Al Hilal Bank PJSC

Pillar 3 Report

31 March 2025

Contents

1. Key Metrics for the Group (KM1)

There has been a decrease of AED 399Mn in total risk weighted assets (RWA) over the last quarter primarily due to change in operation risk and decrease in Financing portfolio. AED 403Mn increased in Leverage Ratio, AED 158Mn increased in Available Stable Fund Ratio (ASRR) and AED 423Mn increased in High Quality Liquid Asset (HQLA) over the last quarter.

AED'000	31-Mar-25	31-Dec-24	30-Sep-24	30-Jun-24	31-Mar-24
Available capital (amounts)					
Common Equity Tier 1 (CET1)	1,284,382	1,285,706	1,296,490	1,311,202	1,365,922
Tier 1	1,284,382	1,285,706	1,296,490	1,311,202	1,365,922
Total capital	1,353,504	1,357,693	1,383,127	1,397,839	1,460,934
Risk-weighted assets (amounts)					
Total risk-weighted assets (RWA)	6,118,935	6,517,532	7,889,226	7,868,682	8,560,823
Risk-based capital ratios as a percentage of RWA					
Common Equity Tier 1 ratio (%)	20.99%	19.73%	16.43%	16.66%	15.96%
Tier 1 ratio (%)	20.99%	19.73%	16.43%	16.66%	15.96%
Total capital ratio (%)	22.12%	20.83%	17.53%	17.76%	17.07%
Additional CET1 buffer requirements as a percentage of RWA					
Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
Countercyclical buffer requirement (%)	0%	0%	0%	0%	0%
Bank D-SIB additional requirements (%)	0%	0%	0%	0%	0%
Total of bank CET1 specific buffer requirements (%)	2.50%	2.50%	2.50%	2.50%	2.50%
CET1 available after meeting the bank's min capital requirements (%)	11.62%	10.33%	7.03%	7.26%	6.57%
Basel III Leverage Ratio					
Total Basel III leverage ratio measure	11,250,627	10,847,779	11,967,202	12,549,581	13,503,849
Basel III leverage ratio (%)	11.42%	11.85%	10.83%	10.45%	10.12%
ELAR					
Total HQLA	2,912,019	2,489,958	2,650,149	2,944,359	2,135,394
Total liabilities	9,609,009	9,571,166	9,885,140	10,733,330	10,712,831
Eligible Liquid Assets Ratio (ELAR) (%)	30.31%	26.02%	26.81%	27.43%	19.93%
ASRR					
Total available stable funding	8,174,361	8,015,412	8,641,980	8,473,339	9,072,875
Total Advances	6,368,907	6,469,868	7,400,889	7,458,341	7,779,715
Advances to Stable Resources Ratio (%)	77.91%	80.72%	85.64%	88.02%	85.75%

2. Overview of risk weighted assets (OV1)

The OV1 table provides an overview of our RWA and the related minimum capital requirements by risk type. Over the quarter, total CRWA decreased by AED 177Mn to AED 5.5Bn

Credit Risk: The decrease of AED 177Mn in credit risk weighted assets (CRWA) over the quarter is primarily driven by decreases in CRWA of Financing portfolio and Sukuk.

Equity Investment in Funds (EIF): RWA was calculated using the Look through Approach (LTA) for Equity Investment in Funds (EIF) for the two funds - Global Sukuk Fund (GSF) and GCC Equity Fund. RWA has decreased from AED 51.8Mn in Q4'24 to Zero in Q1'25. This decrease is due to sale off of both these funds to ADCB Group.

Market Risk Capital: The Market risk capital in AHB comprises of Foreign Exchange Risk and Equity Risk. There is no capital requirement for derivatives as there is no trading position. Market Risk RWA has changed minimally between Q4'24 and Q1'25 from AED 15.71Mn AED to AED 16.23Mn. The change is due to increase in net FX open position against USD.

Operational Risk: The decrease of AED 170 million in Operational Risk for Q1-2025 is due to the annual recalculation based on the last three years' revenue.

AED'000

	RWA		Minimum capital requirements
	31-Mar-25	31-Dec-24	31-Mar-25
Credit risk (excluding counterparty credit risk)	5,529,779	5,707,148	718,871
Of which: standardised approach (SA)	5,529,779	5,707,148	718,871
Of which: foundation internal ratings-based (F-IRB) approach	-	-	-
Of which: supervisory slotting approach	-	-	-
Of which: advanced internal ratings-based (A-IRB) approach	-	-	-
Counterparty credit risk (CCR)	-	-	-
Of which: standardised approach for counterparty credit risk	-	-	-
Credit valuation adjustment (CVA)	-	-	-
Equity investments in funds - look-through approach	-	51,789	-
Equity investments in funds - mandate-based approach	-	-	-
Equity investments in funds - fall-back approach	-	-	-
Settlement risk	-	-	-
Securitisation exposures in the banking book	-	-	-
Of which: securitisation external ratings-based approach (SEC-ERBA), Including internal assessment approach	-	-	-
Of which: securitisation standardised approach (SEC-SA)	-	-	-
Market risk	16,230	15,717	1,704
Of which: standardised approach (SA)	16,230	15,717	1,704
Operational risk	572,926	742,878	60,157
Total	**6,118,935**	**6,517,532**	**780,733**

3. Leverage Ratio

The Basel III leverage ratio is calculated by dividing the period-end tier 1 capital by the period-end leverage ratio denominator (LRD), as summarized in the table below.

3.1. Summary comparison of accounting assets versus leverage ratio exposure measure (LR1)

AED'000

Summary comparison of accounting assets vs leverage ratio exposure	31-Mar-25	31-Dec-24	30-Sep-24	30-Jun-24	31-Mar-24
Total consolidated assets as per published financial statements	11,427,932	11,025,728	12,046,603	12,619,085	13,534,499
Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-	-	-	-	-
Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-	-	-	-	-
Adjustments for temporary exemption of central bank reserves (if applicable)	-	-	-	-	-
Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-	-	-	-
Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	-	-	-	-	-
Adjustments for eligible cash pooling transactions	-	-	-	-	-
Adjustments for derivative financial instruments	-	-	-	1,825	45,613
Adjustment for securities financing transactions (ie repos and similar secured lending)	-	-	-	-	-
Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	16,265	15,172	107,362	122,483	121,150
Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-	-	-	-	-
Other adjustments	(193,571)	(193,122)	(186,763)	(193,813)	(197,412)
Leverage ratio exposure measure	**11,250,627**	**10,847,779**	**11,967,202**	**12,549,581**	**13,503,849**

The LRD consists of IFRS on-balance sheet assets and off-balance sheet items. Derivative exposures are adjusted for a number of items, including replacement value and eligible cash variation margin netting, the current exposure method add-on and net notional amounts for written credit derivatives.

The table on the next page shows the difference between total IFRS assets per IFRS consolidation scope and the BCBS (Basel Committee on Banking Supervision) total on-balance sheet exposures. Those exposures are the starting point for calculating the BCBS LRD, as shown in the LR2 table in this section. The difference is due to the application of the regulatory scope of consolidation for the purpose of the BCBS calculation. In addition, carrying amounts for derivative financial instruments and Securities Financing Transactions (SFTs) are deducted from IFRS total assets. They are measured differently under BCBS leverage ratio rules and are therefore added back in separate exposure line items in the LR2 table.

3.2. Leverage ratio common disclosure (LR2)

Leverage Ratio: Previously, the Leverage Ratio included exposure to derivative instruments, specifically Profit Rate Swaps, which were solely used for hedging purposes. As of 31 March 2025, all Profit Rate Swap contracts have matured. Consequently, as at 31 March 2025, AHB has no outstanding derivative exposure, and therefore, the exposure considered under the Leverage Ratio is nil.

AED'000

	31-Mar-25	31-Dec-24	30-Sep-24	30-Jun-24	31-Mar-24
On-balance sheet exposures					
On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	11,427,932	11,025,728	12,046,603	12,619,085	13,534,499
Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	-	-	-	-	-
(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-	-	-	-
(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-	-	-	-
(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	-	-	-	-	-
(Asset amounts deducted in determining Tier 1 capital)	(193,571)	(193,122)	(186,763)	(193,813)	(197,412)
Total on-balance sheet exposures (excluding derivatives and SFTs)	11,234,362	10,832,606	11,859,840	12,425,272	13,337,087
Derivative exposures					
Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)*	-	-	-	1,699	36,360
Add-on amounts for PFE associated with *all* derivatives transactions*	-	-	-	126	9,253
(Exempted CCP leg of client-cleared trade exposures)	-	-	-	-	-
Adjusted effective notional amount of written credit derivatives	-	-	-	-	-
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-	-	-	-
Total derivative exposures	-	-	-	1,825	45,613
Securities financing transactions					
Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	-	-	-	-	-
(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-	-	-	-
CCR exposure for SFT assets	-	-	-	-	-
Agent transaction exposures	-	-	-	-	-
Total securities financing transaction exposures	-	-	-	-	-
Other off-balance sheet exposures					
Off-balance sheet exposure at gross notional amount	162,654	151,722	619,753	650,898	608,206
(Adjustments for conversion to credit equivalent amounts)	(146,389)	(136,550)	(512,391)	(528,415)	(487,056)
(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)					
Off-balance sheet items	16,265	15,172	107,362	122,483	121,150
Capital and total exposures					
Tier 1 capital	1,284,382	1,285,706	1,296,490	1,311,202	1,365,922
Total exposures	11,250,627	10,847,779	11,967,202	12,549,581	13,503,849
Leverage ratio					
Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)					
Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	11.42%	11.85%	10.83%	10.45%	10.12%
CBUAE minimum leverage ratio requirement	3.00%	3.00%	3.00%	3.00%	3.00%
Applicable leverage buffers	8.42%	8.85%	7.83%	7.45%	7.12%

* With 1.4 multiplier

4. Funding and liquidity risk

Funding and Liquidity risk involves the inability of the Bank to fund increase in assets, manage unplanned changes in funding sources and to meet obligations when required. Liquidity risk primarily arises due to the maturity mismatch associated with assets and liabilities of the Bank.

4.1. Liquidity Risk Management (LIQA)

The Bank's Liquidity Risk is monitored at a centralized level through an ALM Policy which includes Liquidity Risk Management and Contingency Funding policy having the following key highlights:

Liquidity Risk Management Strategy: The Board/ Board Committee approves the strategy for managing liquidity risk and delegates the responsibility to management for ongoing implementation and monitoring. The Bank envisages monitoring and managing liquidity conditions under two conditions, viz. Normal, Stressed. Besides, the Bank also proposes to ensure proper mix of assets and liabilities, with a due emphasis on diversification aspect to manage liquidity in a cost-effective manner. The policy will be reviewed every year or more frequently during the year as demanded by the market condition.

Roles and Responsibilities: Although the overall responsibility of liquidity management lies with the Board/ Board Committee, it approves the liquidity management policy and delegate the implementation and compliance to the management. Besides, the Bank has also specified the definite roles to be played by treasury department, and finance department, and Treasury, Market, & Liquidity Risk function in the overall process of liquidity risk management. An independent Treasury, Market, & Liquidity Risk function measures Liquidity Risk on a monthly basis for the Bank.

Liquidity Measures and Limits: An independent Treasury, Market, & Liquidity Risk function measures Liquidity Risk via various metrics and limits which have been approved by the Board/ Board Committee. These include Liquidity Ratios - ELAR, ASRR, LCR, NSFR (LCR and NSFR is not a Regulatory mandate for AHB), and Liquidity Stress Tests.

Funding Guidelines: The acceptable funding sources as described by the Bank are global capital markets, interbank markets and domestic deposits. In addition, the Bank highlights to generate additional liquidity under stressed condition by selling liquid assets. The Bank, following Board/ Board Committee's approval, maintains a liquidity portfolio with a limit of circa AED 5Bn, which comprises high quality unencumbered securities purely earmarked for meeting liquidity requirements.

Contingency Funding Plan: There is a contingency funding plan in place that addresses the concern such as borrowing capacity under stressed conditions, early warning indications on monthly basis, responsibilities and authority to meet liquidity crisis, estimation of probability, severity and duration of liquidity crisis.

Reporting: TMLR prepares and disseminates the liquidity risk measures on monthly basis to the management.

The key measures used by the Group for managing liquidity risk are regulatory driven ratios which are Advance to stable ratio ("ASRR"), and Eligible Liquid Asset Ratio (ELAR). ASRR takes into consideration the extent of stable resources (stable funding sources) which are being utilized by the financing activities of the Bank. As at 31 March 2025, the Bank's ASRR was 77.91%.

The eligible liquid assets ratio is calculated as per the UAE Central Bank's definition of liquid assets divided by total liabilities. The eligible liquid assets are defined by the Central Bank to include cash and cash equivalents including reserves, central bank certificates of deposits, federal government securities and issuances from local governments, non-commercial and foreign sovereign public sector entities subject to certain limits. As at 31 March 2025, this ratio stood at 30.31%.

4.2. High-quality liquid assets (HQLA)

HQLA must be easily and immediately convertible into cash at little or no loss of value, especially during a period of stress. HQLA are assets that are of low risk and are unencumbered. Other characteristics of HQLA are ease and certainty of valuation, low correlation with risky assets, listing of the assets on a developed and recognized exchange, existence of an active and sizeable market for the assets and low volatility. The Bank's HQLA predominantly consist of assets that qualify as Level 1 in the Eligible Liquid Assets Ratio (ELAR) framework, including cash, central bank reserves and government bonds.

4.3. Eligible Liquid Assets Ratio (ELAR)

AED'000

High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
Physical cash in hand at the bank + balances with the CBUAE	2,766,283	
UAE Federal Government Bonds and Sukuks	-	
Sub Total	2,766,283	2,766,283
UAE local governments publicly traded debt securities	108,975	
UAE Public sector publicly traded debt securities	-	
Sub Total	108,975	108,975
Foreign Sovereign debt instruments or instruments issued by their respective central banks	36,761	36,760.78
Total	**2,912,019**	**2,912,019**
Total liabilities		9,609,009
Eligible Liquid Assets Ratio (ELAR)		**30.31%**

4.4. Advances to Stable Resources Ratio (ASRR)

AED'000

Computation of Advances	Amount
Net Lending (gross loans - specific and collective provisions + interest in suspense)	6,368,907
Lending to non-banking financial institutions	-
Net Financial Guarantees & Stand-by LC (issued - received)	-
Interbank Placements	-
Total Advances	**6,368,907**
Calculation of Net Stable Resources	
Total capital + general provisions	1,601,669
Deduct:	
Goodwill and other intangible assets	193,571
Fixed Assets	65,589
Funds allocated to branches abroad	-
Unquoted Investments	603
Investment in subsidiaries, associates and affiliates	-
Total deduction	**259,763**
Net Free Capital Funds	**1,341,906**
Other stable resources:	
Funds from the head office	-
Interbank deposits with remaining life of more than 6 months	-
Refinancing of Housing Loans	-
Borrowing from non-Banking Financial Institutions	23
Customer Deposits	6,832,432
Capital market funding/ term borrowings maturing after 6 months from reporting date	-
Total other Stable Resources	**6,832,455**
Total Stable Resources	**8,174,361**
Advances To Stable Resources Ratio (ASRR)	**77.91**

FORM NO:BSD/ BRF 7- ASRR/OCT13