

Al Hilal Bank

Pillar 3 Report

↘ 30 June 2026





Table of Contents

1.	Introduction and basis of preparation	3
1.1	Scope of Basel III Pillar 3 disclosures	3
1.2	Significant capital adequacy, liquidity and funding related disclosure requirements	3
2	Overview of Basel III requirements	3
2.1	AHB's approach to Pillar I	4
2.2	Minimum capital requirement	4
2.3	Leverage and liquidity ratios	4
2.4	Standards for Standalone Capital Adequacy Ratio	4
2.5	Revised Standards for Pillar – III disclosures	4
2.6	Impact on AHB	4
2.7	Basis of consolidation	5
2.8	Verification	5
2.9	Ownership	5
3	Key Prudential Regulatory Metrics (at consolidated group level)	6
3.1	Key Metrics for the Group (KM1)	6
3.2	Capital management	7
3.3	Reconciliation of regulatory capital to balance sheet (CC2)	8
3.4	Main features of regulatory capital instruments (CCA)	9
3.5	Countercyclical capital buffer (CCyB)	9
4	Risk Management and Risk Weighted Assets	10
4.1	Our approach to measuring risk exposure and risk-weighted assets	10
4.2	RWA development in Q2 2026	10
4.3	Overview of risk weighted assets (OV1)	10
5	Leverage Ratio	11
5.1	Summary comparison of accounting assets versus leverage ratio exposure measure (LR1)	11
5.2	Leverage ratio common disclosure (LR2)	11
6	Funding and liquidity risk	12
6.1	High-quality liquid assets	12
6.2	Eligible Liquid Assets Ratio (ELAR)	12
6.3	Advances to Stable Resources Ratio (ASRR)	13
7	Credit Risk Management	14
7.1	Credit quality of assets (CR1)	14
7.2	Changes in stock of defaulted loans and debt securities (CR2)	14
7.3	Credit risk mitigation techniques – overview (CR3)	14
7.4	Standardised approach - credit risk exposure and Credit Risk Mitigation (CRM) effects (CR4)	15
7.5	Standardised approach - exposures by asset classes and risk weights (CR5)	16
7.6	Credit risk measurement and mitigation policies	16
8	Market Risk	17
8.1	Market Risk Weighted Assets	17
9	Counterparty credit risk	17
9.1	Analysis of CCR exposure by approach (CCR1)	17
9.2	Credit valuation Adjustment (CVA) capital Charge (CCR2)	17
9.3	Standardised approach - CCR exposures by regulatory portfolio and risk weights (CCR3)	17
9.4	Composition of collateral for CCR exposure (CCR5)	17
9.5	Credit derivative exposure (CCR6)	17
9.6	Exposure to central counterparties (CCR8)	17

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 1 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 2026.

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 CBUAE reduced the Countercyclical Capital Buffer requirement to 0% on relevant private sector credit exposures in the UAE, effective 17 March 2026. The CBUAE has indicated that banks will be provided at least 12 months' advance notice prior to any future increase in the CCyB requirement.

The buffer that will apply to each bank will reflect the geographic composition of its portfolio of credit exposures.

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 of 30 June 2026, AHB's ELAR stands at 30.13% (calculated on 90 days' average basis) which is well above the minimum requirement of 10%, ASRR stands at 72.87% which is well below the maximum requirement of 100% and Leverage ratio stands at 12.04% 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 meets 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/BSN/2020/4980 dated 12 November 2020 updated via Notice CBUAE/BSN/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 30 June 2026, AHB met the minimum requirements with a CAR of 24.79% and CET1 ratio of 23.66%.

2.7 Basis of consolidation

These Pillar III disclosures are in line with the consolidated financial statements of the Bank and entities controlled by the Bank and its subsidiaries (collectively 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 30 June 2026 have been appropriately verified internally by Finance, Risk and reviewed by the Group Internal Audit teams. In line with regulatory requirements, external auditors were engaged last year to audit the Pillar III disclosures.

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 an increase of AED 93Million in total risk weighted assets (RWA) over the last quarter mainly due to increase in claims on Banks.

AED'000	30-Jun-26	31-Mar-26	31-Dec-25	30-Sep-25	30-Jun-25
Available capital (amounts)					
Common Equity Tier 1 (CET1)	1,269,592	1,249,062	1,285,153	1,308,076	1,295,308
Tier 1	1,269,592	1,249,062	1,285,153	1,308,076	1,295,308
Total capital	1,330,280	1,308,588	1,346,919	1,371,082	1,362,140
Risk-weighted assets (amounts)					
Total risk-weighted assets (RWA)	5,366,900	5,274,091	5,530,078	5,628,868	5,939,809
Risk-based capital ratios as a percentage of RWA					
Common Equity Tier 1 ratio (%)	23.66%	23.68%	23.24%	23.24%	21.81%
Tier 1 ratio (%)	23.66%	23.68%	23.24%	23.24%	21.81%
Total capital ratio (%)	24.79%	24.81%	24.36%	24.36%	22.93%
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 (%)*	0.00%	0.50%	0.50%	0.38%	0.25%
Bank D-SIB additional requirements (%)	0%	0%	0%	0%	0%
Total of bank CET1 specific buffer requirements (%)	2.50%	3.00%	3.00%	2.88%	2.75%
CET1 available after meeting the bank's minimum capital requirements (%)	14.29%	14.31%	13.86%	13.86%	12.43%
Basel III Leverage Ratio					
Total Basel III leverage ratio measure	10,542,527	10,249,893	10,288,731	10,299,564	10,597,922
Basel III leverage ratio (%)	12.04%	12.19%	12.49%	12.70%	12.22%
ELAR					
Total HQLA	2,730,781	2,672,549	2,487,781	2,975,771	3,033,185
Total liabilities	9,064,694	8,799,823	8,862,564	9,077,117	9,452,222
Eligible Liquid Assets Ratio (ELAR) (%)	30.13%	30.37%	28.07%	32.78%	32.09%
ASRR					
Total available stable funding	7,514,242	7,670,832	7,774,493	7,821,258	7,933,389
Total Advances	5,475,854	5,596,642	5,772,262	6,019,317	6,193,784
Advances to Stable Resources Ratio (%)	72.87%	72.96%	74.25%	76.96%	78.07%

*Countercyclical Capital Buffer (CCyB) requirement were effective from 1 January 2026 with 0.5% on private sector credit exposures in the UAE now change to 0% to provide banks with additional flexibility to support the UAE economy effective from 17 March 2026.

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 23.66% with 1429 bps available for CET1 for buffer requirement. The leverage ratio stood at 12.04% against a regulatory minimum of 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
Common Equity Tier 1 capital: instruments and reserves	
Share Capital and Share premium	4,850,000
Retained earnings	(3,514,604)
Accumulated other comprehensive income (and other reserves)	151,338
Common Equity Tier 1 capital before regulatory deductions	1,486,734
Common Equity Tier 1 capital regulatory adjustments	
Goodwill and other Intangibles Assets	(179,443)
CBUAE specific regulatory adjustments	(37,699)
Total regulatory adjustments to Common Equity Tier 1	(217,142)
Common Equity Tier 1 capital (CET1)	1,269,592
Additional Tier 1 capital: regulatory adjustments	
Tier 1 capital (T1= CET1 + AT1)	1,269,592
Tier 2 capital: instruments and provisions	
Tier 2 capital before regulatory adjustments	60,688
Tier 2 capital: regulatory adjustments	
Tier 2 capital (T2)	60,688
Total regulatory capital (TC = T1 + T2)	1,330,280
Total risk-weighted assets	5,366,900
Capital ratios and buffers	
Common Equity Tier 1 (as a percentage of risk-weighted assets)	23.66%
Tier 1 (as a percentage of risk-weighted assets)	23.66%
Total capital (as a percentage of risk-weighted assets)	24.79%
Institution specific buffer requirement	2.50%
Of which: capital conservation buffer requirement	2.50%
Of which: bank-specific countercyclical buffer requirement	0.00%
Common Equity Tier 1 available for the buffer requirement	14.29%
The CBUAE Minimum Capital Requirement	
Common Equity Tier 1 minimum ratio	7.0%
Tier 1 minimum ratio	8.5%
Total capital minimum ratio	10.5%
Amounts below the thresholds for deduction (before risk weighting)	
Significant investments in common stock of financial entities	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-
Applicable caps on the inclusion of provisions in Tier 2	
Provisions eligible for inclusion in Tier 2	89,268
Cap on inclusion of provisions in Tier 2 under standardised approach	60,688

3.3 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 120Mn 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-26	Under regulatory scope of consolidation 30-Jun-26
Assets		
Cash and balances at central bank	2,653,767	2,653,767
Deposits & balances due from banks	296,672	296,672
Receivable from Islamic financing, activities	3,847,633	3,954,923
Ijara	1,533,355	1,552,673
Investment Securities	2,063,930	2,063,930
Intangible Assets	179,443	179,443
Property And Equipment, Net	32,725	32,725
Other Assets	97,064	91,138
Total assets	10,704,589	10,825,271
Liabilities		
Deposits from Customers	7,177,134	7,177,134
Wakala Deposits from banks	1,840,173	1,840,173
Islamic Derivative Financial Instruments Liabilities	1	1
Other Liabilities	200,547	321,229
Total liabilities	9,217,854	9,338,536
Shareholders' equity		
Paid-in share capital	4,850,000	4,850,000
Reserves	178,896	178,896
Retained Earnings	(3,510,345)	(3,510,345)
Net Profit for the Year	(4,258)	(4,258)
Cumulative Change in Fair Values	(27,558)	(27,558)
Total shareholders' equity	1,486,734	1,486,734

3.4 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
Amount recognised in regulatory capital (In millions, as of 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

3.5 Countercyclical capital buffer (CCyB)

The Bank's countercyclical capital buffer (CCyB) requirement is determined by applying various country specific CCyB rates to the Bank's qualifying credit exposures in the relevant country (based on the jurisdiction of the obligor) on a weighted average basis.

The CBUAE reduced the Countercyclical Capital Buffer requirement to 0% on relevant private sector credit exposures in the UAE, effective 17 March 2026. The CBUAE has indicated that banks will be provided at least 12 months' advance notice prior to any future increase in the CCyB requirement.

Private Sector							
Country	Total Exposure values	RWA	Exposure values	RWA	Weight	Counte- rcyclical capital buffer rate (in %)	"Bank- specific counte- rcyclica capital buffer rate"
A	B	C	D	E	F	G	H
United Arab Emirates	9,690,710	4,334,826	89,692	89,693	100%	0.00%	0.00%
United Kingdom	6,039	1,208	0	0	0%	2.00%	0.00%
Total	9,696,749	4,336,034	89,692	89,693	100%		0.00%

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 Q2'2026

Market Risk: As of Q2 2026, AHB's market risk continues to comprise Foreign Exchange Risk and Equity Risk. Market risk RWA decreased marginally from AED 15.49 million in Q1 2026 to AED 15.35 million in Q2 2026, mainly due to a decrease in the net foreign exchange open position against the USD.

4.3 Overview of risk weighted assets (OV1)

The OV1 table provides an overview of RWA and related minimum capital requirements by risk type. Over the quarter, total RWA increased from AED 5.27 billion to AED 5.36 billion. The increase was primarily driven by higher credit risk-weighted assets relating to claims on banks.

AED'000

	RWA		* Minimum capital requirements
	30-Jun-26	31-Mar-26	30-Jun-26
Credit risk (excluding counterparty credit risk)	4,855,012	4,762,060	631,152
Of which: standardised approach (SA)	4,855,012	4,762,060	631,152
Counterparty credit risk (CCR)	-	-	-
Of which: securitisation standardised approach (SEC-SA)	-	-	-
Market risk	15,355	15,498	1,996
Of which: standardised approach (SA)	15,355	15,498	1,996
Operational risk	496,533	496,533	64,549
Amounts below thresholds for deduction (subject to 250% risk weight)			
Floor adjustment			
Total	5,366,900	5,274,091	697,697

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-26	31-Mar-26	31-Dec-25	30-Sep-25	30-Jun-25
Total consolidated assets as per published financial statements	10,704,589	10,418,172	10,455,059	10,463,084	10,774,315
Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	17,381	18,566	19,823	20,008	19,174
Other adjustments	(179,443)	(186,846)	(186,152)	(183,528)	(195,566)
Leverage ratio exposure measure	10,542,527	10,249,893	10,288,731	10,299,564	10,597,922

The table on the next page 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 2026, 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 increase by AED 294Mn due to increase in claims on banks of AED 132Mn, Securities and Sukuks AED 131Mn, Retail portfolio (AED 120Mn) and AED 50Mn in other assets.

	30-Jun-26	31-Mar-26	31-Dec-25	30-Sep-25	30-Jun-25
On-balance sheet exposures					
On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	10,704,589	10,418,172	10,455,059	10,463,084	10,774,315
(Asset amounts deducted in determining Tier 1 capital)	(179,443)	(186,846)	(186,152)	(183,528)	(195,566)
Total on-balance sheet exposures (excluding derivatives and SFTs)	10,525,145	10,231,327	10,268,908	10,279,556	10,578,749
Other off-balance sheet exposures					
Off-balance sheet exposure at gross notional amount	173,812	185,660	198,234	200,077	191,737
(Adjustments for conversion to credit equivalent amounts)	(156,431)	(167,094)	(178,410)	(180,069)	(172,563)
Off-balance sheet items	17,381	18,566	19,823	20,008	19,174
Capital and total exposures					
Tier 1 capital	1,269,592	1,249,062	1,285,153	1,308,076	1,295,308
Total exposures	10,542,527	10,249,893	10,288,731	10,299,564	10,597,922
Leverage ratio					
exemption of central bank reserves)					
of central bank reserves)	12.04%	12.19%	12.49%	12.70%	12.22%
CBUAE minimum leverage ratio requirement	3.00%	3.00%	3.00%	3.00%	3.00%
Applicable leverage buffers	9.04%	9.19%	9.49%	9.70%	9.22%

*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 Advances to stable resources 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 of 30 June 2026, the Bank's ASRR stood at 72.87%.

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 of 30 June 2026, AHB ratio stood at 30.13%

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 Asset
Physical cash in hand at the bank + balances with the CBUAE	2,589,242	
UAE Federal Government Bonds and Sukuks	-	
Sub Total	2,589,242	2,589,242
UAE local governments publicly traded debt securities	104,561	
UAE Public sector publicly traded debt securities	-	
Sub Total	104,561	104,561
Foreign Sovereign debt instruments	36,978	36,978
Total	2,730,781	2,730,781
Total liabilities		9,064,694
Eligible Liquid Assets Ratio (ELAR)		30.13%

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)	5,475,854
Lending to non-banking financial institutions	-
Net Financial Guarantees & Stand-by LC (issued - received)	-
Interbank Placements	-
Total Advances	5,475,854
Calculation of Net Stable Resources	
Total capital + general provisions	1,575,676
Deduct:	
Goodwill and other intangible assets	179,443
Fixed Assets	32,725
Funds allocated to branches abroad	-
Unquoted Investments	-
Investment in subsidiaries, associates and affiliates	-
Total deduction	212,168
Net Free Capital Funds	1,363,508
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	338
Customer Deposits	6,150,396
Capital market funding/ term borrowings maturing after 6 months from reporting date	-
Total other Stable Resources	6,150,734
Total Stable Resources	7,514,242
Advances To Stable Resources Ratio (ASRR)	72.87

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	91,485	5,416,111	115,984	27,043	88,941	5,391,612
Debt securities	-	2,082,388	328		328	2,082,060
Off-balance sheet exposures	-	173,812	-			173,812
Total	91,485	7,672,311	116,311	27,043	89,268	7,647,484

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

Defaulted loans and debt securities at the end of the previous reporting period	95,849
Loans and debt securities defaulted from last reporting period	37,961
Returned to non-default status	(4,881)
Amounts written off	(40,021)
Other changes	2,576
Defaulted loans and debt securities at the end of the reporting period	91,485

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	5,507,596	-	-	-	-	-	-
Debt securities	2,082,388	-	-	-	-	-	-
Total	7,589,983	-	-	-	-	-	-
Of which defaulted	91,485	-	-	-	-	-	-

CR3 increased by AED 467Mn from Q4 2025 to Q2 2026, primarily due to an increase in the Sukuk portfolio.

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

AED'000

Asset classes	Exposures before CCF and CRM		Exposures post-CCF and CRM		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	3,324,076	-	3,324,076	-	232,188	5%
Public Sector Entities	40,521	-	40,521	-	37,606	1%
Multilateral development banks	140,533	-	140,533	-	20,699	0%
Banks	1,068,350	-	1,068,350	-	434,787	9%
Securities firms	-	-	-	-	-	0%
Corporates	477,071	-	477,071	-	307,897	6%
Regulatory retail portfolios	3,918,282	173,812	3,918,282	-	3,136,659	65%
Secured by residential property	1,424,473	-	1,424,473	-	520,741	11%
Secured by commercial real estate	38,864	-	38,864	-	38,864	1%
Equity Investment in Funds (EIF)	-	-	-	-	-	0%
Past-due loans	91,485	-	64,443	-	65,415	1%
Higher-risk categories	-	-	-	-	-	0%
Other assets	301,624	-	301,624	-	60,157	1%
Total	10,825,279	173,812	10,798,238	-	4,855,012	100%

CR4 off-balance-sheet exposure decreased by AED 24Mn due to a decrease in Credit Card undrawn commitments.

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

AED'000

Risk weight*	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
Asset classes										
Sovereigns and their central banks	2,712,608		245,154	-	366,314	-	-	-		3,324,076
Public Sector Entities	-		3,645	-	-	-	36,877	-		40,521
Multilateral development banks	37,040		103,493	-	-	-	-	-		140,533
Banks	-		331,295	-	737,055	-	-	-		1,068,350
Securities firms	-		-	-	-	-	-	-		-
Corporates	-		-	-	338,348	-	138,723	-		477,071
Regulatory retail portfolios	-		-	-	-	3,126,494	791,788	-		3,918,282
Secured by residential property	-		-	1,387,496	-	7,435	29,541	-		1,424,473
Secured by commercial real estate	-		-	-	-	-	38,864	-		38,864
Equity Investment in Funds (EIF)	-		-	-	-	-	-	-		-
Past-due loans	-		-	-	-	-	62,498	1,945		64,443
Higher-risk categories	-		-	-	-	-	-	-		-
Other assets	241,467		-	-	-	-	60,157	-		301,624
Total	2,991,114		683,587	1,387,496	1,441,717	3,133,929	1,158,449	1,945		10,798,238

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 (MR1)

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) decreased marginally from AED 15.49Mn million in Q1'26 to AED 15.35 million in Q2'26. This decrease is primarily attributable to a lower net foreign exchange open position against the USD.

	AED'000
	RWA
General interest rate risk	0
Equity risk	14,754
Commodity risk	
Foreign exchange risk	601
Credit spread risk - non-securitisations	
Credit spread risk - securitisations (non-correlation trading portfolio)	
Credit spread risk - securitisation (correlation trading portfolio)	
Default risk - non-securitisations	
Default risk - securitisations (non-correlation trading portfolio)	
Default risk - securitisations (correlation trading portfolio)	
Residual risk add-on	
Total	15,355

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 derivatives 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 derivatives 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 30 June 2026, AHB's exposure to Counterparty Credit Risk (CCR) is nil. Accordingly, CCR Risk-Weighted Assets (RWA) for Q2'26 stand at nil.

9.2 Credit Valuation Adjustment (CVA) Capital Charge (CCR2)

Credit Valuation Adjustment (CVA) RWA also remains nil for Q2'26, 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 has not posted or received any collateral for CCR exposure.

9.5 Credit derivative exposure (CCR6)

AHB has not posted or received any credit derivative exposure.

9.6 Exposure to central counterparties (CCR8)

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