

Al Hilal Bank

Pillar 3 Report

 30 September 2025





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1. Key Metrics for the Group (KM1)

There has been a decrease of AED 311Mn in total risk weighted assets (RWA) over the last quarter mainly due to decrease in Retail portfolio of AED 153 Mn, Investment securities AED 99Mn and remaining pertains to Other assets.

AED'000	30-Sep-25	30-Jun-25	31-Mar-25	31-Dec-24	30-Sep-24
Available Capital (amounts)					
Common Equity Tier 1 (CET1)	1,308,076	1,295,308	1,284,382	1,285,706	1,296,490
Tier 1	1,308,076	1,295,308	1,284,382	1,285,706	1,296,490
Total capital	1,308,076	1,362,140	1,353,504	1,357,693	1,383,127
Risk weighted assets (amounts)					
Total risk-weighted assets (RWA)	5,628,867	5,939,809	6,118,935	6,517,532	7,889,226
Risk-based capital ratios as a percentage of RWA					
Common Equity Tier 1 ratio (%)	23.24%	21.81%	20.99%	19.73%	16.43%
Tier 1 ratio (%)	23.24%	21.81%	20.99%	19.73%	16.43%
Total capital ratio (%)	24.36%	22.93%	22.12%	20.83%	17.53%
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 (%)	0.38%	0.25%	0.00%	0.00%	0.00%
Bank D-SIB additional requirements (%)	0%	0%	0%	0%	0%
Total of bank CET1 specific buffer requirements (%)	2.88%	2.75%	2.50%	2.50%	2.50%
CET1 available after meeting the bank's minimum capital requirements	13.86%	12.43%	11.62%	10.33%	7.03%
Basel III Leverage Ratio					
Total Basel III leverage ratio measure	10,299,564	10,597,922	11,250,627	10,847,179	11,967,202
Basel III leverage ratio (%)	12.70%	12.22%	11.42%	11.85%	10.83%
ELAR					
Total HQLA	2,975,771	3,033,185	2,912,019	2,489,958	2,650,149
Total liabilities	9,077,117	9,452,222	9,609,009	9,571,166	9,885,140
Eligible Liquid Assets Ratio (ELAR) (%)	32.78%	32.09%	30.31%	26.02%	26.81%
ASRR					
Total available stable funding	7,821,258	7,933,389	8,174,361	8,015,412	8,641,980
Total advances	6,019,317	6,193,784	6,368,907	6,469,868	7,400,898
Advances to Stable Resources Ratio (%)	76.96%	78.07%	77.91%	80.72%	85.64%

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 RWA decreased by AED 311Mn to AED 5.6Bn.

Credit Risk: The decrease of AED 306Mn in credit risk weighted assets (CRWA) over the quarter is primarily driven by decreases in CRWA of Financing portfolio and Investment.

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 Q2'25 and Q3'25 from AED 20.2Mn AED to AED 15.4Mn. The change is due to decrease in net FX open position against USD.

	AED'000		
	RWA		*Minimum capital requirements
	30-Sep-25	30-Jun-25	30-Sep-25
Credit risk (excluding counterparty credit risk)	5,040,443	5,346,601	674,159
Of which: standardised approach (SA)	5,040,443	5,346,601	674,159
Counterparty credit risk (CCR)	-	-	-
Market risk	15,498	20,283	2,073
Of which: standardised approach (SA)	15,498	20,283	2,073
Operational risk	572,926	572,926	76,629
Amounts below thresholds for deduction (subject to 250% risk weight) Floor adjustment			
Total	5,628,867	5,939,809	752,861

* Minimum capital requirement is arrived at by using capital adequacy ratio including all regulatory buffers on RWA for respective reporting periods.

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)

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

Summary comparison of accounting assets vs leverage ratio exposure	AED'000				
	30-Sep-25	30-Jun-25	31-Mar-25	31-Dec-24	30-Sep-24
Total consolidated assets as per published financial statements	10,463,084	10,774,315	11,427,932	11,025,728	12,046,603
Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	20,008	19,174	16,265	15,172	107,362
Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-	-	-	-	-
Other adjustments	(183,528)	(195,566)	(193,571)	(193,122)	(186,763)
Leverage ratio exposure measure	10,299,564	10,597,922	11,250,627	10,847,779	11,967,202

The below table 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.

3.2. Leverage ratio common disclosure (LR2)

In the leverage ratio, total on-balance sheet net exposure has decreased by AED 298Mn to AED 10.3Bn.

AED'000

	30-Sep-25	30-Jun-25	31-Mar-25	31-Dec-24
On-balance sheet exposures				
On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	10,463,084	10,774,315	11,427,932	11,025,728
(Asset amounts deducted in determining Tier 1 capital)	(183,528)	(195,566)	(193,571)	(193,122)
Total on-balance sheet exposures (excluding derivatives and SFTs)	10,279,678	10,578,749	11,234,362	10,832,606
Off-balance sheet exposure at gross notional amount	200,077	191,737	162,654	151,722
(Adjustments for conversion to credit equivalent amounts)	(180,069)	(172,563)	(146,389)	(136,550)
(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-	-	-
Off-balance sheet items	20,008	19,174	16,265	15,172
Capital and total exposures				
Tier 1 capital	1,308,076	1,295,308	1,284,382	1,285,706
Total exposures	10,299,564	10,597,922	11,250,627	10,847,779
Leverage ratio				
Leverage ratio (including the impact of any temporary exemption of central bank reserves)	-	-	-	-
Leverage ratio (excluding the impact of any temporary exemption of central bank reserves)	12.70%	12.22%	11.42%	11.85%
CBUAE minimum leverage ratio requirement	3.00%	3.00%	3.00%	3.00%
Applicable leverage buffers	9.70%	9.22%	8.42%	8.85%

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 needed. 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 checked 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 often 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 monthly 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 ability 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 of 30 September 2025, the Bank's ASRR was 76.96%.

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 of 30 September 2025, this ratio stood at 32.78%.

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 minimal 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 Assets
Physical cash in hand at the bank + balances with the CBUAE	2,834,149	2,834,149
UAE Federal Government Bonds and Sukuks	-	-
Sub Total	2,834,149	2,834,149
UAE local governments publicly traded debt securities	104,300	104,300
UAE Public sector publicly traded debt securities	-	-
Sub Total	104,300	104,300
Foreign sovereign debt instruments	37,322	37,322.10
Total	2,975,771	2,975,771
Total liabilities		9,077,117
Eligible Liquid Assets Ratio (ELAR)		32.78%

4.4. Advances to Stable Resources Ratio (ASRR)

	AED'000
Computation of Advances	Amount
Net Lending	6,019,317
Lending to non-banking financial institutions	-
Net Financial Guarantees & Stand-by LC (issued – received)	-
Interbank Placements	-
Total Advances	6,019,317
Calculation of Net Stable Resources	
Total capital + general provisions	1,600,056
Deduct:	
Goodwill and other intangible assets	183,528
Fixed Assets	52,486
Funds allocated to branches abroad	-
Unquoted Investments	-
Investment in subsidiaries, associates and affiliates	-
Total deduction	236,014
Net Free Capital Funds	1,364,042
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	310
Customer Deposits	6,456,906
Capital market funding/term borrowings maturing after 6 months from reporting date	-
Investment in subsidiaries, associates and affiliates	-
Total other Stable Resources	6,457,216
Total Stable Resources	7,821,258
Advances To Stable Resources Ratio (ASRR)	76.96