,593</b>
<b>LIABILITIES</b>					
Due to banks	1,380,500,731	125,675,000	-	-	1,506,175,731
Due to the Head Office and affiliates	1,537,997,195	172,607,500	-	-	1,710,604,695
Subordinated borrowings	-	183,625,000	-	-	183,625,000
Customer deposits	1,253,970,773	20,531,650	-	-	1,274,502,423
Other liabilities (including taxation)	118,573,712	25,114,788	-	-	143,688,500
<b>Total</b>	<b>4,291,042,411</b>	<b>527,553,938</b>	<b>-</b>	<b>-</b>	<b>4,818,596,349</b>
<b>Net liquidity gap</b>	<b>(1,525,360,379)</b>	<b>572,730,355</b>	<b>1,244,444,549</b>	<b>380,191,719</b>	<b>672,006,244</b>

# Industrial and Commercial Bank of China Limited - Abu Dhabi Branch

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

### 26 FINANCIAL RISK MANAGEMENT OBJECTIVE (continued)

#### b) Liquidity risk (continued)

*Analysis of undiscounted financial liabilities by remaining contractual maturities*

The table below summarises the maturity profile of the Branch's financial liabilities at 31 December 2025 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Branch expects that many customers will not request repayment on the earliest date the Branch could be required to pay and the table does not reflect the expected cash flows indicated by the Branch's deposit retention history.

*Analysis of undiscounted financial liabilities by remaining contractual maturities*

	<i>Total Carrying Amount AED</i>	<i>Gross nominal outflows AED</i>	<i>Less than 3 months AED</i>	<i>3 months to 12 months AED</i>	<i>1 to 5 years AED</i>
<b>2025</b>					
Due to banks and other financial institutions	657,938,718	668,874,485	291,479,918	377,394,567	-
Due to the banks, Head Office and affiliates	3,633,391,384	3,645,520,038	3,352,873,343	292,646,695	-
Subordinated borrowings	-	-	-	-	-
Customer deposits	7,020,408,127	7,076,183,572	5,550,429,080	1,523,699,892	2,054,600
Other liabilities	137,025,714	137,025,714	137,025,714	-	-
<b>Total liabilities</b>	<b>11,448,763,943</b>	<b>11,527,603,809</b>	<b>9,331,808,054</b>	<b>2,193,741,154</b>	<b>2,054,600</b>
<b>2024</b>					
Due to banks and other financial institutions	1,506,175,731	1,512,466,555	1,384,817,899	127,648,656	-
Due to the banks, Head Office and affiliates	1,710,604,695	1,720,178,945	1,542,186,213	177,992,732	-
Subordinated borrowings	183,625,000	186,700,719	-	186,700,719	-
Customer deposits	1,274,502,423	1,275,307,599	1,254,372,810	20,934,789	-
Other liabilities	73,124,349	73,124,349	73,124,349	-	-
<b>Total liabilities</b>	<b>4,748,032,198</b>	<b>4,767,778,167</b>	<b>4,254,501,271</b>	<b>513,276,896</b>	<b>-</b>

Industrial and Commercial Bank of China Limited - Abu Dhabi Branch

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

**26 FINANCIAL RISK MANAGEMENT OBJECTIVE (continued)**

**b) Liquidity risk (continued)**

The table below shows the contractual expiry by maturity of the Branch's contingent liabilities and commitments:

	<i>On demand AED</i>	<i>Less than 3 months AED</i>	<i>3 to 12 months AED</i>	<i>1 to 5 years AED</i>	<i>Over 5 years AED</i>	<i>Total AED</i>
<b>2025</b>						
Contingent liabilities	-	579,432,201	348,800,653	2,571,726,678	576,351,502	4,076,311,034
<b>2024</b>						
Contingent liabilities	-	233,092,170	319,903,332	2,373,640,321	-	2,926,635,823

The Branch expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

# Industrial and Commercial Bank of China Limited - Abu Dhabi Branch

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

### 26 FINANCIAL RISK MANAGEMENT OBJECTIVE (continued)

#### c) *Market risk*

Market risk arises from fluctuations in interest rates, foreign exchange rates and equity prices. The Head Office has set limits on the value of risk that may be accepted. This is monitored on a regular basis by the Branch's Asset and Liability Committee (ALCO). However, the Abu Dhabi Branch of Industrial and Commercial Bank of China Limited do not have trading book positions, and thus the Branch has banking book positions in the foreign exchange market.

#### d) *Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Branch is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off statement of financial position instruments that mature or reprice in a given period. The Head Office has established limits on the interest rate gaps for stipulated periods. Positions are monitored on a daily basis to ensure that these are maintained within the established limits.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Branch's statement of profit or loss and comprehensive income. There is no material impact on the Branch's equity.

The sensitivity of the statement of profit or loss and comprehensive income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2025.

Currency	2025		2024	
	Change in basis points	Sensitivity of net interest income AED	Change in basis points	Sensitivity of net interest income AED
UAE dirhams and US Dollars	+100	18,858,258	+100	19,105,965
UAE dirhams and US Dollars	-100	(18,858,258)	-100	(19,105,965)

The interest rate sensitivity set out above relates primarily to the UAE Dirhams and US Dollars as the Branch does not have any significant net exposure for non-trading financial assets and financial liabilities denominated in other currencies.

#### e) *Currency risk*

The Branch has foreign exchange exposure on the transactions that are denominated in Chinese Yuan (CNY). As of 31 December 2025, the Branch had assets and liabilities of AED 1,171,629,812 (2024: AED 861,989,309) and AED 988,795,744 (2024: AED 593,028,463) respectively denominated in CNY and assets and liabilities of AED 5,336,443,729 (2024: AED 1,821,832,951) and AED 5,229,066,200 (2024: AED 1,809,281,551) respectively denominated in USD.

For the year ended 31 December 2025, had the exchange rates on net foreign exchange exposure increased/decreased by 5% with all other variables remaining constant, the approximate impact on the results of the Branch would have been as follows:

	2025 AED	2024 AED
Chinese Yuan - net	9,141,703	13,448,042

#### f) *Operational risk*

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Branch cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Branch is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

**27 FAIR VALUE OF FINANCIAL INSTRUMENTS**

Financial assets consist of cash and balances with the UAE Central Bank, due from banks, due from the Head Office and affiliates, investment securities, loans and advances, derivative financial instruments and other assets. Financial liabilities consist of due to banks, due to the Head Office and affiliates, derivative financial instruments, subordinated borrowings, customer deposits, certificates of deposit and other liabilities.

Derivative products valued using a valuation technique with market observable inputs are mainly interest rate swaps. The most frequently applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and interest rate curves.

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Branch determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Branch uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument;

Level 2: Inputs other than quoted prices included within Level 1 that are observable 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 in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and

Level 3: Inputs are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable 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 for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

**a) Fair value hierarchy of assets/liabilities measured at fair value**

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

	<i>Level 1</i> <i>AED</i>	<i>Level 2</i> <i>AED</i>	<i>Level 3</i> <i>AED</i>	<i>Total</i> <i>AED</i>
<b>2025</b>				
<b>Financial assets</b>				
<i>FVTOCI debt instruments</i>	-	-	-	-
<i>Quoted investments</i>				
Investment securities	<b>7,334,106,548</b>	-	-	<b>7,334,106,548</b>
<i>Derivative financial instruments</i>				
Currency swaps	-	<b>3,775,126</b>	-	<b>3,775,126</b>
Forwards	-	-	-	-
Interest rate swaps	-	<b>9,565,700</b>	-	<b>9,565,700</b>

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At 31 December 2025

**27 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

*a) Fair value hierarchy of assets/liabilities measured at fair value (continued)*

	<i>Level 1</i> AED	<i>Level 2</i> AED	<i>Level 3</i> AED	<i>Total</i> AED
<b>Financial liabilities</b>				
<i>Derivative financial instruments</i>				
Currency swaps	-	(331,425)	-	(331,425)
Forward swaps	-	(5,026,561)	-	(5,026,561)
Interest rate swaps	-	(748,437)	-	(748,437)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>2024</b>				
<b>Financial assets</b>				
<i>FVTOCI debt instruments</i>				
	-	-	-	-
<i>Quoted investments</i>				
Investment securities	2,362,560,567	-	-	2,362,560,567
<i>Derivative financial instruments</i>				
Currency swaps	-	8,169,098	-	8,169,098
Forwards	-	3,532,525	-	3,532,525
Interest rate swaps	-	13,449,018	-	13,449,018
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Financial liabilities</b>				
<i>Derivative financial instruments</i>				
Currency swaps	-	(2,203,790)	-	(2,203,790)
Forward swaps	-	-	-	-
Interest rate swaps	-	(110,786)	-	(110,786)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

*b) Financial instruments not measured at fair value*

The fair values of financial instruments not measured at fair value approximates the carrying amounts of the financial instruments as at the reporting date.

**28 CAPITAL ADEQUACY**

The Branch maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Branch's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios") and adopted by the Central Bank of UAE in supervising the Branch.

During the year, the Branch had complied in full with all its externally imposed capital requirements.

*Capital management*

The primary objective of the Branch's capital management is to ensure that the Branch complies with externally imposed capital requirements and that the Branch maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The CBUAE 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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

**28 CAPITAL ADEQUACY (continued)**

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

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

The table below summarises the composition of regulatory capital and the ratios of the Branch as per Basel III guidelines and has complied with all of the externally imposed capital requirements which it is subject to:

	2025 AED	2024 AED
<i>Tier 1 capital</i>		
Allocated capital	312,120,000	312,120,000
Eligible reserves	72,516,256	49,753,600
Retained earnings	373,181,305	317,188,500
	<u>757,817,561</u>	<u>679,062,100</u>
<i>Tier 2 capital</i>		
Impairment provision (1.25% of Risk weighted assets)	54,801,074	44,708,547
Subordinated borrowings (27.4%)	-	13,404,625
	<u>54,801,074</u>	<u>58,113,172</u>
<b>Total capital base</b>	<u><u>812,618,635</u></u>	<u><u>737,175,272</u></u>
<i>Risk weighted assets (RWA) Pillar 1</i>		
Credit risk	4,384,085,922	3,576,683,775
Market risk	15,921,000	27,413,000
Operational risk	156,590,625	101,822,500
<b>Total risk-weighted assets</b>	<u><u>4,556,597,547</u></u>	<u><u>3,705,919,275</u></u>
	<u>2025</u> AED	<u>2024</u> AED
<b>Tier 1 ratio</b>	<u>16.63%</u>	<u>18.32%</u>
<b>Tier 2 ratio</b>	<u>1.2%</u>	<u>1.57%</u>
<b>Capital adequacy ratio</b>	<u><u>17.83%</u></u>	<u><u>19.89%</u></u>

Regulatory capital consists of Tier 1 capital, which comprises allocated capital, retained earnings, general reserve and statutory reserves. The other component of regulatory capital is Tier 2 capital. Branch's Tier 2 capital comprised the general provision recorded in accordance with the provisioning requirement by the Central Bank of UAE and qualifying subordinated liabilities not part of CET1.

**29 SUBSEQUENT EVENTS**

Subsequent to the reporting date, geopolitical tensions in parts of the Middle East have increased. Public communications from government and regulatory authorities have continued to emphasise the resilience of the economy and the continuation of business operations across key sectors, supported by established business continuity and risk management frameworks.

These developments arose after the reporting period and have therefore been assessed as non-adjusting events in accordance with IAS 10 Events after the Reporting Period. Accordingly, no adjustments have been made to the amounts recognised in the financial statements as at 31 December 2025, which reflect conditions existing at that date.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

**29 SUBSEQUENT EVENTS (continued)**

The Branch has assessed the potential implications of these events on its operations, financial position and performance. Based on information currently available, including the continuation of core business activities, it is not practicable to reliably estimate the full financial effect of these non-adjusting events on future periods.

**30 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the General Manager and authorised for issue on 29 March 2026.