

# **Al Hilal Bank PJSC**

## **Pillar 3 Report**

**30 June 2025**

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## 1. Introduction and basis of preparation

### 1.1 Scope of Basel III Pillar 3 disclosures

The Basel Committee on Banking Supervision (BCBS) Basel III capital adequacy framework consists of three pillars. Pillar 1 provides a framework for measuring minimum capital requirements for credit, market and operational risks faced by banks. Pillar 2 allows banks and supervisors to take a view on whether the bank should hold additional capital to cover the three Pillar I risk types and to cover other risks, like liquidity, concentration, reputational, profit rate risk etc. Pillar 3 requires banks to publish a range of disclosures, mainly covering risk, capital, leverage, liquidity and remuneration.

This report provides Pillar 3 disclosures for Al Hilal Bank PJSC and its subsidiaries (together referred to as "AHB" or the "Bank") for the period ended 30 June 2025.

### 1.2 Significant capital adequacy, liquidity and funding related disclosure requirements

Capital adequacy, liquidity, funding and remuneration related disclosures in the Pillar 3 report have been prepared in accordance with Central Bank of UAE Standards and Guidance re Capital Adequacy in the UAE (Notice CBUAE/BSD/N/2020/4980 dated November 2020 updated via Notice CBUAE/BSD/2022/5280 dated December 2022) and Explanatory Notes on Pillar 3 Disclosure requirements, the underlying BCBS guidance "Revised Pillar 3 disclosure requirements" issued in January 2015, the "Frequently asked questions on the revised Pillar 3 disclosure requirements" issued in August 2016, the "Pillar 3 disclosure requirements – consolidated and enhanced framework" issued in March 2017 and the subsequent "Technical Amendment – Pillar 3 disclosure requirements regulatory treatment of accounting provisions" issued in August 2018, BCBS "Pillar 3 disclosure requirements updated framework" Dec 2018, and CBUAE Explanatory notes updated dated 9th May 2022.

## 2. Overview of Basel III requirements

The Bank complies with the latest Basel III standards and guidance notes which have been implemented in the UAE through notice reference, Notice CBUAE/BSD/N/2020/4980 dated November 2020 updated via Notice CBUAE/BSD/2022/5280 dated December 2022.

Basel requirements are structured around three 'pillars' which are outlined below:

**Pillar I** - Deals with maintenance of regulatory capital calculated for three major components of risk that a bank faces: credit risk, market risk and operational risk. Other risks are not considered fully quantifiable at this stage.

**Pillar II** - Allows banks and supervisors to take a view on whether the bank should hold additional capital to cover the three Pillar I risk types and/or to cover other risks like liquidity, concentration, reputational, etc. A bank's own internal models and assessments support this process. It also provides a framework for dealing with all the other risks a bank may encounter such as systemic risk, concentration risk, strategic risk, reputational risk, liquidity risk, legal risk, etc. This risk and capital assessment is commonly referred to as the Internal Capital Adequacy Assessment Process (ICAAP).

**Pillar III** - Covers external communication of risk and capital information by banks as specified in the Basel rules. The aim of Pillar III is to provide a consistent and comprehensive disclosure framework by requiring institutions to disclose details on the scope of application, capital, risk exposures, risk assessment processes, capital adequacy, liquidity and funding position and leverage of the institution. It must be consistent with how the senior management including the board assess and manage the risks of the institution.

Basel III also provides for different approaches to calculate credit risk capital requirements:

**Standardised approach** — Under this approach, the assets (including off-balance-sheet post-CCF) are classified into asset types defined by Basel guidelines to enable better risk sensitivity. The risk weights used to assess capital requirements against credit exposures are provided by the regulator(s) and is consistent across the industry.

**Internal ratings-based approach (IRB)** — Under this approach, the risk weights are derived from the Bank's internal models. The IRB approach is further sub-divided into two alternative applications Foundation and Advanced:

**Foundation IRB (FIRB)** — Under this approach, the banks are allowed to develop their own models to estimate the PD (probability of default) for individual borrowers or groups of borrowers and use supervisory values for LGD (loss given default) and EAD (exposure at default) estimates. Banks can use this approach subject to approval from their local regulators.

**Advanced IRB (AIRB)** — Under this approach, the banks are allowed to develop their own models to quantify PD, LGD and EAD required to estimate capital for credit risk. Banks can use this approach subject to approval from their local regulators.

## 2.1 AHB's approach to Pillar I

**Credit risk:** Standardised approach is used by the Bank in calculating its capital requirements for credit risk. This approach allows the Bank to determine the risk weight by the asset class and the criteria applicable to the counterparty as per the regulatory guidance. The net exposure incorporates off balance sheet exposures after applying the credit conversion factors (CCF) and credit risk mitigants (CRM).

**Market risk:** The Bank uses the standardised approach for calculating regulatory market risk capital requirements.

**Operational risk:** The Bank uses the standardised approach for computing capital requirements for operational risk.

## 2.2 Minimum capital requirement

To achieve broader macro prudential goal of protecting the banking sector from the periods of excess aggregate credit growth in addition to the capital conservation buffer (CCB) requirement, banks are required to maintain the countercyclical buffer (CCyB). Banks must meet CCB and CCyB requirement by using CET1 capital. The level of CCB requirement is set to 2.5% of risk weighted assets. The countercyclical buffer varies between zero and 2.5% of total risk weighted assets. The buffer that will apply to each bank will reflect the geographic composition of its portfolio of credit exposures.

Further, to reduce risks related to the failure of domestic systemically relevant institutions, the Central Bank of the UAE has introduced domestic systematically important banks (D SIB) buffer. AHB is non-D SIB and is not required to maintain a D SIB buffer of 0.5%.

## 2.3 Leverage and liquidity ratios

In addition, Basel III prescribes a 3% minimum leverage ratio and two liquidity ratios namely the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). LCR and NSFR are not mandatory for AHB. AHB complies with Central Bank of the UAE's Eligible Liquid Assets Ratio (ELAR) and Advances to Stable Resources Ratio (ASRR) regulatory framework.

In May 2015, the Central Bank of the UAE published "Regulations relating to Liquidity at Banks" circular number 33/2015 which is in effect till date. The regulations require banks to maintain ELAR of 10% at minimum and ASRR of 100% at maximum.

As at 30th June 2025, AHB's ELAR stands at 32.09% (calculated on 90 days' average basis) which is well above the minimum requirement of 10%, ASRR stands at 78.07% which is well below the maximum requirement of 100% and Leverage ratio stands at 12.22% which is again well above the minimum requirement of 3%.

## 2.4 Standards for Standalone Capital Adequacy Ratio

In November 2020, the Central Bank of UAE issued draft standards and guidance on standalone capital adequacy requirements following industry consultation. The Central Bank of UAE requires banks subject to standalone CAR to apply prudential requirements at the legal entity level on a solo basis. The bank's legal entity standalone capital adequacy ratio requirements measure the capital adequacy of a bank based on its standalone capital strength and risk profile by focusing solely on the standalone assets and liabilities.

Further, the Central Bank of UAE has mandated reporting standalone capital adequacy ratio on a quarterly basis effective from 31 December 2023. The Bank meet the capital adequacy requirements on a standalone basis.

## 2.5 Revised Standards for Pillar – III disclosures

Basel III standards and guidance notes which have been implemented in the UAE through notice reference CBUAE/ BSD/N/2020/4980 dated 12 November 2020 updated via Notice CBUAE/ BSD/2022/5280 dated 30 December 2022. These standards and guidance notes supersede the existing Pillar 3 disclosure requirements issued in 2009. These revised requirements are an integral part of the Basel framework, and they complement other disclosure requirements issued separately by Central Bank. Pillar 3 Disclosure requirements apply to all banks in the UAE at consolidated level for local banks and all branches of foreign banks.

## 2.6 Impact on AHB

The UAE Central Bank has set a minimum capital adequacy ratio (CAR) of 13% and CET 1 ratio of 9.5% (including CCB buffers). As of 30th June 2025, AHB met the minimum requirements with a CAR of 22.93% and CET1 ratio of 21.81%.

## 2.7 Basis of consolidation

These Pillar III disclosures are aligned with the consolidated financial statements, which include the Bank as detailed in Note 31 of the Annual Financial Statements (referred to as the “Group”). The Group is primarily engaged in Islamic retail banking and treasury-related activities. The Bank operates through its branches located in the United Arab Emirates.

In accordance with paragraph 825 of International Convergence of Capital Measurement and Capital Standards issued by the Basel Committee, general disclosures of credit risk provided in this report have a wide range of information about overall credit exposure and may not be necessarily based on information prepared for regulatory purposes.

## 2.8 Verification

The Pillar III disclosures for the period ended 30th June 2025 have been appropriately verified internally by Finance, Risk and has been reviewed by the Group Internal Audit.

## 2.9 Ownership

Al Hilal Bank PJSC (the “Bank”) was incorporated in Abu Dhabi, United Arab Emirates (“UAE”) on 18 June 2007 by virtue of Amiri Decree number 21 of 2007, with limited liability, and is registered as a Public Joint Stock Company in accordance with the United Arab Emirates Federal Law number 8 of 1984 (as amended), Union Law number 10 of 1980 (as amended) and United Arab Emirates Federal Law number 6 of 1985 regarding Islamic banks, financial institutions and investment companies.

On 29 January 2019, the Board of Directors of Abu Dhabi Commercial Bank PJSC (“ADCB”) and the erstwhile Board of Directors of Union National Bank PJSC (“UNB”) approved and recommended to their respective shareholders a merger of the two banks and acquisition of 100% of the issued share capital of the Bank by the combined bank (i.e. combined after erstwhile ADCB and UNB).

On 21 March 2019, the shareholders of ADCB and UNB approved the proposed merger pursuant to Article 283 (1) of UAE Federal Law No. 2 of 2015, through issuance of 0.5966 new shares in ADCB for every one share of UNB, subject to the terms and conditions of the merger. Following the merger, ADCB and UNB shareholders own approximately 76% and 24% of the combined bank, respectively. On the effective date of the merger, UNB shares were delisted from the Abu Dhabi Securities Exchange. The combined bank has retained ADCB’s legal registrations.

The shareholders of ADCB also approved the issuance by ADCB of a mandatory convertible bond (“bond”) to the shareholder of the Bank as the acquisition price to acquire the entire issued share capital of the Bank. This bond was converted into 117,647,058 ADCB shares. Post-acquisition, ADCB holds 100% of the share capital of the Bank.

The effective date of above merger and acquisition was 1 May 2019.

As a part of strategic balance sheet management, the Bank entered into a Master Transfer Agreement with ADCB for the transfer and/or assignment of certain assets and liabilities of the Bank. Based on this agreement, the Bank transferred and/or assigned to ADCB certain portfolio assets which were identified by the Bank and ADCB together, with all of the Bank’s rights, title, interests, duties and obligations (as applicable) under and in respect of the client agreements for such portfolio assets including, without limitation, the amounts owing to the Bank under any client

agreements for the portfolio assets and all claims, suits, causes of action and any other rights of the Bank with respect to the portfolio assets.

### 3. Key Prudential Regulatory Metrics

#### 3.1 Key Metrics for the Group (KM1)

There has been a decrease of AED 179Mn in total risk weighted assets (RWA) over the last quarter mainly due to decrease in Regulatory retail portfolio of AED 142 Mn and Investment securities of AED 23Mn.

AED'000	30-Jun-25	31-Mar-25	31-Dec-24	30-Sep-24	31-Jun-24
<b>Available Capital (amounts)</b>					
Common Equity Tier 1 (CET 1)	1,295,308	1,284,382	1,285,706	1,296,490	1,311,202
Tier 1	1,295,308	1,284,382	1,285,706	1,296,490	1,311,202
Total capital	1,362,140	1,353,504	1,357,693	1,383,127	1,397,839
<b>Risk weighted assets (amounts)</b>					
Total risk-weighted assets (RWA)	5,939,809	6,118,935	6,517,532	7,889,226	7,868,682
<b>Risk based capital ratios as a percentage of RWA</b>					
Common Equity Tier 1 ratio %	21.81%	20.99%	19.73%	16.43%	16.66%
Tier 1 ratio %	21.81%	20.99%	19.73%	16.43%	16.66%
Total capital ratio %	22.93%	22.12%	20.83%	17.53%	17.76%
<b>Additional CET1 buffer requirements as percentage of RWA</b>					
Capital conservation buffer (2.5% from 2019)	2.50%	2.50%	2.50%	2.50%	2.50%
Countercyclical buffer requirement %	0.25%	0%	0%	0%	0%
Bank D-SIB additional requirements	0%	0%	0%	0%	0%
Total of bank CET1 specific buffer requirement %	2.75%	2.75%	2.75%	2.75%	2.75%
CET1 available after meeting the bank's minimum capital requirements	12.43%	11.62%	10.33%	7.03%	7.26%
<b>Basel III Leverage Ratio</b>					
Total leverage measure	10,597,922	11,250,627	10,847,779	11,967,202	12,549,581
Basel III leverage (%)	12.22%	11.42%	11.85%	10.83%	10.45%
<b>ELAR</b>					
Total HQLA	3,033,185	2,912,019	2,489,958	2,650,149	2,944,349
Total liabilities	9,452,222	9,609,009	9,571,166	9,885,140	10,733,330
Eligible Liquid Assets Ratio (ELAR) (%)	32.09%	30.1%	26.02%	26.81%	27.43%
<b>ASRR</b>					
Total available funding	7,933,389	8,174,361	8,015,412	8,641,980	8,473,339
Total advances	6,193,784	6,368,907	6,469,868	7,400,895	7,458,341
Advances to Stable Resources Ratio (%)	78.07%	77.91%	80.72%	85.64%	88.02%

#### 3.2 Capital Management

The Bank's capital management aims to guarantee solvency and maximise profitability, while complying with regulatory requirements and internal objectives. It is a key strategic tool for decision making, enabling us to set a common framework of actions, criteria, policies, functions, metrics and processes. Our active capital management applies strategies on efficient capital allocation to business lines. Our capital allocation model aims to ensure our capital allocation is right for the risks inherent in our operations and risk appetite to optimise value creation for our group and business units.

The ratios of this report are calculated by applying the Central Bank of UAE capital standards and guidelines as mentioned in section 2 of this report.

At half year-end, the CET1 ratio was 21.81% with 1243 bps available for CET1 for buffer requirement. The leverage ratio stood at 12.22% against a regulatory minimum of 3%.

### 3.3 Capital Resources (CC1)

All capital instruments included in the capital base meet the requirements set out in the Central Bank of UAE capital standards and guidelines.

	AED'000
<b>Common Equity Tier 1 capital: instruments and reserves</b>	
Share Capital and Share premium	4,850,000,
Retained earnings	(3,492,336)
Accumulated other comprehensive income (and other reserves)	155,827
Common Equity Tier 1 capital before regulatory deductions	<b>1,513,491</b>
<b>Common Equity Tier 1 capital regulatory adjustments</b>	
Goodwill and other Intangibles Assets	(195,566)
CBUAE specific regulatory adjustments	(22,617)
Total regulatory adjustments to Common Equity Tier 1	(218,183)
Common Equity Tier 1 capital (CET 1)	1,295,308
<b>Additional Tier 1 capital: regulatory adjustments</b>	
Tier 1 capital (T1= CET1 + AT1)	1,295,308
<b>Tier 2 capital: instruments and provisions</b>	
Tier 2 capital before regulatory adjustments	66,833
<b>Tier 2 capital: regulatory adjustments</b>	
Tier 2 capital (T2)	66,833
Total regulatory capital (TC = T1 + T2)	1,362,140
Total risk-weighted assets	5,939,809
<b>Capital ratios and buffers</b>	
Common Equity Tier 1 (as a percentage of risk-weighted assets)	21.81%
Tier 1 (as a percentage of risk-weighted assets)	21.81%
Total capital (as a percentage of risk-weighted assets)	22.93%
Institution specific buffer requirement	2.75%
Of which: capital conservation buffer requirement	2.50%
Of which: bank-specific countercyclical buffer requirement	0.25%
Common Equity Tier 1 available for the buffer requirement	12.43%
<b>The CBUAE Minimum Capital Requirement</b>	
Common Equity Tier 1 minimum ratio	7.0%
Tier 1 minimum ratio	8.5%
Total capital minimum ratio	10.5%
<b>Amounts below the thresholds for deduction (before risk weighting)</b>	
Significant investments in common stock of financial entities	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-
<b>Applicable caps on the inclusion of provision in Tier 2</b>	
Provisions eligible for inclusion in Tier 2	90,038
Cap on inclusion of provisions in Tier 2 under standardised approach	66,833

### 3.4 Reconciliation of regulatory capital to balance sheet (CC2)

The following table presents the reconciliation between balance sheet prepared for financial statements purposes and the balance sheet prepared for regulatory reporting. The amount shown under the regulatory scope of consolidation is not a RWA measure; it is based on an accounting measure and cannot be directly reconciled to other disclosures in this report which are prepared in accordance with Basel III rules. The variance of AED 143Mn between financial statement and regulatory scope of consolidation is due to netting of provisions and profit in suspense (PIS).

	AED'000	
	Balance sheet as of 30-Jun-25	Under regulatory scope of consolidation 30-Jun-25
<b>Assets</b>		
Cash and	2,845,252	2,845,252
Deposits &	49,430	49,430
Receivable	4,539,692	4,655,874
Ijara	1,557,636	1,591,558
Investment Securities	1,412,005	1,412,005
Intangible Assets	195,566	195,566
Property and Equipment, Net	51,803	51,803
Other Assets	122,930	116,255
<b>Total assets</b>	<b>10,774,315</b>	<b>10,917,244</b>
<b>Liabilities</b>		
Deposits from Customers	7,657,964	7,657,964
Wakala Deposits from banks	1,365,093	1,365,093
Islamic Derivative Financial Ins	8	8
Other Liabilities	237,758	380,687
<b>Total Liabilities</b>	<b>9,260,824</b>	<b>9,403,753</b>
<b>Shareholder's equity</b>		
Paid-in share capital	4,850,000	4,850,000
Reserves	178,896	178,896
Retained Earnings	(3,491,897)	(3,491,897)
Net Profit for the Year	(439)	(439)
Cumulative Change in Fair Val	(23,069)	(23,069)
<b>Total shareholder's equity</b>	<b>1,513,491</b>	<b>1,513,491</b>



### 3.5 Main features of regulatory capital instruments (CCA)

	AED'000
	Quantitative / qualitative information
Issuer	Al Hilal Bank PJSC
Unique identifier (e.g CUSIP, ISIN or Bloomberg identifier for private placement)	NA
Instrument type (types to be specified by each jurisdiction)	NA
Among recognised in regulatory capital (In millions, as for most recent reporting date)	4,850
Nominal amount of instrument	1
Issue price	1
Redemption price	NA
Accounting classification	CET1
Original date of issuance	NA
Perpetual or dated	NA
Coupons/dividends	NA
If yes, specify non-compliant features	NA

### 3.6 Countercyclical capital buffer (CCyB)

In accordance with the decision of the Central Bank of the UAE (CBUAE), the countercyclical capital buffer (CCyB) requirement will be increased to 0.50% on private sector credit exposures in the UAE. This change is pursuant to Article 6 of the "Regulations re Capital Adequacy" (CBUAE Circular No. 52/2017), which mandates that the CCyB must be met solely through Common Equity Tier 1 (CET1) capital.

The implementation of the revised CCyB will follow a 12-month phase-in period, commencing on 1 January 2025, with the full 0.50% CCyB rate becoming effective on 1 January 2026.

The CBUAE has applied this buffer rate in a context of a neutral risk environment, where cyclical systemic risks are assessed to be neither elevated nor subdued. This approach is aligned with the concept of a positive cycle-neutral countercyclical capital buffer, aimed at enhancing the resilience of the banking sector and ensuring the continued availability of credit during future periods of stress.

Private Sector							
Country	Total Exposure values	RWA	County	Exposures values	RWA	Countercyclical capital buffer rate (in %)	Bank-specific Countercyclical capital buffer rate
A	B	C	D	E	F	G	H
United Arab Emirates	10,314,522	5,010,599	252,299	252,299	100%	0.25%	0.25%
United Kingdom	5,687	1,137	0	0	0%	2.00%	0.00%
<b>Total</b>	<b>10,320,209</b>	<b>5,011,736</b>	<b>252,299</b>	<b>252,299</b>	<b>100%</b>	<b>0</b>	<b>0.25%</b>

## 4. Risk Management and Risk Weighted Assets

### 4.1 Our approach to measuring risk exposure and risk-weighted assets

Depending on the intended purpose, the reporting of risk exposure may differ under International Financial Reporting Standards (IFRS) when compared to reporting for regulatory capital purposes. Our Pillar 3 disclosures are generally based on risk exposure used to derive the regulatory capital required under Pillar 1. AHB risk-weighted assets (RWA) are calculated according to the BCBS Basel III framework, as implemented by the Central Bank of UAE.

#### 4.2 RWA development in Q2'2025

Market Risk Capital – The market risk capital for AHB comprises Foreign Exchange Risk and Equity Risk. There is no capital requirement for derivatives, as the bank does not maintain any trading positions. The Market Risk Risk-Weighted Assets (RWA) increased marginally from AED 16.23 million in Q1'25 to AED 20.28 million in Q2'25. This increase is primarily attributable to a higher net foreign exchange open position against the USD.

#### 4.3 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 RWA decreased from AED 6.12Bn to AED 5.94 Bn. The decrease of AED 179Mn in credit risk weighted assets (CRWA) over the quarter is primarily driven by decreases in CRWA of Financing portfolio and Sukuk.

	AED'000		
	RWA		Minimum capital requirements
	30-Jun-25	31-Mar-25	30-Jun-25
Credit risk (excluding counterparty credit risk)	5,346,601	5,529,779	695,058
Of which: standardised approach (SA)	5,346,601	5,529,779	695,058
Counterparty credit risk (CCR)	-	-	-
Market risk	20,283	16,230	2,130
Of which: standardised approach (SA)	20,283	16,230	2,130
Operational risk	572,926	572,926	60,157
Amounts below thresholds for deduction (subject to 250% risk weight) Floor adjustment			
<b>Total</b>	<b>5,939,809</b>	<b>6,118,935</b>	<b>757,345</b>

### 5. 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.

#### 5.1 Summary comparison of accounting assets versus leverage ratio exposure measure (LR1)

The LRD consists of IFRS on-balance sheet assets and off-balance sheet items.

	AED'000				
Summary comparison of accounting assets vs leverage ratio exposure	30-Jun-25	31-Mar-25	31-Dec-24	30-Sep-24	31-Jun-24
Total consolidated assets as per published financial statements	10,774,315	11,427,932	11,025,728	12,046,603	12,619,085
Adjustments for derivative financial instruments	-	-	-	-	1,825
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)	19,174	16,265	15,172	107,362	122,483
Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-	-	-	-	-
Other adjustments	(195,566)	(193,571)	(193,122)	(186,763)	(193,813)
<b>Leverage ratio exposure measure</b>	<b>10,597,922</b>	<b>11,250,627</b>	<b>10,847,779</b>	<b>11,967,202</b>	<b>12,549,581</b>

The below table shows the difference between total IFRS assets per IFRS consolidation scope and the BCBS 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. As of 30 June 2025, AHB has no exposures in derivatives or securities financing transactions (SFTs).

## 5.2 Leverage ratio common disclosure (LR2)

In the leverage ratio, total on-balance sheet exposure has decreased by AED 656Mn due to maturity of CBUAE CD's (AED 327Mn), Retail portfolio (AED 182Mn) and receivable from banks (AED 132Mn).

	AED'000			
	30-Jun-25	31-Mar-25	31-Dec-24	30-Sep-24
<b>On-balance sheet exposures</b>				
On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	10,774,315	11,427,932	11,025,728	12,046,603
(Asset amounts deducted in determining Tier 1 capital)	(195,566)	(193,571)	(193,122)	(186,763)
<b>Total on-balance sheet exposures (excluding derivatives and SFTs)</b>	<b>10,578,749</b>	<b>11,234,362</b>	<b>10,832,606</b>	<b>11,859,840</b>
<b>Derivative exposures</b>				
Replacement cost associated with all derivative transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)*	-	-	-	-
Add-on amounts for PFE associated with all derivative transactions*	-	-	-	-
<b>Total derivative exposures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other off-balance sheet exposures</b>				
Off-balance sheet exposure at gross notional amount	191,737	162,654	151,722	619,753
(Adjustments for conversion to credit equivalent amounts)	(172,563)	(146,389)	(136,550)	(512,391)
(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)				
<b>Off-balance sheet items</b>	<b>19,174</b>	<b>16,265</b>	<b>15,172</b>	<b>107,362</b>
<b>Capital and total exposures</b>	<b>19,174</b>	<b>16,265</b>	<b>15,172</b>	<b>107,362</b>
<b>Tier 1 capital</b>	<b>1,295,308</b>	<b>1,284,382</b>	<b>1,285,706</b>	<b>1,296,490</b>
<b>Total exposures</b>	<b>10,597,922</b>	<b>11,250,627</b>	<b>10,847,779</b>	<b>11,967,202</b>
<b>Leverage ratio</b>	<b>19,174</b>	<b>16,265</b>	<b>15,172</b>	<b>107,362</b>
<b>Leverage ratio (including the impact of any temporary exemption of central bank reserves)</b>				
Leverage ratio (excluding the impact of any temporary exemption of central bank reserves)	12.22%	11.42%	11.85%	10.83%
CBUAE minimum leverage ratio requirement	3.00%	3.00%	3.00%	3.00%
<b>Applicable leverage buffers</b>	<b>9.22%</b>	<b>8.42%</b>	<b>8.85%</b>	<b>7.83%</b>

\*With 1.4 multiplier per CBUAE prescribed methodology

## 6. 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.

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 on 30th June 2025, the Bank's ASRR was 78.07%.

ELAR 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 on 30th June 2025, AHB ratio stood at 32.09%.

### 6.1 High-quality liquid assets

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. Our 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.

### 6.2 Eligible Liquid Assets Ratio (ELAR)

		AED'000
High Quality Liquid Assets	Nominal amount	Eligible Liquid Assets
Physical cash in hand at the bank + balances with the CBUAE	2,891,911	
UAE Federal Government Bonds and Sukuks	-	
Sub Total	2,891,911	2,891,911
UAE local governments publicly traded debt securities	104,095	
UAE Public sector publicly traded debt securities	-	
Sub Total	104,095	104,095
Foreign sovereign debt instruments	37,180	37,180
<b>Total</b>	<b>3,033,185</b>	<b>3,033,185</b>
Total liabilities		9,452,222
<b>Eligible Liquid Assets Ratio (ELAR)</b>		<b>32.09%</b>

### 6.3 Advances to Stable Resources Ratio (ASRR)

		AED'000
Computation of Advances		Amount
Net Lending (gross loans - specific and collective provisions + interest in suspense)		6,193,784
Lending to non-banking financial institutions		-
Net Financial Guarantees & Stand-by LC (issued - received)		-
Interbank Placements		-
<b>Total Advances</b>		<b>6,193,784</b>
Calculation of Net Stable Resources		
Total capital + general provisions		1,603,273
<b>Deduct:</b>		
Goodwill and other intangible assets		195,566
Fixed Assets		51,802
Funds allocated to branches abroad		-
Unquoted Investments		-
Investment in subsidiaries, associates and affiliates		-
<b>Total deduction</b>		<b>247,368</b>
<b>Net Free Capital Funds</b>		<b>1,355,905</b>
<b>Other stable resources:</b>		

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	14
Customer Deposits	6,577,469
Capital market funding/term borrowings maturing after 6 months from reporting date	-
<b>Total other Stable Resources</b>	<b>6,577,484</b>
<b>Total Stable Resources</b>	<b>7,933,389</b>
<b>Advances To Stable Resources Ratio (ASRR)</b>	<b>78.07</b>

## 7. Credit Risk Management

### 7.1 Credit quality of assets (CR1)

AED'000

	Gross carrying values of		Allowances / Impairments	Of which ECL accounting provisions for credit losses on SA exposures		Net values
	Defaulted exposures	Non- defaulted exposures		Allocated in regulatory category of Specific*	Allocated in regulatory category of General	
Loans	123,628	6,123,304	140,339	50,557	89,782	6,106,593
Debt securities	-	1,312,534	257		257	1,312,278
Off-balances sheet exposures	-	191,737	-			191,737
<b>Total</b>	<b>123,628</b>	<b>7,627,575</b>	<b>140,596</b>	<b>50,557</b>	<b>90,038</b>	<b>7,610,608</b>

\*Including PIS

**Default Definition:** - AHB follows the CBUAE guidelines as mentioned in their article 6 of circular 3/2024 for the classifications of assets. AHB has well-defined approved policies and procedures for loan classifications.

For retail loans, a default is considered when the obligor is past due more than 90 days on any credit obligations or that obligor is unlikely to pay its credit obligations. For Sukuk and money market instruments sub-standard, doubtful or loss flagging considered as default. For non-retail 90 days past due criteria considers as default.

### 7.2 Changes in stock of defaulted loans and debt securities (CR2)

AED'000

<b>Default loans and debt securities at the end of the previous reporting period</b>	<b>124,070</b>
Loans and debt securities defaulted from last reporting period	35,530
Returned to non-default status	(7,243)
Amounts written off	(31,083)
Other changes	2,354
<b>Default loans and debt securities at the end of the reporting period</b>	<b>123,628</b>

### 7.3 Credit risk mitigation techniques – overview (CR3)

AED'000

	Exposures unsecured carrying amount	Exposures secured by collateral	Exposures secured by collateral of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
Loans	6,246,932		-	-	-	-	-
Debt securities	1,312,534	-	-	-	-	-	-
<b>Total</b>	<b>7,559,466</b>	-	-	-	-	-	-
Of which defaulted	123,628	-	-	-	-	-	-

### 7.4 Standardised approach - credit risk exposure and Credit Risk Mitigation (CRM) effects (CR4)

AED'000

	Exposures before CCF		Exposures post-CCF and		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Sovereigns and their central banks	3,359,967	-	3,359,967	-	199,245	4%
Public Sector Entities	55,497	-	55,497	-	46,362	1%
Multilateral development banks	37,040	-	37,040	-	-	0%
Banks	259,295	-	259,295	-	96,655	2%
Securities firms	-	-	-	-	-	0%
Corporates	503,509	-	503,509	-	382,696	7%
Regulatory retail portfolios	4,606,740	191,737	4,606,740	-	3,684,093	69%
Secured by residential property	1,429,552	-	1,429,552	-	571,101	11%
Secured by commercial real estate	54,010	-	54,010	-	54,010	1%
Equity Investment in Funds (EIF)		-	-	-	-	0%
Past-due loans	123,628	-	73,072	-	73,321	1%
Higher-risk categories	-	-	-	-	-	0%
Other assets	488,133	-	488,133	-	239,117	4%
<b>Total</b>	<b>10,917,371</b>	<b>191,737</b>	<b>10,866,815</b>	<b>-</b>	<b>5,346,601</b>	<b>100%</b>

## 7.5 Standardised approach – exposures by asset classes and risk weights (CR5)

AED'000

Assets classes	Risk weight*									Total credit exposures amount (post CCF and post CRM)
	0%	10%	20%	35%	50%	75%	100%	150%	Others	
Sovereigns and their central banks	2,913,574	-	79,840	-	366,553	-	-	-	-	3,359,967
Public Sector Entities	-	-	-	-	18,271	-	37,226	-	-	55,497
Multilateral development banks	37,040	-	-	-	-	-	-	-	-	37,040
Banks	-	-	109,974	-	149,321	-	-	-	-	259,295
Securities firms	-	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	241,626	-	261,883	-	-	503,509
Regulatory retail portfolios	-	-	-	-	-	3,690,589	916,152	-	-	4,606,740
Secured by residential property	-	-	-	1,298,988	-	56,433	74,131	-	-	1,429,552
Secured by commercial real estate	-	-	-	-	-	-	54,010	-	-	54,010
Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	72,572	499	-	73,072
Higher-risk categories	-	-	-	-	-	-	-	-	-	-
Other assets	249,015	-	-	-	-	-	239,117	-	-	488,133
<b>Total</b>	<b>3,199,629</b>	<b>-</b>	<b>189,814</b>	<b>1,298,988</b>	<b>775,771</b>	<b>3,747,022</b>	<b>1,655,091</b>	<b>499</b>	<b>-</b>	<b>10,866,815</b>

## 7.6 Credit risk measurement and mitigation policies

Strategic objectives set by the Board are the foundation for setting the credit risk management for the Bank.

The key components of the Bank's credit risk management policy are as follows:

- Credits are granted because of insight into the customer's circumstances and based on specific assessments that provide a context for such credit including a combination of qualitative and quantitative criteria.
- The exposure should match the customer's creditworthiness; wealth components and the client should be able to substantiate his repayment ability.

The Bank assumes risks within the limits of applicable legislation and other rules, including the rules regarding good business practice for financial enterprises.

The applicable regulatory requirements form the basis of setting credit risk limits in addition to the strategic objectives set by the Board.

Receivables and Ijaras to customers, investment in Sukuks and derivatives are the main sources of credit risk for the Bank. The Bank's risk management policies and processes are designed to identify, analyse and measure risk, to set appropriate risk appetite, limits and controls, and to monitor the risks and adherence to limits by means of reliable and timely data review.

### Receivable and Ijara

- Real estate collateral — The Bank accepts real estate collateral (residential, commercial and mixed use) to back income-producing real estate as the repayment source for the facility. In all cases, real estate collaterals

are subject to regular re-evaluation by Bank-approved values and mortgage registration with the appropriate regulatory authorities. In financing new facilities, the Bank has a policy to obtain valuations from an independent valuator ensure conservatism in determining finance to Value (FTV) ratio.

- Guarantees from highly rated banks and government entities — In addition to collaterals, the Bank regularly accepts guarantees from banks and government entities and transfers the risk of the exposure to the better-rated entities. Most of our guarantees are executed using the Bank's standard legal documentation to ensure they are unconditional guarantees to qualify as credit risk mitigants.

#### Eligible collaterals

As per the standardised approach the following CRMs are considered eligible for capital calculation purposes:

Netting — Applicable only with legally enforceable netting agreements in place. However, to use this mitigant, the ability to systematically calculate net exposure must be demonstrated.

Collateral — Either the simple or comprehensive approaches may be applied. AHB uses the comprehensive approach. For AHB, collateral primarily includes share and cash collaterals.

### 8. Market Risk

#### 8.1 Market Risk Weighted Assets (MRI)

As of Q2'25, AHB's market risk continues to consist of Foreign Exchange Risk and Equity Risk. The RWA increased from AED 16.23 million in Q1'25 to AED 20.28 million in Q2'25, mainly driven by an increase in the net FX open position against the USD.

	AED'000
	RWA
General interest rate risk	0
Equity risk	14,754
Commodity risk	
Foreign exchange risk	5,529
Credit spread risk - non-securitisations	
Credit spread risk - securitisations (non-correlation trading portfolio)	
Credit spread risk - securitisations (correlation trading portfolio)	
Default risk - non-securitisations	
Default risk - securitisations (non-correlation trading portfolio)	
Default risk - securitisations (correlation trading portfolio)	
Residual risk add-on	
<b>Total</b>	<b>20,283</b>



## 9. Counterparty credit risk

Counterparty credit risk (CCR) is the risk that the Group's exposure in a foreign exchange, profit rate, commodity, equity or credit derivative defaults prior to the maturity date of the contract and that the Group at the time has a claim on the counterparty. AHB has no derivative exposure in the trading book. Further, there is no derivatives exposure to Central Counterparties.

### 9.1 Analysis of CCR exposure by approach (CCR1)

There is no derivative exposure within the trading book. Additionally, AHB has no exposure to Central Counterparties (CCPs).

As of 30th June 2025, AHB's exposure to Counterparty Credit Risk (CCR) is nil. Accordingly, CCR Risk-Weighted Assets (RWA) for Q2'25 stand at nil.

### 9.2 Credit valuation Adjustment (CVA) capital Charge (CCR2)

Credit Valuation Adjustment (CVA) RWA also remains nil for Q2'25, as AHB has no exposure to derivative counterparties.

### 9.3 Standardised approach - CCR exposures by regulatory portfolio and risk weights (CCR3)

Historically, AHB had counterparty credit risk exposure through Islamic Profit Rate Swaps with various banks. However, due to the maturity of these swaps, there is currently no outstanding exposure to any counterparty.

### 9.4 Composition of collateral for CCR exposure (CCR5)

AHB have not posted or received any collateral for CCR exposure.

### 9.5 Credit derivative exposure (CCR6)

AHB have not posted or received any credit derivative exposure.

### 9.6 Exposure to central counterparties (CCR8)

AHB have not posted or received any exposure to central counterparties.