

Al Hilal Bank

Pillar 3 Report

 31 December 2025





Table of Contents

1.	Introduction and basis of preparation	4
1.1	Scope of Basel III Pillar 3 disclosures	4
1.2	Significant capital adequacy, liquidity and funding related disclosure requirements	4
2.	Overview of Basel III requirements:	4
2.1	AHB's approach to Pillar I	5
2.2	Minimum capital requirement	5
2.3	Leverage and liquidity ratios	5
2.4	Standards for Standalone Capital Adequacy Ratio	5
2.5	Revised Standards for Pillar – III disclosures	5
2.6	Impact on AHB	5
2.7	Basis of consolidation	6
2.8	Verification	6
2.9	Ownership	6
3.	Summary of differences between Pillar III disclosures and risk review in the audited consolidated financial statements	7
4.	Summary of cross-references between Pillar III disclosures and risk review in the audited consolidated financial statements	8
5.	Comparison of accounting balance sheet and exposure at default	9
5.1	Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories (LI1):	10
5.2	Main sources of differences between regulatory exposure amounts and carrying values in financial statements (LI2)	10
6.	Key Prudential Regulatory Metrics (at consolidated group level)	11
6.1	Key Metrics for the Group (KM1)	11
6.2	Capital Management	12
6.3	Capital Resources (CC1)	12
6.4	Reconciliation of regulatory capital to balance sheet (CC2)	13
6.5	Main features of regulatory capital instruments (CCA)	13
6.6	Countercyclical capital buffer (CCyB)	14
7.	Risk Management and Risk Weighted Assets	14
7.1	Our approach to measuring Risk Exposure and Risk-Weighted Asset	14
7.2	OVA: Bank Risk Management Approach	14
7.3	RWA development in Q4-2025	16
8.	Leverage Ratio	16
8.1	Summary comparison of accounting assets versus leverage ratio exposure measure (LR1)	16
8.2	Leverage ratio common disclosure (LR2)	17
9.	Funding and liquidity risk	17
9.1	Liquidity Risk Management (LIQA)	17
9.2	High-quality liquid assets	18
9.3	Eligible Liquid Assets Ratio (ELAR)	18
9.4	Advances to Stable Resources Ratio (ASRR)	19
10.	Credit Risk Management	19
10.1	Template CRA: General qualitative information about credit risk	19
a.	How the business model translates into the components of the bank's credit risk profile	20
b.	Criteria and approach used for defining credit risk management policy for setting credit risk limits	20
c.	Structure and organisation of the credit risk management and control function	21

d.	Relationships between the credit risk management, risk control, compliance and internal audit functions	21
e.	Scope on credit risk exposure/function reporting to the executive management / the board of directors	21
10.2	Template CRB: Additional disclosure related to the credit quality of assets	21
10.3	Template CRC: Qualitative disclosure requirements related to credit risk mitigation techniques	22
a.	Core features of policies and processes for use of on- and off-balance sheet netting	22
b.	Core features of policies and processes for collateral evaluation and management	22
c.	Information about market or credit risk concentrations under the credit risk mitigation instruments	22
10.4	Credit quality of assets (CR1)	23
10.5	Changes in stock of defaulted loans and debt securities (CR2)	23
10.6	Credit risk mitigation techniques – overview (CR3)	24
10.7	Standardised approach - credit risk exposure and Credit Risk Mitigation (CRM) effects (CR4)	24
10.8	Standardised approach - exposures by asset classes and risk weights (CR5)	24
10.9	Gross and net credit risk exposure by asset class — Standardised Approach	25
10.10	Gross and net credit risk exposure by externally rated/unrated — Standardised Approach	25
10.11	Gross credit risk by currency	26
10.12	Gross credit risk by geography	27
10.13	Gross credit risk by residual maturity	27
10.14	Gross credit risk by economic sector	28
10.15	Credit risk measurement and mitigation policies	28
10.16	Impairment analysis	29
11.	Market Risk	30
11.1	Market Risk Weighted Assets	30
12.	Counterparty credit risk	31
12.1	Analysis of CCR exposure by approach (CCR1)	31
12.2	Analysis of Credit valuation adjustment (CVA) capital charge (CCR2)	31
12.3	Standardised approach - CCR exposures by regulatory portfolio and risk weights (CCR3)	32
12.4	Composition of collateral for CCR exposure (CCR5)	32
12.5	Credit derivatives exposures (CCR6)	32
12.6	Exposures to central counterparties (CCR8)	32
12.7	Prudent Valuation Adjustment (PVA)	32
13.	Profit rate risk in the bankingbook (PRRBB)	33
13.1	Repricing maturity assigned to non-maturity deposits (NMDs) (IRRBB A)	34
13.2	Repricing maturity assigned to non-maturity deposits (NMDs) (IRRBB B1)	35
14.	Operational risk	35
15.	Remuneration	40
15.1	Remuneration awarded during the financial year (REM 1)	40
15.2	Special payments (REM2)	40
15.3	Deferred remuneration (REM 3)	40

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/or to cover other risks, like liquidity, concentration, reputational, 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 (referred to as "AHB" or the "Bank") for the period ended 31 December 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:

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, UAE banks are required to maintain the countercyclical buffer (CCyB) of 0.5% effective from 1 January 2026. 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 domestically systemically important banks (D SIBs) 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 viz, Liquidity Coverage Ratio (LCR) and 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 to date. The regulations require banks to maintain ELAR of 10% at minimum and ASRR of 100% at maximum.

As of 31 December 2025, AHB's ELAR was 28.07% (calculated on 90 days' average basis) which is well above the minimum requirement of 10%, ASRR was 74.25%, which is well below the maximum requirement of 100%, and Leverage ratio was 12.49% which is again well above the minimum requirement of 3%.

2.4. Standards for Standalone Capital Adequacy Ratio

In November 2019, the Central Bank of UAE had issued consultative draft standards on standalone capital adequacy ratio. Currently in the UAE banks are required to meet prudential capital requirements on a consolidated basis. In December 2020, following industry consultation Central Bank of UAE implemented standalone capital adequacy framework for UAE banks from December 2023.

A preliminary assessment of standalone capital adequacy has been conducted, and the Bank meets the minimum capital requirements.

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 31st December 2025, AHB met the minimum requirements with a CAR of 24.36% and CET1 ratio of 23.24%.

2.7. Basis of consolidation

The 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 involved in Islamic retail and corporate activities. The Bank carries out its operations through its branches 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 ending 31 December 2025 have been properly verified internally by the Finance, Risk, and 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. Summary of differences between Pillar III disclosures and risk review in the audited consolidated financial

statements

Topic	Risk review in the audited annual consolidated financial statements	Pillar III disclosures
Basis of requirements	<p>The Bank's annual report is prepared in accordance with the requirements of IFRS and applicable requirements of the laws.</p>	<p>The Bank's Pillar III disclosures provide detail on risk from a regulatory perspective as required by the Basel III standardised approach requirements, which have been implemented in the UAE through the Central Bank of the UAE standards/guidelines issued in November 2020 and updated in December 2022.</p> <p>The capital supply is determined based on Basel III requirements, which have been implemented in the UAE through the Central Bank of the UAE guidelines issued in February 2017, issued in November 2020 and updated in December 2022.</p>
Basis of preparation	<p>The quantitative credit risk disclosures in the credit risk management section are set out based on IFRS.</p> <p>Receivable and Ijara are analysed net of impairment, profit in suspense and off-balance-sheet exposures are considered at maximum exposure levels.</p> <p>Market risk disclosures are presented using currency risk and profit rate risk sensitivity analysis.</p>	<p>Provides details from a regulatory perspective on credit, market and operational risk. The capital calculation and the disclosures are based on the standardised approach as recommended by the Central Bank of UAE. Financing and advances are analysed at gross levels and off-balance-sheet exposures are disclosed at post-CCF levels.</p> <p>Market risk and operational risk disclosures are based on the capital required.</p>

4. Summary of cross-references between Pillar III disclosures and risk review in the audited consolidated financial statements

Topic	Risk review in the audited annual consolidated financial statements	Pillar III disclosures
Credit risk management and measurement and risk-grading	<p>An overview of credit, market and liquidity risk management and measurement along with the quantitative disclosures are set out in Notes 33.3, 33.4 & 33.5 to the audited financial statements respectively. Maximum exposure to credit risk and credit risk concentration are provided in Notes 33.3 to the audited consolidated financial statements. Internal credit risk grading analysis provided by business for financing neither past due nor impaired and available-for-sale investments is provided in Note 33.3 to the audited consolidated financial statements. Note 36 to the audited consolidated financial statements provides the overall capital adequacy of the Bank split into Tier 1 and Tier 2 ratios.</p>	<p>A detailed analysis of credit risk exposure and risk-weighted assets (RWAs) calculated according to the standardised approach is set out in sections 7 and 10 of this report. Liquidity ratios and market risk capital requirements are disclosed in section 9 and 11 of this report. A more detailed analysis of credit risk exposure pre- and post-credit risk mitigants (CRMs) and after applying credit conversion factors (CCFs) to the off-balance-sheet exposure is disclosed in sections 10.7 of this report. Minimum regulatory capital requirements for credit, market and operational risk are set out in sections 6,11 and 14 of this report. Section 10.10 of this report provides an indicative mapping of the Bank's rated and unrated exposure.</p>
Credit risk mitigation	<p>An overview of CRM is provided in Note 36 to the audited consolidated financial statements. Disclosures on concentration of credit risk by geography, economic and industry sector are provided in Note 7 to the audited consolidated financial statements.</p>	<p>Sections 10.3, 10.4 and 10.12 provide the impact and description of total CRM held by the Bank. This report also provides total exposure post and pre-CRM adjustment in section 10.9 of this report. Disclosures on concentration of credit risk by currency, geography, residual maturity and economic sector calculated based on the Basel rules are provided in section 10 of this report.</p>
Concentration of credit risk	<p>Disclosures on concentration of credit risk by geography, economic and industry sector are provided in Note 7 to the audited consolidated financial statements.</p>	<p>Disclosures on concentration of credit risk by currency, geography, residual maturity and economic sector calculated based on the Basel rules are provided in section 10 of this report.</p>
Credit risk management and impairment allowance	<p>Provisioning approach and financial assets by stages with expected credit loss are set out in Note 33.3 to the audited consolidated financial statements.</p>	<p>Disclosures of impaired financing, impairment balance and Profit in suspense (PIS) by geography and economic sector are set out in section 10.14 and 10.16 of this report. Qualitative and quantitative disclosures are disclosed in Note 3 to the audited consolidated financial statements which are in line with Pillar 3 quantitative guidelines</p>
Market risk	<p>A description of market risk management and measurement, along with currency risk sensitivity and profit rate risk sensitivity analysis, is set out in Note 33.4 to the audited consolidated financial statements.</p>	<p>Section 11 of this report provide quantitative disclosures of capital requirements for market risk.</p>

Topic	Risk review in the audited annual consolidated financial statements	Pillar III disclosures
Liquidity risk	A description on liquidity risk framework, measurement and monitoring is set out in Note 33.5 to the audited consolidated financial statements.	Quantitative disclosure in the format required by Pillar 3 guidelines is set out in section 9 of this report.
Operational risk	Description of operational risk management is set out in Note 33.6 to the audited consolidated financial statements.	A description of operational risk faced by the Bank is set out in section 14 of this report.
Key management compensation	Disclosures on remuneration to senior management/material risk takers are set out in our annual report-corporate governance section and Note 28 to the audited consolidated financial statements. Information is provided on the key components of our remuneration approach and how we develop our approach.	Quantitative disclosure in the format required by Pillar 3 guidelines is set out in section 15 of this report.
List of subsidiaries	Disposal of subsidiary is listed in note number 30 of audited annual financial statements.	Disposal of subsidiary is listed in note number 30 of audited annual financial statements

5. Comparison of accounting balance sheet and exposure at default

LIA: The differences between the financial and regulatory consolidated balance sheets arise primarily from differences in the basis of consolidation and the requirement to not consolidate for regulatory purposes commercial entities which are subject to full consolidation for financial purposes. The regulatory risk category drives the approach applied in the calculation of regulatory exposures and RWA. Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories is disclosed in the following page. The differences between accounting and regulatory consolidated balance sheets amounting to AED 123Mn mainly due to regulatory adjustment for Provisions and Profit in Suspense.

5.1. Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories (LI1).

	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances at central banks	2,531,031	2,531,031	2,531,031	-	-	-	-
Deposits & balances due from banks, net	312,344	312,344	312,344	-	-	-	-
Receivable from Islamic financing, activities Ijara	4,177,620	4,285,568	4,285,568	-	-	-	-
Investment Properties	1,506,506	1,528,898	1,528,898	-	-	-	-
Investment Securities	-	-	-	-	-	-	-
Intangible Assets	1,622,933	1,622,933	1,622,933	-	-	-	-
Property And Equipment, Net	186,152	186,152	-	-	-	-	186,152
Islamic Derivative Financial Instruments Asset	39,159	39,159	39,159	-	-	-	-
Investment in Associate	-	-	-	-	-	-	-
Other Assets	79,314	72,873	72,873	-	-	-	-
Total Assets	10,455,059	10,578,958	10,392,806	-	-	-	186,152
Liabilities							
Deposits from Customers	7,428,943	7,428,943	-	-	-	-	-
Wakala Deposits from banks	1,307,588	1,307,588	-	-	-	-	-
Medium Term Financing	-	-	-	-	-	-	-
Islamic Derivative Financial Instruments Liabilities	-	-	-	-	-	-	-
Other Liabilities	217,634	341,532	-	-	-	-	-
Total Liabilities	8,954,165	9,078,063	-	-	-	-	-
Equity	1,500,894	1,500,894	-	-	-	-	186,152

5.2. Main sources of differences between regulatory exposure amounts and carrying values in financial statements (LI2)

The below table shows the effect of regulatory adjustments required to derive the Bank's exposure at default (EAD) for the purposes of calculating its capital requirements. The differences between the carrying values under regulatory scope of consolidation and amounts considered for regulatory purposes shown in section 5.2 are mainly provisions, collateral, off-balance sheet exposures and as detailed below:

	Total	Items subject to:			
		Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	10,392,806	10,392,806	-	-	-
Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	-	-	-	-	-
Total net amount under regulatory scope of consolidation	10,392,806	10,392,806	-	-	-
Off-balance sheet amounts	198,234	198,234	-	-	-
Differences in valuations	-	-	-	-	-
Differences due to different netting rules	-	-	-	-	-
Differences due to consideration of Provisions	-	-	-	-	-
Differences due to prudential filters	186,152	186,151.69	-	-	-
Exposure amounts considered for regulatory purposes	10,777,192	10,777,192	-	-	-

6. Key Prudential Regulatory Metrics (at consolidated group level)

6.1. Key Metrics for the Group (KM1)

There has been a decrease of AED 99Mn in total Risk-Weighted Assets (RWA), AED 47Mn in Available Stable Fund Ratio (ASRR) and AED 488Mn in High Quality Liquid Asset (HQLA) over the last quarter primarily due to decrease risk-weighted assets in CBUAE Islamic CDs.

	31-Dec-25	30-Sep-25	30-Jun-25	31-Mar-25	31-Dec-24
AED'000					
Available capital (amounts)					
Common Equity Tier 1 (CET1)	1,285,153	1,308,076	1,295,308	1,284,382	1,285,706
Tier 1	1,285,153	1,308,076	1,295,308	1,284,382	1,285,706
Total capital	1,346,919	1,371,082	1,362,140	1,353,504	1,357,693
Risk-weighted assets (amounts)					
Total risk-weighted assets (RWA)	5,530,078	5,628,868	5,939,809	6,118,935	6,517,532
Risk-based capital ratios as a percentage of RWA					
Common Equity Tier 1 ratio (%)	23.24%	23.24%	21.81%	20.99%	19.73%
Tier 1 ratio (%)	23.24%	23.24%	21.81%	20.99%	19.73%
Total capital ratio (%)	24.36%	24.36%	22.93%	22.12%	20.83%
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 (%)*	0.50%	0.38%	0.25%	0%	0%
Bank D-SIB additional requirements (%)	0%	0%	0%	0%	0%
Total of bank CET1 specific buffer requirements (%)	3.00%	2.88%	2.75%	2.50%	2.50%
CET1 available after meeting the bank's minimum capital requirements (%)	13.86%	13.86%	12.43%	11.62%	10.33%
Basel III Leverage Ratio					
Total Basel III leverage ratio measure	10,288,731	10,299,564	10,597,922	11,250,627	10,847,779
Basel III leverage ratio (%)	12.49%	12.70%	12.22%	11.42%	11.85%
ELAR					
Total HQLA	2,487,781	2,975,771	3,033,185	2,912,019	2,489,958
Total liabilities	8,862,564	9,077,117	9,452,222	9,609,009	9,571,166
Eligible Liquid Assets Ratio (ELAR) (%)	28.07%	32.78%	32.09%	30.31%	26.02%
ASRR					
Total available stable funding	7,774,493	7,821,258	7,933,389	8,174,361	8,015,412
Total Advances	5,772,262	6,019,317	6,193,784	6,368,907	6,469,868
Advances to Stable Resources Ratio (%)	74.25%	76.96%	78.07%	77.91%	80.72%

*Central Bank of UAE has introduced the countercyclical buffer (CCyB) requirement of 0.50% on private sector exposure in the UAE effective January 1, 2026.

6.2. 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 year-end, the CET1 ratio was 23.24% which is 1386 bps available for the CET1 buffer requirement and CAR was 24.36% which is 1086 bps above the regulatory minimum. The leverage ratio stood at 12.49% against a regulatory minimum of 3%.

6.3. 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	(3,510,372)
Accumulated other comprehensive income (and other reserves)	161,267
Common Equity Tier 1 capital before regulatory deductions	1,500,894
Common Equity Tier 1 capital regulatory adjustments	
Goodwill and other Intangibles Assets	(186,152)
CBUAE specific regulatory adjustments	(29,590)
Total regulatory adjustments to Common Equity Tier 1	(215,741)
Common Equity Tier 1 capital (CET1)	1,285,153
Additional Tier 1 capital: regulatory adjustments	
Tier 1 capital (T1= CET1 + AT1)	1,285,153
Tier 2 capital: instruments and provisions	
Tier 2 capital before regulatory adjustments	61,766
Tier 2 capital: regulatory adjustments	
Tier 2 capital (T2)	61,766
Total regulatory capital (TC = T1 + T2)	1,346,919
Total risk-weighted assets	5,530,078
Capital ratios and buffers	
Common Equity Tier 1 (as a percentage of risk-weighted assets)	23.24%
Tier 1 (as a percentage of risk-weighted assets)	23.24%
Total capital (as a percentage of risk-weighted assets)	24.36%
Institution specific buffer requirement	3.00%
Of which: capital conservation buffer requirement	2.50%
Of which: bank-specific countercyclical buffer requirement	0.50%
Common Equity Tier 1 available for the buffer requirement	13.86%
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	81,985
Cap on inclusion of provisions in Tier 2 under standardised approach	61,766

6.4. Reconciliation of regulatory capital to balance sheet (CC2)

The following table shows the reconciliation between balance sheet prepared for published financial statements with that 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 applying Basel III rules.

	AED'000	
	Balance sheet as of	" Under regulatory scope of consolidation "
	31-Dec-25	31-Dec-25
Assets		
Cash and balances at central bank	2,531,031	2,531,031
Deposits & balances due from banks	312,344	312,344
Receivable from Islamic financing, activities	4,177,620	4,285,568
Ijara	1,506,506	1,528,898
Investment Securities	1,622,933	1,622,933
Intangible Assets	186,152	186,152
Property And Equipment, Net	39,159	39,159
Other Assets	79,314	72,873
Total assets	10,455,059	10,578,958
Liabilities		
Deposits from Customers	7,428,943	7,428,943
Wakala Deposits from banks	1,307,588	1,307,588
Islamic Derivative Financial Instruments Liabilities	-	-
Other Liabilities	217,634	341,532
Total liabilities	8,954,165	9,078,063
Shareholders' equity		
Paid-in share capital	4,850,000	4,850,000
Reserves	178,896	178,896
Retained Earnings	(3,491,035)	(3,491,035)
Net Profit for the Year	(19,338)	(19,338)
Cumulative Change in Fair Values	(17,629)	(17,629)
Total shareholders' equity	1,500,894	1,500,894

6.5. 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
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

6.6. 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. Effective from 1 January 2026 UAE banks are required to maintain the countercyclical buffer (CCyB) of 0.5% on private sector credit exposures in the UAE.

Country	Private Sector						
	Total Exposure values	RWA	Exposure values	RWA	Weight	Countercyclical capital buffer rate (in %)	Bank-specific countercyclical capital buffer rate
A	B	C	D	E	F	G	H
United Arab Emirates	9,744,603	4,502,058	88,525	88,524	100%	0.50%	0.50%
United Kingdom	8,418	1,684	0	0	0%	2.00%	0.00%
Total	9,753,020	4,503,742	88,525	88,524	100%	0	0.50%

7. Risk Management and Risk Weighted Assets

7.1. Our approach to measuring Risk Exposure and Risk-Weighted Asset

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. Our risk-weighted assets (RWA) are calculated according to the BCBS Basel III framework, as implemented by the Central Bank of UAE.

7.2. OVA: Bank Risk Management Approach

Risk management is integral to the operations and risk culture of the Group. The Board of Directors ("The Board") places significant importance on strong risk governance when shaping the Group's strategy and managing risks effectively. Risks are proactively managed within the Group with a clear framework of risk ownership by respective stakeholders. The Bank's Risk Governance framework is part of the overall approach to corporate governance. The Risk Governance Framework provides guidance on the ongoing development, enhancement and implementation of the Bank's Risk Management infrastructure which covers methodologies, structures, policies, procedures, limits, monitoring, managing mechanism and systems. Risk Governance Framework is established given the consideration of risk profile, nature, size and complexity of the Bank's business and structure. The Bank's risk governance structure ensures oversight of, and accountability for, the effective management of risk at the Group.

The Group's business strategy is to achieve the objective of being a strong financial player and at the same time managing risks associated with this objective effectively. The risk management supports this objective and promotes the transparency within the Group. Under the Group's approach to risk governance, the business primarily owns the risk that it generates and is equally responsible for assessing risk, designing and implementing controls and monitoring and reporting their ongoing effectiveness to safeguard the Group from exceeding its risk appetite.

The Board has the ultimate responsibility for setting out the risk appetite and effective management of risk for the Group. The Board's risk strategy is reflected in its Risk Appetite Statement (RAS). These describe the amount of each risk type that the Bank is willing to take in pursuit of its strategic objectives.

Risk measurement is attained through the Bank's Risk Appetite Statement. The risk appetite measures have been developed and integrated into the strategic planning process of the Bank. Currently, the Banks risk appetite can be summarised across the following dimensions (but not limited to):

- Capital Adequacy
- Conduct and Shariah Risk
- Credit Risk
- Market & Liquidity Risk
- Operational Risk
- Compliance & Regulatory Risk
- Information Security & Technology Risk

The RAS is shared with Management on monthly basis and presented in the Risk Management Committee, with any breaches to the RAS reported to the Board/Board Committees with a suitable remediation plan and timeline for regularizing the breach.

The Management Executive Committee has the primary responsibility for implementing, overseeing and taking ownership for the enforcement of strategy and internal control directives laid down by the Board. The Management level committees also actively manage risk through the Asset and Liabilities Committee ("ALCO") and the Risk Management Committee.

The ALCO is responsible structuring and monitoring the balance sheet from a risk-return perspective including the strategic management of profit rate, foreign exchange and liquidity risks. The Risk Management Committee supports the Board Risk Committee ("BRC") to fulfil its responsibilities in relation to the oversight of the development and implementation of risk management strategies and limits, the alignment of the Bank's strategic objectives with its risk profile, the risks in the Bank's asset portfolios, the compliance with regulatory requirements relating to risk management. The Risk Management function headed by the Chief Risk Officer reports to the Board Risk Committee. The risk function is independent of the origination function to ensure the balance in risk reward decision is not compromised and to ensure transparency of decisions in accordance with laid down standards and policies. The risk function exercises control over credit, market, liquidity, operational, fraud, data governance and information security risk and business continuity risk.

The Internal Audit and the Compliance function aim to apply a systematic and disciplined approach to evaluating and improving the effectiveness of the Bank's risk management, control and governance processes. The Internal audit alongside the Compliance function, also ensure that policies and procedures undertaken by the Group are conducted in compliance with applicable legal and regulatory requirements and in accordance with the Group's internal procedures. In managing Credit, Market or Liquidity Risk, the Bank performs a systematic review of possible sources of Credit or Market Risk factors that will impact the portfolio with an assessment of the potential magnitude of these events. Stress testing provides a futuristic insight into the impact of such events and accordingly will help the Bank better plan its capital sources and uses.

Stress tests are performed for different risk types including Credit Risk, Market Risk, Liquidity Risk. The Management or Board/Board Committees might mandate stress test for other risks at any point in time.

The Bank conducts both a basic level of testing wherein the scenarios / shocks are chosen based on a past or potential underlying events or real-world crisis, as well as enterprise-level stress testing where macroeconomic factors are tested and their impact on the Bank is quantified.

Determining the stress / sensitivity test scenarios is the main building block of any assessment.

The Bank conducts stress tests for possible risk events that can cause, directly or indirectly, an economic loss to the Bank.

The Stress events can be based on historical and/or hypothetical scenarios. Historical scenarios would be based on observed events from the past that are relevant to the Bank. Hypothetical scenarios are mainly determined by plausible relevant events that can occur. These events are caused by macroeconomic factors, specific events related to the economy as a whole or specific to a certain portfolio, or catastrophe scenarios capturing extreme market events which have not previously occurred.

The stress scenario can either be macroeconomic due to some adverse economic conditions or idiosyncratic impacting some specific groups, or a combination of both. Stress tests are conducted at varying frequencies considering business requirements and relevance. Detailed stress tests are conducted at least annually and the assumptions underlying the stress tests are reviewed periodically.

The enterprise-wide stress testing is a stress testing exercise where the Bank assess the impact of stress event on all types of risk. In ICAAP, both credit, market and liquidity risks are considered for stress test. In this stress test the purpose is to assess the impact of simultaneous movements in a number of risk drivers, which may arise due to macroeconomic variables. These stress scenarios reflect the forward-looking views of macro-economic environment that are calibrated against the adverse movements in the risk drivers. Risk drivers are selected based on product, business and bank level views of each scenario and are granular appropriate to the scenarios.

The strategies and processes to manage, hedge, and mitigate risks that arise from the bank's business model and the processes for monitoring the continuing effectiveness of hedges and mitigates.

7.3. RWA development in Q4-2025

The OVI table provides an overview of RWA and the related minimum capital requirements by risk type. Over the quarter, total CRWA decreased by AED 99Mn to AED 4.94Bn.

Market Risk Capital: AHB's market risk capital requirement is driven solely by Foreign Exchange (FX) Risk and Equity Risk. The Bank does not maintain any derivative positions for trading purposes; therefore, no market risk capital charge arises from derivatives.

The Market Risk Risk-Weighted Assets (RWA) increased from AED 15.49Mn in Q3'25 to AED 15.87Mn in Q4'25. This increase is primarily due to a higher net open FX position against the USD during the quarter.

Overview of risk weighted assets (OVI)

	RWA		* Minimum capital requirements
	31-Dec-25	30-Sep-25	31-Dec-25
Credit risk (excluding counterparty credit risk)	4,941,277	5,040,443	667,072
Of which: standardised approach (SA)	4,941,277	5,040,443	667,072
Counterparty credit risk (CCR)	-	-	-
Market risk	15,875	15,498	2,143
Of which: standardised approach (SA)	15,875	15,498	2,143
Operational risk	572,926	572,926	77,345
Amounts below thresholds for deduction (subject to 250% risk weight) Floor adjustment			
Total	5,530,078	5,628,868	746,561

8. 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 summarised in the table below.

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

	31-Dec-25	30-Sep-25	30-Jun-25	31-Mar-25	31-Dec-24
Summary comparison of accounting assets vs leverage ratio exposure					
Total consolidated assets as per published financial statements	10,455,059	10,463,084	10,774,315	11,427,932	11,025,728
Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	19,823	20,008	19,174	16,265	15,172
Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-	-	-	-	-
Other adjustments	(186,152)	(183,528)	(195,566)	(193,571)	(193,122)
Leverage ratio exposure measure	10,288,731	10,299,564	10,597,922	11,250,627	10,847,779

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

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

8.2. Leverage ratio common disclosure (LR2)

	AED'000				
	31-Dec-25	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)	10,455,059	10,463,084	10,774,315	11,427,932	11,025,728
(Asset amounts deducted in determining Tier 1 capital)	(186,152)	(183,528)	(195,566)	(193,571)	(193,122)
Total on-balance sheet exposures (excluding derivatives and SFTs)	10,268,908	10,279,556	10,578,749	11,234,362	10,832,606
Other off-balance sheet exposures					
Off-balance sheet exposure at gross notional amount	198,234	200,077	191,737	162,654	151,722
(Adjustments for conversion to credit equivalent amounts)	(178,410)	(180,069)	(172,563)	(146,389)	(136,550)
Off-balance sheet items	19,823	20,008	19,174	16,265	15,172
Capital and total exposures					
Tier 1 capital	1,285,153	1,308,076	1,295,308	1,284,382	1,285,706
Total exposures	10,288,731	10,299,564	10,597,922	11,250,627	10,847,779
Leverage ratio					
Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)					
Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	12.49%	12.70%	12.22%	11.42%	11.85%
CBUAE minimum leverage ratio requirement	3.00%	3.00%	3.00%	3.00%	3.00%
Applicable leverage buffers	9.49%	9.70%	9.22%	8.42%	8.85%

* With 1.4 multiplier

9. 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.

9.1. Liquidity Risk Management (LIQA)

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

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

Roles and Responsibilities: Although the overall responsibility of liquidity management lies with the Board/ Board Committee, it approves the liquidity management policy and delegates 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 capacity under stressed conditions, early warning indications on monthly basis, responsibilities and authority to meet liquidity crisis, estimation of probability, severity and duration of liquidity crisis.

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

The key measures used by the Group for managing liquidity risk are regulatory driven ratios which are Advances 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 31 December 2025, the Bank’s ASRR was 74.25%.

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 31 December 2025, this ratio stood at 28.07%.

9.2. 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.

9.3. Eligible Liquid Assets Ratio (ELAR)

	Nominal amount	Eligible Liquid Asset
AED'000		
High Quality Liquid Assets		
Physical cash in hand at the bank + balances with the CBUAE	2,343,169	
UAE Federal Government Bonds and Sukuks	-	
Sub Total	2,343,169	2,343,169
UAE local governments publicly traded debt securities	107,202	
UAE Public sector publicly traded debt securities	-	
Sub Total	107,202	107,202
Foreign Sovereign debt instruments	37,409	37,409.48
Total	2,487,781	2,487,781
Total liabilities		8,862,564
Eligible Liquid Assets Ratio (ELAR)		28.07%

9.4. Advances to Stable Resources Ratio (ASRR)

	AED'000
Computation of Advances	Amount
Net Lending (gross loans - specific and collective provisions + interest in suspense)	5,772,262
Lending to non-banking financial institutions	-
Net Financial Guarantees & Stand-by LC (issued - received)	-
Interbank Placements	-
Total Advances	5,772,262
Calculation of Net Stable Resources	
Total capital + general provisions	1,582,381
Deduct:	
Goodwill and other intangible assets	186,152
Fixed Assets	39,159
Funds allocated to branches abroad	-
Unquoted Investments	-
Investment in subsidiaries, associates and affiliates	-
Total deduction	225,311
Net Free Capital Funds	1,357,070
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	320
Customer Deposits	6,417,104
Capital market funding/ term borrowings maturing after 6 months from reporting date	-
Total other Stable Resources	6,417,423
Total Stable Resources	7,774,493
Advances To Stable Resources Ratio (ASRR)	74.25

10. Credit Risk Management

10.1. Template CRA: General qualitative information about credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from Islamic financing activities, Ijara, and Investments. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure such as counterparty default risk and geographical risk for risk management purposes.

The objective of credit risk management is to undertake an independent review and objective assessment of risk for all credit facilities as well as to both partner and challenge the businesses in defining, implementing, and continually re-evaluating the risk appetite in line with the Group's policies, procedures and change in market conditions and regulations.

Credit applications for Personal banking customers are reviewed and approved by the Credit underwriting team in line with the approved policies and delegated approval authorities. Credit policies for the Personal Banking Group asset products are reviewed by the Retail Risk Policies & Portfolio Management team to ensure that the associated risks against financing are minimized. The Risk management department ensures that the Group has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances for facilities in accordance with the Group's stated policies and procedures, IFRS and relevant supervisory guidance. Risk Management is also responsible for establishing a sound credit risk accounting assessment and measurement process that provides it with a strong basis for common systems, tools, and data to assess credit risk and to account for ECL. It is also responsible for providing advice, guidance, and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

Approved policies govern all delegated financing authorities and include policies, strategies and procedures specific to the Group's business and are decided based on macro-economic conditions, the risk appetite of the Group, market data and internal skill sets and capabilities. They are regularly reviewed and modified to ensure they stay current, relevant and protect the Group's interest in changing operating conditions. In addition to Group wide policies, there are underwriting standards set for the Group. The internal audit function performs regular audits making sure that the established controls and procedures are adequately designed and implemented.

ECL measurement: Group credit risk is measured in terms of expected credit loss (ECL), which is calculated by utilizing the key input of probability of default (PD), loss given default (LGD) and the exposure at default EAD). These inputs are generally derived from statistical models and other historical data, and they are adjusted to reflect probability weighted forward looking information.

The assessment of credit risk and the estimation of ECL are unbiased, probability-weighted and incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions. In addition, the estimation of ECL takes into account the time value of money.

As per IFRS 9 requirements, the Group calculates Expected credit loss (ECL) for a facility as a forward-looking probability weighted present value of the expected losses over the next 12 months or effective remaining life of the facility.

12 Month or Lifetime ECL for each facility is being determined depending on the stage of the facility, as explained below:

- Stage1: where no significant increase in credit risk is observed, 12 month Expected Credit Loss (ECL) is recorded as impairment provision.
- Stage2: where significant increase in credit risk has been observed, Lifetime ECL is recorded as impairment provision.
- Stage3: where the exposure is defaulted or impaired, Lifetime ECL is recorded as impairment provision.

a. How the business model translates into the components of the bank's credit risk profile

The Bank focuses on Retail market segments with specially tailored Shariah compliant products and develops efficient processes to deliver these products. The Bank's credit risk profile consists mainly of retail portfolio.

The credit approval process contains underwriting risk which is managed through a defined policy and procedural guideline to assess the underlying financial strength and repayment capability amongst other areas considering the regulatory approval requirements. The Bank assigns credit approval authorities to individuals according to their qualifications, experience, and training, and the same is reviewed periodically.

In addition, the bank relies on the retail scoring system used by ADCB. ADCB periodically calibrates the scoring methodology that provides more objective and granular view of customer's risk profile; strengthens its credit underwriting process by setting up a unified approach to credit analysis across the organization; and updates the policy basis on the evolving market regulation and condition.

b. Criteria and approach used for defining credit risk management policy for setting credit risk limits

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

c. Structure and organisation of the credit risk management and control function

The Board of Directors and Senior Management are involved in the establishment of the risk infrastructure. Risk Management Division (“RMD”) is integral to the operations and enhancing the risk culture of the Bank. The RMD structure (which includes credit risk management) ensures identification, measurement, monitoring and controlling risk in accordance with the regulatory guidelines issued by the CBUAE.

The Bank’s RMD structure is aligned with ADCB to achieve efficiency in risk practices. This enables the oversight of risk activities by ADCB, which makes the risk processes more prudent and reliable. The processes are subject to additional scrutiny by an independent Shariah Board, Compliance, as well as Internal and External Auditors and the Regulator, which help further strengthen the risk management practices within the Group.

d. Relationships between the credit risk management, risk control, compliance and internal audit functions

The Bank has embraced a risk management and internal control structure referred to as the ‘three lines of defence’ to ensure the Bank achieves its commercial aims while meeting regulatory and legal requirements. It is a key part of the risk management process.

e. Scope on credit risk exposure/function reporting to the executive management / the board of directors

The Bank’s management monitors the performance of the Bank on an ongoing basis and advises the Board. The monitoring of the performance is carried out through a regular assessment of performance trends against prior periods and Board approved Risk Appetite limits through Management committees. Any breach in these limits is escalated to the Board with a suitable remediation plan and timeline for regularizing the breach.

10.2. Template CRB: Additional disclosure related to the credit quality of assets

Any account that is greater than or equal to 1 day past due is considered as “Past Due” and greater than or equal to 90 days past due is considered as “Impaired”.

Renegotiated financing facilities: Financial assets with renegotiated terms are facilities that have been renegotiated due to the deterioration in the customer’s financial position and where the Group has made concessions that it would not otherwise consider. Where possible, the Bank seeks to restructure financing facilities rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new conditions. Management continually reviews renegotiated facilities to ensure that all future payments are highly likely to occur.

When the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the finance customer, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset.

The cash shortfalls are discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing financial asset. The difference between the revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is originated credit impaired.

10.3. Template CRC: Qualitative disclosure requirements related to credit risk mitigation techniques.

a. Core features of policies and processes for use of on- and off-balance sheet netting

In financial reporting, financing and advances are analysed net of impairment, profit in suspense, and off-balance-sheet exposures are considered at maximum exposure levels. For Pillar III reporting financing and advances are analysed at gross levels and off-balance-sheet exposures are disclosed at post-CCF levels.

b. Core features of policies and processes for collateral evaluation and management.

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Bank's reporting schedule, to the extent it is possible, the Bank uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate is valued based on various data.

The Group holds collateral against various credit risk exposures in the form of mortgage over property, fixed deposits and guarantees. Collateral and guarantees are effectively used as mitigating tools by the Group. The quality of collateral is continuously monitored and assessed, and the Bank seeks to ensure enforceability of the collateral. Major categories of collateral include cash/ fixed deposits, guarantees, immovable properties, vehicles.

Collateral is revalued regularly as per the Bank's credit policy. In addition, ad hoc valuations are also carried out depending on the nature of collateral and general economic condition. This enables the Bank to assess the fair market value of the collateral and ensure that risks are appropriately covered.

c. Information about market or credit risk concentrations under the credit risk mitigation instruments

Credit risk mitigation techniques overview is covered earlier. Standardised approach - credit risk exposure and Credit Risk Mitigation (CRM) effects are covered earlier.

10.4. 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	95,848	5,718,617	120,152	38,454	81,698	5,694,314
Debt securities	-	1,614,627	288	-	288	1,614,339
Off-balance sheet exposures	-	198,234	-	-	-	198,234
Total	95,848	7,531,478	120,439	38,454	81,985	7,506,887

*Including Profit in suspense

The above table includes 90 days Past Due and classified exposure as reported in CR1(Basel 3)

10.5. Changes in stock of defaulted loans and debt securities (CR2)

The CR2 table identifies the changes in the bank's stock of defaulted exposures. The movement between non-defaulted and defaulted exposure is primarily driven by Write-offs processed and exposures defaulted during the period.

AED'000

Defaulted loans and debt securities at the end of the previous reporting period	123,628
Loans and debt securities defaulted from last reporting period	25,769
Returned to non-default status	(1,239)
Amounts written off	(41,143)
Other changes	(11,166)
Defaulted loans and debt securities at the end of the reporting period	95,848

10.6. Credit risk mitigation techniques – overview (CR3)

	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	5,814,466	-	-	-	-	-	-
Debt securities	1,614,627	-	-	-	-	-	-
Total	7,429,093	-	-	-	-	-	-
Of which defaulted	95,848	-	-	-	-	-	-

10.7. 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	3,109,381	-	3,109,381	-	214,072	4%
Public Sector Entities	37,511	-	37,511	-	37,511	1%
Multilateral development banks	37,040	-	37,040	-	-	0%
Banks	918,449	-	918,449	-	343,740	7%
Securities firms	-	-	-	-	-	0%
Corporates	364,154	-	364,154	-	230,981	5%
Regulatory retail portfolios	4,234,785	198,234	4,234,785	-	3,386,543	69%
Secured by residential property	1,411,170	-	1,411,170	-	546,686	11%
Secured by commercial real estate	40,170	-	40,170	-	40,170	1%
Equity Investment in Funds (EIF)	-	-	-	-	-	0%
Past-due loans	95,848	-	57,396	-	59,039	1%
Higher-risk categories	-	-	-	-	-	0%
Other assets	330,449	-	330,449	-	82,535	2%
Total	10,578,957	198,234	10,540,504	-	4,941,277	100%

The decrease in risk-weighted assets is primarily attributed to a reduction in the balance sheet, driven by the transfer of the bank's subsidiary to the group.

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

AED'000

Risk weight*	Risk weight*										Total credit exposures amount (post CCF and post-CRM)
	0%	10%	20%	35%	50%	75%	100%	150%	Others		
Asset classes											
Sovereigns and their central banks	2,588,621	-	154,361	-	366,399	-	-	-	-	-	3,109,381
Public Sector Entities	-	-	-	-	-	-	37,511	-	-	-	37,511
Multilateral development banks	37,040	-	-	-	-	-	-	-	-	-	37,040
Banks	-	-	384,947	-	533,502	-	-	-	-	-	918,449
Securities firms	-	-	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	266,346	-	97,808	-	-	-	364,154
Regulatory retail portfolios	-	-	-	-	-	3,392,969	841,817	-	-	-	4,234,785
Secured by residential property	-	-	-	1,315,725	-	37,054	58,391	-	-	-	1,411,170
Secured by commercial real estate	-	-	-	-	-	-	40,170	-	-	-	40,170
Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	54,108	3,287	-	-	57,396
Higher-risk categories	-	-	-	-	-	-	-	-	-	-	-
Other assets	247,913	-	-	-	-	-	82,535	-	-	-	330,449
Total	2,873,574	-	539,308	1,315,725	1,166,246	3,430,023	1,212,340	3,287	-	-	10,540,504

- Movement of AED 350Mn in 20% Risk weights primarily increase in Sukuk portfolio and exposure with bank.
- Movement of AED 390Mn in 50% Risk weights due to increase in Sukuk portfolio.

10.9. Gross and net credit risk exposure by asset class — Standardised Approach

As on 31 Dec 2025						AED'000
Asset Classes	On & Off Balance Sheet	Credit Risk Mitigation (CRM)		On & Off Balance Sheet Net Exposure After Credit Conversion Factors (CCF)	Risk Weighted Assets	
	Gross Outstanding	Exposure Before CRM	CRM			
CLAIMS ON SOVEREIGNS	3,109,381	3,109,381	-	3,109,381	214,072	
CLAIMS ON NON-COMMERCIAL PUBLIC SECTOR ENTERPRISES (PSEs)	37,511	37,511	-	37,511	37,511	
CLAIMS ON MULTI LATERAL DEVELOPMENT BANKS	37,040	37,040	-	37,040	-	
CLAIMS ON BANKS	918,449	918,449	-	918,449	343,740	
CLAIMS ON SECURITIES FIRMS	-	-	-	-	-	
CLAIMS ON GOVERNMENT RELATED ENTERPRISES (GRE WITH >50 % GOV OWNERSHIP) AND OTHER CORPORATES	364,155	364,154	-	364,154	230,981	
CLAIMS INCLUDED IN THE REGULATORY RETAIL PORTFOLIO	4,433,019	4,433,019	-	4,234,785	3,386,543	
CLAIMS SECURED BY RESIDENTIAL PROPERTY	1,411,170	1,411,170	-	1,411,170	546,686	
CLAIMS SECURED BY COMMERCIAL REAL ESTATE	40,170	40,170	-	40,170	40,170	
PAST DUE LOANS	95,848	57,396	-	57,396	59,039	
OTHER ASSETS	330,449	330,449	-	330,449	82,535	
Total Claims	10,777,192	10,738,738	-	10,540,504	4,941,277	
Other assets	330,449	-	330,449	-	82,535	
Total	10,578,957	198,234	10,540,504	-	4,941,277	

As on 31 Dec 2024						AED'000
Asset Classes	On & Off Balance Sheet	Credit Risk Mitigation (CRM)		On & Off Balance Sheet Net Exposure After Credit Conversion Factors (CCF)	Risk Weighted Assets	
	Gross Outstanding	Exposure Before CRM	CRM			
CLAIMS ON SOVEREIGNS	3,005,775	3,005,775	-	3,005,775	198,790	
CLAIMS ON NON-COMMERCIAL PUBLIC SECTOR ENTERPRISES (PSEs)	166,077	166,077	-	166,077	101,474	
CLAIMS ON MULTI LATERAL DEVELOPMENT BANKS	37,040	37,040	-	37,040	-	
CLAIMS ON BANKS	356,169	356,169	-	356,169	123,359	
CLAIMS ON GOVERNMENT RELATED ENTERPRISES (GRE WITH >50 % GOV OWNERSHIP) AND OTHER CORPORATES	489,980	489,980	-	489,980	370,927	
CLAIMS INCLUDED IN THE REGULATORY RETAIL PORTFOLIO	5,071,827	5,071,827	-	4,920,106	3,937,387	
CLAIMS SECURED BY RESIDENTIAL PROPERTY	1,392,252	1,392,252	-	1,392,252	543,120	
CLAIMS SECURED BY COMMERCIAL REAL ESTATE	55,424	55,424	-	55,424	55,424	
PAST DUE LOANS	124,070	79,754	-	79,754	80,405	
OTHER ASSETS	629,408	629,408	-	629,408	296,260	
Total Claims	11,328,022	11,283,705	-	11,131,983	5,707,145	

10.10. Gross and net credit risk exposure by externally rated/unrated — Standardised Approach

As on 31 Dec 2025						AED'000
	Gross Credit Exposures		Total	Post CRM	RWA Post CRM	
	Rated	Unrated				
Claims on Sovereigns	3,109,381	-	3,109,381	3,109,381	214,072	
Claims on Non- Commercial Public Sector Enterprises (PSEs)	37,511	-	37,511	37,511	37,511	
Claims on Multi Lateral Development Banks	37,040	-	37,040	37,040	-	
Claims on Banks	918,378	71	918,449	918,449	343,740	
CLAIMS ON SECURITIES FIRMS	-	-	-	-	-	
Claims on Government Related Enterprises (GRE with >50 % Govt. Ownership) and Other Corporates	364,155	(0)	364,155	364,154	230,981	
Claims Included in the Regulatory Retail Portfolio	-	4,433,019	4,433,019	4,234,785	3,386,543	
Claims Secured By Residential Property	-	1,411,170	1,411,170	1,411,170	546,686	
Claims Secured by Commercial Real Estate	-	40,170	40,170	40,170	40,170	
Past Due Financing	-	95,848	95,848	57,396	59,039	
Other Assets	-	330,449	330,449	330,449	82,535	
Total	4,466,465	6,310,727	10,777,192	10,540,504	4,941,277	

As on 31 Dec 2024						AED'000
	Gross Credit Exposures		Total	Post CRM	RWA Post CRM	
	Rated	Unrated				
Claims on Sovereigns	3,005,775	-	3,005,775	3,005,775	198,790	
Claims on Non- Commercial Public Sector Enterprises (PSEs)	166,077	-	166,077	166,077	101,474	
Claims on Multi Lateral Development Banks	37,040	-	37,040	37,040	-	
Claims on Banks	355,969	200	356,169	356,169	123,359	
Claims on Government Related Enterprises (GRE with >50 % Govt. Ownership) and Other Corporates	456,246	33,734	489,980	489,980	370,927	
Claims Included in the Regulatory Retail Portfolio	-	5,071,827	5,071,827	4,920,106	3,937,387	
Claims Secured By Residential Property	-	1,392,252	1,392,252	1,392,252	543,120	
Claims Secured by Commercial Real Estate	-	55,424	55,424	55,424	55,424	
Past Due Financing	-	124,070	124,070	79,754	80,405	
Other Assets	-	629,408	629,408	629,408	296,260	
Total	4,021,107	7,306,915	11,328,022	11,131,983	5,707,145	

CRD: Use of external ratings

The Bank uses the standardised approach for calculating its capital requirements for credit risk. This approach allows the use of external ratings from designated credit-rating agencies wherever available in determining the appropriate risk weights. The risk weights are determined by the asset class and the external rating of the counterparty.

AHB uses three CBUAE-recognised ECAI for this purpose: Moody's Investors Service, Standard & Poor's and Fitch Ratings. The mapping of external ratings to the standardised approach risk weights is determined by CBUAE (published in Standards and Guidance for Capital Adequacy of Banks in the UAE dated December 2022).

The asset classes are based on GRE list provided by CBUAE

The Bank obtains an external credit ratings from recognised agencies (e.g. Moody's, Fitch, S&P) for an issuer (corporate, financial institution or sovereign). If an issue (e.g. a specific Sukuk) is not explicitly rated, the Bank applies a consistent methodology to transfer the issuer's rating to the issue. Factors considered include Seniority of debt (secured/unsecured, subordinated/senior), maturity and structural features, market conditions and liquidity profile etc. If the issue has different characteristic from the issuer's general credit profile, adjustments are made to reflect the additional risk. The process aligns with regulatory guidelines and internal credit risk policies. Bank uses the standardised approach for calculating its capital requirements for credit risk. In FIRB, Bank uses internally developed models for assessing the likelihood of borrowing defaulting within a given time frame. Loss Given Default (LGD), Exposure at Default (EAD) and Credit conversion factors (CCF) are provided by regulators. Banks use the estimated PD and regulatory LGD/EAD values to determine capital requirements based on risk-weighted assets. The risk weights are determined by the asset class and the external rating of the counterparty.

Bank uses external credit ratings for risk weighted asset (RWA) calculations, and this is aligned with the alphanumeric ratings scale of recognised credit rating agencies (CRA) (e.g. Moody's, Fitch, S&P). Bank then aligns the alphanumeric ratings from different CRAs into regulatory-defined risk grades or buckets. This risk grades or buckets are based on CBUAE published mappings between CRAs and risk buckets.

10.11. Gross credit risk by currency

As on 31 Dec 2025

AED'000

	Gross Financing	Investment Securities	Total Funded	Total Commitments to extend Credit	Islamic Derivative Financial Instruments	Other Off-Balance Sheet Exposures	Total Non-Funded	Total
Foreign Currency	-	1,622,933	1,622,933	-	-	-	-	1,622,933
AED	5,811,717	-	5,811,717	198,234	-	-	198,234	6,009,951
Total	5,811,717	1,622,933	7,434,650	198,234	-	-	198,234	7,632,884

As on 31 Dec 2024

AED'000

	Gross Financing	Investment Securities	Total Funded	Total Commitments to extend Credit	Islamic Derivative Financial Instruments	Other Off-Balance Sheet Exposures	Total Non-Funded	Total
Foreign Currency	-	1,577,806	1,577,806	-	-	-	-	1,577,806
AED	6,506,092	23,910	6,530,002	151,722	-	-	151,722	6,681,723
Total	6,506,092	1,601,716	8,107,808	151,722	-	-	151,722	8,259,529

10.12. Gross credit risk by geography

As on 31 Dec 2025 AED'000

Geographic Distribution	Gross Financing	Investment Securities	Total Funded	Total Commitments to extend Credit	Islamic Derivative Financial Instruments	Other Off-Balance Sheet Exposures	Total Non-Funded	Total
United Arab Emirates	5,811,717.15	643,790.00	6,455,507.15	198,233.68	-	-	198,233.68	6,653,740.83
GCC (excluding UAE)	-	534,879.00	534,879.00	-	-	-	-	534,879.00
Asia	-	444,263.70	444,263.70	-	-	-	-	444,263.70
North America	-	-	-	-	-	-	-	-
Total	5,811,717	1,622,933	7,434,650	198,234	0	0	198,234	7,632,884

As on 31 Dec 2024 AED'000

Geographic Distribution	Gross Financing	Investment Securities	Total Funded	Total Commitments to extend Credit	Islamic Derivative Financial Instruments	Other Off-Balance Sheet Exposures	Total Non-Funded	Total
United Arab Emirates	6,506,092	856,986	7,363,078	151,722	0	0	151,722	7,514,799
GCC (excluding UAE)	-	301,759	301,759	-	-	-	-	301,759
Asia	0	442,971	442,971	0	-	0	0	442,971
North America	-	-	-	-	-	-	-	-
Total	6,506,092	1,601,716	8,107,807	151,722	0	0	151,722	8,259,529

10.13. Gross credit risk by residual maturity

As on 31 Dec 2025 AED'000

Contractual Residual Maturity	Gross Financing	Investment Securities	Total Funded	Total Commitments to extend Credit	Islamic Derivative Financial Instruments	Other Off-Balance Sheet Exposures	Total Non-Funded	Total
Less than 3 months	124,010	-	124,010	198,234	-	-	198,234	322,244
3 months to one year	44,217	109,886	154,103	-	-	-	-	154,103
One to five years	1,363,404	1,513,047	2,876,451	-	-	-	-	2,876,451
Over five years	4,280,086	-	4,280,086	-	-	-	-	4,280,086
Total	5,811,717	1,622,933	7,434,650	198,234	0	0	198,234	7,632,883

As on 31 Dec 2024 AED'000

Contractual Residual Maturity	Gross Financing	Investment Securities	Total Funded	Total Commitments to extend Credit	Islamic Derivative Financial Instruments	Other Off-Balance Sheet Exposures	Total Non-Funded	Total
Less than 3 months	111,124	-	111,124	151,722	-	-	151,722	262,846
3 months to one year	40,295	431,354	471,649	-	-	-	-	471,649
One to five years	1,732,897	1,078,537	2,811,434	-	-	-	-	2,811,434
Over five years	4,621,776	91,825	4,713,601	-	-	-	-	4,713,601
Total	6,506,092	1,601,716	8,107,808	151,722	0	0	151,722	8,259,530

10.14. Gross credit risk by economic sector

As on 31 Dec 2025

AED'000

Industry Segment	Gross Financing	Investment Securities	Total Funded	Total Commitments to extend Credit	Islamic Derivative Financial Instruments	Other Off-Balance Sheet Exposures	Total Non-Funded	Total
Agriculture	-	-	-	-	-	-	-	-
Energy	-	262,960	262,960	-	-	-	-	262,960
Trading	-	-	-	-	-	-	-	-
Real estate investment & hospitality	-	55,613	55,613	-	-	-	-	55,613
Transport & communication	-	37,041	37,041	-	-	-	-	37,041
Personal	5,811,717	-	5,811,717	198,234	-	-	198,234	6,009,951
Financial institutions	-	596,431	596,431	-	-	-	-	596,431
Manufacturing	-	-	-	-	-	-	-	-
Services	-	-	-	-	-	-	-	-
Government	-	663,511	663,511	-	-	-	-	663,511
Others	-	7,377	7,377	-	-	-	-	7,377
Total	5,811,717	1,622,933	7,434,650	198,234	-	-	198,234	7,632,884

As on 31 Dec 2024

AED'000

Industry Segment	Gross Financing	Investment Securities	Total Funded	Total Commitments to extend Credit	Islamic Derivative Financial Instruments	Other Off-Balance Sheet Exposures	Total Non-Funded	Total
Agriculture	-	-	-	-	-	-	-	-
Energy	-	314,631	314,631	-	-	-	-	314,631
Trading	-	125,067	125,067	-	-	-	-	125,067
Real estate investment & hospitality	-	53,620	53,620	-	-	-	-	53,620
Transport & communication	-	54,222	54,222	-	-	-	-	54,222
Personal	6,506,092	-	6,506,093	151,722	-	-	151,722	6,657,814
Financial institutions	-	396,004	396,004	-	-	-	-	396,004
Manufacturing	-	-	-	-	-	-	-	-
Services	-	37,777	37,777	-	-	-	-	37,777
Government	-	620,394	620,394	-	-	-	-	620,394
Others	-	-	-	-	-	-	-	-
Total	6,506,092	1,601,715	8,107,808	151,722	-	-	151,722	8,259,529

10.15. 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 Ijara 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 valuers 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.

10.16. Impairment analysis

The Banks' Risk function monitors the portfolio through system-generated MIS and periodic reviews. Movement of the individual and collective impairment allowance on credit risk exposure were as follows:

a) Impaired loans by geography

As on 31 Dec 2025 AED'000*

Geographic Region	Regular	Past due but not impaired		Impaired and non-performing	Gross Financing	Specific Allowance	Collective Allowance	Write-offs, recoveries and other	Unwinding's on renegotiated	Total Carrying Amount
		Less Than 90 days	90 days & above							
United Arab Emirates	5,546,815	169,054	-	95,848	5,811,717	35,707	81,698	72,239	6,741	5,694,314
GCC (excluding UAE)	-	-	-	-	-	-	-	-	-	-
Asia	-	-	-	-	-	-	-	-	-	-
North America	-	-	-	-	-	-	-	-	-	-
Grand Total	5,546,815	169,054	0	95,848	5,811,717	35,707	81,698	72,239	6,741	5,694,314

As on 31 Dec 2025 AED'000*

Geographic Region	Regular	Past due but not impaired		Impaired and non-performing	Gross Financing	Specific Allowance	Collective Allowance	Write-offs, recoveries and other	Unwinding's on renegotiated	Total Carrying Amount
		Less Than 90 days	90 days & above							
United Arab Emirates	6,161,353	219,799	-	124,940	6,506,092	34,368	104,829	85,957	6,347	6,366,894
GCC (excluding UAE)	-	-	-	-	-	-	-	-	-	-
Asia	-	-	-	-	-	-	-	-	-	-
North America	-	-	-	-	-	-	-	-	-	-
Grand Total	6,161,353	219,799	0	124,940	6,506,092	34,368	104,829	85,957	6,347	6,366,894

b) Impaired loans by economic sector

As on 31 Dec 2025 AED'000

Industry Segment	Regular	Past due but not impaired		Impaired and non-performing	Gross Financing	Specific Allowance	Collective Allowance	Write-offs, recoveries and other	Unwinding's on renegotiated	Total Carrying Amount
		Less Than 90 days	90 days & above							
Agriculture	-	-	-	-	-	-	-	-	-	-
Energy	-	-	-	-	-	-	-	-	-	-
Trading	-	-	-	-	-	-	-	-	-	-
Transport & communication	-	-	-	-	-	-	-	-	-	-
Personal	5,546,815	169,054	-	95,848	5,811,717	35,707	81,698	72,239	6,741	5,694,314
Manufacturing	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Grand Total	5,546,815	169,054	-	95,848	5,811,717	35,707	81,698	72,239	6,741	5,694,314

As on 31 Dec 2024 AED'000

Industry Segment	Regular	Past due but not impaired		Impaired and non-performing	Gross Financing	Specific Allowance	Collective Allowance	Write-offs, recoveries and other	Unwinding's on renegotiated	Total Carrying Amount
		Less Than 90 days	90 days & above							
Agriculture	-	-	-	-	-	-	-	-	-	-
Energy	-	-	-	-	-	-	-	-	-	-
Trading	-	-	-	-	-	-	-	-	-	-
Transport & communication	-	-	-	-	-	-	-	-	-	-
Personal	6,161,353	219,799	-	124,940	6,506,092	34,368	104,829	85,957	6,347	6,366,894
Manufacturing	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Grand Total	6,161,353	219,799	-	124,940	6,506,092	34,368	104,829	85,957	6,347	6,366,894

11. Market Risk

11.1. Market Risk Weighted Assets

Capital is allocated in respect of market risk under the frameworks set out in the Standards and Guidance issued by the Central Bank of UAE in December 2022. These standards/guidance articulate specific requirements for the calculation of the market risk capital requirement for banks in the UAE. It is based closely on requirements of the framework for capital adequacy developed by the Basel Committee on Banking Supervision (BCBS), specifically as articulated in Basel II: International Convergence of Capital Measurement and Capital Standards, June 2006, and subsequent revisions and clarifications thereto.

Market Risk-Weighted Assets under standardised approach:

AHB's market risk capital requirement is driven solely by Foreign Exchange (FX) Risk and Equity Risk. The Bank does not maintain any derivative positions for trading purposes; therefore, no market risk capital charge arises from derivatives.

The Market Risk Risk-Weighted Assets (RWA) increased from AED 15.49Mn in Q3'25 to AED 15.87Mn in Q4'25. This increase is primarily due to a higher net open FX position against the USD during the quarter.

	AED 000
	RWA
General interest rate risk	0
Equity risk	14,754
Commodity risk	
Foreign exchange risk	1,121
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	15,875

12. Counterparty credit risk

AAHB's derivative exposure was previously limited to Profit Rate Swaps (PRS) that were undertaken solely for hedging purposes. The Bank does not maintain any derivative positions within the trading book, nor does it have exposure to Centralised Counterparties (CCPs).

As of 31 December 2025, all outstanding Profit Rate Swaps (PRS) have fully matured. Consequently, as of this date, AHB has no remaining exposure to Counterparty Credit Risk (CCR).

The following table specifies the methods used by the Bank to calculate counterparty credit risk regulatory requirements, followed by table which demonstrates the risk-weighted exposure amounts to central counterparties by derivative types.

12.1. Analysis of CCR exposure by approach (CCR1)

Due to the full maturity of AHB's hedge positions, specifically the Profit Rate Swaps (PRS), the Exposure at Default (EAD) as of Q4'25 is nil. As a result, the Counterparty Credit Risk Risk-Weighted Assets (CCR RWA) are also zero for the same period.

	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
SA-CCR (for derivatives)	-	-	-	1.4	-	-
Internal Model Method (for derivatives and SFTs)						-
Simple Approach for credit risk mitigation (for SFTs)						-
Comprehensive Approach for credit risk mitigation						-
VaR for SFTs						-
Total						-

12.2. Analysis of Credit valuation adjustment (CVA) capital charge (CCR2)

CVA RWA is zero in Q4'25 due to the full maturity of the Bank's hedge positions, specifically the Profit Rate Swaps (PRS). With no outstanding derivative exposures, there is no Credit Valuation Adjustment (CVA) capital requirement for the period.

	EAD post-CRM	RWA
All portfolios subject to the Standardised CVA capital charge	-	-
All portfolios subject to the Simple alternative CVA capital charge	-	-
Total subject to the CVA capital charge	-	-

12.3. Standardised approach - CCR exposures by regulatory portfolio and risk weights (CCR3)

AHB's exposure to Counterparty Credit Risk (CCR) is zero as of 31 December 2025, as all hedge-related derivatives Profit Rate Swaps (PRS) matured before the reporting date, leaving no outstanding counterparty positions.

AED'000

Regulatory portfolio	Risk Weight								Total credit exposure
	0%	10%	20%	50%	75%	100%	150%	Others	
Sovereigns	-	-	-	-	-	-	-	-	-
Non-central government public sector entities (PSEs)	-	-	-	-	-	-	-	-	-
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-	-	-
Securities firms	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	-	-	-
Regulatory retail portfolios	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-

12.4. Composition of collateral for CCR exposure (CCR5)

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

12.5. Credit derivatives exposures (CCR6)

AHB does not have any credit derivative exposures.

12.6. Exposures to central counterparties (CCR8)

AHB does not have any exposure to central counterparties.

12.7. Prudent Valuation Adjustment (PVA)

Previously, the Prudential Valuation Adjustment (PVA) reflected exposures arising from derivative instruments, specifically Profit Rate Swaps (PRS). However, all these Profit Rate Swaps (PRS) matured during the year, resulting in no outstanding derivative exposure as of 31 December 2025. Consequently, no Prudential Valuation Adjustments (PVAs) are required for the reporting date.

AED'000s

	Equity	Interest rates	FX	Credit	Commodities	Total	Of which: In the trading book	Of which: In the banking book
Closeout uncertainty, of which:	-	-	-	-	-	-	-	-
Mid-market value	-	-	-	-	-	-	-	-
Closeout cost	-	-	-	-	-	-	-	-
Concentration	-	-	-	-	-	-	-	-
Early termination	-	-	-	-	-	-	-	-
Model risk	-	-	-	-	-	-	-	-
Operational risk	-	-	-	-	-	-	-	-
Investing and funding costs	-	-	-	-	-	-	-	-
Unearned credit spreads	-	-	-	-	-	-	-	-
Future administrative costs	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total adjustment	-	-	-	-	-	-	-	-

13. Profit rate risk in the banking book (PRRBB)

Profit Rate Risk in the Banking Book (PRRBB) refers to the current or prospective risk to the Bank's capital and earnings arising from adverse movements in profit rates that affect the Bank's banking book positions. Excessive PRRBB can pose a significant threat to a Bank's capital base and/or earnings if not managed prudently. Changes in profit rates affect the underlying economic value of the Bank's banking book assets, liabilities and off-balance sheet instruments by changing the present value of future cash flows. Changes in profit rates also affect Bank's earnings by increasing or decreasing its EaR (Earnings at Risk) / NPI (Net Profit Income). The Bank manages PRRBB through both economic value and earnings based measures. The main sub-types of PRRBB are as follows:

Gap Risk: arises from the term structure of banking book instruments and describes the risk arising from the timing of instruments' rate changes.

Basis Risk: arises from financial instruments having similar tenors but are priced using different profit rate indices. The Bank's PRRBB policy sets guidelines and framework to identify, measure, evaluate, monitor, report and control or mitigate material sources of PRRBB on a timely basis. PRRBB policy aims to define the risk governance framework and PRRBB risk tolerance limits.

PRRBB measures Economic Value of Equity (EVE) and Earnings at Risk (EaR) are calculated, reported and monitored on a monthly basis against prescribed limits.

Roles and Responsibilities

Board/ Board Committee: the overall responsibility for establishing, maintaining and overseeing a robust PRRBB risk governance framework lies with the Board/ Board Committee. It may delegate monitoring and management of PRRBB to senior management committees or an asset and liability management committee (ALCO). Specifically, the Board/ Board Committee's roles and responsibilities include:

Understanding the nature and level of Bank's PRRBB exposure; Defining risk tolerance limits.

Approve and Review Bank's PRRBB strategy, policy and process; Establishing adequate systems and standards for measuring PRRBB; Monitoring compliance with all internal policies and procedures and

Delegating monitoring and management of PRRBB to competent senior management committees or ALCO.

ALCO: senior executives of the Bank constitute the Assets and Liability Committee. ALCO operates as the functional unit for monitoring and managing Bank's PRRBB exposure within the risk tolerance limits established by the Board/ Board Committee and delegated management by the Management Executive Committee (MEC)

Market Risk: risk management function includes policies, procedures and systems for monitoring and reporting to ensure that PRRBB exposures are aligned with the Board/ Board Committee approved risk tolerance limits. Specifically, Market Risk team's roles and responsibilities include:

Determination of appropriate stress scenarios; Develop methodologies, models for measurement of PRRBB; Recommend appropriate risk limits for PRRBB; Independently calculate PRRBB exposures and monitor against Board/ Board Committee approved limits and Report PRRBB exposures both internally to the Board/ Board Committee/ ALCO and externally to the CBUAE in the prescribed format and frequency.

Internal Audit: Internal Audit function independently reviews controls and processes around PRRBB.

Treasury: the primary responsibility of Treasury function is to undertake risk mitigation actions on Board/ Board Committee's/ALCO's directive in case the Bank has excessive PRRBB exposure against prescribed risk tolerance limits..

Economic Value of Equity (EVE)

Measurement of Bank's PRRBB through economic value measures involves below steps:

- a) Profit rate sensitive banking book positions are allocated to one of the three categories i.e. amenable to standardisation, less amenable to standardisation and not amenable to standardisation.

- b) Determination of slotting of notional re-pricing cash flows based on the above categorization of banking book positions.
- c) Commercial margins are not included in the cash flows and discounting curves.
- d) Determination of delta EVE for below six Basel prescribed profit rate shock scenarios for each currency. Currencies where exposure is less than 5% of total banking book assets or liabilities need not have a separate delta EVE computation.
 - i. Parallel shock up.
 - ii. Parallel shock down.
 - iii. Steepener shock (short rates down and long rates up).
 - iv. Flattener shock (short rates up and long rates down).
 - v. Short rates shock up and
 - vi. Short rates shock down.
- e) Add-ons for changes in the value of options are added to the delta EVE computed above.
- f) PRRBB EVE risk measure is computed as the maximum of worst delta EVE across all the six Basel prescribed stress scenarios.

Earnings at Risk (EaR)

Measurement of Bank's PRRBB through earnings-based measures is similar to economic value measures except that earnings-based measures are limited up-to a shorter time horizon. Following steps are involved in measurement of earnings based PRRBB:

- a) Profit rate sensitive banking book positions are allocated to one of the three categories i.e. amenable to standardisation, less amenable to standardization and not amenable to standardisation.
- b) Determination of slotting of notional re-pricing cash flows based on the above categorization of banking book positions.
- c) All notional re-pricing cash flows are slotted into respective time buckets. Within a given time bucket, all notional re-pricing cash flows are netted to form a single long or short position. The process is followed for all time buckets.
- d) Delta NII for each stress scenario and currency is computed as product of long or short position (as calculated in step c) by the assumed change in profit rate.

Following points are factored in PRRBB measurements:

- a) Banking book positions without a fixed maturity are replicated with different maturity profiles. The re-fixing of profit rate is performed according to the respective maturity profile
- b) Early withdrawal risk on Term Deposits and Prepayment Risk on Fixed Rate Financing the banking book are not material and
- c) Profit rate swaps are used to manage the profit rate risk in the banking book.

Of the 6 scenarios which are used to measure EVE, maximum loss is observed in the scenario. Maximum EVE has decreased YoY. Primary reason for reduction of EVE YoY is attributed to:

- Reduction in Portfolio Duration caused due to
- Prepayments: Accelerated prepayments on long-dated retail financing.
- Maturity of Sukuk: Contributed to shortening the portfolio duration and reducing long-term exposure.

Δ NII for 200 bps parallel up has declined increased and turned less negative and on parallel down has increased decreased and turned positive negative YoY. The main reason for the same are:

- Net Liability Book: With liabilities outweighing assets in the 1-year duration, profit rate changes have a negative impact.
- Borrowing Roll-Down: Inter-Bank borrowings moving to the less-than-6-months bucket increased short-term liability sensitivity, exacerbating the negative impact on NII.

13.1. Repricing maturity assigned to non-maturity deposits (NMDs) (IRRBB)

	31-Dec-25	31-Dec-24
IRRBB	Year	Year
Wtd Avg Maturity (Years)	3.41	3.43
Longest Maturity (Years)	4.50	4.50

13.2. Repricing maturity assigned to non-maturity deposits (NMDs) (IRRBB1)

AED'000

IRRBB1 Period	ΔEVE		ΔNII	
	31-Dec-25	31-Dec-24	31-Dec-25	31-Dec-24
Parallel up	80,125	113,619	(12,232)	(35,068)
Parallel down	(132,613)	(175,617)	(8,959)	12,112
Steeper	90,419	71,426		
Flattener	(94,671)	(60,825)		
Short rate up	(8,388)	9,055		
Short rate down	9,747	(8,089)		
Maximum	90,419	113,619		
Period	T		T-1	
Tier 1 capital	1,285,153		1,285,706	

14. Operational risk

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes legal risk but excluding strategic and reputational risk. When assessing operational risk events, the Bank considers potential impacts such as reputational damage, legal or regulatory consequences, and financial losses.

Operational risk is inherent in all dimensions of the Bank, including all banking products, activities, processes and systems, therefore the effective management of operational risk is a fundamental element of the Bank's risk management program.

The Board/ Board Committee assumes an overall responsibility for operational risk management. This includes defining risk appetite for operational risk, approval of the Operational Risk Management Framework, oversight of senior management to ensure that strategies, policies and processes are implemented effectively at all levels and review.

The objective of the Group is to manage and control operational risk in a proactive and cost-effective manner within targeted levels of operational risk consistent with a defined risk appetite. AHB primarily aims at early identification and assessment of operational risks allowing timely mitigation, as well as meaningful management reporting and continuous improvement of the control environment.

The Bank's operational risk management strategy is driven by the Bank's vision and aligned to the Bank's strategic approach. It supports the Bank's overall intent of contributing to the UAE's national growth and prosperity, in a Sharia compliant manner, through the effective management of risks relating to the failure of internal processes, people, and systems, or from external events.

The following principles have been adopted to guide decision making throughout the Bank. These principles are aligned to the Basel Committee on Banking Supervision (BCBS) document (Principles for the Sound Management of Operational Risk, 2011), and reflect the standards and ideals designed to shape the Bank's operational risk management behaviour with alignment to ADCB Group Operational Risk Management Policy, whilst adhering to the rules and principles of Islamic Shariah as interpreted by the Bank Sound Management of Operational Risk, 2011).

In line with the principles set by the Basel Committee, Central Bank of the UAE and the Board/ Board Committee approved engagement model, the implementation of an integrated Operational Risk Management Framework shall be coordinated by a dedicated and independent team - Operational Risk Management (ORM) to achieve operational excellence and to ensure alignment of the Bank's approaches to operational risk with leading international practices..

- ORM is part of the independent Risk Management Function reporting to the Chief Risk Officer.
- ORM must remain independent of the First Line of Defence (business) to prevent any conflicts of interest or undue influence over its decisions and actions.
- ORM shall have unrestricted access to any document or information deemed useful for the identification and assessment of operational risk at AHB.

The Operational Risk Management Policy outcome is achieved through an Operational Risk Management Framework, the key objectives of which are to:

- ✓ Ensure consistent approach to managing operational risk at AHB
- ✓ Support AHB's Bank's strategy and business objectives
- ✓ Reinforce a proactive risk management culture
- ✓ Continuously improve AHB control environment
- ✓ Ensure alignment with ADCB Group Operational Risk Management as applicable.

Three lines of defence

To create a robust control environment to manage risks, the Bank uses an activity-based three lines of defence model. This model delineates management accountabilities and responsibilities for risk management and the control environment. The model underpins the Bank's approach to risk management by clarifying responsibility, encouraging collaboration, and enabling efficient coordination of risk and control activities.

The three lines of defence are summarised below:

a) First Line of Defence

- CEO
- Business Department Heads
- Business Operational Risk Managers (BORMs)

b) Second Line of Defence

- Independent risk & control functions, such as Operational Risk, Compliance, Fraud Risk Management, Sharia, Legal, Information Security, etc.

c) Third Line of Defence

- Assurance by Internal Audit which provides assurance to senior management of the quality and effectiveness of the firm's governance, risk management, internal controls, systems, and processes.
- Internal Audit's approach to providing independent review, challenge and assurance is detailed in the Internal Audit Charter.

Risk identification, monitoring and reporting

AHB follows the operational risk management lifecycle below to continuously improve its control environment and operational loss experience:

1. Risk Identification and Assessment
2. Control and Mitigation
3. Monitoring and Measurement
4. Reporting
5. Training and Awareness

Operational Risk Treatment

Residual risks shall be periodically monitored to ensure they remain within the Bank's risk appetite. For material residual risks (higher than or equal to Moderate), an appropriate decision shall be taken in line with the approved Bank's risk appetite, to either:

- d) Avoid the risk (e.g. by taking a decision not to go ahead with a product or service or proposition and so avoid exposing the institution to the underlying risks), or
- e) Mitigate the risk (i.e. by designing and operating controls that provide sufficient mitigation assurance against the underlying risks), or
- f) Transfer the risk (e.g. through insurance), or
- g) Accept the risk

A formal Operational Risk Acceptance Request (ORAR) is required when residual risk rating is greater or equal to Moderate and either no risk mitigating action plan(s) are possible or would take longer than 6 months to complete. The level of approvals required is commensurate with the level of residual risk involved.



Fraud risk

Proactive fraud-risk management is a key success factor in combating the increasing number of frauds perpetrated against financial institutions around the globe. AHB continued to strengthen its anti-fraud activities by increasing fraud awareness among employees and customers as well as initiating various projects to drive fraud prevention through use of technology and systems.

Business continuity management

The safety of employees and the ability to recover from a crisis in a timely fashion are of utmost importance to AHB. AHB recognizes the importance business continuity plays in business and, of its obligations to customers and stakeholders. AHB Business Continuity Framework and programme for the UAE is aligned to ISO22301:2019 and has been designed to ensure that the Bank can continue to achieve its business objectives in the face of an unexpected disruptive event. The Business continuity framework aligns to the 3 lines of defence model and requires that the business continuity plan can only be set post business impact analysis which are formally reviewed by the Business Continuity Management Department for quality and business continuity framework compliance. The business impact analysis and business continuity plan are formally 'signed off' by the business head; the content is owned and maintained locally. Staff awareness is maintained by the Group at a centralised level. Local awareness is maintained by business continuity champions in the business unit.

AHB undertakes a rolling annual exercise programme ensuring the validity of its business continuity strategies. Issues arising from these exercises are reported to management and support continuous improvement of business continuity programme.

Risk Measurement

For operational risk measurement and determination of the amount that the Bank needs to hold to absorb potential operational losses, AHB follows the standardised approach under Basel II. The capital charge including buffer requirements for the year ended 31 December 2025 was AED 60,157 thousand.

15. Remuneration

Al Hilal Bank believes in, and is committed to, good corporate governance, to provide a basis for its future development and corporate performance. This mindset extends to all matters relating to remuneration and reward.

Remuneration governance is in place to support trust in all reward related activities and includes the ongoing commitment at Board level through the Nomination, Compensation, HR & Governance Committee (NCHRG Committee) and the requirement for regular independent reviews of AHB's reward structure and the investment in specialist technical reward professional embedded in Human Resources.

The Role of the Nomination, Compensation and Human Resources (NCHRG) Committee:

AHB's Board of Directors, operating through its NCHRG Committee, have full authority to review and approve reward policies and all aspects of compensation / remuneration. Specifically, the NCHRG Committee is responsible for the remuneration policies for senior management and the Board, and the Bank's remuneration and incentive plans.

The NCHRG Committee monitors the developments in corporate governance (including compensation / remuneration) regulations, practices and procedures to ensure that the Bank's corporate governance framework remains up to date and adequate for the purposes it serves.

In a continuously changing and challenging business environment, it is critical for the success of an organisation to ensure its reward structure is aligned to the relevant market, regulations and strategic direction and objectives of the Bank.

A robust and effective reward structure that can influence and enhance the ability of Al Hilal Bank to attract, motivate, reward, and retain employees with the skills, knowledge, experience, and drive that are critical and contribute most to desired results and achievement of strategic business goals.

Our remuneration structure is conservative, and we have practices and policies that promote effective risk management. To that end, AHB structures remuneration packages so that they reflect roles, responsibilities and accountabilities and are fair and equitable, and incorporate clear and measurable rewards linked to corporate and individual performance. Rewards are based only on the results of a rigorous performance management system with a robust management decision-making, review, and approvals process.

As far as possible, bearing in mind market trends and constraints, our remuneration program incorporates both short- and long-term variable pay that align the interests of AHB's employees with the interests of shareholders and other stakeholders.

Performance related reward elements are designed to minimize employee turnover and to inspire employees to perform at the highest levels, consistent with effective risk management.

Job and Grading Framework:

Each job is documented in a Job Description (JD), which clearly states the job purpose, key relationships, key accountabilities, financials managed and required experience, qualifications, and competences. This document enables each job to be evaluated and sized and placed at the appropriate level in AHB's grading structure. The world-recognised and well-established Hay job evaluation methodology is used to underpin AHB's job evaluation and sizing process.

Variable Pay:

Employees may receive Variable Pay (VP) based on their performance over the year and, since it is performance based, VP is not guaranteed, may not be awarded, and the amount received, if any, may change each year.

VP at Al Hilal Bank has been designed to align employees' interests with the long-term interests of the Bank's shareholders and to incentivize higher performance, while avoiding excessive risk-taking. It also distinguishes amongst different functions of the Bank, to ensure alignment to the relevant market (e.g. revenue generating functions, risk and control functions, middle office functions and back-office functions).

Compliance with all the UAE Central Bank's regulations and standards, regarding Variable pay/compensation, will be ensured.

Individual variable pay / bonus for the Senior Management and Material Risk Takers shall attract appropriate approvals as mandated by applicable regulations (and their amendments from time to time).

Malus circumstances shall include any circumstance which the NCHRG Committee consider (in its opinion, acting reasonably) to constitute, 'malus': 100% claw-back for a period of 12 months from the date of payment for all Cash Variable Pay already paid. In cases of fraud, bad faith and such other cases as the NCHRG Committee (acting reasonably) consider appropriate, claw-back can be extended to a longer period at the discretion of the Bank.

Subject to the Bank's discretion, any cash VP already paid will be subject to a 50% claw-back for a period of 12 months from the date of payment in the event that an employee resigns from the service of the Bank.

There is no Claw-Back on resignation for employees receiving VP award less than AED 200,000/- per annum.

Material Risk Takers:

MRTs are identified based on their responsibilities, and the potential impact of their activities on the Bank's risk profile (operational, reputational, or other risks). As per the CBUAE Corporate Governance Regulations & Standards, Banks must identify its employees who have the potential to take or commit the Bank to significant risk.

Al Hilal Bank has adopted an approach to identify MRTs with provision for annual review process to ensure MRTs list remains up to date and reflects changes in the organisation. The annual process is initiated by HR.

Deferred Compensation Plan (DCP):

The DCP is part of the overall VP framework and its purpose is to encourage employees to maintain a strong focus on the medium to long term performance of the Bank's businesses, to reinforce cross-business co-operation and a partnership mentality, to align the interests of employees with the shareholders of the Bank and to assist in the retention of employees who are capable of having a significant impact on the performance of the Bank.

The plan is an annual "carve out" plan where a portion of annual VP for the immediately preceding year is converted into Deferred Compensation, the delivery of which is subject to certain conditions and a holding period which shall be spread for 3 or more years.

15.1. Remuneration awarded during the financial year (REM 1)

		AED'000	
Remuneration Amount		Senior Management	Other Material Risk-takers
Fixed Remuneration	Number of employees	12	0
	Total fixed remuneration	15,895	0
	Of which: cash-based	13,187	0
	Of which: deferred	0	0
	Of which: shares or other share-linked instruments	0	0
	Of which: deferred	0	0
	Of which: other forms [Benefits, including Education Allowance, Leave Encashment and Premium for the Life and Medical Insurance, Gratuity provision and Pension contribution (for UAE Nationals)]	2,708	0
	Of which: deferred	0	0
Variable Remuneration	Number of employees	12	0
	Total Variable remuneration	3,650	0
	Of which: cash-based	1,970	0
	Of which: deferred	1,679	0
	Of which: shares or other share-linked instruments	-	0
	Of which: deferred	-	0
Total Remuneration	Of which: other forms	-	0
	Of which: deferred	-	0
		19,545	0

15.2. Special payments (REM2)

		AED'000						
Special Payments	Guaranteed Bonuses		Sign on Awards		Severance Payments		Retention Payments	
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Senior Management	-	-	-	-	1	80	3	1,632

15.3. Deferred remuneration (REM 3)

		AED'000			
Deferred and retained remuneration	Total amount of outstanding deferred remuneration	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
Senior management	9	-	-	-	9
Cash	1,466	-	-	-	1,069
Shares	1,831	-	-	-	256
Cash-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
Total	3297	-	-	-	1325