



MCB Bank Limited – UAE Branch

BASEL – PILLAR 3 DISCLOSURES

FOR THE QUARTER ENDED 31 March 2025

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1. Introduction to Bank

MCB Bank Limited (the “Head Office”) is a Pakistan registered bank with its principal office in Lahore, Pakistan. It commenced its operations in the United Arab Emirates (UAE) in 2014 as a wholesale bank and currently has two branches (the “Branch”) in Dubai and Emirates of Sharjah.

2. Objective and Scope

The purpose of this report is to inform market participants of the key components, scope and effectiveness of the Bank’s risk measurement processes, risk profile and capital adequacy. This is accomplished by providing consistent and understandable disclosures of the Bank’s risk profile in a manner that enhances comparability with other financial institutions.

Capital management and risk management are important parts of the Bank’s strategy formulation process and are reflected in the Bank’s long term objectives. The primary objective of the MCB UAE’s capital and risk management strategy is to protect the financial strength of the Bank, ensure its sustainability and safeguard its reputation.

3. Introduction to Bank’s Capital adequacy framework

The Central Bank of the UAE (“CB UAE”) sets and monitors capital requirements for the Group as a whole. The CBUAE issued Basel III capital regulations, which came into effect from 1 February 2017 introducing minimum capital requirements at three levels, namely Common Equity Tier 1 (“CET1”), Additional Tier 1 (“AT1”) and Total Capital. The additional capital buffers (Capital Conservation Buffer (“CCB”) and Countercyclical Capital Buffer (“CCyB”) maximum up to 2.5% for each buffer) introduced are over and above the minimum CET1 requirement of 7%.

The requirements of the Central Bank of the UAE act as the framework for the implementation of the Basel III Accord in the UAE. Central Bank of UAE published 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 Update through notice 2022/1887 dated May 09, 2022.

This document presents the Pillar 3 disclosures of MCB 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.

3.1 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

3.2 Pillar 1 – Minimum Capital Requirement

Pillar 1 defines the total minimum capital requirements for credit, market and operational risk. MCB Bank Limited - UAE Branch uses standardized approach for assessment of Credit, Market and Operational Risk weighted assets (RWA). Under the standardized approach, regulatory prescribed risk weights and parameters are applied to calculate Pillar 1 capital requirements.

CBUAE has put in regulatory thresholds for Common Equity Tier 1, Tier 1 and overall regulatory Capital.

1. CET1 must be at least 7.0% of risk weighted assets (RWA);
2. Tier 1 Capital must be at least 8.5% of RWA;
3. Total Capital, calculated as the sum of Tier 1 Capital and Tier 2 Capital, must be at least 10.5% of RWA.

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:

Capital Element	Requirement
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	1.5%
Countercyclical buffer (0% - 2.5%)	0%

The capital ratios for MCB Bank 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	32.72%
Capital Adequacy Ratio	33.69%

3.3 Pillar 2 – ICAAP and Supervisory Review Process

The ICAAP is considered as an essential tool to address all current and potential material risks. MCB Bank ensures that it not only satisfies the minimum regulatory capital requirements of CBUAE but also maintains appropriate internal capital levels in line with the current and anticipated capital requirements and to withstand stress scenarios. Key highlights of ICAAP are as below:

- Business background & Group structure
- Business model and products offered by bank
- Stress Testing
- Risk assessment and disclosures
- Business strategy & financial projections

3.4 Pillar 3 – Market Discipline

The Bank discloses to its external stakeholder's detailed qualitative and quantitative information on its risk management practice and capital adequacy in line with the CBUAE Pillar 3 guidelines. Pillar 3 complements the Pillar 1 - minimum capital requirements and the Pillar 2 – ICAAP and supervisory review process. The purpose of Pillar 3 disclosures is to enhance market discipline through disclosure requirements which allows market participants to assess the risk exposures of the Bank around capital, material risk exposures and internal risk assessment processes and mitigation strategies, and hence assess the strength of the Bank. The reporting frequency of the revised set of disclosures has been defined by CBUAE.

3.4.1 Significant capital adequacy, liquidity and funding related disclosure requirements:

Capital adequacy, funding, liquidity and related disclosures in Pillar 3 report has been prepared in accordance with Central Bank of UAE Pillar 3 disclosure requirements as stipulated in Standards and Guidance re Capital Adequacy in the UAE (Notice CBUAE/BSN/2022/5280 dated 30 December 2022) and Explanatory Notes on Pillar 3 Disclosure requirements, the underlying BCBS guidance “updated Pillar 3 disclosure requirements” issued in May 9 2022

4. Overview of risk management and RWA

4.1 KM1: Key metrics

		<i>Amount in AED ‘000</i>				
		a	b	c	d	e
		Mar-25	Dec-24	Sep-24	Jun-24	Mar-24
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	193,399	192,384	128,311	127,178	147,894
1a	Fully loaded ECL accounting model	193,399	192,384	128,311	127,178	147,894
2	Tier 1	193,399	192,384	128,311	127,178	147,894
2a	Fully loaded ECL accounting model Tier 1	193,399	192,384	128,311	127,178	147,894
3	Total capital	199,125	200,060	134,257	132,091	151,741
3a	Fully loaded ECL accounting model total capital	199,125	200,060	134,257	132,091	151,741
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	591,105	748,574	556,847	474,265	389,155
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	32.7%	25.7%	23.0%	26.8%	38.0%
5a	Fully loaded ECL accounting model CET1 (%)	32.7%	25.7%	23.0%	26.8%	38.0%
6	Tier 1 ratio (%)	32.7%	25.7%	23.0%	26.8%	38.0%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	32.7%	25.7%	23.0%	26.8%	38.0%
7	Total capital ratio (%)	33.7%	26.7%	24.1%	27.9%	39.0%
7a	Fully loaded ECL accounting model total capital ratio (%)	33.7%	26.7%	24.1%	27.9%	39.0%
	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%	2.5%
9	Countercyclical buffer requirement (%)	0.0%	0.0%	0.0%	0.0%	0.0%
10	Bank D-SIB additional requirements (%)	0.0%	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%	2.5%
12	CET1 available after meeting the bank's minimum capital requirements (%)	23.2%	16.2%	13.6%	17.4%	28.5%

	Leverage Ratio					
13	Total leverage ratio measure	2,208,319	2,529,476	2,483,211	2,296,038	1,757,633
14	Leverage ratio (%) (row 2/row 13)	8.8%	7.6%	5.2%	5.5%	8.4%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	8.8%	7.6%	5.2%	5.5%	8.4%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	8.8%	7.6%	5.2%	5.5%	8.4%
	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	1,528,896	1,615,670	1,709,798	1,511,536	1,080,994
22	Total liabilities	1,921,398	2,266,186	2,209,282	2,020,934	1,475,358
23	Eligible Liquid Assets Ratio (ELAR) (%)	80%	71%	77%	75%	73%
	ASRR					
24	Total available stable funding	1,831,412	1,987,056	2,053,422	1,863,432	1,407,890
25	Total Advances	385,020	464,562	344,788	282,642	253,400
26	Advances to Stable Resources Ratio (%)	21.0%	23.4%	16.8%	15.2%	18.0%

**As per CBUAE regulations, Liquidity Coverage Ratio and Net Stable Funding Ratio are not applicable on the bank being a branch of a foreign bank. The bank uses Eligible Liquid Asset Ratio (ELAR) and Lending to Stable Resources Ratio (LSRR) as an alternate.*

4.2 OV1: Overview of RWA

		Amount in AED'000		
		a	b	c
		RWA		Minimum capital requirements
		Mar-25	Dec-24	Mar-25
1	Credit risk (excluding counterparty credit risk)	461,939	619,515	48,504
2	Of which: standardized approach (SA)	461,939	619,515	48,504
3				
4				
5				
6	Counterparty credit risk (CCR)	-		-
7	Of which: standardized approach for counterparty credit risk	-		-
8				
9				
10				
11				
12	Equity investments in funds - look-through approach	0	0	0
13	Equity investments in funds - mandate-based approach	0	0	0
14	Equity investments in funds - fallback approach	0	0	0
15	Settlement risk	0	0	0
16	Securitization exposures in the banking book	0	0	0
17				
	Of which: securitization external ratings-based approach (SEC-ERBA)	0	0	0
18				
19	Of which: securitization standardized approach (SEC-SA)	0	0	-
20	Market risk	297	190	31
21	Of which: standardized approach (SA)	297	190	31
22				
23	Operational risk	128,869	128,869	13,531
24				
25				
26	Total (1+6+12+13+14+15+16+20+23)	591,105	748,574	62,066

5. Leverage ratio

LR2: Leverage ratio common disclosure template

All numbers in AED ‘000

		a	b
		Mar-25	Dec-24
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	2,146,933	2,473,429
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)		
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	2,146,933	2,473,429
Derivative exposures			
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	-	-
9	Add-on amounts for PFE associated with all derivatives transactions	1,836	2,576.00
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)	-	-
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)	2,570	3,606
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	92,669	77,245
20	(Adjustments for conversion to credit equivalent amounts)	(33,853)	(24,804)
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)	58,816	52,441
Capital and total exposures			
23	Tier 1 capital	193,399	192,384
24	Total exposures (sum of rows 7, 13, 18 and 22)	2,208,319	2,529,476
Leverage ratio			
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	8.76%	7.61%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	8.76%	7.61%
26	CBUAE minimum leverage ratio requirement	3.50%	3.50%

6. Liquidity

6.1 ELAR: Eligible Liquid Assets Ratio

Eligible Liquid Assets Ratio is a Basel III liquidity requirement.

All numbers in AED ‘000

1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	1,528,896	
1.2	UAE Federal Government Bonds and Sukuks		
	Sub Total (1.1 to 1.2)	1,528,896	1,528,896
1.3	UAE local governments publicly traded debt securities		
1.4	UAE Public sector publicly traded debt securities		
	Sub total (1.3 to 1.4)	0	0
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks		0
1.6	Total	1,528,896	1,528,896
2	Total liabilities		1,921,398
3	Eligible Liquid Assets Ratio (ELAR)		0.80

6.2 ASRR: Advances to Stables Resource Ratio

Amount in AED ‘000

		Items	Amount
1		Computation of Advances	
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	319,912
	1.2	Lending to non-banking financial institutions	0
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	39,400
	1.4	Interbank Placements	25,708
	1.5	Total Advances	385,020
2		Calculation of Net Stable Resources	
	2.1	Total capital + general provisions	222,310
		Deduct:	
	2.1.1	Goodwill and other intangible assets	
	2.1.2	Fixed Assets	3,648
	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	3,648
	2.2	Net Free Capital Funds	218,662
	2.3	Other stable resources:	
	2.3.1	Funds from the head office	0
	2.3.2	Interbank deposits with remaining life of more than 6 months	0
	2.3.3	Refinancing of Housing Loans	0
	2.3.4	Borrowing from non-Banking Financial Institutions	51,897
	2.3.5	Customer Deposits	1,560,853
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	0
	2.3.7	Total other stable resources	1,612,750
	2.4	Total Stable Resources (2.2+2.3.7)	1,831,412
3		Advances TO STABLE RESOURCES RATIO (1.5/ 2.4*100)	21.02