

Bank Alfalah Limited - UAE Branch

BASEL – PILLAR 3 DISCLOSURES

FOR THE PERIOD ENDED 31st MARCH 2025



Overview of risk management, key prudential metrics and RWA

1. Introduction to Bank

Alfalalah Bank Limited (the "Head Office") is a Pakistan registered bank with its principal office in Karachi, Pakistan. It commenced its operations in the United Arab Emirates (UAE) in 2017 as a wholesale bank and currently has one branch (the "Bank") in Dubai. The address of the registered office of the Bank is P.O. Box 8456, Dubai.

2. Introduction to Bank's Capital adequacy framework

Central Bank of UAE published final Capital Adequacy Standards and Guidance along with Notice 4980/2020 on 12th November 2020. This included revised Standards and Guidance with respect to Pillar 3 – Market Disclosures. Further to this, the Central Bank of UAE provided explanatory notes and disclosure templates for Pillar 3 on 30th November 2021 as part of Notice 5508/2021 and on 9th May 2022 as per the notice CBUAE/BSN/2022/1887.

This document presents the Pillar 3 disclosures of Alfalah Bank Limited – UAE Branch ("the Bank") as at 31st March, 2025. The purpose of Pillar 3 disclosures is to allow market participants to assess key pieces of information on the firm's capital, risk exposures and risk assessment process.

2.1 Regulatory Framework

The framework is structured around the following three Pillars:

1. Pillar 1 on minimum capital requirements for credit, market and operational risk
2. Pillar 2 on the supervisory review process and the Internal Capital Adequacy Assessment Process (ICAAP)
3. Pillar 3 on market discipline

On top of this minimum capital requirement CBUAE has also mandated the Banks to keep

- In addition to the minimum CET1 capital of 7.0% of RWA, banks must maintain a capital conservation buffer (CCB) of 2.5% of RWAs in the form of CET1 capital

- To achieve the broader macro-prudential goal of protecting the banking sector from periods of excess aggregate credit growth and in addition to the CCB requirements, banks may be required to implement the countercyclical buffer (CCyB). Banks must meet the CCyB requirements by using CET1 capital. The level of the CCyB requirements will vary between 0% - 2.5% of RWA and be communicated by the Central Bank with an adequate notice period.

These requirements are summarized in the table below:

Minimum Common Equity Tier 1 Ratio	7.0%
Minimum Tier 1 Capital Ratio	8.5%
Minimum Capital Adequacy Ratio	10.5%
Capital Conservation Buffer	2.5%
Domestic Systemically Important Banks Buffer	0.0%
Countercyclical buffer (0% - 2.5%)	0.0%

The capital ratios for Bank Alfalah Limited - UAE Branch as of 31 March , 2025 are given below. All of these are well above the CBUAE minimum.

Common Equity Tier 1 Ratio	29.12%
Capital Adequacy Ratio	29.52%

Key Risk Metrics (KM1)

AED in '000

		Mar-25	Dec-24
Available capital (amounts)			
1	Common Equity Tier 1 (CET1)	171,897	161,726
1a	Fully loaded ECL accounting model	171,897	161,726
2	Tier 1	171,897	161,726
2a	Fully loaded ECL accounting model Tier 1	171,897	161,726
3	Total capital	174,243	164,419
3a	Fully loaded ECL accounting model total capital	174,243	164,419
Risk-weighted assets (amounts)			
4	Total risk-weighted assets (RWA)	590,239	578,439
Risk-based capital ratios as a percentage of RWA			
5	Common Equity Tier 1 ratio (%)	29.1%	28.0%
5a	Fully loaded ECL accounting model CET1 (%)	29.1%	28.0%
6	Tier 1 ratio (%)	29.1%	28.0%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	29.1%	28.0%
7	Total capital ratio (%)	29.5%	28.4%
7a	Fully loaded ECL accounting model total capital ratio (%)	29.5%	28.4%
Additional CET1 buffer requirements as a percentage of RWA			
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.5%	2.5%
9	Countercyclical buffer requirement (%)	0.0%	0.0%
10	Bank D-SIB additional requirements (%)	0.0%	0.0%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.5%	2.5%
12	CET1 available after meeting the bank's minimum capital requirements (%)	19.0%	17.9%
Leverage Ratio			
13	Total leverage ratio measure	1,731,658	1,725,136
14	Leverage ratio (%) (row 2/row 13)	9.9%	9.4%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	9.9%	9.4%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	9.9%	9.4%
Liquidity Coverage Ratio			
15	Total HQLA		
16	Total net cash outflow		
17	LCR ratio (%)		
Net Stable Funding Ratio			
18	Total available stable funding		
19	Total required stable funding		
20	NSFR ratio (%)		
ELAR			
21	Total HQLA	1,109,711	1,093,539
22	Total liabilities	1,562,513	1,538,773
23	Eligible Liquid Assets Ratio (ELAR) (%)	71.02%	71.07%
ASRR			
24	Total available stable funding	1,345,970	1,382,410
25	Total Advances	116,824	195,626
26	Advances to Stable Resources Ratio (%)	8.68%	14.15%

Overview of RWA (OV1)

AED in '000

	RWA		Minimum capital requirements
	Mar-25	Dec-24	Mar-25
1 Credit risk (excluding counterparty credit risk)	493,728	478,734	51,841
2 Of which: standardised approach (SA)	493,728	478,734	51,841
3 Of which: foundation internal ratings-based (F-IRB) approach			
4 Of which: supervisory slotting approach			
5 Of which: advanced internal ratings-based (A-IRB) approach			
6 Counterparty credit risk (CCR)	2,089	1,922	219
7 Of which: standardised approach for counterparty credit risk	2,089	1,922	219
8 Of which: Internal Model Method (IMM)			
9 Of which: other CCR			
10 Credit valuation adjustment (CVA)			
11 Equity positions under the simple risk weight approach			
12 Equity investments in funds - look-through approach	-	-	-
13 Equity investments in funds - mandate-based approach	-	-	-
14 Equity investments in funds - fall-back approach	-	-	-
15 Settlement risk	-	-	-
16 Securitisation exposures in the banking book	-	-	-
17 Of which: securitisation internal ratings-based approach (SEC-IRBA)			
18 Of which: securitisation external ratings-based approach (SEC-ERBA)			
19 Of which: securitisation standardised approach (SEC-SA)			
20 Market risk	5,033	8,394	528
21 Of which: standardised approach (SA)	5,033	8,394	528
22 Of which: internal models approach (IMA)			
23 Operational risk	89,390	89,390	9,386
24 Amounts below thresholds for deduction (subject to 250% risk weight)			
25 Floor adjustment			
26 Total (1+6+10+11+12+13+14+15+16+20+23)	590,239	578,439	61,975

Leverage Ratio Common Disclosure Template (LR)

AED in '000

		Mar-25	Dec-24
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	1,713,417	1,704,332
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	(247)	(1,605)
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	1,713,170	1,702,727
Derivative exposures			
8	Replacement cost associated with <i>all</i> derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	5,159	5,151
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	2,696	2,166
10	(Exempted CCP leg of client-cleared trade exposures)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	Total derivative exposures (sum of rows 8 to 12)	7,855	7,316
Securities financing transactions			
14	Gross SFT <i>assets</i> (with no recognition of netting), after adjusting for sale accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	CCR exposure for SFT assets	-	-
17	Agent transaction exposures	-	-
18	Total securities financing transaction exposures (sum of rows 14 to 17)	-	-
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	484,733	297,126
20	(Adjustments for conversion to credit equivalent amounts)	(474,100)	(282,033)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	Off-balance sheet items (sum of rows 19 to 21)	10,633	15,093
Capital and total exposures			
23	Tier 1 capital	171,897	161,726
24	Total exposures (sum of rows 7, 13, 18 and 22)	1,731,658	1,725,136
Leverage ratio			
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	9.9%	9.4%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	9.9%	9.4%
26	CBUAE minimum leverage ratio requirement	3.5%	3.0%

Eligible Liquid Assets Ratio (ELAR)

AED in '000

1	High Quality Liquid Assets	Nominal Amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	980,494	
1.2	UAE Federal Government Bonds and Sukuks	39,977	
	Sub Total (1.1 to 1.2)	1,020,471	1,020,471
1.3	UAE local governments publicly traded debt securities	53,227	
1.4	UAE Public sector publicly traded debt securities	3,391	
	Sub total (1.3 to 1.4)	56,618	56,618
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	32,622	32,622
1.6	Total	1,109,711	1,109,711
2	Total liabilities		1,562,513
3	Eligible Liquid Assets Ratio (ELAR)		71.0%

Advances to Stable Resource Ratio (ASRR)

AED in '000

Amount

1 Computation of Advances

1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	97,278
1.2	Lending to non-banking financial institutions	-
1.3	Net Financial Guarantees & Stand-by LC (issued - received)	-
1.4	Interbank Placements	19,546
1.5	Total Advances	116,824

2 Calculation of Net Stable Ressources

2.1	Total capital + general provisions	183,484
	Deduct:	
2.1.1	Goodwill and other intangible assets	73
2.1.2	Fixed Assets	9,059
2.1.3	Funds allocated to branches abroad	-
2.1.5	Unquoted Investments	7,346
2.1.6	Investment in subsidiaries, associates and affiliates	-
2.1.7	Total deduction	16,478
2.2	Net Free Capital Funds	167,006
	2.3 Other stable resources:	
2.3.1	Funds from the head office	-
2.3.2	Interbank deposits with remaining life of more than 6 months	-
2.3.3	Refinancing of Housing Loans	-
2.3.4	Borrowing from non-Banking Financial Institutions	-
2.3.5	Customer Deposits	1,178,964
2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	
2.3.7	Total other stable resources	1,178,964
2.4	Total Stable Resources (2.2+2.3.7)	1,345,970
3	ADVANCES TO STABLE RESOURCES RATIO (1.6/ 2.4*100)	8.68