Bank Alfalah Limited - UAE Branch

BASEL – PILLAR 3 DISCLOSURES

FOR THE PERIOD ENDED 30th SEPTEMBER 2024

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1. Overview of risk management, key prudential metrics and RWA

1. Introduction to Bank

Alfalah 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/BSD/N/2022/1887.

This document presents the Pillar 3 disclosures of Alfalah Bank Limited – UAE Branch ("the Bank") as at 30th September, 2024. 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 additional buffers.

- 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%

The capital ratios for Bank Alfalah Limited - UAE Branch as of 30 September, 2024 are given below. All of these are well above the CBUAE minimum.

Common Equity Tier 1 Ratio	29.9%
Capital Adequacy Ratio	30.1%

3 Key Risk Metrics (KM1)

AED in '000

		Sep-24	Jun-24	Mar-24	Dec-23
Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	159,175	138,155	152,015	137,934
1a	Fully loaded ECL accounting model	159,175	138,155	152,015	137,934
2	Tier 1	159,175	138,155	152,015	137,934
2a	Fully loaded ECL accounting model Tier 1	159,175	138,155	152,015	137,934
3	Total capital	160,350	141,008	152,344	140,325
3a	Fully loaded ECL accounting model total capital	160,350	141,008	152,344	140,325
Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	533,221	383,504	430,799	443,397
Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	29.9%	36.0%	35.3%	31.1%
5a	Fully loaded ECL accounting model CET1 (%)	29.9%	36.0%	35.3%	31.1%
6	Tier 1 ratio (%)	29.9%	36.0%	35.3%	31.1%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	29.9%	36.0%	35.3%	31.1%
7	Total capital ratio (%)	30.1%	36.8%	35.4%	31.6%
7a	Fully loaded ECL accounting model total capital ratio (%)	30.1%	36.8%	35.4%	31.6%
Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.5%	2.5%	2.5%	2.5%
9	Countercyclical buffer requirement (%)	0.0%	0.0%	0.0%	0.0%
10	Bank D-SIB additional requirements (%)	0.0%	0.0%	0.0%	0.0%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.5%	2.5%	2.5%	2.5%
12	CET1 available after meeting the bank's minimum capital requirements (%)	19.6%	26.3%	24.9%	21.1%
Leverage Ratio					
13	Total leverage ratio measure	1,543,903	1,464,204	1,249,126	1,286,372
14	Leverage ratio (%) (row 2/row 13)	10.3%	9.4%	12.2%	10.7%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	10.3%	9.4%	12.2%	10.7%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	10.3%	9.4%	12.2%	10.7%
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	905,137	1,043,317	709,049	810,120
22	Total liabilities	1,300,248	1,292,307	1,114,704	1,129,429
23	Eligible Liquid Assets Ratio (ELAR) (%)	69.61%	80.73%	63.61%	71.73%
ASRR					
24	Total available stable funding	1,096,074	1,076,779	953,448	972,131
25	Total Advances	37,817	57,865	19,041	57,675
26	Advances to Stable Resources Ratio (%)	3.5%	5.4%	2.0%	5.9%

4 Overview of RWA (OV1)

AED in '000

		RWA		Minimum capital requirements
		Sep-24	Jun-24	Sep-24
1	Credit risk (excluding counterparty credit risk)	471,925	322,241	49,552
2	Of which: standardised approach (SA)	471,925	322,241	49,552
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)	-	-	-
7	Of which: standardised approach for counterparty credit risk	-	-	-
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	91	57	10
21	Of which: standardised approach (SA)	91	57	10
22	Of which: internal models approach (IMA)			
23	Operational risk	61,206	61,206	6,427
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)**	**533,221**	**383,504**	**55,988**

5 Leverage Ratio Common Disclosure Template (LR)

AED in '000

		Sep-24	Jun-24
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	1,461,361	1,433,238
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)	(2,292)	(2,273)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	**1,459,069**	**1,430,965**
Derivative exposures			
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	5,240	371
9	Add-on amounts for PFE associated with *all* derivatives transactions	514	3,399
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)**	**5,754**	**3,770**
Securities financing transactions			
14	Gross SFT *assets* (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	474,067	53,477
20	(Adjustments for conversion to credit equivalent amounts)	(394,987)	(24,008)
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)	79,080	29,469
Capital and total exposures			
23	Tier 1 capital	159,175	138,155
24	Total exposures (sum of rows 7, 13, 18 and 22)	1,543,903	1,464,204
Leverage ratio			
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	10.3%	9.4%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	10.3%	9.4%
26	CBUAE minimum leverage ratio requirement	3.5%	3.5%

6 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	766,686	
1.2	UAE Federal Government Bonds and Sukuks	40,165	
	Sub Total (1.1 to 1.2)	**806,851**	**806,851**
1.3	UAE local governments publicly traded debt securities	53,889	
1.4	UAE Public sector publicly traded debt securities	3,410	
	Sub total (1.3 to 1.4)	**57,299**	**57,299**
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	40,987	40,987
1.6	**Total**	**905,137**	**905,137**
2	Total liabilities		1,300,248
3	**Eligible Liquid Assets Ratio (ELAR)**		**69.6%**

7 Advances to Stable Resource Ratio (ASRR)

AED in '000

	Items	Amount
1	**Computation of Advances**	
1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	37,817
1.2	Lending to non-banking financial institutions	-
1.3	Net Financial Guarantees & Stand-by LC (issued - received)	-
1.4	Interbank Placements	-
1.5	**Total Advances**	**37,817**
2	**Calculation of Net Stable Ressources**	
2.1	Total capital + general provisions	162,643
	Deduct:	
2.1.1	Goodwill and other intangible assets	-
2.1.2	Fixed Assets	10,193
2.1.3	Funds allocated to branches abroad	-
2.1.5	Unquoted Investments	-
2.1.6	Investment in subsidiaries, associates and affiliates	-
2.1.7	Total deduction	10,193
2.2	**Net Free Capital Funds**	**152,450**
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	943,624
2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	
2.3.7	**Total other stable resources**	**943,624**
2.4	**Total Stable Resources (2.2+2.3.7)**	**1,096,074**
3	**ADVANCES TO STABLE RESOURCES RATIO (1.6/ 2.4*100)**	**3.45**