



INDEPENDENT AUDITOR'S REPORT

To the members of Al Baraka Bank (Pakistan) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Al Baraka Bank (Pakistan) Limited (the Bank), which comprise the statement of financial position as at December 31, 2025, and the statement of profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for 48 branches which have been audited by us and notes to the financial statements, including material accounting policy information and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit and loss account, the statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2025 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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A.F. FERGUSON & Co.

Report on Other Legal and Regulatory Requirements

1. Based on our audit, we further report that in our opinion:
 - a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
 - b) the statement of financial position, the statement of profit and loss account, the statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
 - c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
 - d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.
2. We confirm that for the purpose of our audit we have covered more than sixty percent of the total Islamic financing and related assets of the Bank.

The engagement partner on the audit resulting in this independent auditor's report is **Junaid Mesia**.

A. F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: March 04, 2026
UDIN: AR20251061139lmPEDN1

AL BARAKA BANK (PAKISTAN) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025

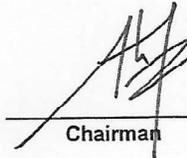
	Note	2025 ----- (Rupees in '000) -----	2024 ----- (Rupees in '000) -----
ASSETS			
Cash and balances with treasury banks	7	25,614,941	18,834,915
Balances with other banks	8	1,724,589	1,800,742
Due from financial institutions	9	15,996,408	1,398,776
Investments	10	103,674,169	126,851,952
Islamic financing and related assets - net	11	135,966,429	101,438,819
Property and equipment	12	3,621,690	2,792,479
Right-of-use assets	13	3,273,573	2,297,928
Intangible assets	14	1,227,535	1,249,863
Deferred tax assets	15	3,720,563	2,968,011
Other assets	16	17,103,232	13,627,468
Total assets		311,923,129	273,260,953
LIABILITIES			
Bills payable	17	8,546,764	7,282,964
Due to financial institutions	18	4,377,721	6,144,594
Deposits and other accounts	19	259,643,089	223,402,080
Lease liabilities	20	3,606,386	2,476,776
Subordinated mudaraba	21	3,124,241	3,124,241
Deferred tax liabilities		-	-
Other liabilities	22	10,572,072	9,211,885
Total liabilities		289,870,273	251,642,540
NET ASSETS		22,052,856	21,618,413
REPRESENTED BY			
Share capital - net	23	14,500,490	14,500,490
Reserves		2,561,694	2,187,858
Surplus on revaluation of assets	24	373,879	1,227,933
Unappropriated profit		4,616,793	3,702,132
		22,052,856	21,618,413
CONTINGENCIES AND COMMITMENTS			
	25		

The annexed notes 1 to 52 and annexure I form an integral part of these financial statements.

Mirza

Chief Executive Officer


Chief Financial Officer


Chairman


Director


Director

AL BARAKA BANK (PAKISTAN) LIMITED
STATEMENT OF PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2025

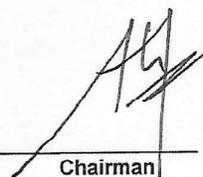
	Note	2025 ----- (Rupees in '000) -----	2024 ----- (Rupees in '000) -----
Profit / return earned	26	28,571,521	40,097,052
Profit / return expensed	27	(16,613,156)	(24,152,866)
Net profit / return		11,958,365	15,944,186
OTHER INCOME			
Fee and commission income	28	1,080,471	923,906
Dividend income		-	4,743
Foreign exchange income		1,320,884	1,160,189
Income / (loss) from shariah compliant alternative of forward foreign exchange contracts		-	-
Gain on securities - net	29	31,512	362,296
Net gains / (losses) on derecognition of financial assets measured at amortised cost		-	-
Other income	30	134,772	32,867
Total other income		2,567,639	2,484,001
Total income		14,526,004	18,428,187
OTHER EXPENSES			
Operating expenses	31	(11,048,622)	(9,694,395)
Workers' Welfare Fund	22.2	(83,716)	(170,981)
Other charges	32	(17,314)	(25,193)
Total other expenses		(11,149,652)	(9,890,569)
Profit before credit loss allowance / provisions		3,376,352	8,537,618
Reversal of / (charge against) credit loss allowance / provisions and write offs - net	33	725,722	(159,526)
Other income / expense items		-	-
PROFIT BEFORE TAXATION		4,102,074	8,378,092
Taxation	34	(2,232,892)	(4,344,378)
PROFIT AFTER TAXATION		1,869,182	4,033,714
----- Rupees -----			
Basic / diluted earnings per share	35	1.36	2.94

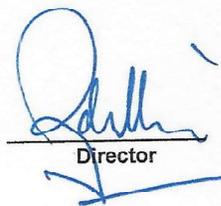
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Attest

 Chief Executive Officer


 Chief Financial Officer


 Chairman

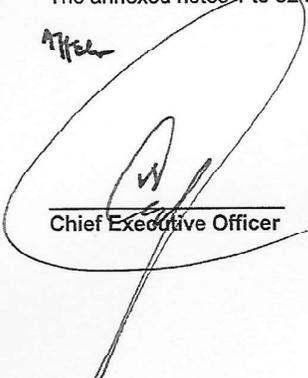
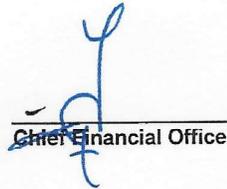
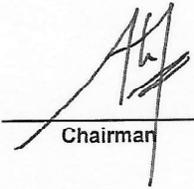

 Director

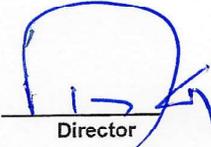

 Director

AL BARAKA BANK (PAKISTAN) LIMITED
 STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 DECEMBER 2025

	2025	2024
	----- (Rupees in '000) -----	
Profit after taxation for the year	1,869,182	4,033,714
Other comprehensive income / (loss)		
Items that may be reclassified to the statement of profit and loss account in subsequent periods:		
Movement in surplus on revaluation of debt investments through FVOCI - net of tax	(887,804)	570,876
Gain on sale of debt investments carried at FVOCI – reclassified to the statement of profit and loss account - net of tax	(8,256)	(85,176)
Items that will not be reclassified to the statement of profit and loss account in subsequent periods:		
Remeasurement loss on defined benefit obligations - net of tax	(71,133)	(20,181)
Movement in surplus on revaluation of non-banking assets - net of tax	65,324	(18,403)
Movement in deficit on revaluation of equity investments through FVOCI - net of tax	(1,231) (7,040)	- (38,584)
Total comprehensive income for the year	<u>966,082</u>	<u>4,480,830</u>

The annexed notes 1 to 52 and annexure I form an integral part of these financial statements.



Chief Executive Officer Chief Financial Officer Chairman Director Director

AL BARAKA BANK (PAKISTAN) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025

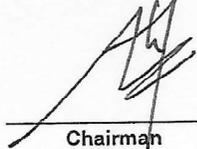
	Share capital			Statutory reserve*	Reserves		Unappropriated profit	Total
	Issued, subscribed and paid up	Capital support fund	Discount on issue of shares		Surplus / (deficit) on revaluation of			
					Investments	Non banking assets		
	(Rupees in '000)							
Balance as at 1 January 2024	13,739,628	1,393,628	(632,766)	1,381,115	480,236	312,847	1,578,469	18,253,157
Impact of adoption of IFRS - 9			-	-	(32,447)	-	(1,083,127)	(1,115,574)
Balance as at 1 January 2024 after adoption of IFRS 9	13,739,628	1,393,628	(632,766)	1,381,115	447,789	312,847	495,342	17,137,583
Profit after taxation for the year	-	-	-	-	-	-	4,033,714	4,033,714
Other comprehensive income / (loss) - net of tax								
Movement in surplus on revaluation of investments in debt instruments through FVOCI - net of tax	-	-	-	-	570,876	-	-	570,876
Gain on sale of debt investments carried at FVOCI – reclassified to the statement of profit and loss account - net of tax	-	-	-	-	(85,176)	-	-	(85,176)
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	(18,403)	-	(18,403)
Remeasurement loss on defined benefit obligations - net of tax	-	-	-	-	-	-	(20,181)	(20,181)
	-	-	-	-	485,700	(18,403)	(20,181)	447,116
Transfer to statutory reserve	-	-	-	806,743	-	-	(806,743)	-
Balance as at 31 December 2024	13,739,628	1,393,628	(632,766)	2,187,858	933,489	294,444	3,702,132	21,618,413
Impact of adoption of IFRS - 9 (Note 6.1)	-	-	-	-	(22,087)	-	12,554	(9,533)
Balance as at 1 January 2025 after adoption of IFRS 9 (Restated)	13,739,628	1,393,628	(632,766)	2,187,858	911,402	294,444	3,714,686	21,608,880
Profit after taxation for the year	-	-	-	-	-	-	1,869,182	1,869,182
Other comprehensive income / (loss) - net of tax								
Movement in surplus on revaluation of investments in debt instruments through FVOCI - net of tax	-	-	-	-	(887,804)	-	-	(887,804)
Movement in deficit on revaluation of investments in equity instruments classified as FVOCI - net of tax	-	-	-	-	(1,231)	-	-	(1,231)
Gain on sale of debt investments carried at FVOCI – reclassified to the statement of profit and loss account - net of tax	-	-	-	-	(8,256)	-	-	(8,256)
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	65,324	-	65,324
Remeasurement loss on defined benefit obligations - net of tax	-	-	-	-	-	-	(71,133)	(71,133)
	-	-	-	-	(897,291)	65,324	(71,133)	(903,100)
Transfer to statutory reserve	-	-	-	373,836	-	-	(373,836)	-
Transactions with owners, recorded directly in equity								
Final cash dividend for the year ended 31 December 2024 @ Rs. 0.38 per share	-	-	-	-	-	-	(522,106)	(522,106)
Balance as at 31 December 2025	13,739,628	1,393,628	(632,766)	2,561,694	14,111	359,768	4,616,793	22,052,856

* This represents reserve created under section 21(i)(a) of the Banking Companies Ordinance, 1962.

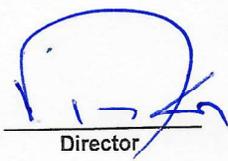
The annexed notes 1 to 52 and annexure I form an integral part of these financial statements.


Chief Executive Officer


Chief Financial Officer


Chairman

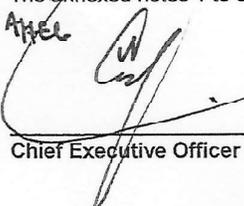

Director

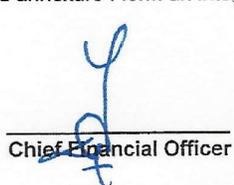

Director

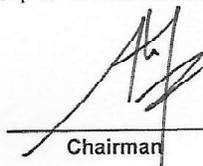
AL BARAKA BANK (PAKISTAN) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2025

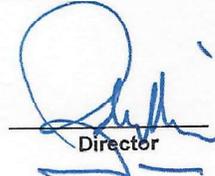
	Note	2025 ----- (Rupees in '000) -----	2024
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		4,102,074	8,378,092
Less: Dividend income		-	(4,743)
		<u>4,102,074</u>	<u>8,373,349</u>
Adjustments:			
Net profit / return - excluding finance charge on lease liability		(12,454,143)	(16,342,485)
Depreciation on property and equipment	31	331,505	296,808
Depreciation on right-of-use assets	31	771,678	638,292
Amortisation	31	145,888	158,602
IFRS - 9 - Notional income		49,469	(2,098)
Depreciation - non banking assets	31	39,361	39,361
(Reversal of) / charge against credit loss allowance / provisions and write offs - net	33	(725,722)	159,526
Gain on sale / disposal of property and equipment - net	30	(82,259)	(11,084)
Finance charges on lease liability against right-of-use assets	27	495,778	398,299
Unrealised gain on revaluation of securities classified as FVTPL	29	(6,421)	(66,645)
Workers' Welfare Fund		83,716	170,981
		<u>(11,351,150)</u>	<u>(14,560,443)</u>
		<u>(7,249,076)</u>	<u>(6,187,094)</u>
(Increase) / decrease in operating assets			
Due from financial institutions		(14,601,178)	6,700,012
Islamic financing and related assets - net		(33,835,704)	(25,378,109)
Others assets (excluding advance taxation)		(4,364,333)	(1,208,940)
		<u>(52,801,215)</u>	<u>(19,887,037)</u>
Increase / (decrease) in operating liabilities			
Bills payable		1,263,800	1,636,875
Due to financial institutions		(1,766,873)	(1,621,966)
Deposits and other accounts		36,241,009	16,064,335
Other liabilities (excluding current taxation)		2,012,808	253,313
		<u>37,750,744</u>	<u>16,332,557</u>
Profit / return received		29,685,188	42,238,852
Profit / return paid		(16,825,940)	(24,728,304)
Income tax paid		(2,472,522)	(4,881,575)
Net cash (used in) / generated from operating activities		<u>(11,912,821)</u>	<u>2,887,399</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in securities classified as FVOCI		30,807,180	(14,827,713)
Net investments in securities classified as FVTPL		(9,520,601)	11,942,697
Dividends received		-	4,743
Investments in property and equipment		(1,354,628)	(500,328)
Disposal of property and equipment		99,961	12,055
Net cash generated from / (used in) investing activities		<u>20,031,912</u>	<u>(3,368,546)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Payments of lease obligations against right-of-use assets		(1,113,491)	(943,339)
Repayment of Tier II mudaraba sukuk - second issue		-	(1,500,000)
Dividend paid		(301,508)	-
Net cash used in financing activities		<u>(1,414,999)</u>	<u>(2,443,339)</u>
Increase / (decrease) in cash and cash equivalents		<u>6,704,092</u>	<u>(2,924,486)</u>
Credit loss allowance on cash and cash equivalent		(219)	(303)
Cash and cash equivalents at beginning of the year	36	20,635,657	23,560,446
Cash and cash equivalents at end of the year	36	<u>27,339,530</u>	<u>20,635,657</u>

The annexed notes 1 to 52 and annexure I form an integral part of these financial statements.


Chief Executive Officer


Chief Financial Officer


Chairman


Director


Director

AL BARAKA BANK (PAKISTAN) LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

1 STATUS AND NATURE OF BUSINESS

- 1.1 Al Baraka Bank (Pakistan) Limited (the Bank) was incorporated in Pakistan on 20 December 2004, as a public limited company. The Bank was granted an Islamic Banking License BL(I)-01(07), issued by the Banking Policy and Regulations Department of the State Bank of Pakistan (SBP) on 18 January 2007. Subsequently, the Bank was also granted approval for commencement of business as a scheduled bank with effect from 13 February 2007. Upon merger of the Pakistan branches of Al Baraka Islamic Bank B.S.C. (c) with and into the Bank, fresh license no. BL(i)-01(2011) was issued by SBP on 12 March 2011, effective from close of business on 29 October 2010. The main objective of the Bank is to carry on Islamic banking business in Pakistan in accordance and in conformity with Shariah.

The Bank is a subsidiary of Al Baraka Islamic Bank B.S.C. (c) (Parent Bank) incorporated and domiciled in Bahrain, which is 92.81% (2024: 92.81%) owned by Al Baraka Group B.S.C. (Ultimate Parent).

- 1.2 During the year 2016, the shareholders of the Bank in their extra ordinary general meeting held on 22 August 2016 have approved the merger of the Bank with Burj Bank Limited under a "Scheme of Amalgamation" (the Scheme). Further, the State Bank of Pakistan, through its letter no. BPRD (R&P-02)/2016/24373 dated 14 October 2016, had also approved the scheme of amalgamation and granted sanction order for the amalgamation of Ex Burj Bank Limited with and into the Bank. As of the effective date of amalgamation, the entire undertaking of Ex Burj Bank Limited including all the properties, assets and liabilities and all the rights and obligations, without any further act, action or deed and notwithstanding the terms of any contract or other document or any rule of law, stands amalgamated with and vested in the Bank and as a consequence, Ex Burj Bank Limited stood amalgamated with and into the Bank.

The Bank's registered office is located at 162, Bangalore Town, Main Shahrah-e-Faisal, Karachi. The Bank has 196 branches (31 December 2024: 185 branches) in Pakistan.

- 1.3 Based on the financial statements of the Bank for the year ended 31 December 2024, the VIS Credit Rating Company Limited (VIS) has reaffirmed the Bank's medium to long-term rating as 'AA-' and short-term rating as 'A1' on 27 June 2025 (2024: 'A+' and 'A1' dated 30 June 2024).
- 1.4 As at 31 December 2025, the Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) stood at Rs. 14.5 billion and 17.57% respectively.

2 BASIS OF PRESENTATION

These financial statements have been prepared in conformity with the format of the financial statements prescribed by the SBP vide BPRD Circular No. 13 of 2024 dated 01 July 2024.

The Bank provides Islamic financing mainly through Shariah compliant financial products as explained briefly in note 6.4. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon. The income on such financing is recognised in accordance with principles of Islamic Shariah. However, income, if any, received which does not comply with the principles of Islamic Shariah is recognised as charity payable, if so directed by the Shariah Board Member of the Bank.

The Bank believes that there is no significant doubt on the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

3 STATEMENT OF COMPLIANCE

- 3.1 These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:
- IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
 - Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
 - Provisions of, directives and notifications issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
 - Directives issued by the State Bank of Pakistan (SBP) and the Securities Exchange Commission of Pakistan (SECP).



Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives and notification issued by the SBP and the SECP differ with the requirements of IFRS Accounting Standards or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017, and the said directives and notification shall prevail.

- 3.2** The SBP vide its BPRD Circular No. 04 dated 25 February 2015 has clarified that the reporting requirements of IFAS-3 'Profit and Loss Sharing on Deposit' for Islamic Banking Institutions (IBIs) relating to annual, half yearly and quarterly financial statements would be notified by SBP through issuance of specific instructions and uniform disclosure formats in consultation with IBIs. These reporting requirements have not been notified to date. Accordingly, the disclosures requirements under IFAS 3 have not been considered in these financial statements.
- 3.3** The SBP has deferred the applicability of International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated 26 August 2002, until further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' on banks through its notification S.R.O 411(I)/2008 dated 28 April 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements.
- 3.4** The Bank had adopted IFRS 9 effective from 01 January 2024 with modified retrospective approach for restatement permitted under IFRS 9.
- 3.5 Standards, interpretations of and amendments to the published accounting and reporting standards that are effective in the current year**
- 3.5.1** There are certain amendments to the published accounting and reporting standards that are mandatory for the Bank's annual accounting period beginning on or after 01 January 2025. However, these are not considered to be relevant or did not have any material effect on the Bank's financial statements and have, therefore, not been disclosed in these financial statements. The impact of IFRS 9 for the current year is disclosed in note 6.1 to these financial statements.
- 3.6 Standards, interpretations of and amendments to the published accounting and reporting standards that are not yet effective**
- 3.6.1** There are certain new standards and amendments to the published accounting and reporting standards that will be applicable to the Bank for its annual periods beginning on or after 01 January 2026. However, these are not considered to be relevant or will not have any material effect on the Bank's financial statement except for:
- The new standard - IFRS 18 'Presentation and Disclosure in the Financial statements' (published in April 2024) with applicability date of 01 January 2027 by IASB. IFRS 18 is yet to be adopted in Pakistan. IFRS 18 when adopted and applicable will impact the presentation of 'statement of profit and loss account' with certain additional disclosures in the financial statements.
 - Amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures' clarify the timing of recognition and derecognition of certain financial instruments including settlement of liabilities through banking instruments and channels including electronic transfers. Further, guidance on the SPPI assessment, and disclosure requirements for instruments with cash flow modifying features and equity instruments designated at FVOCI has also been amended. These amendments are effective from 01 January 2026. The amendments, when applied, may impact the accounting and presentation of the financial instruments.

The management is in the process of assessing the impact of these standards and amendments on the financial statements of the Bank.

4 BASIS OF MEASUREMENT

- 4.1** These financial statements have been prepared under the historical cost convention, except for certain non-banking assets acquired in satisfaction of claims which are stated at revalued amounts, investment classified at fair value through profit or loss and fair value through other comprehensive income, commitments in respect of certain foreign exchange contracts which are measured at fair value and staff retirement benefits which are carried at present value.
- 4.2 Critical accounting estimates and judgments**

The preparation of these financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates, and assumptions that affect the reported amounts of assets and liabilities, and income and expenses, as well as in the disclosure of contingent liabilities. It also requires management to exercise judgment in the application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods.

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Significant accounting estimates and areas where judgments were made by the management in the application of material accounting policies are as follows:

- i) Classification and fair valuation measurement of financial instruments (notes 6.1.1.1, 6.1.2.1, 6.2, 6.3, 6.4, 6.5, 7, 8, 9, 10, 11, 16 and 22);
- ii) Credit loss allowance against financial instruments and off balance sheet obligations (notes 6.4.3, 6.18, 8, 9, 10.5, 11.6, 22.3 and 33);
- iii) Credit loss allowance / provision against other assets and other provisions (notes 16.4 and 33);
- iv) Assumption and estimation in recognition of provision for taxation (current and prior years) and deferred taxation (notes 6.13, 15 and 34);
- v) Accounting for defined benefit plan (notes 6.14 and 39);
- vi) Valuation and depreciation of property and equipment (notes 6.6.1 and 12.2);
- vii) Depreciation and revaluation of non-banking assets acquired in satisfaction of claims (notes 6.9, 16.1 and 16.12);
- viii) Valuation and amortisation of intangible assets (notes 6.6.3 and 14);
- ix) Impairment of non-financial assets (note 6.8);
- x) Provisions, contingent assets and liabilities (notes 6.15, 6.16, 22 and 25); and
- xi) Lease liability, including determination of the lease term for lease contracts with renewal and termination options and right-of-use assets (the Bank as a lessee) (notes 6.7, 13 and 20).

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

5 FUNCTIONAL AND PRESENTATION CURRENCY

- 5.1 Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates. The financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.
- 5.2 Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

6 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies applied in the preparation of these financial statements are set out below. These are consistent with those applied to all the years presented.

6.1 IFRS 9 - 'Financial Instruments'

The SBP has directed the Banks through its BPRD Circular Letter No. 01 dated 22 January 2025 to continue the existing revenue recognition methodology, including the requirements of IFAS 1 and IFAS 2 until further instructions. Had IFRS 9 been adopted in its entirety for revenue recognition from Islamic operations, profit / return earned on Islamic financing and related assets in the statement of profit and loss account for the year ended 31 December 2025 would have been lower by Rs. 457 million on net basis and tax expense would have been lower by Rs. 242.21 million. Further, unappropriated profit in statement of changes in equity would have been higher by Rs. 214.79 million (31 December 2024: Rs 483 million).

In addition, the SBP in a separate instructions BPRD/RPD/822456/25 dated 22 January 2025 has allowed extension for application of Effective profit Rate up to 31 December 2025. Currently, the Bank is in the process of finalising the impacts of application of effective profit rate on its financial assets and liabilities and the impact of which will be incorporated in the financial statements of 2026.

During the current year, in accordance with BPRD Circular No. 03 of 2022 dated July 05, 2022 and BPRD Circular Letter No. 16 dated July 29, 2024 the Bank has applied IFRS 9 'Financial Instruments' and measured unquoted equity securities at fair value. The cumulative impact of application in current year amounting to Rs. 9.533 million net of tax has been recorded as an adjustment to equity at the beginning of the current year.

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6.1.1 Financial assets

6.1.1.1 Classification and subsequent measurement

The Bank classifies its financial assets in the following measurement categories:

- Financial assets at amortised cost;
- Financial assets at fair value through other comprehensive income (FVOCI); and
- Financial assets at fair value through profit or loss account (FVTPL).

The classification requirements for debt and equity instruments are described below:

Debt Instrument

Debt instruments held by the Bank include: Islamic financing and related assets, due from financial institutions, investment in federal government securities, corporate sukuk and other private sukuk, cash and balances with treasury banks, balances with other banks, and other financial assets.

Classification and subsequent measurement of debt instruments depend on:

- (i) the Bank's business model for managing the asset; and
- (ii) the cash flows characteristics of the assets / SPPI test.

Based on these factors, the Bank classifies its debt instruments into one of the following three measurement categories:

- **Amortised cost:** Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised. Interest earned from these financial assets is included in 'interest earned' using the effective interest rate method.
- **Fair value through other comprehensive income (FVOCI):** Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses on the instrument's amortised cost which are recognised in the statement of profit and loss account. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the statement of profit and loss account and recognised in gain on sale of securities. Interest earned from these financial assets is included in interest earned using the effective interest rate method.
- **Fair value through profit or loss (FVTPL):** Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised and presented in the statement of profit and loss account within unrealised gain / loss on securities in the period in which it arises. Interest earned from these financial assets is included in interest earned on investments using the effective interest rate method.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at fair value through profit or loss (FVTPL) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- the objectives for the portfolio, in particular, whether the management's strategy focuses on earning contractual revenue, maintaining a particular yield profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's key management personnel;

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- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- the expected frequency, value and timing of sales are also important aspects of the Bank's assessment. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVTPL.

Eventually, the financial assets fall under either of the following three business models:

- i) **Hold to Collect (HTC) Business Model:** Holding assets in order to collect contractual cash flows
- ii) **Hold to Collect and Sell (HTC&S) Business Model:** Collecting contractual cash flows and selling financial assets
- iii) **Other Business Models:** Resulting in classification of financial assets as FVTPL

Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVTPL.

Cash flows characteristics assessment – Solely payment of principal and interest test:

As a second step of its classification process, the Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium / discount). The most significant elements of profit within a financing arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with basic financing arrangement, the related financial asset is classified and measured at FVTPL.

Debt instruments which fail the SPPI test

The Bank holds a portfolio of debt instruments that failed to meet the 'solely payments of principal and profit' (SPPI) requirement for amortised cost and FVOCI classification under IFRS 9. These instruments contain provisions that, in certain circumstances, allow the issuer to fully convert the instrument into common shares or the issuer can also exercise the call option with prior approval of the SBP. This clause breaches the criterion that profit payments should only be consideration for credit risk and the time value of money on the principal. As a result, these instruments, were classified as FVTPL.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual share in the issuer's net assets.

The Bank measures all equity investments at fair value through profit or loss (FVTPL), except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Bank's policy is to designate the equity investments as FVOCI when those investments are held for purposes other than for trading. When this election is used, fair value gains and losses are recognised in the statement of comprehensive income and are not subsequently reclassified to the statement of profit and loss account, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in the statement of profit and loss account as income when the Bank's right to receive payments is established.

Unquoted equity instruments are measured at fair value. Gains and losses on equity instruments at FVTPL are recognised in the 'Gain / (loss) on securities' FSLI in the statement of profit and loss account.

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Gains and losses on equity instruments at FVTPL are recognised in the 'Gain / (loss) on securities' in the statement of profit and loss account.

6.1.1.2 Modification of financing

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of financing to its customers. When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset (that is terms are not substantially different) in accordance with IFRS 9, the Bank recalculates the gross carrying amount of the financial asset and shall recognise a modification gain or loss in statement of profit and loss account. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective profit rate (or credit-adjusted effective profit rate for purchased or originated credit-impaired financial assets). Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If the terms are substantially different, the Bank derecognises the original financial asset and recognised a 'new' asset at fair value and recalculates a new effective profit rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for credit loss allowance calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. Gain / (loss) on derecognition of such financial asset is recognised in statement of profit and loss account.

6.1.1.3 Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when these have been transferred and either (i) the Bank transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

The Bank enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Bank:

- (i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
- (ii) Is prohibited from selling or pledging the assets; and
- (iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and sukuks) furnished by the Bank under due from and due to institutions are not derecognised because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

6.1.2 Financial liabilities

6.1.2.1 Classification and subsequent measurement

All financial liabilities are being carried at amortised cost. Financial liabilities can also be designated at FVTPL where gains or losses arising from entity's own credit rating risk are required to be presented in other comprehensive income with no reclassification to the statements of profit and loss account. The Bank does not have any financial liability measured at FVTPL.

6.1.2.2 Derecognition

Financial liabilities are derecognised when these are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Bank and its original participants of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of profit rate, new conversion features attached to the instrument and change in covenants are also taken into consideration.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

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The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Bank also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the statement of profit and loss account.

6.1.3 Financial guarantee contracts and letter of credit

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

6.1.4 Measurement of the expected credit loss allowance

The Bank assesses on a forward-looking basis the expected credit losses ('ECL') associated with all Islamic financing and related assets and other debt financial assets not held at FVTPL, together with letter of credit, guarantees and unutilised financing commitments hereinafter referred to as "Financial Instruments". The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' or remaining maturity, whichever is lower, expected credit loss (12mECL) as outlined below.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months or remaining maturity after the reporting date. Both LTECLs and 12mECLs are calculated at individual customer level.

Effective profit rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liabilities to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

The Bank has identified basis of ECL computation for following stages:

Stage 1 : No significant deterioration in credit quality of financial asset - 12 month expected credit loss.

Stage 2 : Significant deterioration in credit quality of financial asset since recognition - lifetime expected credit loss.

Stage 3 : Credit impaired - impairment determined on individual or collective basis over the lifetime.

The staging guidelines applicable on the Bank has been adopted from the application instructions of IFRS - 9 issued by the SBP vide its BPRD circular 3 of 2023.

Particular	Classification	Days due	Stage allocation	Provisions to be made
Prudential regulation for corporate	Performing	1-29	Stage 1	As per IFRS 9 ECL modelling
	Under-Performing	30-89	Stage 2	
	Non-performing		Stage 3	Whichever is higher: a) IFRS 9 ECL or b) PR's requirement
	Substandard	90-179		
	Doubtful	180 or more days		
	Loss	one year or more		

* Other criteria's have been mentioned in note 47.1.4.

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Definition of default

The concept of "impairment" or "default" is critical to the implementation of IFRS 9 as it drives determination of risk parameters i.e PD and LGD.

The customer is more than 90 days past due on its contractual payments. This implies that if one facility of a counterparty is defaulted as per the definition; all other facilities would deem to be classified as stage 3.

Further the following qualitative criteria has been determined for assessment of default:

- The Bank considers that the obligor is unlikely to pay its credit obligations in full, without recourse by the Bank to actions such as realising security (if held).
- The Bank makes a charge-off or account-specific provision resulting from a perceived decline in credit quality subsequent to the Bank taking on the exposure.
- The Bank sells the credit obligation at a material credit-related economic loss.
- The Bank consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement, of principal, profit or (where relevant) fees.
- The Bank has filed for the obligor's bankruptcy or a similar order in respect of the obligor's credit obligation to the industry group.
- The obligor has sought or has been placed in bankruptcy or similar protection where this would avoid or delay repayment of the credit obligation to the industry group.

SBP vide BPRD Circular No. 3 of 2022 dated 5 July 2022 has prescribed objective basis, based on Days Past Due, for classification of financing in stage 3. In addition to time based criteria, SBP requires Banks to evaluate and, where required, subjectively classify or further downgrade classification of financing. ECL of Stage 3 has been calculated based on higher of either the Prudential Regulations or IFRS 9 at Customer / Obligor / facility level for corporate / commercial / SME / agri Financing portfolios and at segment / product basis for retail portfolio as prescribed by SBP vide BPRD Circular Letter No. 16 of 2024 dated 29 July 2024.

Write-offs

The Bank's accounting policy under IFRS 9 remains the same as it was under SBP regulations / existing reporting framework.

6.2 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, balances with treasury banks and balances with other banks in current and deposit accounts.

6.3 Due to / from financial institutions

6.3.1 Musharaka

In Musharaka, the Bank invests in Shariah compliant business pools of financial institutions at agreed profit and loss sharing ratio under Musharaka agreements.

6.3.2 Wakalah

In Wakalah, the Bank accepts / places funds from / with financial institutions by entering into Investment Agency Agreement for the funds to be invested in profitable avenues as / on behalf of the Muwakkil.

6.4 Islamic financing and related assets

- 6.4.1 Islamic financing and related assets are stated net of credit loss allowance / provision against non-performing islamic financing and related assets. The amount of general provision is determined in accordance with the relevant regulations and the management's judgment. Islamic financing and related assets are written off when there is no realistic prospect of recovery. The policy for credit loss allowance against islamic financing and related asstes is given in note 6.4.3. The Bank offers various Islamic financing products the details of which are as follows:

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Murabaha

In Murabaha transactions, the Bank purchases the goods and after taking the possession, sells them to the customer on cost plus disclosed profit basis either in a spot or credit transaction.

Ijarah

Ijarah is a contract whereby the owner of an asset (other than consumables) transfers its usufruct to another person for an agreed period and for an agreed consideration.

Ijarah assets are stated at cost less depreciation and are disclosed as part of 'Islamic financing and related assets'. The rental received / receivable on Ijarah under Islamic Financial Accounting Standard - 2 'Ijarah' (IFAS 2) are recorded as income / revenue. The Bank charges depreciation from the date of recognition of Ijarah of respective assets to mustajir. Ijarah assets are depreciated over the period of Ijarah using the straight line method. Ijarah rentals outstanding are disclosed in 'other assets' on the Statement of Financial Position at amortised cost. Impairment of Ijarah assets is determined in accordance with the Prudential Regulations issued by the SBP. The provision for impairment of Ijarah assets is shown as part of 'Islamic financing and related assets'.

Istisna

In istisna financing, the Bank places an order to purchase some specific goods / commodities from its customers to be delivered to the Bank within an agreed time. The goods are then sold by the customer on behalf of the Bank and the amount hence financed along with the profit realised net of agency fee and incentives is paid to the Bank.

Tijarah

In Tijarah financing, the Bank purchases specific goods / commodities on cash basis from its customers which is then onward sold by the customer on behalf of the Bank and on subsequent sale, the financed amount along with profit realised net of agency fee and incentives is paid by the customer to the Bank.

Diminishing Musharaka

In Diminishing Musharakah financing, the Bank enters into Musharakah based on Shirkat-ul-mulk for purchasing an agreed share of fixed asset (e.g. house, land, plant or machinery) with its customers. The customers pay periodic profit as per the agreement for the utilisation of the Bank's Musharakah share and also periodically purchase the Bank's share over the tenure of the transaction.

However, the Diminishing Musharakah financing disbursed under Islamic Temporary Economic Refinance Facility (ITERF) and under staff financing policy is recorded at fair value on initial recognition discounted at prevailing market rate. The difference between the fair value of the financial asset and the amount disbursed is recorded as gain / (loss) and unwinding of income on fair value adjustment is recognised in the statement of profit and loss account.

Salam

Salam is a sale transaction where the seller undertakes to supply some specific goods to the buyer at a future date against an advance price fully paid on spot. The funds disbursed under Salam are recorded as advances against Salam. On execution of goods receiving note and receipt of Salam, the same are recorded in the statement of financial position as inventories of the Bank at cost price and after the sale of goods by customer to its ultimate buyers, Salam financing is recognised.

Running Musharaka

In Running Musharakah financing, the Bank enters into financing with the customer based on Shirkatul Aqd or business partnership in the customer's operating business. Under this mechanism, the customer can withdraw and return funds to the Bank subject to his Running Musharakah financing limit during the Musharakah period. At the end of each quarter / half year the customer pays the provisional profit as per the desired profit rate which is subject to final settlement based on the relevant quarterly / half yearly / annual accounts of the customer.

- 6.4.2** Funds disbursed, under financing arrangements for purchase of goods / assets are recorded as an advance. On culmination, financing are recorded at the deferred sale price net of profit. Goods purchased but remaining unsold at the statement of financial position date are recorded as inventories as disclosed in note 6.4.5.

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6.4.3 Credit loss allowance / provision against non-performing Islamic financing and related assets

Islamic financing and related assets are stated net of credit loss allowance / provision held against non-performing Islamic financing and related assets in accordance with the requirements of the Prudential Regulations and IFRS 9 application instructions issued by the SBP as disclosed in note 6.1.4 which are charged to the statement of profit and loss account. In addition to the above the Bank also maintains a general provision in respect of financing against potential losses as may be present in the portfolio as disclosed in note 11.6.3. This provision is based on management's best estimate and is approved by the Board of Directors of the Bank.

The net ECL / provision made / reversed during the year is charged to the statement of profit and loss account and accumulated ECL / provision is netted off against Islamic financing and related assets. Islamic financing and related assets are written off when there are no realistic prospects of recovery.

6.4.4 Ijarah assets

Ijarah financing booked is accounted for as per the requirements of IFAS 2, whereby assets leased out under Ijarah are depreciated over the term of Ijarah and the related rental income is recognised in the statement of profit and loss account on an accrual basis after the delivery of asset.

Ijarah financing booked before 01 January 2009 is accounted for as a finance lease whereby assets under Ijarah arrangements are presented as a receivable at an amount equal to net investment in Ijarah. Unearned income i.e. excess of aggregate rentals over the cost of the asset is recorded at the inception of the Ijarah and is amortised over the term of the Ijarah so as to produce a constant rate of return on net investment in Ijarah.

Islamic financing and related assets are written off when there is no realistic prospect of recovery.

6.4.5 Inventories

The Bank values its inventories at the lower of cost and net realisable value.

The net realisable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

Cost of inventories represents actual purchases made by the Bank / customers as an agent of the Bank for subsequent sale. Inventory against each contract is maintained on specific identification method.

6.5 Investments

Investments include Federal Government securities, shares, non-Government sukuks, and foreign securities. Classification and measurement of investments have been disclosed in note 6.1.1.

6.5.1 Regular way contracts

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognised at the trade date, which is the date on which the Bank commits to purchase or sell the investments.

6.6 Property and equipment and intangible assets

6.6.1 Property and equipment

Property and equipment, other than land, are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Land is stated at cost.

Depreciation is charged using the straight-line method in accordance with the rates specified in note 12.2 to these financial statements and after taking into account residual value, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate at each reporting date. Depreciation on additions is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

Subsequent costs are included in the asset's carrying amount and recognised as a separate asset as appropriate, only when it is probable that future benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit and loss account as and when incurred.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Profit or loss on disposal of property and equipment is included in the statement of profit and loss account.

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6.6.2 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets become available for use.

6.6.3 Intangible assets

Intangible assets having finite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised from the month, when these assets are available for use, using the straight line method. No amortisation is charged in the month of disposal. The residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, at each reporting date. Amortisation rates are specified in note 14.1 to these financial statements.

Intangible assets having indefinite useful lives are not amortised but tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance expenditure are charged to the statement of profit and loss account as and when incurred.

Gains and losses on disposal are taken to the statement of profit and loss account.

6.6.4 Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. The cost of acquisition is measured as the fair value of assets given, equity instruments issued and the liabilities incurred or assumed at the date of acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, if any. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets acquired in the case of a bargain purchase, the difference is recognised directly in the statement of profit and loss account.

Goodwill acquired in a business combination is measured, subsequent to initial recognition, at its cost less accumulated impairment losses, if any. Goodwill acquired in a business combination is tested for impairment annually or whenever there is an indication of impairment as per the requirements of International Accounting Standard (IAS) 36, 'Impairment of assets'. Impairment charge in respect of goodwill is recognised in the statement of profit and loss account and is not subsequently reversed.

6.7 Leasing arrangements

6.7.1 Right-of-use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are presented within note 13 and are subject to impairment in line with the Bank's policy as described in note 6.17.

6.7.2 Lease liabilities against right-of-use assets

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate. The Bank cannot readily determine the profit rate implicit in the lease, therefore, it uses its incremental fund acceptance rate (incremental borrowing rate) to measure lease liabilities.

6.7.3 Incremental fund acceptance rate

The incremental fund acceptance rate is the rate of profit that the Bank would have to pay to accept its fund over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

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6.7.4 Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

6.8 Impairment of non-financial assets

The carrying amount of the assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the relevant asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of profit and loss account. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

6.9 Non-banking assets acquired in satisfaction of claims

The non-banking assets acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation. The useful lives are reviewed annually and adjusted, if appropriate. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure their net carrying value does not differ materially from their fair value. Surplus arising on revaluation of property, if any, is credited to the 'surplus on revaluation of assets' account in the statement of comprehensive income. Any deficit arising on revaluation is taken to the statement of profit and loss account directly. On derecognition of the assets, the cumulative gain or loss previously reported in other comprehensive income is transferred directly to unappropriated profit in the statement of changes in equity. Legal fees, transfer cost and direct cost of acquiring title to property is charged to the statement of profit and loss account.

Depreciation is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the statement of profit and loss account.

6.10 Deposits

Deposits are generated on the basis of two modes i.e. Qard and Mudaraba.

Deposits taken on Qard basis are classified as 'Current accounts' and deposits generated on Mudaraba basis are classified as 'Savings deposits' and 'Fixed deposits'. No profit or loss is passed on to current account depositors, however the funds of current accounts are treated as equity for the purpose of profit calculation and any profit earned / loss incurred on those funds are allocated to the equity of the Bank. While the product features of each product differ, there is usually no restriction on withdrawals or number of transactions in current and savings accounts. In case of fixed deposits, pre-mature withdrawals can be made as per approved terms only.

Profits realised in investment pools are distributed in pre-agreed profit sharing ratio between Rab-ul-Maal and Mudarib. Rab-ul-Maal share is distributed amongst depositors according to weightages assigned at the inception of profit calculation period. Mudarib can distribute its share of profit to Rab-ul-Maal as incentive profits (Hiba).

Profits are distributed from the pool such that the depositors (remunerative) only bear the risk of assets in the pool during the profit calculation period. In case of loss in a pool during the profit calculation period, the loss is distributed amongst the depositors (remunerative) according to their ratio of investments.

Asset pools are created at the Bank's discretion and the Bank can add, amend or transfer an asset to any other pool in the interests of the deposit holders.

6.11 Subordinated mudaraba

A subordinated mudaraba is initially recorded at the amount of proceeds received and subsequently carried at amortised cost. Profit accrued on subordinated mudaraba is charged to the statement of profit and loss account.

6.12 Revenue recognition

Revenue from contract with customers is earned by the Bank in the form funded and non-funded revenue. Revenue from contracts with customers is recognised when or as the Bank satisfies the performance obligation, either over time or at a specific point of time at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for the services rendered or financing provided to the customers.

- i) Profit on Murabaha (including Commodity Murabaha) is recognised on an accrual basis. Profit on Murabaha transactions for the period from the date of disbursement to the date of culmination of Murabaha is recognised immediately upon the later date in line with IFAS requirements.

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- ii) Rentals on Ijarah contracts are recognised as income on an accrual basis in line with IFAS requirements.
- iii) Profit on Musharaka and Wakalah placements are recognised on accrual basis.
- iv) Profit on Diminishing Musharakah financing is recognised on an accrual basis.
- v) Profit on Running Musharakah financing is recognised on an accrual basis and is adjusted upon declaration of profit by Musharakah partners.
- vi) Profit on Tijarah and Istisna financing is recognised on an accrual basis commencing from time of sale of goods till the realisation of sale proceeds by the Bank.
- vii) Profit on Sukuk is recognised on an accrual basis. Where Sukuk (excluding FVTPL securities) are purchased at a premium or discount, those premiums / discounts are amortised through the statement of profit and loss account over the remaining maturity.
- viii) Commission on letters of credit, acceptances and guarantees is recognised on receipt basis. Fee and brokerage income are recognised when earned.
- ix) The Bank earns fee and commission income from certain non-funded banking services. The related fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The recognition of fee and commission income depends on the purpose for which the fees are received. The majority share of the income classified as card related fees (debit cards), commission on trade and commission on remittances constitutes revenue from contracts with customers. Fee and commission income is recognised when or as an entity satisfies the performance obligation, either over time or at a specific point of time. Unearned fees and commissions are included under other liabilities.
- x) Dividend income is recognised when the Bank's right to receive dividend is established.
- xi) Gain or loss on sale / modification of financial assets is included in the statement of profit and loss account in the period in which they arise.
- xii) Gain or loss on disposal of property and equipment, intangible assets, Ijarah assets and Musharakah assets is taken to the statement of profit and loss account in the period in which they arise.
- xiii) Profit suspended in compliance with the Prudential Regulations issued by the SBP is recognised on receipt basis. Profit on rescheduled / restructured financing and investments is recognised as permitted by the SBP.

6.13 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in the statement of profit and loss account except to the extent when it relates to items recognised directly in equity, in which case it is recognised in equity.

Current

Provision for current taxation is based on expected taxable income for the year in accordance with the prevailing laws of taxation. The charge for current tax also includes adjustments to tax payable in respect of previous years including those arising from assessments finalised during the year and are separately disclosed. The charge for the current tax is calculated using tax rates enacted or substantively enacted at the reporting date.

Prior years

This charge includes tax charge for prior years arising from assessments, changes in estimates and change in law.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is not recognised for the temporary differences relating to initial recognition of goodwill and initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits to the extent that they probably will not reverse in the foreseeable future.

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Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

The Bank also recognises a deferred tax asset / liability on the deficit / surplus on revaluation of assets which is adjusted against the related surplus / deficit in accordance with the requirements of the International Accounting Standard (IAS) 12, 'Income Taxes'.

6.14 Staff retirement benefits

Defined benefit plan

The Bank operates an approved funded gratuity scheme for all its permanent employees. The benefits under the gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn basic salary for each completed year of service, subject to a minimum of three years of service. The scheme is regulated under the trust deed and rules of the Fund and is administered by the trustees nominated under the trust deed.

The defined benefit obligation is calculated periodically by an independent actuary using the projected unit credit method. Remeasurement gain or losses are recognised in other comprehensive income while return on plan assets and interest cost (net) are recognised in the statement of profit and loss account.

Further, the Bank is liable under the agreement with third-party contractual staff service provider to reimburse to service provider all payouts relating to the employees, which inter-alia includes gratuity payments (the benefit). The benefit is payable on retirement at the age of 60 or earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn gross salary for each completed year of service. The defined benefit obligation is calculated periodically by an independent actuary using the projected unit credit method.

Defined contribution plan

The Bank also operates a contributory provident fund for all permanent employees to which each monthly contributions are made, both by the Bank and the employees, to the fund at a rate of 10 percent of basic salary.

6.15 Provisions

Provisions are recognised when the Bank has a present, legal or constructive, obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

6.16 Contingent assets and contingent liabilities

Contingent assets are not recognised, and are also not disclosed unless an inflow of economic benefits is probable. Contingent liabilities are not recognised but are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

6.17 Credit loss allowance for claims under guarantees and other off-balance sheet obligations

Credit loss allowance for guarantee claims and other off balance sheet obligations is recognised when reasonable certainty exists for the Bank to settle the obligation. The charge to the statement of profit and loss account is stated net of expected recoveries and credit loss allowance against off-balance obligations is recognised in other liabilities.

6.18 Foreign currency transactions

Transactions and balances

Foreign currency transactions are recorded in rupees at exchange rates prevailing on the date of transaction. Monetary assets, monetary liabilities and contingencies and commitments in foreign currencies except forward commitments (promises) are reported in rupees at exchange rates prevalent on the reporting date.

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Forward commitments other than those with the SBP relating to the foreign currency deposits are valued at forward rates applicable to the respective maturities of the relevant foreign exchange commitments. Forward commitments with the SBP relating to foreign currency deposit, are valued at spot rate prevailing at the reporting date. Exchange gains and losses are included in the current year statement of profit and loss account.

Commitments

Commitments for outstanding forward foreign exchange transactions are disclosed at the rates applicable at the reporting date. Contingent liabilities / commitments for letters of credit, and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the exchange rates prevailing on the reporting date.

Translation gains and losses are included in the statement of profit and loss account.

6.19 Acceptances

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as on-balance sheet transactions and related balances are disclosed under other assets and other liabilities.

6.20 Off-setting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting and reporting standards as applicable in Pakistan.

6.21 Share capital and reserves

Ordinary shares are classified as equity and are recorded at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Discount on issue of shares and capital support received are shown in equity as a separate reserve.

The appropriation to reserves are recognised in the financial statements in the period in which these are approved by the Board of directors.

6.22 Dividend and reserves

Dividend declared and appropriations, except for transfer to statutory reserve, made subsequent to the reporting date are considered as non adjusting events and are recorded as a liability in the financial statements in the year in which these are approved by the directors / shareholders as appropriate.

6.23 Segment reporting

A segment is a distinguishable component of the Bank that is engaged in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Bank's primary format of reporting is based on business segments. Operating segments are reported in a manner consistent with the internal reporting provided to the management. Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment.

6.23.1 Business segments

The business segments within the Bank have been categorised into the following classifications in accordance with the requirements specified by SBP:

(a) Corporate banking

It includes assets and liabilities of corporate customers including corporate sukuks, project finance, export finance, trade finance and guarantees.

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(b) Commercial and small & medium enterprise (SME) banking

It includes assets and liabilities of commercial and SME clients including project finance, export finance, trade finance and guarantees.

(c) Retail and consumer banking

It includes deposits and branch banking services. It also includes consumer auto and housing financing.

(d) Trading and sales

It includes treasury operations in respect of capital market, money market and other forex related activities.

(e) Others

It includes centralised functions which cannot be classified in any of the above segments.

6.23.2 Geographical segments

Currently, the operations of the Bank are carried out in Pakistan only.

6.24 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

6.25 Pool management

The Bank operates general and specific pools for deposits and inter-bank funds accepted / acquired under Mudaraba and Musharakah modes.

Under the general deposits pools, the Bank accepts funds on Mudaraba basis from depositors (Rab-ul-Maal) where the Bank acts as Manager (Mudarib) and invests the funds in the Shariah Compliant modes of financing, investments and placements. When utilising investing funds, the Bank prioritises the funds received from depositors over the funds generated from own sources after meeting the regulatory requirement relating to such deposits.

Specific pools are operated for:

- (a) Funds received from the State Bank of Pakistan under the Refinance Schemes under the Musharaka mode.
- (b) Funds acquired from Islamic financial institutions for liquidity management under either Musharaka or Wakala modes.
- (c) Funds accepted on Mudaraba basis from high net-worth / special deposit customers who demand higher rate of return on their investments.

The profit of each deposit pool is calculated on all the remunerative assets booked by utilising the funds from the pool after deduction of expenses directly incurred in earning the income of such pool along with related fee income, if any. The directly related costs comprise of depreciation on ijarah assets, takaful premium, documentation charges etc. No expense of general or administrative nature is charged to the pools. No provision against any non-performing asset of the pool is passed on to the pool except on the actual loss / write-off of such non-performing asset. The profit of the pool is shared between equity and other members of the pool on the basis of Musharakah at gross level (before charging of mudarib fee) as per the investment ratio of the equity. The profit of the pool is shared amongst the members of the pool on pre-defined mechanism based on the weightages announced before the profit calculation period after charging of mudarib fee. During the year, the Bank has given General Hiba to the depositors of general pools, keeping in view the prescribed guidelines of Pool Management provided by the SBP and with the approval of the Bank's Resident Shariah Board Member. However, Hiba are given at the sole discretion of the Bank without any contractual commitment and can be withdrawn or reduced by the Bank at its sole discretion.

The deposits and funds under the above mentioned pools are provided to diversified sectors and avenues of the economy / business and are also invested in Government of Pakistan backed ijarah sukuk and other sovereign securities. Musharaka investments from the State Bank of Pakistan under Islamic Export Refinance Schemes are channelled towards the export sector of the economy.

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	Note	2025	2024
----- (Rupees in '000) -----			
7 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		4,252,359	3,735,364
Foreign currencies		779,559	1,071,839
		5,031,918	4,807,203
With State Bank of Pakistan in			
Local currency current account		17,854,267	11,689,261
Foreign currency current account		1,930,773	2,061,980
	7.1	19,785,040	13,751,241
With National Bank of Pakistan in			
Local currency current account		798,441	276,577
Local currency deposit account		-	9
		798,441	276,586
Less: Credit loss allowance held against cash and balances with treasury banks		(458)	(115)
Cash and balances with treasury banks - net of credit loss allowance		<u>25,614,941</u>	<u>18,834,915</u>

7.1 These include local and foreign currency amounts required to be maintained by the Bank with the SBP under the Banking Companies Ordinance, 1962 and / or stipulated by the SBP. These accounts are non-remunerative in nature.

	Note	2025	2024
----- (Rupees in '000) -----			
8 BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		100	600
In deposit accounts	8.1	11,649	133,523
		11,749	134,123
Outside Pakistan			
In current accounts		688,913	1,229,486
In deposit accounts	8.1	1,023,991	437,321
		1,712,904	1,666,807
Less: Credit loss allowance held against balances with other banks		(64)	(188)
Balances with other banks - net of credit loss allowance		<u>1,724,589</u>	<u>1,800,742</u>

8.1 This represents balances in the remunerative accounts maintained with financial institutions. The expected return on these balances ranges from 2.75% to 4% (31 December 2024: 3.5% to 9.8%) per annum.

	Note	2025	2024
----- (Rupees in '000) -----			
9 DUE FROM FINANCIAL INSTITUTIONS			
Musharaka placements			
- with scheduled bank / financial institution - unsecured	9.1 & 9.3	14,500,000	-
Wakalah placements			
- with scheduled bank / financial institution - unsecured	9.1 & 9.3	1,500,000	1,398,822
	9.2	16,000,000	1,398,822
Less: Credit loss allowance held against due from financial institutions	9.4	(3,592)	(46)
Due from financial institutions - net of credit loss allowance		<u>15,996,408</u>	<u>1,398,776</u>

9.1 The effective return on these placements ranges from 10.4% - 10.6% (31 December 2024: 4.5%) per annum. These balances will mature by January 2026 (2024: January 2025).

Free

2025 2024
----- (Rupees in '000) -----

9.2 Particulars of due from financial institutions

In local currency	16,000,000	-
In foreign currency	-	1,398,822
	16,000,000	1,398,822

9.3 No securities have been held as collateral against placements due from financial institutions.

9.4 Due from financial institutions - Particulars of credit loss allowance

		2025		2024	
		Due from financial institutions	Credit loss allowance	Due from financial institutions	Credit loss allowance
----- (Rupees in '000) -----					
Domestic					
Performing	Stage 1	16,000,000	3,592	1,398,822	46
Under performing	Stage 2	-	-	-	-
Non-performing	Stage 3				
Substandard		-	-	-	-
Doubtful		-	-	-	-
Loss		-	-	-	-
		-	-	-	-
Total		16,000,000	3,592	1,398,822	46

2025				
	Stage 1	Stage 2	Stage 3	Total
----- (Rupees in '000) -----				
Balance at the start of the year	(46)	-	-	(46)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Implementation of IFRS 9	-	-	-	-
New financial assets originated or purchased	(3,592)	-	-	(3,592)
Financial assets that have been derecognised	46	-	-	46
Write offs	-	-	-	-
Changes in risk parameters (PDs/LGDs/EADs)	-	-	-	-
Balance at the end of the year	(3,592)	-	-	(3,592)

2024				
	Stage 1	Stage 2	Stage 3	Total
----- (Rupees in '000) -----				
Balance at the start of the year	-	-	-	-
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Implementation of IFRS 9	(17)	-	-	(17)
New financial assets originated or purchased	(46)	-	-	(46)
Financial assets that have been derecognised	17	-	-	17
Write offs	-	-	-	-
Changes in risk parameters (PDs/LGDs/EADs)	-	-	-	-
Balance at the end of the year	(46)	-	-	(46)

MEX

10 INVESTMENTS

10.1 Investments by type

Note	2025				2024				
	Cost / amortised cost	Credit loss allowance	Surplus / (deficit)	Carrying value	Cost / amortised cost	Credit loss allowance	Surplus / (deficit)	Carrying value	
----- (Rupees in '000) -----									
Debt Instruments									
Classified / measured at FVOCI									
Federal Government securities	10.6.1	91,241,589	-	83,789	91,325,378	95,137,365	-	1,687,928	96,825,293
Non-government debt securities	10.6.3	1,237,384	(132,146)	13,027	1,118,265	25,437,095	(157,049)	337,304	25,617,350
Foreign securities	10.6.4.1	1,388,080	(266)	(18,838)	1,368,976	4,135,215	(2,350)	(80,463)	4,052,402
		93,867,053	(132,412)	77,978	93,812,619	124,709,675	(159,399)	1,944,769	126,495,045
Classified / measured at FVTPL									
Federal Government securities		9,631,274	-	(4,464)	9,626,810	47,476	-	222	47,698
Non-government debt securities	10.6.3	100,000	-	-	100,000	100,000	-	-	100,000
		9,731,274	-	(4,464)	9,726,810	147,476	-	222	147,698
Equity instruments									
Classified / measured at FVOCI (non-reclassifiable)									
Shares									
Unlisted companies	10.6.2.2, 10.4 & 10.6.4.2	136,043	-	(48,579)	87,464	135,997	(26,154)	-	109,843
		136,043	-	(48,579)	87,464	135,997	(26,154)	-	109,843
Classified / measured at FVTPL									
Shares									
Listed companies	10.6.2.1	163,822	-	(116,546)	47,276	227,019	-	(127,653)	99,366
		163,822	-	(116,546)	47,276	227,019	-	(127,653)	99,366
Total investments		103,898,192	(132,412)	(91,611)	103,674,169	125,220,167	(185,553)	1,817,338	126,851,952

10.2 Investments by segments

	2025				2024				
	Cost / amortised cost	Credit loss allowance	Surplus / (deficit)	Carrying value	Cost / amortised cost	Credit loss allowance	Surplus / (deficit)	Carrying value	
----- (Rupees in '000) -----									
Federal Government securities:									
Ijarah Sukuks		100,872,863	-	79,325	100,952,188	95,184,841	-	1,688,150	96,872,991
		100,872,863	-	79,325	100,952,188	95,184,841	-	1,688,150	96,872,991
Shares									
Listed companies	10.6.2.1	163,822	-	(116,546)	47,276	227,019	-	(127,653)	99,366
Unlisted companies	10.6.2.2	127,929	-	(48,579)	79,350	127,929	(26,154)	-	101,775
		291,751	-	(165,125)	126,626	354,948	(26,154)	(127,653)	201,141
Non Government debt securities									
Unlisted	10.6.3	1,337,384	(132,146)	13,027	1,218,265	25,537,095	(157,049)	337,304	25,717,350
		1,337,384	(132,146)	13,027	1,218,265	25,537,095	(157,049)	337,304	25,717,350
Foreign securities									
Non Government debt securities	10.6.4.1	1,388,080	(266)	(18,838)	1,368,976	4,135,215	(2,350)	(80,463)	4,052,402
Equity securities	10.6.4.2	8,114	-	-	8,114	8,068	-	-	8,068
		1,396,194	(266)	(18,838)	1,377,090	4,143,283	(2,350)	(80,463)	4,060,470
Total investments		103,898,192	(132,412)	(91,611)	103,674,169	125,220,167	(185,553)	1,817,338	126,851,952

10.3 Investment given as collateral - at market value

- Ijarah sukuk

	2025	2024
	----	----
	-	-

10.4 Particulars of valuation of unlisted shares

Opening carrying amount	109,843	98,127
Impact of foreign exchange	46	(96)
Additions of shares	-	11,812
Impact of adoption of IFRS 9 - reversal of provision held against shares	26,154	-
Impact of adoption of IFRS 9 - revaluation loss	(46,015)	-
	(19,861)	-
Revaluation loss during the year	(2,564)	-
Closing balance	87,464	109,843

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10.5 Particulars of credit loss allowance*

10.5.1 Investments - exposure

	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	(Rupees in '000)							
Opening balance	5,114,009	416,667	111,455	5,642,131	-	-	-	-
IFRS 9 implementation	-	-	-	-	6,259,780	-	111,455	6,371,235
New investments	51,731	-	-	51,731	316,495	-	-	316,495
Investments derecognised or repaid	(3,148,915)	(110,807)	-	(3,259,722)	(988,441)	(83,333)	-	(1,071,774)
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	(250,000)	250,000	-	-	(473,825)	500,000	-	26,175
Transfer to stage 3	-	-	-	-	-	-	-	-
	(3,347,184)	139,193	-	(3,207,991)	(1,145,771)	416,667	-	(729,104)
Amounts written off / charged off	-	-	(9,242)	(9,242)	-	-	-	-
Closing balance	1,766,825	555,860	102,213	2,424,898	5,114,009	416,667	111,455	5,642,131

* Excluding Government and Government guaranteed exposures.

10.5.2 Investments - Credit loss allowance

	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	(Rupees in '000)							
Opening balance	11,199	36,745	111,455	159,399	-	-	-	-
IFRS 9 implementation	-	-	-	-	5,894	-	111,455	117,349
New investments	44	-	-	44	4,740	-	-	4,740
Investments derecognised or repaid	(4,345)	(4,830)	-	(9,175)	(2,923)	-	-	(2,923)
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	(4,740)	4,740	-	-	(185)	185	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
	(9,041)	(90)	-	(9,131)	1,632	185	-	1,817
Amounts written off / charged off	-	-	(9,242)	(9,242)	-	-	-	-
Changes in risk parameters (PDs/LGDs/EADs)	798	(9,412)	-	(8,614)	3,673	36,560	-	40,233
Closing balance	2,956	27,243	102,213	132,412	11,199	36,745	111,455	159,399

10.5.3 Particulars of credit loss allowance against debt securities

	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	(Rupees in '000)							
Non government debt securities	2,690	27,243	102,213	132,146	8,849	36,745	111,455	157,049
Foreign securities	266	-	-	266	2,350	-	-	2,350
	2,956	27,243	102,213	132,412	11,199	36,745	111,455	159,399

10.5.4 Particulars of credit loss allowance against debt securities

		2025		2024	
		Outstanding amount	Credit loss allowance	Outstanding amount	Credit loss allowance
		(Rupees in '000)			
Domestic					
Performing	Stage 1	1,766,825	2,956	5,114,009	11,199
Underperforming	Stage 2	555,860	27,243	416,667	36,745
Non-performing	Stage 3				
Substandard		-	-	-	-
Doubtful		-	-	-	-
Loss		102,213	102,213	111,455	111,455
		102,213	102,213	111,455	111,455
		2,424,898	132,412	5,642,131	159,399

10.6 Quality of securities

Details regarding quality of securities held under "Held to Collect and Sell" model are as follows:

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11 ISLAMIC FINANCING AND RELATED ASSETS - NET

	Note	Performing		Non-performing		Total	
		2025	2024	2025	2024	2025	2024
(Rupees in '000)							
- Murabaha financing	11.1	1,099,831	984,198	1,744,518	1,947,318	2,844,349	2,931,516
- Advance against murabaha financing		95,978	303,200	124,120	123,120	220,098	426,320
- Export refinance under Islamic scheme		75,000	10,000	11,451	43,505	86,451	53,505
- Advance against export refinance under Islamic scheme		2,194,500	3,420,500	137,585	150,285	2,332,085	3,570,785
- Inventory against export refinance under Islamic scheme		315,900	1,134,200	-	-	315,900	1,134,200
- Diminishing musharaka and Ijarah financing	11.2	59,145,668	32,866,669	2,404,675	3,041,320	61,550,343	35,907,989
- Advance against diminishing musharaka finance		1,636,530	684,151	-	-	1,636,530	684,151
- Running musharaka		22,765,622	18,289,378	-	-	22,765,622	18,289,378
- Tijarah finance		6,653,023	3,667,266	12,850	4,850	6,665,873	3,672,116
- Advance against tijarah		2,924,780	718,757	171,959	240,459	3,096,739	959,216
- Tijarah Inventory		188,000	3,281,940	15,500	10,228	203,500	3,292,168
- Over-due acceptances		-	-	468,726	491,342	468,726	491,342
- Payment against guarantee		3,776	3,776	29,581	63,939	33,357	67,715
- Payment against documents		4,476	261,398	-	-	4,476	261,398
- Salam financing		1,308,062	23,900	70,978	27,639	1,379,040	51,539
- Advance against salam		3,001,066	5,605,046	1,901,467	2,422,533	4,902,533	8,027,579
- Salam inventory		1,158,735	1,725,830	537,776	136,347	1,696,511	1,862,177
- Rahnuma travel financing		35,362	7,547	-	-	35,362	7,547
- Istisna finance		6,715,980	2,098,036	1,178,690	867,648	7,894,670	2,965,684
- Advance against Istisna		22,783,519	23,182,246	2,317,721	3,330,501	25,101,240	26,512,747
- Istisna inventory		4,304,094	3,454,663	538,923	266,803	4,843,017	3,721,466
- Qarz-e-Hasna		55,310	51,723	61,513	97,762	116,823	149,485
Islamic financing and related assets - gross		136,465,212	101,774,424	11,728,033	13,265,599	148,193,245	115,040,023
Provisions against Islamic financing		-	-	-	-	-	-
- Specific	11.5	-	-	-	-	-	-
- General	11.5	(742,375)	(592,375)	-	-	(742,375)	(592,375)
		(742,375)	(592,375)	-	-	(742,375)	(592,375)
Credit loss allowance against financing		-	-	-	-	-	-
- Stage 1		(216,828)	(285,772)	-	-	(216,828)	(285,772)
- Stage 2		(308,096)	(603,950)	-	-	(308,096)	(603,950)
- Stage 3		(81,947)	(48,107)	(10,877,570)	(12,071,000)	(10,959,517)	(12,119,107)
		(606,871)	(937,829)	(10,877,570)	(12,071,000)	(11,484,441)	(13,008,829)
Islamic financing and related assets - net of credit loss allowance		135,115,966	100,244,220	850,463	1,194,599	135,966,429	101,438,819

	Note	2025	2024
(Rupees in '000)			
11.1 Murabaha receivable - gross		3,357,260	3,250,626
Less: Deferred murabaha income	11.1.3	(292,813)	(271,006)
Profit receivable shown in other assets		(220,098)	(48,104)
Murabaha financing		<u>2,844,349</u>	<u>2,931,516</u>
11.1.1 The movement in murabaha financing during the year is as follows:			
Opening balance		2,931,516	3,253,690
Sales during the year		4,049,298	4,280,834
Adjusted during the year		(4,136,465)	(4,603,008)
Closing balance		<u>2,844,349</u>	<u>2,931,516</u>
11.1.2 Murabaha sale price		3,357,260	3,250,626
Murabaha purchase price		(2,844,349)	(2,931,516)
		<u>512,911</u>	<u>319,110</u>
11.1.3 Deferred murabaha income			
Opening balance		271,006	294,975
Arising during the year		126,516	230,913
Less: Recognised during the year		(104,709)	(254,882)
Closing balance		<u>292,813</u>	<u>271,006</u>

11.2 The deletion on Ijarah contracts financing and reversal of depreciation during the year amounts to Rs. 42,372 million (2024: Rs. 68,511 million) and Rs. 5,364 million (2024: Rs. 60,698 million) respectively. All Ijarah contracts are classified as non-performing.

11.3 Particulars of Islamic financing and related assets (Gross) ----- (Rupees in '000) -----

	2025	2024
In local currency	143,563,510	110,187,546
In foreign currency	4,629,735	4,852,477
	<u>148,193,245</u>	<u>115,040,023</u>

11.3.1 Islamic financing to Women, Women-owned and Managed Enterprises

Women	1,640,663	1,517,020
Women Owned and Managed Enterprises	<u>1,494,169</u>	<u>797,383</u>
	<u>3,134,832</u>	<u>2,314,403</u>

11.3.1.1 Gross financing disbursed to women, women-owned and managed enterprises during the current and previous financial years amounts to Rs. 2,469.81 million and Rs. 824.48 million respectively.

11.4 Islamic financing and related assets include Rs. 11,728.033 million (31 December 2024: Rs. 13,265.601 million) which have been placed under non-performing / stage 3 status as detailed below:

Category of classification in stage 3

	2025	2024	
Non-performing Islamic financing and related assets		Non-performing Islamic financing and related assets	Credit loss allowance
		----- (Rupees in '000) -----	

Domestic			
- Other Assets Especially Mentioned (OAEM)	199,302	133,964	265,040
- Substandard	81,985	35,382	409,640
- Doubtful	670,737	441,466	1,302,661
- Loss	10,776,009	10,266,758	11,288,258
	<u>11,728,033</u>	<u>10,877,570</u>	<u>13,265,599</u>
			<u>12,071,000</u>

After

11.5 Particulars of credit loss allowance against Islamic financing and related assets

	2025					2024						
	Stage 1	Stage 2	Stage 3	Specific	General	Total	Stage 1	Stage 2	Stage 3	Specific	General	Total
Opening balance	285,772	603,950	12,119,107	-	592,375	13,601,204	-	-	-	10,499,196	1,108,380	11,607,576
IFRS 9 implementation	-	-	-	-	-	-	493,333	478,990	11,920,868	(10,499,196)	(316,005)	2,077,990
Change for the year	170,530	212,740	1,207,785	-	150,000	1,741,055	211,489	408,069	1,777,168	-	-	2,396,726
Reversals	(237,379)	(509,173)	(1,699,311)	-	-	(2,445,863)	(412,809)	(284,650)	(1,307,956)	-	(200,000)	(2,205,415)
	(65,849)	(296,433)	(491,526)	-	150,000	(704,808)	(201,320)	123,419	469,212	-	(200,000)	191,311
Amounts written off	11.7	-	-	-	-	-	-	-	(60,000)	-	-	(60,000)
Amounts charged off	11.5.1	-	(682,482)	-	-	(682,482)	-	-	(230,251)	-	-	(230,251)
Provision / amounts charged off - agriculture financing	(2,095)	579	14,418	-	-	12,902	(6,241)	1,541	19,278	-	-	14,578
Closing balance	216,828	308,096	10,959,517	-	742,375	12,226,816	285,772	603,950	12,119,107	-	592,375	13,601,204

11.5.1 Particulars of charge-off financing during the year

	2025		2024	
	No. of borrowers	Amount charged off (Rupees in '000)	No. of borrowers	Amount charged off (Rupees in '000)
Opening balance	4	230,251	-	-
Charge-off during the year	32	682,482	4	230,251
Sub-total	36	912,733	4	230,251
Recoveries made during the year against already charged-off cases	-	-	-	-
Amount written off from already charged off loans	-	-	-	-
Closing balance	36	912,733	4	230,251

11.5.2

The above provision against non-performing Islamic financing and related assets has been computed after considering allowable forced sale value (FSV) of collateral amounting to Rs.1,874.042 million (31 December 2024: Rs. 2,341.630 million). The FSV benefit recognised is not allowed for distribution of cash or stock dividend to shareholders and bonus to employees. The cumulative net FSV benefit recognised while computing the credit loss allowance against Islamic financing and related assets amounted to Rs. 634,089 million and the amount net of tax is Rs. 298,022 million.

11.5.3

The Bank has maintained a general provision of Rs. 742.375 million (31 December 2024: Rs. 592.375 million) against financing made on a prudent basis, in view of prevailing economic conditions. This general provision is in addition to the requirements of Prudential Regulations and IFRS 9 as allowed by SBP vide BPRD circular letter no. 1 of 2025.

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11.5.4 Particulars of credit loss allowance against Islamic financing and related assets

	2025			2024						
	Stage 1	Stage 2	Stage 3	General	Total	Stage 1	Stage 2	Stage 3	General	Total
In local currency	208,846	305,063	10,959,517	742,375	12,215,801	276,145	546,378	12,119,107	592,375	13,534,005
In foreign currency	7,982	3,033	-	-	11,015	9,627	57,572	-	-	67,199
	216,828	308,096	10,959,517	742,375	12,226,816	285,772	603,950	12,119,107	592,375	13,601,204

11.5.5 Islamic financing and related assets - Exposure

	2025			2024						
	Stage 1	Stage 2	Stage 3	General	Total	Stage 1	Stage 2	Stage 3	General	Total
Opening balance	85,838,680	15,814,381	13,386,962	115,040,023	58,323,980	19,900,397	13,139,088	91,363,465		
New financing	85,017,483	21,698,070	162,692	(1,647,796)	106,878,245	45,875,207	3,338,593	76,686	49,290,486	
Financing derecognised or repaid	(58,335,362)	(13,059,363)	(562,437)	(1,460)	(73,042,541)	(1,416,851)	(2,136,000)	(5,268)	(25,363,678)	
Transfer to stage 1	562,437	(2,577,931)	(145,209)	(577,900)	723,109	(8,322,889)	8,362,997	(40,106)	-	
Transfer to stage 2	(145,209)	24,523,398	10,075,761	(763,455)	33,835,704	27,514,700	(4,086,016)	498,124	23,926,808	
Transfer to stage 3	-	-	-	(682,482)	(682,482)	-	-	(250,250)	-	
Amounts written off / charged off	-	-	-	-	-	-	-	-	-	
Closing balance	110,362,078	25,890,142	11,941,025	148,193,245	85,838,680	15,814,381	13,386,962	115,040,023		

11.5.6 Islamic financing and related assets - Credit loss allowance

	2025				2024						
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total			
Opening balance	285,772	603,950	12,119,107	592,375	13,601,204	493,333	11,920,868	10,499,196	1,108,380	11,607,576	
IFRS 9 implementation	-	-	-	-	-	493,333	478,990	11,920,868	(10,499,196)	(316,005)	2,077,990
New Islamic financing	167,633	112,877	58,823	150,000	489,333	210,089	368,142	-	(200,000)	912,614	
Financing derecognised or repaid	(227,956)	(431,264)	(1,231,889)	-	(1,891,109)	(247,504)	(200,204)	(1,375,277)	(2,022,985)		
Transfer to stage 1	46,717	(46,717)	-	-	-	34,916	(32,762)	(2,134)	-	-	
Transfer to stage 2	(21,176)	21,748	(572)	-	-	(22,135)	38,234	(16,089)	-	-	
Transfer to stage 3	(773)	(23,543)	24,316	-	-	(5,356)	(60,285)	65,641	-	-	
Amounts written off / charged off	(33,389)	-	(682,482)	-	(682,482)	-	-	(290,251)	-	(290,251)	
Changes in risk parameters (PDS/LGDs/EADs)	71,045	-	672,214	-	709,870	(177,571)	45,614	1,448,217	-	1,316,260	
Closing balance	216,828	308,096	10,959,517	742,375	12,226,816	285,772	603,950	12,119,107	592,375	13,601,204	

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11.6 Islamic financing and related assets - Category of classification

		2025		2024	
		Outstanding amount	Credit loss allowance	Outstanding amount	Credit loss allowance
----- (Rupees in '000) -----					
Domestic					
Performing	Stage 1	110,362,078	216,828	85,838,680	285,772
Underperforming	Stage 2	25,890,142	308,096	15,814,381	603,950
Underperforming (under cool-off period)	Stage 3	212,992	81,947	121,361	48,107
Non-performing	Stage 3				
Other assets especially mentioned		199,302	133,964	265,040	183,318
Substandard		81,985	35,382	409,640	240,970
Doubtful		670,737	441,466	1,302,661	903,197
Loss		10,776,009	10,266,758	11,288,258	10,743,515
		11,728,033	10,877,570	13,265,599	12,071,000
General provision		-	742,375	-	592,375
Total		148,193,245	12,226,816	115,040,021	13,601,204

2025 2024
----- (Rupees in '000) -----

11.7 Particulars of write offs:

11.7.1 Against credit loss allowance / provisions

Directly charged to the statement of profit and loss account

-	60,000
-	-
-	60,000

11.7.2 Write offs of Rs. 500,000 and above

- Domestic

Write offs of Below Rs. 500,000

-	60,000
-	60,000

11.7.3 Details of loan write off of Rs. 500,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the Statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended is given in Annexure-I.

12 PROPERTY AND EQUIPMENT

Note 2025 2024
----- (Rupees in '000) -----

Capital work-in-progress

12.1 715,796 355,123

Property and equipment

12.2 2,905,894 2,437,356

3,621,690	2,792,479
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12.1 Capital work-in-progress

Advances to suppliers and contractors for:

- civil works

483,445 337,009

- computer hardware

232,351 18,114

Advance for purchase of property - related party

251,680	251,680
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Provisions for impairment against advance for purchase of property

(251,680)	(251,680)
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- -

Total capital work-in-progress

715,796	355,123
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12.2 Property and equipment

Note	2025					Total
	Leasehold land	Building on leasehold land	Furniture and fixtures	Electrical, office and computer equipments	Vehicles	
	(Rupees in '000)					
At 01 January 2025						
Cost	972,104	1,418,123	386,792	2,630,255	118,465	5,525,739
Accumulated depreciation	-	(946,338)	(321,687)	(1,774,620)	(45,738)	(3,088,383)
Net book value	<u>972,104</u>	<u>471,785</u>	<u>65,105</u>	<u>855,635</u>	<u>72,727</u>	<u>2,437,356</u>
During the year ended 31 December 2025						
Opening net book value	972,104	471,785	65,105	855,635	72,727	2,437,356
Additions	-	148,655	117,448	520,614	31,028	817,745
Disposals - Cost	-	(66,596)	(12,106)	(30,788)	(1,930)	(111,420)
- Accumulated depreciation	-	49,915	11,491	30,382	1,930	93,718
	-	(16,681)	(615)	(406)	-	(17,702)
Write off - Cost	-	-	-	-	-	-
- Accumulated depreciation	-	-	-	-	-	-
Depreciation charge for the year	-	(69,376)	(17,702)	(221,687)	(22,740)	(331,505)
Closing net book value	<u>972,104</u>	<u>534,383</u>	<u>164,236</u>	<u>1,154,156</u>	<u>81,015</u>	<u>2,905,894</u>
At 31 December 2025						
Cost	972,104	1,500,182	492,134	3,120,081	147,563	6,232,064
Accumulated depreciation	-	(965,799)	(327,898)	(1,965,925)	(66,548)	(3,326,170)
Net book value	<u>972,104</u>	<u>534,383</u>	<u>164,236</u>	<u>1,154,156</u>	<u>81,015</u>	<u>2,905,894</u>
Rate of depreciation (percentage)	-	5% - 33%	10%	10% - 50%	20%	

Note	2024					Total
	Leasehold land	Building on leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	
	(Rupees in '000)					
At 01 January 2024						
Cost	972,104	1,389,944	366,260	2,473,812	62,104	5,264,224
Accumulated depreciation	-	(882,802)	(311,606)	(1,606,175)	(33,331)	(2,833,914)
Net book value	<u>972,104</u>	<u>507,142</u>	<u>54,654</u>	<u>867,637</u>	<u>28,773</u>	<u>2,430,310</u>
During the year ended 31 December 2024						
Opening net book value	972,104	507,142	54,654	867,637	28,773	2,430,310
Additions	-	32,687	22,606	192,970	59,613	307,876
Disposals - Cost	-	(444)	(2,074)	(36,527)	(3,252)	(42,297)
- Accumulated depreciation	-	111	1,956	36,007	3,252	41,326
	-	(333)	(118)	(520)	-	(971)
Write off - Cost	-	(4,064)	-	-	-	(4,064)
- Accumulated depreciation	-	1,013	-	-	-	1,013
	-	(3,051)	-	-	-	(3,051)
Depreciation charge for the year	-	(64,660)	(12,037)	(204,452)	(15,659)	(296,808)
Closing net book value	<u>972,104</u>	<u>471,785</u>	<u>65,105</u>	<u>855,635</u>	<u>72,727</u>	<u>2,437,356</u>
At 31 December 2024						
Cost	972,104	1,418,123	386,792	2,630,255	118,465	5,525,739
Accumulated depreciation	-	(946,338)	(321,687)	(1,774,620)	(45,738)	(3,088,383)
Net book value	<u>972,104</u>	<u>471,785</u>	<u>65,105</u>	<u>855,635</u>	<u>72,727</u>	<u>2,437,356</u>
Rate of depreciation (%)	-	5% - 33%	10%	10% - 50%	20%	

12.3 Disposal of assets - related party

There are no disposal of fixed assets made to any related party during the year.

12.4 Property and equipment includes assets that are temporarily idle amounting to Rs. 936.771 million (31 December 2024: Rs. 989.2 million).

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12.5 Fully depreciated property and equipment

Cost of property and equipment that are fully depreciated and are still in use are as follows:

	Note	2025 ----- (Rupees in '000) -----	2024 ----- (Rupees in '000) -----
Building on leasehold land		480,949	462,187
Furniture and fixture		280,286	260,916
Electrical, office and computer equipment		1,162,533	1,178,619
Vehicles		20,879	22,809
		<u>1,944,647</u>	<u>1,924,531</u>

13 RIGHT-OF-USE ASSETS

At 01 January

Cost		3,810,005	2,789,356
Accumulated Depreciation		(1,512,077)	(1,245,456)
Net Carrying amount at 01 January		<u>2,297,928</u>	<u>1,543,900</u>
Additions during the year		1,775,789	1,456,027
Derecognition during the year		(29,445)	(71,518)
Depreciation charge during the year	31	(771,678)	(638,292)
Modification		979	7,811
Net carrying amount at 31 December	13.1	<u>3,273,573</u>	<u>2,297,928</u>

13.1 These rental agreements mainly pertains to the branches that are operating throughout Pakistan.

14 INTANGIBLE ASSETS

	Note	2025 ----- (Rupees in '000) -----	2024 ----- (Rupees in '000) -----
Computer software	14.1 & 14.2	196,133	138,001
Advance to suppliers against computer software		246,290	203,900
Core deposits	14.1 & 14.3	58,500	128,700
Brand	14.4	383,145	383,145
Goodwill	14.5	396,117	396,117
		<u>1,280,185</u>	<u>1,249,863</u>
Provision against advance to suppliers		(52,650)	-
		<u>1,227,535</u>	<u>1,249,863</u>

14.1 Movement in intangible assets is as following:

	Note	2025		
		Computer software	Core deposits	Total
		----- (Rupees in '000) -----		
At 01 January 2025				
Cost		1,230,620	1,386,000	2,616,620
Accumulated amortisation		(1,092,619)	(1,257,300)	(2,349,919)
Net book value		<u>138,001</u>	<u>128,700</u>	<u>266,701</u>
Year ended 31 December 2025				
Opening net book value		138,001	128,700	266,701
Additions				
- through acquisitions / directly purchased		133,820	-	133,820
Write off - Cost		-	-	-
- Accumulated amortisation		-	-	-
Amortisation charge for the year	31	(75,688)	(70,200)	(145,888)
Closing net book value		<u>196,133</u>	<u>58,500</u>	<u>254,633</u>
At 31 December 2025				
Cost		1,364,440	1,386,000	2,750,440
Accumulated amortisation		(1,168,307)	(1,327,500)	(2,495,807)
Net book value		<u>196,133</u>	<u>58,500</u>	<u>254,633</u>
Rate of amortisation (%)		<u>14.29% - 33.33%</u>	<u>8.33% - 10%</u>	
Useful life		<u>3 to 7 Years</u>	<u>10 to 12 Years</u>	

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	Note	2024		
		Computer software	Core deposits	Total
----- (Rupees in '000) -----				
At 01 January 2024				
Cost		1,147,675	1,386,000	2,533,675
Accumulated amortisation		(1,004,217)	(1,187,100)	(2,191,317)
Net book value		<u>143,458</u>	<u>198,900</u>	<u>342,358</u>
Year ended 31 December 2024				
Opening net book value		143,458	198,900	342,358
Additions				
- through acquisitions / purchased		82,945	-	82,945
Write off - Cost		-	-	-
- Accumulated amortisation		-	-	-
Amortisation charge for the year	31	(88,402)	(70,200)	(158,602)
Closing net book value		<u>138,001</u>	<u>128,700</u>	<u>266,701</u>
At 31 December 2024				
Cost		1,230,620	1,386,000	2,616,620
Accumulated amortisation		(1,092,619)	(1,257,300)	(2,349,919)
Net book value		<u>138,001</u>	<u>128,700</u>	<u>266,701</u>
Rate of amortisation (%)		<u>14.29% - 33.33%</u>	<u>8.33% - 10%</u>	
Useful life		<u>3 to 7 Years</u>	<u>10 to 12 Years</u>	

- 14.2** Intangible assets include computer software that are fully amortised and are still in use aggregating to Rs. 1,036.970 million (31 December 2024: Rs. 930.477 million).
- 14.3** Core deposits are intangible assets acquired by the Bank during its amalgamation with Ex-Emirates Global Islamic Bank Limited and Ex-Burj Bank Limited. The valuation of core deposit was carried out by an independent valuer at the time of amalgamation. The carrying amount of core deposits is Rs. 58.5 million (31 December 2024: Rs. 128.7 million) with a remaining amortisation period of 10 months.
- 14.4** Intangible assets include brand having indefinite useful life with a carrying amount of Rs. 383.145 million (31 December 2024: Rs. 383.145 million). This represents the Bank's ability to attract new customers and generate superior returns from existing customers due to brand recognition. The management considers that the benefits from usage of brand will be available to the Bank for an indefinite time period.

The brand was recognised by the Bank upon the amalgamation with Ex-Emirates Global Islamic Bank Limited, and its value was allocated to the "Retail and Consumer Banking," "Commercial and SME Banking," and "Corporate Banking" segments (as individual cash-generating units). On an ongoing basis, management assesses the recoverable amount of each cash-generating unit in accordance with the requirements of IAS 36. According to IAS 36, a cash-generating unit must be tested for impairment annually, and an impairment loss shall be recognised only if the recoverable amount of the unit is less than its carrying amount.

During the year, the management has assessed the recoverable amount of the cash-generating unit which exceeds its carrying amount. Accordingly, no impairment loss has been recognised in these financial statements on brand.

The recoverable amount of brand has been determined based on value-in-use calculation using discounted cash flow based on financial strategy / projections approved by the management of the Bank covering a five-year period. The following rates have been used by the Bank in the computation of value-in-use:

Discount rate (post-tax)	18.70%
Terminal growth rate (post-tax)	10.10%

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Deposit and Islamic Financing Growth and Profit Margins

The growth of deposits and Islamic financing, along with profit margins, are based on prevailing industry trends and anticipated market conditions.

Discount rate

The discount rate reflects management's estimates of the required rate of return for the Retail and Consumer Banking sector, Commercial and SME Banking sector, and Corporate Banking sector. It is calculated by considering the prevailing risk-free rate, industry risks, and business risks. The discount rate is derived using the Bank's cost of equity, calculated via the Capital Asset Pricing Model (CAPM).

Terminal growth rate

The terminal growth rate is used to extrapolate cash flows beyond the budgeted period. The assumptions for this rate are based on management's best estimates.

The management believes that any reasonable possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of brand.

- 14.5 Goodwill was recognised by the Bank upon the merger with Ex-Burj Bank Limited, and the amount of goodwill was allocated to the "Retail and Consumer Banking" segment (as an individual cash-generating unit). Management continuously assesses the recoverable amount of this cash-generating unit in accordance with the requirements of IAS 36. IAS 36 states that a cash-generating unit must be tested for impairment annually, and an impairment loss should be recognised only if the recoverable amount of the unit is less than its carrying amount.

During the year, management assessed the recoverable amount of the cash-generating unit, which exceeds its carrying amount. Therefore, no impairment loss has been recognised in these financial statements for goodwill.

The recoverable amount of goodwill has been determined based on value-in-use calculation using discounted cash flow based on financial strategy / projections approved by the management of the Bank covering a five-year period. The following rates have been used by the Bank in the computation of value-in-use:

Discount rate (post-tax)	18.70%
Terminal growth rate (post-tax)	10.10%

The calculation of value in use is most sensitive to the following assumptions:

Deposit and Islamic Financing Growth and Profit Margins

The growth of deposits and Islamic financing, along with profit margins, are based on prevailing industry trends and anticipated market conditions.

Discount rate

The discount rate reflects management's estimates of the required rate of return for the Retail and Consumer Banking sector. It is calculated by considering the prevailing risk-free rate, industry risks, and business risks. The discount rate is derived using the Bank's cost of equity, calculated via the Capital Asset Pricing Model (CAPM).

Terminal growth rate

The terminal growth rate is used to extrapolate cash flows beyond the budgeted period. The assumptions for this rate are based on management's best estimates.

The management believes that any reasonable possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of brand.

Amel

15 DEFERRED TAX ASSETS

2025					
At 01 Jan 2025	Impact of adoption of IFRS - 9	Recognised in P&L account	Recognised in OCI	At 31 Dec 2025	
----- (Rupees in '000) -----					
Deductible temporary differences on					
- Fair value / credit loss allowance against assets	4,253,713	(13,600)	(645,789)	-	3,594,324
- Deficit on revaluation of equity securities measured at FVTPL	66,264	-	(3,339)	-	62,925
- Deficit on revaluation of equity securities measured at FVOCI	-	23,928	-	1,333	25,261
- Right of use assets	-	-	472,793	-	472,793
- Others	209,780	-	43,533	-	253,313
	4,529,757	10,328	(132,802)	1,333	4,408,616
Taxable temporary differences on					
- Surplus on revaluation of debt securities measured at FVOCI	(1,011,280)	-	-	970,731	(40,549)
- Surplus on revaluation of non-banking assets	(318,982)	-	-	(70,768)	(389,750)
- Accelerated tax depreciation	(231,484)	-	(26,270)	-	(257,754)
	(1,561,746)	-	(26,270)	899,963	(688,053)
	2,968,011	10,328	(159,072)	901,296	3,720,563

2024					
At 01 Jan 2024	Impact of adoption of IFRS - 9	Recognised in P&L account	Recognised in OCI	At 31 Dec 2024	
----- (Rupees in '000) -----					
Deductible temporary differences on					
- Fair value / credit loss allowance against assets	3,315,052	1,071,826	(133,165)	-	4,253,713
- Deficit on revaluation of equity securities measured at FVTPL	5	(31,176)	97,435	-	66,264
- Deficit on revaluation of equity securities measured at FVOCI	-	-	-	-	-
- Right of use assets	-	-	-	-	-
- Others	236,276	-	95,883	(122,379)	209,780
	3,551,333	1,040,650	60,153	(122,379)	4,529,757
Taxable temporary differences on					
- Surplus on revaluation of debt securities measured at FVOCI	(461,405)	-	-	(549,875)	(1,011,280)
- Surplus on revaluation of non-banking assets	(300,579)	-	-	(18,403)	(318,982)
- Accelerated tax depreciation	(243,479)	-	11,995	-	(231,484)
	(1,005,463)	-	11,995	(568,278)	(1,561,746)
	2,545,870	1,040,650	72,148	(690,657)	2,968,011

16 OTHER ASSETS

	Note	2025	2024
----- (Rupees in '000) -----			
Profit / return accrued in local currency		4,909,140	5,721,515
Profit / return accrued in foreign currency		38,924	27,582
Advances, deposits, advance rent and other prepayments		620,249	500,598
Non-banking assets acquired in satisfaction of claims	16.1.1	1,194,698	1,234,059
Mark to market gain on re measurement of foreign exchange contracts		117,499	2,465
Stamps and stationery		1,049	776
Acceptances		3,145,823	2,195,985
Alternate delivery channel (ADC) settlement accounts		1,574,367	793,895
Advance taxation (payments less provision)		708,205	-
Fair value impact on financing	16.2	3,075,132	2,584,440
Branch adjustment account		48,555	-
Others	16.3	1,140,210	196,123
		16,573,851	13,257,438
Less: Credit loss allowance / provision held against other assets	16.4	(220,137)	(243,396)
Other assets (net of credit loss allowance / provision held)		16,353,714	13,014,042
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	24.1	749,518	613,426
Other assets - total		17,103,232	13,627,468
16.1 Market value of non-banking assets acquired in satisfaction of claims	16.1.1	1,944,216	1,847,485

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16.1.1 The non-banking assets acquired in satisfaction of claims have been revalued by professionally qualified independent valuers, namely Professional Associates, Medallion Services (Private) Limited, Joseph Lobo (Private) Limited and Surval (Private) Limited in December 2025 based on prevailing market values determined through independent market inquiries from local active realtors as more detailed in note 42.2. The valuer is listed on the panel of Pakistan Banks' Association. The SBP's Regulations for Debt Property Swap require the Bank to carry out a full scope valuation of non-banking assets after every three years and desktop valuation every year.

16.1.2 Non-banking assets acquired in satisfaction of claims	2025 ----- (Rupees in '000) -----	2024 ----- (Rupees in '000) -----
Opening balance	1,847,485	1,886,846
Revaluation surplus during the year	136,092	-
Depreciation charge for the year	(39,361)	(39,361)
Closing balance	<u>1,944,216</u>	<u>1,847,485</u>

16.2 This includes unamortised fair valuation impact amounting to Rs. 897 million (2024: Rs. 1,002 million) on certain financing restructuring as allowed under the SBP vide its BPRD/BRD/PIAHCL/733688-2024 circular dated 15 July 2024.

16.3 The amount of Rs. 898 million pertaining to receivable balance in respect of NBA transaction has arisen at year end due to issuance of pay order under a Debt-to-Property Swap (DPS) transaction with an arrangement that the amount will be returned to the Bank once the property is transferred in the Bank's name. The amount has been received subsequently by the Bank on 06 January 2026.

16.4 Credit loss allowance / provision held against other assets	Note	2025 ----- (Rupees in '000) -----	2024 ----- (Rupees in '000) -----
Expected credit loss allowances on profit receivable		25,383	41,037
Fraud and forgeries		181,582	186,775
Non-performing receivables		11,550	11,550
Expected credit loss allowances on acceptances		1,622	4,034
		<u>220,137</u>	<u>243,396</u>

16.4.1 Movement in credit loss allowance / provision held against other assets

Opening balance	243,396	226,972
ECL charge on adoption of IFRS 9	-	109,599
Charge for the year	<u>17,923</u>	<u>18,900</u>
Reversals	<u>(38,688)</u>	<u>(112,075)</u>
	(20,765)	(93,175)
Amount written off	(2,494)	-
Closing balance	<u>220,137</u>	<u>243,396</u>

17 BILLS PAYABLE

In Pakistan	<u>8,546,764</u>	<u>7,282,964</u>
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18 DUE TO FINANCIAL INSTITUTIONS

Secured

With State Bank of Pakistan			
- Under Islamic export refinance scheme	18.1	3,037,400	4,761,700
- Under Islamic temporary economic refinance facility for plant and machinery	18.2	1,088,431	1,219,862
- Under Islamic refinance facility for combating COVID-19	18.3	9,841	22,693
- Under Islamic financing facility for renewable energy	18.4	138,493	73,732
- Under Islamic refinance and credit guarantee scheme for Women entrepreneurs	18.5	14,275	19,385
- Under Islamic financing facility for storage of agricultural produce	18.6	89,281	47,222
		<u>4,377,721</u>	<u>6,144,594</u>

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- 18.1 The range of profit rates on these borrowings is 6.5% to 7% per annum (31 December 2024: 9% to 16.5% per annum). The maximum limit approved by SBP to the Bank under Islamic export refinance scheme is Rs. 4,167 million (31 December 2024: Rs. 5,436 million). The Bank's current revolving refinance limit will be phased out from SBP to reach at Rs. 2,263 million (31 December 2024: Rs. 4,167 million) by end of FY 2026. These contracts will mature between January 2026 to June 2026 (31 December 2024: January 2025 to June 2026).
- 18.2 SBP vide its Circular No. 02 of 2020 had introduced an Islamic temporary economic refinance facility to support sustainable economic growth. The facility aims to provide concessionary finance for setting up of new industrial units through purchase of new imported and locally manufactured plant and machinery. The profit rate on these borrowings is 1% (31 December 2024: 1%) per annum. The maximum limit approved by SBP to the Bank under this scheme is Rs. 2,000 million (31 December 2024: Rs. 2,000 million). These contracts will mature between February 2026 to December 2033 (31 December 2024: November 2025 to October 2032).
- 18.3 SBP vide its Circular No. 04 of 2020 had introduced an Islamic refinance facility to combat the impact of COVID-19. The facility aims to provide long term finance for purchase of new imported and locally manufactured medical equipments to be used for combating COVID-19 by hospitals and medical centers registered with provincials / federal agencies. The maximum limit approved by SBP to the Bank under this scheme is Rs. 75 million (31 December 2024: Rs. 75 million). These contracts will mature between September 2026 to December 2026 (31 December 2024: November 2025 to December 2026).
- 18.4 The profit rate on these borrowings is 2% (31 December 2024: 2%) per annum. The maximum limit approved by SBP to the Bank is Rs. 168 million (31 December 2024: Rs. 168 million). Further, these contracts will mature between September 2031 to November 2035 (31 December 2024: September 2031 to April 2032)
- 18.5 SBP vide its IH&SMEFD Circular No. 05 of 2017 has introduced a refinance and credit guarantee scheme to improve access to finance for women entrepreneurs in the underserved areas of the country. The maximum limit approved by SBP to the Bank under this scheme is Rs. 100 million (31 December 2024: Rs. 100 million). These contracts will mature between May 2028 to June 2029 (31 December 2024: May 2028 to June 2029).
- 18.6 SBP vide its IH&SMEFD Circular No. 08 of 2010 had introduced a Financing Facility for Storage of Agricultural Produce (FFSAP) to encourage private sector to establish silos, warehouses and cold storages. The range of profit rates on these borrowings is 2% to 3.25% (31 December 2024: 3.25%) per annum. The maximum limit approved by SBP to the Bank under this scheme is Rs. 150 million (31 December 2024: Rs. 75 million). The contracts will mature between February 2029 to July 2030 (31 December 2024: February 2029).

	2025	2024
	----- (Rupees in '000) -----	
18.7 Particulars of due to financial institutions with respect to currencies		
In local currency	4,377,721	6,144,594
In foreign currencies	-	-
	<u>4,377,721</u>	<u>6,144,594</u>

19 DEPOSITS AND OTHER ACCOUNTS

	2025			2024		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	----- (Rupees in '000) -----					
Customers						
Current deposits	62,829,277	9,168,117	71,997,394	46,685,892	8,938,344	55,624,236
Savings deposits	72,859,434	5,322,208	78,181,642	70,638,928	4,702,574	75,341,502
Term deposits	47,758,493	4,955,254	52,713,747	38,759,333	8,128,458	46,887,791
Margin accounts	5,771,623	-	5,771,623	5,593,139	-	5,593,139
	<u>189,218,827</u>	<u>19,445,579</u>	<u>208,664,406</u>	<u>161,677,292</u>	<u>21,769,376</u>	<u>183,446,668</u>
Financial Institutions						
Current deposits	33,327	62,839	96,166	65,973	57,082	123,055
Savings deposits	50,881,355	1,162	50,882,517	39,832,351	6	39,832,357
Term deposits	-	-	-	-	-	-
	<u>50,914,682</u>	<u>64,001</u>	<u>50,978,683</u>	<u>39,898,324</u>	<u>57,088</u>	<u>39,955,412</u>
	<u>240,133,509</u>	<u>19,509,580</u>	<u>259,643,089</u>	<u>201,575,616</u>	<u>21,826,464</u>	<u>223,402,080</u>

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19.1 Composition of deposits	2025 ----- (Rupees in '000) -----	2024 ----- (Rupees in '000) -----
- Individuals	85,360,609	84,428,253
- Government (federal and provincial)	9,996,594	13,701,005
- Public sector entities	2,345,942	5,087,814
- Banking companies	1,479	152
- Non-banking financial institutions	50,977,204	39,955,260
- Private sector	<u>110,961,261</u>	<u>80,229,596</u>
	<u>259,643,089</u>	<u>223,402,080</u>

19.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 96.451 million (31 December 2024: Rs. 90,061 million).

20 LEASE LIABILITIES

20.1 Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Note	2025 ----- (Rupees in '000) -----	2024 ----- (Rupees in '000) -----
Outstanding amount at the start of the year		2,476,776	1,677,081
Additions during the year		1,775,789	1,408,442
Finance charge for the year		495,778	398,299
Payments made during the year		(1,113,491)	(943,339)
Derecognition during the year		(29,445)	(71,518)
Modifications made during the year		979	7,811
Outstanding amount at the end of the year		<u>3,606,386</u>	<u>2,476,776</u>

20.2 Contractual maturity of lease liabilities

Short-term lease liabilities - within one year	599,623	487,055
Long-term lease liabilities		
- 1 to 5 years	1,715,930	1,378,649
- 5 to 10 years	1,261,745	611,072
- More than 10 years	29,088	-
	<u>3,006,763</u>	<u>1,989,721</u>
Total lease liabilities	<u>3,606,386</u>	<u>2,476,776</u>

21 SUBORDINATED MUDARABA

Tier II mudaraba sukuk - third issue	21.1	1,735,000	1,735,000
Additional Tier I capital	21.2	1,389,241	1,389,241
		<u>3,124,241</u>	<u>3,124,241</u>

21.1 In December 2021, the Bank issued regulatory shariah compliant unsecured, subordinated privately placed Tier-II sukuk (third issue) based on mudaraba of Rs. 1.735 billion as instruments of redeemable capital under section 66 of the Companies Act, 2017. A brief description of Tier-II sukuk (third issue) is as follows:

Credit rating	A+ by VIS Credit Rating Company Limited
Issue date	22 December 2021
Maturity date	21 December 2031
Tenor	10 years from the issue date
Profit payment frequency	Semi-annually in arrears
Redemption	Bullet payment at the end of the tenth year
Expected periodic profit amount (mudaraba profit amount)	Mudaraba profit is computed under the general depositors' pool on the basis of profit Sharing Ratio (PSR) and monthly weightages announced by the Bank. Profit rate is 6 month KIBOR + 1.5% per annum.
Call option	The Bank may call Tier-II sukuk with prior approval of SBP after completion of five years from the date of issue.
Loss absorbency	The Tier-II sukuk, at the option of the SBP, will be fully and permanently converted into common shares upon the occurrence of a Point of Non-Viability (PONV) trigger event as determined by SBP or for any other reason as may be directed by SBP.
Lock-in-clause	Profit and / or redemption amount can be held back in respect of the Tier-II sukuk, if such payment will result in a shortfall in the Bank's Minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) requirement.

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- 21.2 In December 2018, the Bank issued regulatory shariah compliant unsecured, subordinated privately placed Additional Tier-I (ADT-1) capital based on mudaraba of Rs. 1.389 billion. A brief description of Additional Tier-I (ADT-1) capital is as follows:

Credit rating	Not rated
Issue date	26 December 2018
Tenor	Perpetual
Profit payment frequency	Monthly
Redemption	Perpetual
Expected periodic profit amount (mudaraba profit amount)	Mudaraba profit is computed under the general depositors' pool on the basis of Profit Sharing Ratio (PSR) and monthly weightages announced by the Bank. Profit rate is 1 Year KIBOR + 2.50% per annum.
Call option	The Bank may call ADT-1 Capital with prior approval of SBP after completion of five years from the date of issue.
Loss absorbency	The ADT-1 capital, at the option of the SBP, will be fully and permanently converted into common shares upon the occurrence of a Point of Non-Viability (PONV) trigger event as determined by SBP or for any other reason as may be directed by SBP.
Lock-in-clause	Profit and / or redemption amount can be held back in respect of the ADT-1 capital, if such payment will result in a shortfall in the Bank's minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) requirement.

22 OTHER LIABILITIES	Note	2025 ----- (Rupees in '000) -----	2024
Return on deposits and other dues:			
- payable in local currency		1,805,631	2,159,645
- payable in foreign currencies		68,710	273,961
Accrued expenses		871,278	1,241,213
Current taxation (provisions less payments)		-	398,702
Alternate delivery channel (ADC) settlement accounts		36,737	48,692
Mark to market loss on re-measurement of foreign exchange contracts		161,392	210,520
Unearned income		116,860	115,438
Advance payments		2,266,971	887,770
Charity fund balance	22.1	28,896	38,552
Security deposits against ijarah		64,004	65,966
Payable in respect of defined benefit plan	39.1.3 & 39.2.3	546,907	380,546
Takaful payable against ijarah and diminishing musharakah assets		285,164	259,114
Dividend payable		220,598	-
Branch adjustment account		-	31,182
Acceptances		3,145,823	2,195,985
Workers' welfare fund	22.2	487,140	403,424
Others		400,841	365,954
Credit loss allowance against off-balance sheet obligations	22.3	65,120	135,221
		<u>10,572,072</u>	<u>9,211,885</u>

22.1 Charity fund balance

Opening balance	38,552	58,422
Additions during the year		
Received from customers on account of delayed payment	48,825	48,845
Dividend purification amount	1,876	-
Non-shariah compliant income	293	4,624
Profit on charity saving account	475	905
Others	12,041	91
	63,510	54,465
Payments / utilisation during the year		
Education	(16,750)	(28,742)
Health	(48,816)	(40,525)
Infrastructure and development	-	-
Others	(7,600)	(5,068)
	(73,166)	(74,335)
Closing balance	<u>28,896</u>	<u>38,552</u>

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2025 2024
----- (Rupees in '000) -----

22.1.1 Details of charity given for all charities where amounts exceed Rs 0.1 million are as follows:

	2025	2024
	----- (Rupees in '000) -----	
Habib University Foundation	8,500	8,500
Indus Hospital	5,000	10,000
Shahid Afridi Foundation	5,000	-
Wish Foundation	5,000	-
Education Charity	5,000	-
Zaman Foundation	4,500	-
Akbar Kare Institute	4,000	4,000
Alamgir Welfare Trust International	4,000	3,500
IBA Karachi (CEIF)	3,750	-
Lahore University of Management Sciences	3,600	-
Telha Foundation	3,500	2,500
Professional Education Foundation	3,000	3,000
Dawood Global Foundation	3,000	2,992
Gulab Devi Chest Hospital	3,000	-
Karachi Institute of Kidney Diseases Association	3,000	3,000
Indus Valley School of Art & Architecture	2,500	-
Community Services	2,000	-
Ran'aa Child Welfare Foundation	1,000	1,000
National Disability & Development Forum	1,000	-
Liaquat National Hospital	1,000	-
Bint-e-Fatima Foundation	750	500
Bushra Wahid	600	599
Muhammad Ahmed	466	-
Family Educational Services Foundation - FESF	-	1,000
Sahil Welfare Association	-	969
Diabetics Association Charsadda	-	500
Karachi Down Syndrome Program (KDSP)	-	500
The Citizen Foundation	-	6,500
Patient's Aid Foundation	-	5,025
Akhuwat Islamic Microfinance	-	5,000
Make-a-Wish Foundation Pakistan	-	5,000
Saylani Welfare International Trust	-	4,500
Institute of Business Administration	-	3,750
Ittefaq Kidney & General Welfare Hospital	-	2,000
	<u>73,166</u>	<u>74,335</u>

22.2 The Supreme Court of Pakistan vide its order dated 10 November 2016 has held that the amendments made in the law introduced by the Federal Government through the Finance Act, 2008 for the levy of Workers' Welfare Fund (WWF) on banks were not lawful. The Federal Board of Revenue has filed review petitions against this order, which are currently pending. A legal advice was obtained by the Pakistan Banking Association which highlights that consequent to filing of these review petitions, a risk has arisen and the judgment is not conclusive until the review petitions is decided. Accordingly, the amount charged for Workers' Welfare Fund since 2008 has not been reversed.

	2025	2024
	----- (Rupees in '000) -----	
22.3 Credit loss allowance against off-balance sheet obligations		
Opening balance	135,221	-
IFRS 9 implementation	-	68,766
Charge for the year	40,809	104,411
Reversals	(110,910)	(37,956)
	(70,101)	66,455
Amount written off	-	-
Closing balance	<u>65,120</u>	<u>135,221</u>

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23 SHARE CAPITAL - NET

23.1 Authorised capital

2025	2024		2025	2024
-----Number of shares-----			----- (Rupees in '000) -----	
<u>2,500,000,000</u>	<u>2,500,000,000</u>	Ordinary shares of Rs. 10 each	<u>25,000,000</u>	<u>25,000,000</u>

23.2 Issued, subscribed and paid-up capital

2025	2024		2025	2024
-----Number of shares-----			----- (Rupees in '000) -----	
450,000,000	450,000,000	Fully paid ordinary shares of Rs 10 each issued for cash	4,500,000	4,500,000
923,962,760	923,962,760	issued as bonus shares	9,239,628	9,239,628
<u>1,373,962,760</u>	<u>1,373,962,760</u>		<u>13,739,628</u>	<u>13,739,628</u>
-	-	Add: Capital support fund*	1,393,628	1,393,628
-	-	Less: Discount on issue of shares	(632,766)	(632,766)
<u>1,373,962,760</u>	<u>1,373,962,760</u>		<u>14,500,490</u>	<u>14,500,490</u>

* In order to support the CAR requirements, Al Baraka Islamic Bank, B.S.C (c) (the Parent Bank) has injected a temporary Capital Support Fund amounting to Rs 1.394 billion (USD 9 million) which is an allowable capital for the purposes of CAR, MCR and Leverage ratio. These funds can only be remitted back after prior approval of SBP. In case capital of the Bank is not increased through alternate plans, the said capital support fund will be converted into share capital of the Bank. Currently, the Bank has formally initiated the process of converting the Capital Support Fund into Additional Tier 1 (AT1) Capital, in accordance with applicable SBP Basel III capital adequacy framework and related regulatory requirements. The Bank has applied for extension till 30 June 2026 and response from SBP is awaited in this respect. At present, the Bank does not have relevant basis to determine the number of shares to be issued at the time of any conversion into share capital, accordingly the diluted EPS cannot be ascertained.

23.3 Shareholders having above 10% shareholding are as follows:

Name of shareholder	2025		2024	
	Number of shares held	Percentage of shareholding	Number of shares held	Percentage of shareholding
Al Baraka Islamic Bank (Bahrain) B.S.C. (c)	812,446,582	59.13%	812,446,582	59.13%
Islamic Corporation for the Development of the Private Sector	162,847,717	11.85%	162,847,717	11.85%
Mal Al Khaleej Investment L.L.C.	158,360,039	11.53%	158,360,039	11.53%

24 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Note

2025
----- (Rupees in '000) -----
2024

Surplus on revaluation of:			
- Securities measured at FVOCI - Debt securities		77,978	1,944,769
- Securities measured at FVOCI - Equity security		(48,579)	-
- Non-banking assets acquired in satisfaction of claims	24.1	749,518	613,426
		778,917	2,558,195

Deferred tax on surplus on revaluation of:

- Securities measured at FVOCI - Debt securities		(40,549)	(1,011,280)
- Securities measured at FVOCI - Equity security		25,261	-
- Non-banking assets acquired in satisfaction of claims		(389,750)	(318,982)
		(405,038)	(1,330,262)
		<u>373,879</u>	<u>1,227,933</u>

24.1 Surplus on revaluation of non-banking assets acquired in satisfaction of claims

Surplus on revaluation as at 01 January	613,426	613,426
Revaluation surplus recognised during the year	136,092	-
Surplus on revaluation as at 31 December	749,518	613,426

Less: related deferred tax liability on:

- revaluation as at 01 January	(318,982)	(300,579)
- tax rate change during the year	-	(18,403)
- revaluation surplus recognised during the year	(70,768)	-
	(389,750)	(318,982)
	<u>359,768</u>	<u>294,444</u>

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25	CONTINGENCIES AND COMMITMENTS	Note	2025 ----- (Rupees in '000) -----	2024 ----- (Rupees in '000) -----
	- Guarantees	25.1	16,950,297	15,749,034
	- Commitments	25.2	64,211,245	29,736,602
	- Other contingent liabilities	25.3	8,399,305	5,566,989
			<u>89,560,847</u>	<u>51,052,625</u>
25.1	Guarantees:			
	Performance guarantees		13,360,950	12,216,973
	Financial guarantees		72,228	11,734
	Other guarantees		3,517,119	3,520,327
			<u>16,950,297</u>	<u>15,749,034</u>
25.2	Commitments:			
	Documentary credits and short-term trade-related transactions			
	- letters of credit		16,477,605	15,049,172
	Commitments in respect of forward foreign exchange contracts	25.2.1	23,893,587	10,717,947
	Commitments for acquisition of property and equipment		105,843	47,748
	Other commitments	25.2.2	23,734,210	3,921,735
			<u>64,211,245</u>	<u>29,736,602</u>
25.2.1	Commitments in respect of forward foreign exchange contracts			
	Purchase		17,015,945	8,290,093
	Sale		6,877,642	2,427,854
			<u>23,893,587</u>	<u>10,717,947</u>
25.2.1.1	The maturities of the above contracts are spread over the period upto one year.			
25.2.2	Other commitments	Note	2025 ----- (Rupees in '000) -----	2024 ----- (Rupees in '000) -----
	Commitments in respect of financing	25.2.2.1	<u>23,734,210</u>	<u>3,921,735</u>
25.2.2.1	These represent commitments that are irrecoverable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.			
25.3	Other contingent liabilities	Note	2025 ----- (Rupees in '000) -----	2024 ----- (Rupees in '000) -----
	Claims against the Bank not acknowledged as debt	25.3.1	5,647,069	2,301,416
	Tax contingencies	25.4.1	2,752,236	3,265,573
			<u>8,399,305</u>	<u>5,566,989</u>
25.3.1	These mainly represent counter claims by borrowers for damages, claims filed by the former employee(s) of the Bank and other claims related to banking transactions. Based on legal advice and / or internal assessments carried out, management is confident that the matters will be decided in the Bank's favor and the possibility of any adverse outcome is remote. Accordingly, no provision has been made in these financial statements.			
25.4	Tax contingencies			
25.4.1	The Bank has received various assessment orders from the Deputy Commissioner Inland Revenue (DCIR) stating that the Bank has short paid Federal Excise Duty (FED) on specific income of the Bank for the years 2009 to 2011 amounting to Rs. 86.585 million and Rs. 34.575 million in respect of year 2012. In response to the Bank's appeal, the Appellate Tribunal Inland Revenue (ATIR) has set aside the orders relating to years 2009 to 2011 for fresh adjudication and the said matter is pending decision for further proceedings. For the year 2012, the Commissioner Inland Revenue Appeal (CIRA) has dropped the proceedings amounting to Rs. 8.991 million. Accordingly, the Bank has filed the appeal before the ATIR against the order of CIRA amounting to Rs. 25.584 million.			

In respect of assessments of ex - Burj Bank Limited [now Al Baraka Bank (Pakistan) Limited] , the taxation authorities have raised a demand of Rs. 1.9 million on account of charging minimum tax in respect of tax year 2011, the matter is presently pending for hearing in Sindh High Court.

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During the year 2021, the Assistant Commissioner Sindh Revenue Board (AC-SRB) passed an Order creating a Sindh Sales Tax (SST) demand of Rs. 15.9 million (inclusive of penalty). The Bank being aggrieved by the impugned Order, filed an appeal before the Commissioner (Appeals) Sindh Revenue Board (CA-SRB). The appeal is still pending adjudication before CA-SRB.

In respect of assessments of ex - Burj Bank Limited [now AlBaraka Bank (Pakistan) Limited], the taxation authorities have raised a demand of Rs. 41.650 million on account of additions / disallowances of certain expenses in the tax return filed for the tax year 2014. As a result of rectification, the order demand has been reduced to Rs. 3.071 million. The Bank has filed an appeal before Commissioner Inland Revenue (CIR) appeals which is pending for hearing.

In respect of assessments of ex - Burj Bank Limited [now Al Baraka Bank (Pakistan) Limited], Deputy Commissioner Inland Revenue (DCIR) passed the order under Section 122(1) of the Income Tax Ordinance, 2001, demanding Rs. 5.416 million on account of minimum tax on turnover for the tax year 2015. In response to the Bank's appeal, the matter was set-aside for a fresh adjudication. The matter is pending for further proceedings.

In respect of assessments of ex - Burj Bank Limited [now Al Baraka Bank (Pakistan) Limited], the Additional Commissioner Inland Revenue (ACIR) passed the Order under Section 122(9) demanding Rs. 25.343 million on account of minimum tax on turnover for the tax year 2016 when the Bank had a gross loss. The matter is pending at the forum of Commissioner Inland Revenue Appeals (CIRA).

The management of the Bank, in consultation with its tax advisors, is confident that the appeals are likely to be decided in favor of the Bank and, hence, no provision has been made in these financial statements.

- 25.4.2** During the year 2020, the Bank received assessment orders from Appellate Tribunal (ATIR) in respect of ex-Al Baraka Islamic Bank B.S.C (merged with and into the Bank) related to various tax matters from tax years 2001-2011. Based on the advise of the Bank's tax advisor, the Bank has filed the reference application before the Honorable High Court, Lahore against the said orders.

The management of the Bank, in consultation with its tax advisors, is confident that the appeals are likely to be decided in favor of the Bank and, hence, no provision has been made in these financial statements for the income tax claims amounting to Rs. 116.512 million.

- 25.4.3** During the year 2022, the Assistant / Deputy Commissioner Inland Revenue (DCIR) passed an Order under Section 161(1) of the Income Tax Ordinance, 2001, demanding Rs. 6.128 million on account of short deduction of withholding tax in tax year 2016. The Bank has filed an appeal against the said decision before Commissioner Inland Revenue Appeals (CIRA). The Commissioner (Appeals) passed the Order under section 129(1) to remand back the matter to the DCIR. The appeal effect order is pending.

The management of the Bank, in consultation with its tax advisors, is confident that the appeal is likely to be decided in favor of the Bank and hence, no provision has been made in these financial statements for the tax claims amounting to Rs. 6.128 million.

- 25.4.4** During the year 2021, Additional Commissioner Inland Revenue (ACIR) passed the order under Section 122(5A) of the Income Tax Ordinance, 2001, disallowing certain refunds adjustment in the tax return filed for the tax year 2017. The Bank has filed an appeal against the said decision before Commissioner Inland Revenue Appeals (CIRA). The Commissioner (Appeals) passed an order under section u/s 129(1) .The Company filed appeal before Appellate Tribunal Inland Revenue (ATIR) against the order of the Commissioner (Appeals) and the appeal is pending for hearing.

The management and the Bank's tax consultant are confident that the appeal is likely to be decided in favor of the Bank and hence no provision has been made in these financial statements for the income tax claims amounting to Rs. 8.385 million.

- 25.4.5** During the year 2021, Assistant / Deputy Commissioner Inland Revenue (DCIR) passed an order under Section 122(1) of the Income Tax Ordinance, 2001, on account of certain additions / disallowances of certain expenses in the tax return filed for the tax year 2018. The Bank filed an appeal before Commissioner Inland Revenue (Appeals) who passed an order on 13 June 2022 annulling additions / disallowances of certain expenses however there are certain additions / disallowances of expenses for which appeal has been filed before ATIR. The same is pending for decision at the part of ATIR, the ATIR granted stay against the demand of Rs. 61.473 million.

The management and the Bank's tax consultant is confident that the appeal is likely to be decided in favor of the Bank and hence no provision has been made in these financial statements for the income tax claims of Rs. 380.184 million. The demand has been subsequently reduced to Rs. 61.473 million

- 25.4.6** During the year 2022, Additional Commissioner Inland Revenue (ACIR) AJK passed the order under Section 122(1) of the Income Tax Ordinance, 2001, on account of additions / disallowances of certain expenses in the tax return filed for the tax year 2019 and raised a demand of Rs. 6.741 million. The Bank filed an appeal against the order before Commissioner Inland Revenue (Appeals) which is pending for hearing.

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The management and the Bank's tax consultant is confident that the appeal is likely to be decided in favor of the Bank and hence no provision has been made in these financial statements for the income tax claims amounting to Rs. 6.741 million.

- 25.4.7** During the year 2021, Additional Commissioner Inland Revenue (ACIR) passed the order under Section 122(5A) of the Income Tax Ordinance, 2001, on account of certain additions / disallowances of certain expenses in the tax return filed for the tax year 2019. The order has been rectified by ACIR and the income tax demanded reduced from Rs. 299.266 million to Rs. 97.372 million.

The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) and the same is pending for hearing. The management and the Bank's tax consultant is confident that the appeal is likely to be decided in favor of the Bank and hence no provision has been made in these financial statements for the income tax claims amounting to Rs. 97.372 million.

- 25.4.8** During the year 2023, DCIR issued the notice under section 113(2)(c) of the Income Tax Ordinance, 2001 stating that the return of income filed for the tax year 2022 is erroneous and prejudicial to the interest of revenue and raised a demand of Rs. 400.07 million. The Bank has filed the appeal before the Commissioner (Appeals) and the same is pending for hearing.

- 25.4.9** During the year 2022, Additional Commissioner Inland Revenue (ACIR) passed the order under Section 122(5A) of the Income Tax Ordinance, 2001, on account of certain additions / disallowances of certain expenses in the tax return filed for the tax year 2020. The Bank intends to file application for rectification and an appeal against the Order before Commissioner Inland Revenue (Appeals). The Order passed by CIRA annulled additions / disallowances of certain expenses. However there are certain additions / disallowances of expenses for which the Bank has filed an appeal before the ATIR and same is pending for hearing.

The management and the Bank's tax consultant is confident that the appeal is likely to be decided in favor of the Bank and hence no provision has been made in these financial statements for the income tax claims amounting to Rs. 964.289 million.

- 25.4.10** During the year 2023, the DCIR passed the Order under section 161(1) of the Ordinance for the tax year 2017 requiring the Bank to pay tax demand of Rs. 488.512 million. Appeal was filed before the Commissioner (Appeals) and the Commissioner (Appeals) passed the Appellate Order maintaining the action of DCIR. The Bank filed the appeal along with the stay application before the Appellate Tribunal Inland Revenue (ATIR). The ATIR passed the Appellate Order remanding back the matter to the tax officer for verification of the details / reconciliations relating to withholding taxes. The tax officer has assessed and issued order of Rs. 11.286 million of which appeal has been filed before CIRA.

The management of the Bank, in consultation with its tax advisors, is confident that the matter is likely to be decided in favor of the Bank and hence, no provision has been made in these financial statements for the income tax claims amounting to Rs. 11.286 million.

- 25.4.11** The Bank has received an Order from Deputy Commissioner (DC) SRB stating that the Bank has short paid Sindh Sales Tax (SST) on specific income of the Bank for the year 2014 amounting to Rs. 20.762 million. The Bank has filed an appeal before the Commissioner (Appeals) SRB against the order-in-original which is pending for hearing.

The management of the Bank, in consultation with its tax advisors, is confident that the appeal is likely to be decided in favor of the Bank and hence, no provision has been made in these financial statements for the income tax claims amounting to Rs. 20.762 million.

During the year 2024, the ADIR issued an Order u/s 122 for the tax year 2023 raising demand of Rs. 1,018 million, the bank has filed appeal before ATIR. The ATIR has granted stay on demand. In 2025, the ATIR remanded back to Additional commissioner who issued Order of demand Rs. 982 million. Bank has filed appeal against demand before SHC which has granted.

The management and the Bank's tax consultant is confident that the appeal is likely to be decided in favor of the Bank and hence no provision has been made in these financial statements.

26	PROFIT / RETURN EARNED	2025 ----- (Rupees in '000) -----	2024
	Profit / return earned on:		
	- Islamic financing and related assets	13,325,601	15,601,891
	- Investments	14,681,644	22,778,267
	- Due from financial institutions	559,352	1,701,274
	- Balances with other banks	4,924	15,620
		<u>28,571,521</u>	<u>40,097,052</u>

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	Note	2025 ----- (Rupees in '000) -----	2024
26.1 Profit / return earned recognised on:			
Financial assets measured at amortised cost		13,889,877	17,773,031
Financial assets measured at FVOCI		14,334,740	21,968,529
Financial assets measured at FVTPL		346,904	355,492
		<u>28,571,521</u>	<u>40,097,052</u>
27 PROFIT / RETURN EXPENSED			
Profit / return expensed on:			
- Deposits		14,064,439	20,887,625
- Borrowings		754,638	109,169
- Conversion cost against foreign currency deposits / borrowings		397,994	775,637
- Subordinated mudaraba		440,926	942,494
- Finance charge on lease liability against right-of-use assets	20.1	495,778	398,299
- SBP Islamic refinance schemes		459,381	1,039,642
		<u>16,613,156</u>	<u>24,152,866</u>
28 FEE AND COMMISSION INCOME			
Branch banking customer fees		160,095	123,415
Consumer finance related fees		94,982	120,901
Debit card related fees and income		238,348	184,747
Investment banking fees		51,057	17,500
Commission on trade		352,827	359,101
Commission on guarantees		101,596	58,976
Commission on cash management		25,130	16,825
Commission on home remittances		20,310	20,338
Commission on bancatakaful		483	813
Others		35,643	21,290
		<u>1,080,471</u>	<u>923,906</u>
29 GAIN ON SECURITIES - NET			
Realised	29.1	25,091	295,651
Unrealised - measured as FVTPL		6,421	66,645
	29.2	<u>31,512</u>	<u>362,296</u>
29.1 Realised gain / (loss) on:			
Federal Government securities		25,119	274,222
Listed shares		(28)	21,429
		<u>25,091</u>	<u>295,651</u>
29.2 Net gain on financial assets measured at FVTPL			
Designated upon initial recognition		49,077	177,131
Mandatorily measured at FVTPL		-	-
		49,077	177,131
Net (loss) / gain on financial assets measured at FVOCI		<u>(17,565)</u>	<u>185,165</u>
		<u>31,512</u>	<u>362,296</u>
30 OTHER INCOME			
Rent on property		22,493	24,925
Gain on sale of property and equipment		82,259	11,084
Gain / (loss) on termination of Islamic financing		30,020	(3,142)
		<u>134,772</u>	<u>32,867</u>

31	OPERATING EXPENSES	Note	2025 ----- (Rupees in '000) -----	2024
	Total compensation expense	31.1	4,808,212	4,191,857
	Property expense			
	Rent and taxes		130,272	60,481
	Takaful expenses		52,088	41,560
	Utilities cost		484,126	477,954
	Security (including guards)	31.2	471,273	485,966
	Repair and maintenance (including janitorial charges)	31.2	206,000	188,548
	Depreciation on property		69,376	64,904
	Depreciation on right-of-use assets	13	771,678	638,292
	Depreciation on non-banking assets	16.1.2	39,361	39,361
	Branch license fee		8,975	7,965
			2,233,149	2,005,031
	Information technology expenses			
	Software maintenance		723,282	568,749
	Hardware maintenance		58,190	40,428
	Depreciation on IT equipment		104,669	106,437
	Amortisation		75,688	88,402
	Network charges		141,377	105,566
	Mastercard association fee		290,217	199,390
			1,393,423	1,108,972
	Other operating expenses			
	Directors' fees and allowances		94,900	70,850
	Fees and allowances to Shariah Board		7,800	7,652
	Legal and professional charges		193,483	120,147
	Outsourced services costs	31.2	412,929	362,180
	Travelling and conveyance		387,872	362,220
	NIFT and other clearing charges		31,535	24,146
	Depreciation on vehicles, equipment and furniture		157,460	125,467
	Amortisation		70,200	70,200
	Takaful and registration of Ijarah		22,557	10,474
	Training and development		59,670	55,625
	Postage and courier charges		52,800	76,014
	Communication		68,447	64,628
	Stationery and printing		188,750	181,392
	Marketing, advertisement and publicity		230,345	230,758
	Repair and maintenance		81,468	75,789
	Auditors' remuneration	31.3	62,612	50,094
	Depositors' protection		144,097	146,420
	Brokerage, commission and bank charges		200,876	220,394
	Others		146,037	134,085
			2,613,838	2,388,535
			11,048,622	9,694,395

31.1 Total compensation expense

Managerial remuneration				
i) Fixed			2,371,163	1,901,303
ii) Variable				
a) Cash bonus / awards etc.			311,914	405,788
b) Bonus and awards in shares			-	-
Charge for defined benefit plan	39.1.7.1		186,804	146,676
Contribution to defined contribution plan			185,696	147,630
Rent and house maintenance			621,847	490,860
Utilities			204,923	160,698
Medical			298,028	247,871
Conveyance			312,643	290,139
Others			315,194	400,892
			4,808,212	4,191,857

31.2 Total cost for the year included in other operating expenses relating to outsourced activities is Rs. 1,042.491 million (2024: Rs. 997.586 million). This cost includes outsourced service costs, which are disclosed specifically in note 31. The entire cost pertains to payments to companies incorporated in Pakistan and mainly on account of security guards, janitorial staff and courier services.

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	Note	2025	2024
		----- (Rupees in '000) -----	
31.3 Auditors' remuneration			
Audit fee		5,500	5,000
Fee for interim review		2,200	2,000
Fee for audit / review of group reporting		12,375	11,250
Fee for other statutory certifications		3,245	2,950
Fee for audit of AJK and Gilgit Region branches		880	800
Fee for special certifications and sundry advisory services		26,885	18,555
		51,085	40,555
Sindh sales tax on services		5,924	4,900
Out-of-pocket expenses		5,603	4,639
		<u>62,612</u>	<u>50,094</u>
32 OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		17,314	24,193
Penalties imposed by Securities and Exchange Commission of Pakistan		-	1,000
		<u>17,314</u>	<u>25,193</u>
33 REVERSAL OF / (CHARGE AGAINST) CREDIT LOSS ALLOWANCES / PROVISIONS AND WRITE OFFS - NET			
Write off against other assets		18,380	856
Provision against property and equipment		-	3,051
Provision against advance to suppliers		52,650	-
Credit loss allowance / provisions against other assets	16.4.1	(18,353)	(91,966)
Credit loss allowance against acceptances	16.4.1	(2,412)	(1,209)
Credit loss allowance against balances with treasury banks	7	343	114
Reversal of credit loss allowance against balances with other banks	8	(124)	(496)
Credit loss allowance against due from financial institutions	9	3,546	29
Reversal of credit loss allowance against investments	10.5.2	(17,745)	(23,197)
(Reversal) / credit loss allowance against Islamic financing and related assets	11.5	(691,906)	205,889
(Reversal) / credit loss allowance against off balance sheet obligations	22.3	(70,101)	66,455
		<u>(725,722)</u>	<u>159,526</u>
34 TAXATION			
Current tax		1,628,633	4,416,526
Deferred tax	15	159,072	(72,148)
Prior year tax	34.2	445,187	-
	34.3	<u>2,232,892</u>	<u>4,344,378</u>
34.1	The Bank has recognised a super tax charge of Rs. 302.450 million (2024: Rs. 813.488 million) in the current year based on taxable income for the year.		
34.2	This includes Rs. 385.647 million pertaining to taxability of right-of-use assets and lease liability against right-of-use assets (IFRS 16 adjustments) as introduced in the Seventh Schedule to the Income Tax Ordinance, 2001 vide the Finance Act, 2025.		
34.3 Relationship between tax expense and accounting profit		2025	2024
		-----Rupees in '000-----	
Profit before taxation		<u>4,102,074</u>	<u>8,378,092</u>
Tax at the applicable rate of 43% / 44%		1,763,892	3,686,360
Impact of super tax		302,450	813,488
Tax impact due to rate change during the year		(10,737)	(224,390)
Prior year charge		445,187	-
Permanent difference		99,871	64,582
Prior year deferred income		(371,364)	-
Other		3,593	4,338
Tax charge for the year		<u>2,232,892</u>	<u>4,344,378</u>

	2025	2024
	-----Rupees in '000-----	
35 BASIC / DILUTED EARNINGS PER SHARE		
Profit after taxation for the year	1,869,182	4,033,714
	-----Number of shares-----	
Weighted average number of ordinary shares	1,373,962,760	1,373,962,760
	-----Rupees-----	
Basic / diluted earnings per share	1.36	2.94

35.1 Diluted earnings per share has not been presented as the Bank does not have any convertible instruments in issue as at 31 December 2025 and 31 December 2024 which would have any effect on the earnings per share if the option to convert is exercised.

	Note	2025	2024
		-----Rupees in '000-----	
36 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	7	25,614,941	18,834,915
Balances with other banks	8	1,724,589	1,800,742
		<u>27,339,530</u>	<u>20,635,657</u>

	2025		
	Subordinated mudaraba	Lease liability against right-of- use assets	Dividend payable
	-----Rupees in '000-----		
37 Reconciliation of Movement of Liabilities to Cash Flow arising from Financing Activities			
Balance as at 01 January 2025	3,124,241	2,476,776	-
Change from financing cash flows			
Payment of lease liability against right-of-use assets	-	(1,113,491)	-
Repayment of Tier II mudaraba sukuk - second issue	-	-	-
Dividend paid	-	-	(301,508)
Total changes from financing cash flows	-	(1,113,491)	(301,508)
Other changes			
Addition to lease liability against right-of-use assets	-	1,775,789	-
Finance charge	-	495,778	-
Derecognition of lease liability against right-of-use assets	-	(29,445)	-
Modification	-	979	-
Cash dividend (Rs. 0.38 per share)	-	-	522,106
	-	2,243,101	522,106
Balance as at 31 December 2025	<u>3,124,241</u>	<u>3,606,386</u>	<u>220,598</u>
	2024		
	Subordinated mudaraba	Lease liability against right-of- use assets	Dividend payable
	-----Rupees in '000-----		
Balance as at 01 January 2024	4,624,241	1,677,081	-
Change from financing cash flows			
Payment of lease liability against right-of-use assets	-	(943,339)	-
Repayment of Tier II mudaraba sukuk - second issue	(1,500,000)	-	-
Dividend paid	-	-	-
Total changes from financing cash flows	(1,500,000)	(943,339)	-
Other changes			
Addition to lease liability against right-of-use assets	-	1,408,442	-
Finance charge	-	398,299	-
Derecognition of lease liability against right-of-use assets	-	(71,518)	-
Modification	-	7,811	-
Cash dividend (Nil)	-	-	-
	-	1,743,034	-
Balance as at 31 December 2024	<u>3,124,241</u>	<u>2,476,776</u>	<u>-</u>

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		2025	2024	
		----- Number -----		
38	STAFF STRENGTH			
	Permanent	1,819	1,727	
	On bank contract	13	14	
	Consultants	1	1	
	Bank's own staff strength at the end of the year	<u>1,833</u>	<u>1,742</u>	
38.1	In addition to the above, 465 (31 December 2024: 477) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services.			
39	DEFINED BENEFIT PLAN			
39.1	Permanent Employees Defined Benefit Plan			
	The Bank operates an approved funded gratuity scheme for all its permanent employees. The benefits under the gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn basic salary for each completed year of service, subject to a minimum of three years of service. The Bank contributes to the gratuity fund based on the independent actuarial valuations.			
		2025	2024	
		----- Number -----		
39.1.1	Number of employees under the scheme			
	Gratuity fund	<u>1,821</u>	<u>1,727</u>	
39.1.2	Principal actuarial assumptions			
	The actuarial valuation was carried out as at 31 December 2025 using the following significant assumptions:	2025	2024	
		----- per annum -----		
	Discount rate	11.00%	12.25%	
	Expected rate of return on plan assets	11.00%	12.25%	
	Expected rate of salary increase - next one year	12.00%	16.30%	
	Expected rate of salary increase - after one year	12.00%	12.50%	
		2025	2024	
		----- Rupees in '000 -----		
39.1.3	Reconciliation of payable to defined benefit plans			
	Present value of obligations	39.1.4	976,522	731,344
	Fair value of plan assets	39.1.8	(628,758)	(508,756)
			<u>347,764</u>	<u>222,588</u>
39.1.4	Movement in defined benefit obligations			
	Obligations at the beginning of the year		731,344	581,785
	Current service cost		170,726	132,946
	Finance cost		83,318	78,543
	Benefits paid by the Bank		(78,275)	(104,837)
	Transfer out to Third Party Contractual Employees Defined Benefit Obligation (TPCO)		-	(7,837)
	Re-measurement loss		69,409	50,744
	Obligations at the end of the year		<u>976,522</u>	<u>731,344</u>
39.1.5	Movement in fair value of plan assets			
	Fair value at the beginning of the year		508,756	408,694
	Expected return on plan assets		67,240	64,813
	Contribution by the Bank		158,566	123,744
	Benefits paid		(78,275)	(104,837)
	Re-measurement loss: Net return on plan assets over finance income	39.1.7.2	(27,529)	16,342
	Fair value at the end of the year		<u>628,758</u>	<u>508,756</u>
39.1.6	Movement in payable under defined benefit schemes			
	Opening balance		222,588	173,091
	Charge for the year	39.1.7.1	186,804	146,676
	Contribution by the Bank		(158,566)	(123,744)
	Re-measurement loss recognised in OCI during the year	39.1.7.2	96,938	34,402
	Transfer out to Third Party Contractual Employees Defined Benefit Obligation (TPCO)		-	(7,837)
	Closing balance		<u>347,764</u>	<u>222,588</u>

39.1.7 Charge for defined benefit plan	2025	2024
	-----Rupees in '000-----	
39.1.7.1 Cost recognised in the statement of profit and loss account		
Current service cost	170,726	132,946
Net return on defined benefit asset / liability	16,078	13,730
	<u>186,804</u>	<u>146,676</u>
39.1.7.2 Re-measurements recognised in OCI during the year		
Loss / (gain) on obligation		
- Financial assumptions	28,701	58,317
- Demographic assumptions	6,732	(3,013)
- Experience adjustment	33,976	(4,560)
Return on plan assets over finance income	27,529	(16,342)
Total re-measurements recognised in OCI	<u>96,938</u>	<u>34,402</u>
39.1.8 Components of plan assets		
Cash and cash equivalents	502,538	415,689
Units of mutual funds	126,220	93,067
	<u>628,758</u>	<u>508,756</u>
	Impact on defined benefit obligation - Increase / (Decrease) ----- (Rupees in '000) -----	
39.1.9 Sensitivity analysis		
- 1% increase in discount rate	(57,734)	(30,088)
- 1% decrease in discount rate	64,837	32,797
- 1% increase in expected rate of salary increase	68,172	35,562
- 1% decrease in expected rate of salary increase	(61,763)	(33,176)
- 10% increase in withdrawal rate	(2,507)	(1,188)
- 10% decrease in withdrawal rate	2,697	1,254
<p>The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (that is, present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the statement of financial position.</p>		
		(Rupees in '000)
39.1.10 Expected contributions to be paid to the funds in the next financial year		<u>208,939</u>
39.1.11 Expected charge for the next financial year		<u>222,476</u>
39.1.12 Maturity profile		
	2025	2024
	----- Years -----	
Weighted average duration of the defined benefit obligation	6.4 years	4.33 years
	2025	2024
	----- (Rupees in '000) -----	
Distribution of timing of benefit payments		
Less than 12 months	144,953	136,599
Between 1 year and 5 years	449,622	457,502
Between 6 and 10 years	512,109	408,530
Above 10 years	1,425,578	486,678

39.1.13 Funding policy

The policy followed by the Bank in respect of the staff retirement benefit schemes is disclosed in note 6.14 of these financial statements.

39.1.14 Risks associated with defined benefit plan**- Longevity risks**

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

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- **Salary increase risk**

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

- **Withdrawal risk**

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

39.2 Third Party Contractual Employees Defined Benefit Obligation

The Bank is liable under the agreement with third-party contractual staff service provider to reimburse to service provider all payouts relating to the employees, which inter-alia includes gratuity payments (the benefit). The benefit is payable on retirement at the age of 60 or earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn gross salary for each completed year of service. The defined benefit obligation is calculated periodically by an independent actuary using the projected unit credit method.

	2025	2024
	----- Number -----	
39.2.1 Number of employees eligible for the benefit		
The number of contractual employees eligible for the benefit	<u>341</u>	<u>332</u>

39.2.2 Principal actuarial assumptions

The actuarial valuation was carried out as at 31 December 2025 using the following significant assumptions:

	2025	2024
	----- per annum -----	
Discount rate	11.50%	12.25%
Expected rate of salary increase - next one year	12.00%	17.25%
Expected rate of salary increase - after one year	13.50%	14.25%

	2025	2024
	-----Rupees in '000-----	
39.2.3 Present value of obligation	<u>196,855</u>	<u>157,958</u>

39.2.4 Movement in defined benefit obligation

Obligations at the beginning of the year		157,958	113,177
Current service cost	39.2.5	25,752	12,657
Finance cost		19,001	17,313
Benefits paid by the Bank		(3,410)	(2,496)
Transfer in		-	7,837
Re-measurement gain / (loss) recognised in OCI during the year	39.2.6.2	(158)	9,470
Obligations at the end of the year		<u>199,143</u>	<u>157,958</u>

39.2.5 This includes benefit payable to the retired employees amounted to Rs. 2.23 million (31 December 2024 :Nil) pertaining to the two employees who retired in December 2025.

	2025	2024
	-----Rupees in '000-----	

39.2.6.1 Cost recognised in the statement of profit and loss account

Current service cost	25,752	12,657
Net return on defined benefit asset / liability	19,001	17,313
	<u>44,753</u>	<u>29,970</u>

39.2.6.2 Re-measurements recognised in OCI during the year

Loss on obligation			
- Financial assumptions		(2,813)	2,602
- Demographic assumptions		12,024	5,410
- Experience adjustment		(9,369)	1,458
Total re-measurements (gain) / loss recognised in OCI		<u>(158)</u>	<u>9,470</u>

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39.2.7 Sensitivity analysis	2025	2024
	Impact on defined benefit obligation Increase / (Decrease)	
	-----Rupees in '000-----	
1% increase in discount rate	(26,103)	(16,627)
1% decrease in discount rate	31,562	19,713
1% increase in expected rate of salary increase	31,681	19,889
1% decrease in expected rate of salary increase	(26,667)	(17,081)
10% increase in withdrawal rate	(495)	(1,133)
10% decrease in withdrawal rate	505	1,199

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (that is, present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the statement of financial position.

	Rupees in '000
39.2.8 Expected charge for the next financial year	<u>51,043</u>

39.2.9 Maturity profile	2025	2024
	----- Years -----	
Weighted average duration of the defined benefit obligation	14.65 years	11.50 years

Distribution of timing of benefit payments	2025	2024
	-----Rupees in '000-----	
Less than 12 months	7,530	9,816
Between 1 year and 5 years	23,353	38,263
Between 6 and 10 years	57,047	60,880
Above 10 years	1,560,166	990,752

39.2.10 Risks associated with defined benefit obligation

- Longevity risks

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

- Salary increase risk

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

- Withdrawal risk

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation.

40 DEFINED CONTRIBUTION PLAN

The Bank also operates a recognised contributory provident fund for all permanent employees. Equal monthly contributions are made, both by the Bank and the employees, to the fund at a rate of 10% of basic salary.

	2025	2024
	----- (Rupees in '000) -----	
Contribution from the Bank	185,696	147,630
Contribution from the employees	185,696	147,630
	<u>371,392</u>	<u>295,260</u>

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41 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

41.1 Total compensation expense

		2025						
		Directors		Members shariah board	President / CEO	Key management personnel	Other material risk takers / controllers	
Note		Chairman	Non-executives					
----- (Rupees in '000) -----								
	Fees and allowances etc.	31	9,750	85,150	7,800	-	-	-
	Managerial remuneration							
	i) Fixed		-	-	14,797	56,039	217,440	232,130
	ii) Variable		-	-	3,473	34,500	35,625	34,672
	a) Cash bonus / awards	41.2	-	-	3,473	34,500	35,625	34,672
	b) Bonus and awards in shares		-	-	-	-	-	-
	Charge for defined benefit plan		-	-	-	3,479	12,113	14,886
	Contribution to defined contribution plan		-	-	-	4,176	17,226	19,073
	Rent and house maintenance		-	-	-	12,528	56,170	60,800
	Utilities		-	-	-	4,176	18,723	19,667
	Medical		-	-	53	4,289	20,576	23,211
	Conveyance		-	-	3,273	2,412	53,789	83,801
	Others		-	-	1,250	1,200	3,046	3,534
	Total		9,750	-	30,646	122,799	434,708	491,774
	Number of persons		1	8	4	1	17	39

		2024						
		Directors		Members shariah board	President / CEO	Key management personnel	Other material risk takers / controllers	
Note		Chairman	Non-executives					
----- (Rupees in '000) -----								
	Fees and allowances etc.	31	11,700	59,150*	7,652	-	-	-
	Managerial remuneration							
	i) Fixed		-	-	12,222	49,079	176,287	164,411
	ii) Variable		-	-	2,719	21,000	41,073	26,805
	a) Cash bonus / awards	41.2	-	-	2,719	21,000	41,073	26,805
	b) Bonus and awards in shares		-	-	-	-	-	-
	Charge for defined benefit plan		-	-	-	2,899	10,035	10,156
	Contribution to defined contribution plan		-	-	-	3,480	14,517	13,349
	Rent and house maintenance		-	-	-	10,440	45,415	41,847
	Utilities		-	-	-	3,480	15,138	13,349
	Medical		-	-	50	3,524	16,786	15,906
	Conveyance		-	-	2,626	2,444	54,449	73,754
	Others		-	-	1,375	1,800	981	994
	Total		11,700	59,150	26,644	98,146	374,681	360,571
	Number of persons		2	10	4	1	25	41

The Bank also provides Bank maintained car to certain executives for their own use and business use.

*This includes fee paid to resigned directors for the meetings held during their tenure.

- 41.2 SBP has issued guidelines and disclosure on governance and remuneration practices through BPRD of Circular No. 1 of 2017 dated 25 January 2017 effective from 01 January 2019. The amount of bonus paid out of deferred at the time of payment to the President, Chief Executive Officer, key management personnel and other material risk takers / material risk controllers, as per the Remuneration Policy as at 31 December 2025 amounts to Rs. 49.091 million (31 December 2024: Rs. 27.454 million).

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	2025	2024
	---(Rupees in '000)---	
Opening balance	27,454	15,472
Addition of deferred remuneration	32,132	22,277
Less: Paid during the year	(10,495)	(10,295)
Closing balance	49,091	27,454

41.3 Remuneration paid to Directors for participation in Board and Committee Meetings

		2025									
		Meeting Fees and Allowances									
S. No.	Name of Directors	For Board Meetings	For Board Committees							Board Executive Committee	Total amount
			ITD & IS Committee	Pakistan Capital Injection Committee	Risk Committee	Audit Committee	Compliance Committee	Nomination and Remuneration Committee			
(Rupees in '000)											
1	Mr. Azhar Aziz Dogar	3,900	2,600	-	-	-	-	-	-	3,250	9,750
2	Mr. Mohammed Tareq Sadeq	3,250	-	-	-	2,600	3,250	-	-	-	9,100
3	Mr. Zahid Rahim	3,900	-	-	2,600	-	-	-	-	3,250	9,750
4	Mr. Azhar Hamid	3,900	2,600	-	2,600	-	-	3,900	-	-	13,000
5	Mr. Abdul Malek Mazhar	3,250	-	-	-	2,600	3,250	3,900	-	-	13,000
6	Mr. Youssef Wassim Aboul Naja	2,600	1,950	-	-	-	-	-	-	2,600	7,150
7	Mr. Shaher Eid Abdul-Haleem Suleiman	3,900	-	-	2,600	2,600	3,250	-	-	-	12,350
8	Dr. Vaseehar Bin Abdul Razack	3,900	2,600	-	-	-	-	-	-	3,250	9,750
9	Ms. Fariha Salahuddin	3,900	-	-	-	-	-	3,900	3,250	-	11,050
Total amount		32,500	9,750	-	7,800	7,800	9,750	11,700	15,600	-	94,900

		2024									
		Meeting Fees and Allowances									
S. No.	Name of Directors	For Board Meetings	For Board Committees							Board Executive Committee	Total amount
			ITD & IS Committee	Pakistan Capital Injection Committee	Risk Committee	Audit Committee	Compliance Committee	Nomination and Remuneration Committee			
(Rupees in '000)											
1	Mr. Azhar Aziz Dogar	3,900	1,950	-	-	-	-	-	-	2,600	8,450
2	Dr. Jehad El Nakla	1,300	-	-	-	-	-	-	-	1,950	3,250
3	Mr. Mohammed Tareq Sadeq	3,250	-	-	-	2,600	1,950	-	-	-	7,800
4	Mr. Zahid Rahim	3,250	650	-	650	-	-	-	-	1,950	6,500
5	Mr. Azhar Hamid	3,250	650	-	1,300	1,300	650	650	-	-	7,800
6	Mr. Abdul Malek Mazhar	3,250	-	-	-	3,250	1,950	2,600	-	-	11,050
7	Ms. Aminah Zahid Zaheer	1,300	650	-	-	-	-	1,300	1,300	-	4,550
8	Mr. Mohamed Abdulla Abdulrahim	1,950	-	-	1,300	1,300	-	1,950	-	-	6,500
9	Mr. Youssef Wassim Aboul Naja	3,900	650	-	1,300	-	-	-	-	2,600	8,450
10	Mr. Shaher Eid Abdul-Haleem Suleiman	650	-	-	650	650	650	-	-	-	2,600
11	Dr. Vaseehar Bin Abdul Razack	650	650	-	-	-	-	-	-	650	1,950
12	Ms. Fariha Salahuddin	650	-	-	-	-	-	650	650	-	1,950
Total amount		27,300	5,200	-	5,200	9,100	5,200	7,150	11,700	-	70,850

The Board was reconstituted during the year ended 31 December 2024.

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41.4 Remuneration paid to shariah board members

	2025			2024		
	Chairman	Resident Member	Non-Resident Member	Chairman	Resident Member	Non-Resident Member
	(Rupees in '000)					
Fees and allowances etc.	2,600	-	5,200	2,677	-	4,975
Managerial remuneration						
i) Fixed	-	14,797	-	-	12,222	-
ii) Variable	-	3,473	-	-	2,719	-
a) Cash bonus / awards	-	3,473	-	-	2,719	-
b) Bonus and awards in shares	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	-	-
Rent & house maintenance	-	-	-	-	-	-
Utilities	-	-	-	-	-	-
Medical	-	53	-	-	50	-
Conveyance	-	3,273	-	-	2,626	-
Others	-	1,250	-	-	1,375	-
Total amount	2,600	22,846	5,200	2,677	18,992	4,975
Total number of persons	1	1	2	1	1	2

42 FAIR VALUE MEASUREMENTS

Fair value measurement defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of quoted securities other than those classified at amortised cost, is based on quoted market price. Quoted securities classified at amortised cost are carried at cost.

The fair value of fixed term Islamic financings, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

The repricing profile and maturity are stated in notes 47.2.5 and 47.4.1 to these financial statements.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of customer Islamic financing and deposits are frequently repriced.

42.1 Fair value of financial assets

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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42.3 Valuation techniques used in determination of fair values

Particulars	Valuation approach and input used
Listed securities	The valuation has been determined through closing rates of Pakistan Stock Exchange (PSX).
Federal government securities	The fair value of federal government securities are determined on the basis of rates / prices sourced from Reuters. The fair value of GoP Ijarah sukuks listed on Pakistan Stock Exchange has been determined through closing rates of Pakistan Stock Exchange. The fair value of other GoP Ijarah sukuks are derived using PKISRV rates. The PKISRV rates are announced by FMA (Financial Market Association) through Reuters. The rates announced are simple average of quotes received from eight different pre-defined / approved dealers / brokers.
Foreign securities	The fair value of foreign securities are denominated on the basis of rates taken from Bloomberg / Reuters.
Forward foreign exchange contracts	The valuation has been determined by interpolating the mid rates announced by State Bank of Pakistan.
Non-banking assets acquired in satisfaction of claims	The fair value of land and building are derived using the sale comparison approach. The sales value is determined by physically analysing the condition of land and building and by ascertaining the current market value of similar land, which is selling in near vicinity. Moreover, for buildings, the valuer has also considered prevailing current cost of construction for relevant type of civil work carried out thereon, wherever required. Please refer note 16.1.1 highlighting the year of valuation and external valuer name.
Unquoted equity securities	The fair value of investment in Salaam Takaful Limited has been determined using the Market Approach - Comparable Companies Multiple (CCMM) method. A regression analysis was performed on the reported P/B against the latest twelve months (LTM) return on equity of comparable insurance companies to derive the appropriate valuation multiple. In determining fair value, a discount for lack of marketability (DLOM) of has been applied to reflect the reduced liquidity of the investment.
Corporate sukuks	The valuation has been determined through closing rates announced by FMA (Financial Market Association) through Reuters.

The Bank's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred.

There were no transfers between levels 1 and 2 during the year.

Within Level 3 of the fair value hierarchy, a reconciliation from the opening balances to the closing balances and changes during the year has been disclosed in note 10.4.

The valuations of land and building, mentioned above, are conducted by the valuation experts appointed by the Bank which are also on the panel of the Pakistan Banks' Association (PBA). The valuation experts use a market based approach to arrive at the fair value of the Bank's properties. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a quantitative disclosure of sensitivity has not been presented in these financial statements.

The sensitivity analysis of the fair value measurement of unquoted equity securities due to changes in observable inputs has not been disclosed as the amount is not material and significant.

43 SEGMENT INFORMATION

43.1 Segment details with respect to business activities

	2025						
	Corporate Banking	Commercial and SME Banking	Retail and Consumer Banking	Trading and Sales	Others	Inter-segment Eliminations	Total
	(Rupees in '000)						
Statement of Profit and Loss Account							
Net profit / return earned	6,221,984	1,521,648	(4,853,736)	9,313,488	(245,019)	-	11,958,365
Inter segment revenue - net	-	-	15,908,343	-	507,590	(16,415,933)	-
Other income	356,219	278,227	640,795	1,292,398	-	-	2,567,639
Total income	6,578,203	1,799,875	11,695,402	10,605,886	262,571	(16,415,933)	14,526,004
Segment direct expenses	(656,525)	(382,601)	(9,278,286)	(193,789)	(638,451)	-	(11,149,652)
Inter segment expense allocation	(4,109,302)	(635,455)	(2,149,838)	(9,521,338)	-	16,415,933	-
Total expenses	(4,765,827)	(1,018,056)	(11,428,124)	(9,715,127)	(638,451)	16,415,933	(11,149,652)
Reversal of / (charge against) credit loss allowance / provisions and write offs - net	797,564	(20,455)	14,071	(1,683)	(63,775)	-	725,722
Profit before tax	2,609,940	761,364	281,349	889,076	(439,655)	-	4,102,074

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2025						
Corporate Banking	Commercial and SME Banking	Retail and Consumer Banking	Trading and Sales	Others	Inter-segment Eliminations	Total

(Rupees in '000)

Statement of Financial Position

Cash and balances with treasury banks	2,808,147	710,141	17,396,144	4,700,509	-	-	25,614,941
Balances with other banks	-	-	-	1,724,589	-	-	1,724,589
Due from financial institutions	-	-	-	15,996,408	-	-	15,996,408
Investments	1,218,266	-	-	102,455,903	-	-	103,674,169
Net inter segment lending	-	-	127,897,549	-	-	(127,897,549)	-
Islamic financing and related assets - performing	98,361,472	15,207,453	18,994,523	-	2,552,518	-	135,115,966
Islamic financing and related assets - non - performing	394,257	282,728	173,478	-	-	-	850,463
Others	5,425,519	1,503,458	8,605,573	2,015,951	11,396,092	-	28,946,593
Total assets	108,207,661	17,703,780	173,067,267	126,893,360	13,948,610	(127,897,549)	311,923,129
Bills payable	74,564	-	8,472,200	-	-	-	8,546,764
Due to financial institutions	3,819,732	557,989	-	-	-	-	4,377,721
Subordinated mudaraba	-	-	-	-	3,124,241	-	3,124,241
Deposits and other accounts	43,424,613	11,219,834	153,779,636	51,219,006	-	-	259,643,089
Net inter segment borrowing	49,514,564	3,554,509	-	66,182,741	8,645,735	(127,897,549)	-
Others	3,723,944	1,119,797	7,621,948	520,297	1,192,472	-	14,178,458
Total liabilities	100,557,417	16,452,129	169,873,784	117,922,044	12,962,448	(127,897,549)	289,870,273
Equity	7,650,244	1,251,651	3,193,483	8,971,316	986,162	-	22,052,856
Total equity and liabilities	108,207,661	17,703,780	173,067,267	126,893,360	13,948,610	(127,897,549)	311,923,129
Contingencies and commitments	42,460,893	14,701,219	73,768	23,893,587	8,431,380	-	89,560,847

2024						
Corporate Banking	Commercial and SME Banking	Retail and Consumer Banking	Trading and Sales	Others	Inter-segment Eliminations	Total

(Rupees in '000)

Statement of Profit and Loss Account

Net profit / return earned	5,720,763	1,498,841	(8,055,132)	17,345,154	(565,440)	-	15,944,186
Inter segment revenue - net	-	-	22,269,119	-	3,506,713	(25,775,832)	-
Other income	273,548	268,866	459,676	1,470,826	11,085	-	2,484,001
Total Income	5,994,311	1,767,707	14,673,663	18,815,980	2,952,358	(25,775,832)	18,428,187
Segment direct expenses	(448,330)	(497,686)	(8,803,866)	(140,687)	-	-	(9,890,569)
Inter segment expense allocation	(6,314,223)	(739,226)	(3,888,421)	(14,833,962)	-	25,775,832	-
Total expenses	(6,762,553)	(1,236,912)	(12,692,287)	(14,974,649)	-	25,775,832	(9,890,569)
Reversal of / (charge against) credit loss allowance / provisions and write offs - net	(425,622)	(100,455)	160,295	7,044	199,212	-	(159,526)
Profit before tax	(1,193,864)	430,340	2,141,671	3,848,375	3,151,570	-	8,378,092

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2024						
Corporate Banking	Commercial and SME Banking	Retail and Consumer Banking	Trading and Sales	Others	Inter-segment Eliminations	Total

(Rupees in '000)

Statement of Financial Position

Cash and balances with treasury banks	57,988	-	4,974,627	13,802,300	-	-	18,834,915
Balances with other banks	-	-	-	1,800,742	-	-	1,800,742
Due from financial institutions	-	-	-	1,398,776	-	-	1,398,776
Investments	2,087,204	-	-	124,764,748	-	-	126,851,952
Net inter segment lending	-	-	128,169,117	-	15,320,840	(143,489,957)	-
Islamic financing and related assets - performing	68,742,522	12,996,624	16,797,845	-	1,707,229	-	100,244,220
Islamic financing and related assets - non - performing	647,571	207,329	339,699	-	-	-	1,194,599
Others	7,197,740	1,583,409	6,896,982	4,335,981	2,921,637	-	22,935,749
Total assets	78,733,025	14,787,362	157,178,270	146,102,547	19,949,706	(143,489,957)	273,260,953
Bills payable	98,135	-	7,184,829	-	-	-	7,282,964
Due to financial institutions	5,231,535	913,059	-	-	-	-	6,144,594
Subordinated mudaraba	-	-	-	-	3,124,241	-	3,124,241
Deposits and other accounts	29,314,935	9,969,286	142,111,790	42,006,069	-	-	223,402,080
Net inter segment borrowing	43,108,698	2,102,506	-	98,278,753	-	(143,489,957)	-
Others	2,180,435	1,390,386	5,698,432	692,623	1,726,785	-	11,688,661
Total liabilities	79,933,738	14,375,237	154,995,051	140,977,445	4,851,026	(143,489,957)	251,642,540
Equity	(1,200,713)	412,125	2,183,219	5,125,102	15,098,680	-	21,618,413
Total equity and liabilities	78,733,025	14,787,362	157,178,270	146,102,547	19,949,706	(143,489,957)	273,260,953
Contingencies and commitments	22,569,335	12,144,708	4,603	10,766,990	5,566,989	-	51,052,625

43.2 Segment details with respect to geographical locations**Geographical Segment Analysis**

Profit before tax
Total assets
Total liabilities
Total equity and liabilities
Contingencies and commitments

Pakistan	
2025	2024

----- (Rupees in '000) -----

Profit before tax	4,102,074	8,378,092
Total assets	311,923,129	273,260,953
Total liabilities	289,870,273	251,642,540
Total equity and liabilities	311,923,129	273,260,953
Contingencies and commitments	89,560,847	51,052,625

44 TRUST ACTIVITIES

The Bank commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions including on behalf of certain related parties. These are not assets of the Bank and, therefore, are not included in the Statement of Financial Position. The following is the list of assets held under trust:

Category	Type	2025	2024	2025	2024
		Number of IPS account		Face value	

----- (Rupees in '000) -----

Takaful company	Government of Pakistan Ijara Sukuks	1	1	1,791,500	2,239,000
Employee funds	Government of Pakistan Ijara Sukuks	2	2	1,165,000	1,465,000
Others	Government of Pakistan Ijara Sukuks	47	24	1,460,900	1,757,100
		<u>50</u>	<u>27</u>	<u>4,417,400</u>	<u>5,461,100</u>

45 RELATED PARTY TRANSACTIONS

45.1 The Bank has related party transactions with its parent, employee benefit plans and its directors and Key Management Personnel.

45.2 The Banks enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing other than Islamic financing made to key management personnel which is in accordance with human resource policy of the Bank. Contributions to and accruals in respect of employee benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

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45.3 Key management personnel

- Chief Executive Officer
- All departmental heads

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

	2025					2024				
	Parent	Directors	Key management personnel	Other related parties	Total	Parent	Directors	Key management personnel	Other related parties	Total
----- (Rupees in '000) -----										
Islamic financing and related assets - net										
Opening balance	-	-	499,445	1,661	501,106	-	-	439,033	2,088	441,121
Addition during the year	-	-	406,635	-	406,635	-	-	157,516	-	157,516
Repaid during the year	-	-	(114,530)	(535)	(115,065)	-	-	(77,903)	(427)	(78,330)
Transfer in / out	-	-	(96,742)	-	(96,742)	-	-	(19,201)	-	(19,201)
Closing balance	-	-	694,808	1,126	695,934	-	-	499,445	1,661	501,106
Credit loss allowance held against Islamic financing and related assets	-	-	83	-	83	-	-	62	-	62
Property and equipment										
Property and equipment	-	-	-	251,680	251,680	-	-	-	251,680	251,680
Provision for impairment	-	-	-	251,680	251,680	-	-	-	251,680	251,680
Other assets										
Profit receivable on Islamic financing and related assets	-	-	2,808	1	2,809	-	-	330	10	340
Credit loss allowance held against other assets	-	-	-	-	-	-	-	-	-	-
Subordinated mudaraba	1,389,241	-	-	-	1,389,241	1,389,241	-	-	-	1,389,241
Deposits and other accounts										
Opening balance	16,840	71,976	36,505	664,376	789,697	16,937	60,215	40,466	648,517	766,135
Received during the year	46	111,421	539,196	1,538,583	2,189,246	-	91,489	405,792	1,820,080	2,317,361
Withdrawn during the year	-	(91,794)	(521,987)	(744,442)	(1,358,223)	(97)	(79,634)	(388,341)	(1,804,240)	(2,272,312)
Transfer in/out	(12)	-	(15,955)	(5,507)	(21,474)	-	(94)	(21,412)	19	(21,487)
Closing balance	16,874	91,603	37,759	1,453,010	1,599,246	16,840	71,976	36,505	664,376	789,697
Other liabilities										
Return payable on deposits	12	5,287	129	10,003	15,431	-	7,738	107	4,094	11,939
Return payable on Subordinated mudaraba	220,039	-	-	-	220,039	341,724	-	-	-	341,724
Payable in respect of defined benefit plan	-	-	-	347,764	347,764	-	-	-	229,122	229,122
Other liabilities	-	-	-	657	657	-	-	-	657	657
Non-funded exposure	-	-	-	-	-	-	-	-	-	-

	2025					2024				
	Parent	Directors	Key management personnel	Other related parties	Total	Parent	Directors	Key management personnel	Other related parties	Total
----- (Rupees in '000) -----										

Related party transactions during the year

Income

Profit earned on Islamic

financing and related assets

-	-	16,693	80	16,773	-	-	15,211	108	15,319
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Expense and transactions

Return on deposits expenses

-	11,309	1,752	73,972	87,033	-	11,776	2,719	88,539	103,034
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Salaries, allowances and benefits

-	-	579,179	-	579,179	-	-	491,819	-	491,819
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Director fee and other allowances

-	94,900	-	-	94,900	-	70,850	-	-	70,850
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Shariah Board fee

-	-	-	7,800	7,800	-	-	-	7,652	7,652
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Rent expense

-	-	-	45,398	45,398	-	-	-	42,928	42,928
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Commission expense

1,840	-	-	-	1,840	-	-	-	-	-
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Contribution to defined contribution plan

-	-	-	185,696	185,696	-	-	-	147,630	147,630
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Contribution to defined benefit plan

-	-	-	186,804	186,804	-	-	-	146,676	146,676
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Return on sub-ordinated mudaraba

212,303	-	-	-	212,303	337,191	-	-	-	337,191
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46 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2025	2024
	----- (Rupees in '000) -----	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>14,500,490</u>	<u>14,500,490</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	<u>18,816,017</u>	<u>17,767,782</u>
Eligible Additional Tier 1 (ADT 1) Capital	<u>1,389,241</u>	<u>1,389,241</u>
Total Eligible Tier 1 Capital	<u>20,205,258</u>	<u>19,157,023</u>
Eligible Tier 2 Capital	<u>2,673,792</u>	<u>3,368,153</u>
Total Eligible Capital (Tier 1 + Tier 2)	<u>22,879,050</u>	<u>22,525,176</u>
Risk Weighted Assets (RWAs):		
Credit Risk	<u>97,628,396</u>	<u>81,928,943</u>
Market Risk	<u>2,424,489</u>	<u>1,750,696</u>
Operational Risk	<u>30,127,361</u>	<u>27,421,837</u>
Total	<u>130,180,246</u>	<u>111,101,476</u>
Common Equity Tier 1 Capital Adequacy Ratio	<u>14.45%</u>	<u>15.99%</u>
Tier 1 Capital Adequacy Ratio	<u>15.52%</u>	<u>17.24%</u>
Total Capital Adequacy Ratio	<u>17.57%</u>	<u>20.27%</u>

The minimum capital adequacy ratio required by SBP as at 31 December 2025 is 11.5% (31 December 2024: 11.5%).

	2025	2024
	----- (Rupees in '000) -----	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	<u>20,205,258</u>	<u>19,157,023</u>
Total Exposures	<u>357,466,228</u>	<u>313,546,250</u>
Leverage Ratio	<u>5.65%</u>	<u>6.11%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	<u>135,415,143</u>	<u>139,366,037</u>
Total Net Cash Outflow	<u>94,055,904</u>	<u>73,070,502</u>
Liquidity Coverage Ratio	<u>143.97%</u>	<u>190.73%</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	<u>205,551,486</u>	<u>181,099,222</u>
Total Required Stable Funding	<u>126,463,559</u>	<u>84,608,589</u>
Net Stable Funding Ratio	<u>162.54%</u>	<u>214.04%</u>

- 46.1 The full disclosures on the capital adequacy, leverage ratio & liquidity requirements as per SBP instructions issued from time to time have been placed on the website. The link to the full disclosure is available at www.albaraka.com.pk/page/investor-relations.

47 RISK MANAGEMENT

The wide variety of the Bank's business activities require the Bank to identify, assess, measure, aggregate and manage risks effectively which are constantly evolving as the business activities expand in response to the Bank's strategy and growth. The Bank manages the risk through a framework of risk management encompassing policies and procedures, organisational structures, risk measurement and monitoring processes and techniques that are closely aligned with business activities of the Bank.

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The primary goal of risk management is to identify, assess and monitor risks inherent in the activities of the Bank and take adequate measures to manage and control these risks on timely basis. This will help in achieving sustainable business growth and financial and non-financial targets with better protection and soundness. The Bank's aim is to achieve an appropriate balance between risk and return and minimising potential adverse effects on the Bank's financial performance.

This section presents information about Bank's exposure to and its management and control of risks, in particular the primary risks associated with its use of financial instruments:

- Credit risk is the risk of loss resulting from client or counterparty default (note 47.1).
- Market risk is exposure to market variables such as benchmark rates, exchange rates and equity indices (note 47.2).
- Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events and Shariah non compliance (note 47.3).
- Liquidity risk is the potential loss arising from Bank's inability to meet its obligations when due (note 47.4).

The objective of risk management is to effectively manage uncertainties that arise in the normal course of business activities. The Bank manages the risk through a framework of risk management, policies and principles, organisational structures, and risk measurement and monitoring processes that are closely aligned with the business activities of the Bank.

Risk management principles

- The Board of Directors (the Board) provides overall risk management supervision. The Board Risk Committee (BRC) regularly monitors the Bank's risk profile.
- The Bank has set up objectives and policies to manage the risks that arise in connection with the Bank's activities. The risk management framework and policies of the Bank are guided by specific objectives to ensure that comprehensive and adequate risk management policies are established to mitigate the salient risk elements in the operations of the Bank.
- The establishment of the overall financial risk management objectives is consistent and tandem with the strategy to create and enhance shareholders value, while guided by a prudent and robust framework of risk management policies.
- The structure of risk management function is closely aligned with the organisational structure of the Bank.

Risk management organisation

The Board through its sub-committee called Board Risk Committee (BRC) oversees the overall risk of the Bank. The Risk Management Department (RMD) is the organisational arm performing the functions of identifying, measuring, monitoring and controlling the various risk and assists the apex level committee and the various sub-committees in conversion of policies into action.

The BRC comprises executive directors, non-executive directors and the Chief Risk Officer. One of the non-executive directors of the Bank chairs the BRC, who is responsible for planning, management and control of the aforementioned risks of the Bank.

The BRC has delegated some of its tasks of risk management to sub committees which are as follows:

Name of the committees	Chaired by
Credit Committee	Chief Executive Officer
Asset and Liability Management Committee (ALCO)	Chief Executive Officer
Credit Risk Management Committee (CRMC)	Chief Executive Officer

Credit committee is responsible for approving and monitoring all financing transactions and also the overall quality of the asset portfolio. For this purpose it has formulated credit policy so as to effectively monitor the risk profile of the Bank's asset portfolio and to ensure strict adherence to the SBP's Prudential Regulations, Banking Companies Ordinance, 1962 and any other regulatory requirement.

ALCO has the responsibility for the formulation of overall strategy and oversight of the assets liability management function. ALCO monitors the maintenance of liquidity ratios, depositor's concentration both in terms of overall funding mix and avoidance of reliance on large deposits. The Board has approved a comprehensive liquidity management policy.

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CRMC is responsible to oversee credit risk activities on bank-wide basis while ensuring compliance with regulatory requirements and internal policies. Its responsibilities also include to provide support and guide front lines in managing their businesses, perform finance portfolio review, establish financing standards and benchmarks, maintain adequate industry diversification and decide upon provisioning. It is also required to delegate financing approving powers & prudential limits on large financing exposures.

The Bank's risk management, compliance and internal audit and legal departments support the risk management function. The role of the risk management department is to quantify the risk and the quality and integrity of the Bank's risk-related data. The Compliance Department ensures that all the directives and guidelines issued by SBP are being complied with in order to mitigate the compliance and operational risks. Internal Audit Department reviews the compliance of internal control procedures with internal and regulatory standards.

47.1 Credit risk

Credit risk is the identification of probability that counterparty will cause a financial loss to the Bank due to its inability or unwillingness to meet its contractual obligation. This credit risk arises mainly from financing and investing activities. The credit risk management processes encompass identification, assessment, measurement, monitoring and control of the Bank's exposure to credit risk. The credit risk management philosophy is based on the overall business strategy / direction as established by the Board. The Bank is committed to the appropriate level of due diligence to ensure that credit risks have been properly analysed, fully disclosed to the approving authorities and appropriately quantified, also ensuring that the credit commitment is appropriately structured, priced (in line with market practices) and documented.

The Bank has built and maintained a sound loan portfolio in terms of a well-defined credit policy approved by the Board of Directors (BOD). Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for prudence in lending activities and ensuring the high quality of asset portfolio. In order to have an effective and efficient risk assessment, and to closely align its functions with Business, Credit Division has separate units for Corporate banking, Commercial & SME banking and Retail banking. For Consumers, loans are booked against defined eligibility criteria as per product programs / credit policy and these have a separate credit risk function.

The Bank manages its portfolio of loan assets with a view to limit concentrations in terms of risk quality, industry, maturity and large exposure. Portfolio analysis is also conducted on regular basis. This portfolio level oversight is maintained by the Credit & Risk Management Committee Group.

The management of credit risk is governed by credit policies approved by the Board. The procedures set out the relevant approval authorities, limit structures, risks, credit ratings and other matters involved in order to ensure sound credit granting standards.

The Bank determines the amount for provisions / expected credit loss as per the IFRS 9 guidelines / Prudential Regulations issued by the SBP and the management best estimates.

A sophisticated internal credit rating system is in place, which is capable of quantifying counter-party and transaction risk in accordance with the best practices. The risk rating system takes into consideration qualitative and quantitative factors of the counter-party, transaction structure & security and generates internal ratings at obligor and facility levels. Furthermore, this system has an integrated loan origination module, which is currently being used in Corporate Banking, Commercial & SME Banking and Retail segments. The system is regularly reviewed for improvements as per the SBP's guidelines for Internal Credit Rating and Risk Management.

The risk rating system incorporates comprehensive obligor risk rating models for the Corporate, Commercial, SME, and Project Finance portfolios. These models are designed using a diverse array of qualitative and quantitative variables, each assigned specific weights or scores. The aggregate score of these variables is mapped to determine the final obligor risk rating. Additionally, the scorecard-based models include a provision for management-level overrides, enabling the incorporation of any critical information or risk factors into the final assessment.

Furthermore, the Bank also validates internal ratings based on statistical tests for all portfolios. It covers both discrimination and calibration statistical tests as per best practices. The system is backed by secured database with backup support and is capable of generating MIS reports providing snapshot of the entire portfolio for strategising and decision making. The system is enhanced to compute the ECL calculation for IFRS 9 and risk weighted assets for quarterly credit risk related Basel submissions.

A centralised Credit Administration Division (CAD) under Credit and Risk Management Group is working towards ensuring that terms of approval of credit sanctions and regulatory stipulations are complied with, all documentation including security documentation is regular and fully enforceable and all disbursements of approved facilities are made only after necessary authorisation by CAD.

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Credit Policy and Portfolio Management under Credit and Risk Management Group keeps a watch on the quality of the credit portfolio in terms of borrowers' behaviour, identifies weakening accounts relationships and report them to the appropriate authorities with a view to address further deterioration.

To handle the specialised requirements of managing delinquent and problem accounts, the Bank has a separate client facing unit to negotiate repayment / settlement of the non-performing exposure and protect the interests of the depositors and stakeholders. The priority of the Special Asset Management (SAM) department is recovery of amounts and / or to structure an arrangement (such as rescheduling, restructuring, settlement or a combination of these) by which the interests of the Bank are protected. Where no other recourse is possible, SAM may proceed with legal recourse so as to maximise the recovery of the assets. The Credit and Risk Management Group also monitors the NPL portfolio of the Bank and reports the same to CRMC / BRMC.

47.1.1 Credit risk - general disclosures Basel specific

The Bank is using Standardised Approach (SA) of the SBP's Basel accord for the purpose of estimating credit risk weighted assets. Under SA, banks are allowed to take into consideration external rating(s) of counter-parties for the purpose of calculating risk weighted assets. A detailed procedural manual specifying processes for deriving Credit Risk Weighted Assets in accordance with the SBP Basel Standardised Approach is in place and firmly adhered to by the Bank.

47.1.2 External ratings

The SBP Basel III guidelines require banks to use ratings assigned by specified External Credit Assessment Institutions (ECAIs) namely Pakistan Credit Rating Agency Limited (PACRA), VIS and Moody's, Fitch and Standard & Poor's.

The Bank uses external ratings for the purpose of mapping risk weights as per the Basel III framework. Instances whereby an exposure is rated by two or more ratings agencies, mapping into different risk weights, instructions outlined in Regulatory guidelines on BASEL framework shall be adhered to for selection of applicable rating.

47.1.3 Disclosures with respect to credit risk mitigation for standardised approach

47.1.3.1 Credit risk mitigation policy

The Bank defines collateral as the assets or rights provided to the Bank by the borrower or a third party in order to secure a credit facility. The Bank would have the rights of secured creditor in respect of the assets / contracts offered as security for the obligations of the borrower / obligor.

47.1.3.2 Collateral valuation and management

As stipulated in the SBP Basel guidelines, the Bank uses the comprehensive approach for collateral valuation. Under this approach, the Bank reduces its credit exposure to a counterparty when calculating its capital requirements to the extent of risk mitigation provided by the eligible financial collateral as specified in the Basel guidelines. In line with Basel guidelines, the Bank makes adjustments in eligible collaterals for possible future fluctuations in the value of the collateral. These adjustments, also referred to as to produce volatility adjusted amounts for collateral, are reduced from the exposure to compute the capital charge based on the applicable risk weights

47.1.3.3 Types of collaterals

The Bank determines the appropriate collateral for each facility based on the type of product and counterparty. In case of corporate and SME financing, fixed assets are generally taken as security for long tenure loans and current assets for working capital finance usually backed by mortgage or hypothecation. For project finance, security of the assets of the borrowers and assignment of the underlying project contracts are generally obtained. Additional security such as pledge of shares, cash collateral, term deposit receipts (TDRs), standby letters of credit (SBLCs), charge on receivables may also be obtained. Moreover, in order to cover the entire exposure personal guarantees of directors / borrowers are also obtained generally by the Bank. For retail products, the security to be taken is defined in the product policy for the respective products. Housing loans and automobile loans are secured by the property and automobile being financed respectively.

The Bank also offers products which are primarily based on collateral such as shares, specified securities and pledged commodities. These products are offered in line with the SBP prudential regulations and approved product policies which also deal with types of collateral, valuation and margining.

The decision on the type and quantum of collateral for each transaction is taken by the credit approving authority as per the credit approval authorisation approved by the CCC under its delegation powers. For facilities provided as per approved product policies (retail products, loan against shares etc.), collateral is taken in line with the policy.

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47.1.3.4 Types of eligible financial collateral

For credit risk mitigation purposes (capital adequacy purposes), the Bank considers all types of financial collaterals that are eligible under the SBP Basel III accord. These include cash / TDRs, shares, SBLCs and securities issued by Government of Pakistan such as certain debt securities rated by recognised credit rating agencies under substitution effect of Basel.

47.1.3.5 Credit concentration risk

Credit concentration risk arises mainly due to concentration of exposures under various categories viz. industry, geography, and single / group borrower exposures. Within credit portfolio, as a prudential measure aimed at better risk management and avoidance of concentration of risks, the SBP has prescribed regulatory limits on maximum exposure to single borrower, group borrowers and related parties. Moreover, in order to restrict the industry concentration risk, annual credit plan spells out the maximum allowable exposure that it can take on specific industry. Additionally, the Internal Rating System allows the Bank to monitor risk rating concentration of borrowers against different grades / scores ranging from 1 - 12 (1 being the best and 12 being loss category).

Credit concentration risk is given in notes 47.1.6 to 47.1.10.

47.1.4 Methodologies and models used for the measurement of Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD)

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Bank considers an exposure to have significantly increased in credit risk when there is considerable deterioration in the internal rating grade for subject customer. The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer / facility to the watch list, or the account becoming forborne. Regardless of the change in credit grades, generally, the Bank considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. However, for certain portfolios, the Bank may rebut 30 DPD presumption based on behavioural analysis of its borrowers. When estimating ECLs on a collective basis for a group of similar assets, the Bank applies the similar principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Based on the above process, the Bank groups its financial instruments into Stage 1, Stage 2 and Stage 3 as described below:

Stage 1: When financial instruments are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 financial instruments also include facilities where the credit risk has improved and they have been reclassified from Stage 2. The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original Effective Profit Rate (EPR). This calculation is made for all the scenarios.

Stage 2: When a financial instrument has shown a significant increase in credit risk (SICR) since origination, the Bank records an allowance for the LTECLs. Stage 2 also includes facilities, where the credit risk has improved and the instrument has been reclassified from Stage 3. The mechanics are similar to those explained above, including the use of multiple scenarios, but probability of default (PD) is applied over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EPR.

Stage 3: For financial instruments considered credit-impaired, the Bank recognises the lifetime expected credit losses for these instruments. The Bank uses a PD of 100% and LGD as computed for each portfolio. This is then compared with allowance computed under SBP Prudential Regulations and higher of the two amounts is taken as the allowance for credit-impaired instrument.

Purchased or originated credit impaired (POCI): POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and profit / rental is subsequently recognised based on a credit-adjusted EPR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

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Undrawn financing commitments:	When estimating LTECLs for undrawn financings commitments, the Bank estimates the expected portion of the financings commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the financing is drawn down, based on a probability-weighting of the three scenarios. For Diminishing Musharaka and Running Musharaka facilities that include an undrawn commitment, ECLs are calculated and presented within other liabilities.
Guarantee and letters of credit contracts	The Bank estimates ECLs based on the BASEL driven credit conversion factor (CCF) for guarantee and letter of credit contracts. The calculation is made using a probability-weighting of the three scenarios. The ECLs related to guarantee and letter of credit contracts are recognised within other liabilities.

Effective profit rate (EPR) is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liabilities to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

47.1.4.1 Forward looking information

In its ECL models, the Bank relies on a range of forward looking information as economic inputs, such as:

- GDP growth
- Volume of exports of goods
- Consumer price index
- Unemployment rate
- Exchange rate

The Bank's management has only considered cash recoveries for LGD calculations, whereas liquid securities, and Government of Pakistan guarantees are used as eligible collaterals for EAD calculation.

47.1.4.2 The calculation of ECLs

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI, undrawn financing commitments, guarantee and letter of credits is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), discounted at an approximation to the EPR, defined as follows:

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk (note 47.1.5);
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of portfolio and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

The Bank calculates ECLs based on a three probability-weighted scenarios (Base, best and worst) [after deriving PDs based on forward looking information as detailed below] to measure the expected cash shortfalls, discounted at an approximation to the EPR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

47.1.4.3 The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only occur at a specific time within the assessed period if the facility has not been previously derecognised and remains in the portfolio. PD is estimated using statistical techniques such as the Rating Transition Matrix Model, particularly for low-default portfolios based on the Bank's internal risk ratings (ranging from 1 to 9).

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For the Bank's portfolios, PDs are determined using the Rating Transition Matrix for corporate, agricultural, retail (excluding Staff and Rehnuma Travel Service products), and SME segments. Through-the-cycle (TTC) PDs are then adjusted using the Vasicek Model for IFRS 9 Expected Credit Loss (ECL) calculations to incorporate forward-looking information.

The Bank performs an annual review of the portfolio (excluding Staff and Rehnuma Travel Service products) and constructs a yearly transition matrix of ratings to compute a count-based PD over a one-year horizon for the past seven years. For Staff and Rehnuma Travel Service products, PDs are calculated based on Days Past Due (DPD) bucket levels for each segment separately. Where practical, the Bank also incorporates information from external rating agencies.

EAD The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and profit, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued profit from missed payments. The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier. The Bank's product offering includes a variety of corporate and retail facilities, in which the Bank has the right to cancel and / or reduce the facilities with one day notice. However, in case of revolving facilities, the Bank does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Bank's expectations of the customer behaviour, its likelihood of default and the Bank's future risk mitigation procedures, which could include reducing or cancelling the facilities.

LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The Bank has estimated segment wise LGDs for Corporate / Commercial, SME & Agri Portfolio as well as product wise LGDs for House Finance, Auto Finance, and Personal Loan. The LGDs are determined using workout approach, based on vintage recovery data for the defaulted portfolio; these recoveries are then discounted back to date of default, to factor in time value of money.

The Bank has converted the estimates for segment / product wise historical LGDs (Through the cycle LGDs) into forward looking point in time LGDs, through use of term structure of point in time PDs.

47.1.4.4 ECL Principles, Grouping and Calculations

The ECL is determined by projecting the PD, LGD and EAD for each future repayment date and for each individual exposure. These three components are multiplied together, effectively calculating an ECL for each future repayment date, which is then discounted back to the reporting date and summed.

The discount rate used to discount the ECLs is based on the effective profit rate that is expected to be charged over the expected period of exposure to the facilities. In the absence of computation of the effective profit rate (at reporting date), the Bank uses an approximation e.g. contractual rate (at reporting date).

Effective profit rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liabilities to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The Bank considers only those collaterals as eligible collaterals in the EAD calculation which have the following characteristics:

- History of legal certainty and enforceability
- History of enforceability and recovery

When estimating the ECLs, the Bank considers three scenarios (a base case, best case, worst case). Each of these is associated with different PDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

The credit exposure (in local currency) that have been guaranteed by the Government and Government Securities are exempted from the application of ECL calculation.

The Bank's management has only considered cash, liquid securities and Government of Pakistan guarantees as eligible collaterals, while calculating EADs.

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The SBP has issued FAQs in its BPRD Circular Letter No. 16 dated July 29, 2024 with regard to certain interpretation of the SBP Application Instructions. In respect of Stage 3 provision, the SBP has clarified that the banks, while assessing the higher of IFRS 9 ECL and provision under the SBP Prudential Regulations, shall take into account the ECL against corporate / commercial / SME loan portfolios at the borrower / facility level, and for the retail borrowers at segment / product basis.

47.1.4.5 Impact on Regulatory Capital

The introduction of IFRS has resulted in reduction in regulatory capital of the Banks, which has reduced their financing capacity and ability to support their clients. In order to mitigate the impact of ECL models on capital, SBP has permitted Banks to opt for transitional arrangement for the ECL impact on regulatory capital from the application of ECL accounting. Annexure B of the 'Application Instructions' issued by SBP has detailed the transitional arrangement.

Accordingly, the Bank has opted for transition arrangement to phase in ECL impact and below tabulated is the impact on key ratios, had the transitional arrangement not applied.

Key Ratios	With Transitional Arrangement	Without Transitional Arrangement
Total Capital to total RWA (CAR)	17.57%	17.47%
Leverage Ratio	5.65%	5.53%

47.1.5 ECL Modeling and staging criteria / Significant increase in ECLs / Cooling off criteria and movement between stages

47.1.5.1 Significant increase in credit risk (SICR)

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Bank considers an exposure (including profit accrued) to have significantly increased in credit risk

Quantitative criteria

- The Bank considers that there has been a significant increase in credit risk when contractual payments are more than specified days.

Qualitative criteria

- Whether there has been a significant increase in credit risk since initial recognition based on internal ratings.
- The customer / facility has been placed on the watchlist rating.

For all the balances with other banks (local / foreign), due from FIs and sovereign exposures (in foreign currency), external ratings falling below specified rating grade shall be considered as SICR and the exposure will be classified in stage 2.

Exposure below specified rating grade, at origination, will be considered in stage 2.

47.1.5.2 Cooling off criteria

A customer classified as stage 2 will move to stage 1 if the following criteria is met and it does not meet SICR indicators at the reporting date.

- * A minimum cooling period is required, from meeting the relevant criteria, before any financial asset is moved back to Stage 1.
- ** A minimum cooling period or next payment made on due date, whichever is later, from meeting the relevant criteria has lapsed / occurred before customer is moved back to Stage 1.

As a general rule, the underlying facility must have become regular, should be current and no longer meets the definition of credit impaired or is in default before it can be reclassified back from Stage 3.

Any upgrading of non-performing exposure to a performing status must be subject to a cooling off period of specified months. However, for financings classified as non-performing, cooling off period and other conditions specified in PRs will have to be complied with. If the facility has been regular during cooling off period, it will move back to stage 2 after which the criteria for moving from stage 1 to stage 2 will be applied.

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For a financial assets to transition from Stage 3 to Stage 2, it must meet the declassification requirements specified in the relevant Prudential Regulations. An exposure cannot be directly upgraded from Stage 3 to Stage 1; instead, it must first transition to Stage 2 and subsequently complete a cooling-off period of six months before being reclassified to Stage 1.

47.1.6 Due from financial institutions

		2025		
Gross due from financial institutions	Non-performing due from financial institutions	Credit loss allowance held		
		Stage 1	Stage 2	Stage 3
(Rupees in '000)				

Credit risk by public / private sector

Public / Government

Private

-	-	-	-	-
16,000,000	-	3,592	-	-
16,000,000	-	3,592	-	-

		2024		
Gross due from financial institutions	Non-performing due from financial institutions	Credit loss allowance held		
		Stage 1	Stage 2	Stage 3
(Rupees in '000)				

Credit risk by public / private sector

Public / Government

Private

-	-	-	-	-
1,398,822	-	46	-	-
1,398,822	-	46	-	-

47.1.7 Investment in debt securities

		2025		
Gross investments	Non-performing investments	Credit loss allowance held		
		Stage 1	Stage 2	Stage 3
(Rupees in '000)				

Credit risk by industry sector

Textile

Pharmaceuticals

Power (electricity), gas, water, sanitary

Financial

Federal Government securities

Foreign Government securities

324,738	102,213	-	15,656	102,213
397,585	-	2,690	-	-
194,755	-	-	-	-
1,802,575	-	266	11,587	-
100,952,188	-	-	-	-
-	-	-	-	-
103,671,841	102,213	2,956	27,243	102,213

Credit risk by public / private sector

Public / Government

Private

101,146,943	-	-	-	-
2,524,898	102,213	2,956	27,243	102,213
103,671,841	102,213	2,956	27,243	102,213

		2024		
Gross investments	Non-performing investments	Credit loss allowance held		
		Stage 1	Stage 2	Stage 3
(Rupees in '000)				

Credit risk by industry sector

Textile

Pharmaceuticals

Power (electricity), gas, water, sanitary

Financial

Federal Government securities

Foreign Government securities

352,213	102,213	4,740	-	102,213
528,069	-	1,688	-	-
24,468,208	-	2,421	-	-
4,580,661	9,242	2,350	36,745	9,242
96,872,991	-	-	-	-
-	-	-	-	-
126,802,142	111,455	11,199	36,745	111,455

Credit risk by public / private sector

Public / Government

Private

121,060,012	-	-	-	-
5,742,130	111,455	11,199	36,745	111,455
126,802,142	111,455	11,199	36,745	111,455

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47.1.8 Islamic financing and related assets - net

	2025				
	Gross Islamic financing and related assets	Non-performing Islamic financing and related assets	Credit loss allowance held		
			Stage 1	Stage 2	Stage 3
	(Rupees in '000)				
Credit risk by industry sector					
Agriculture, forestry, hunting and fishing	5,211,636	698,419	11,649	7,561	589,610
Mining and quarrying	709,102	59,235	1,154	-	41,352
Textile	29,050,419	3,476,480	54,129	42,714	3,327,718
Chemical and pharmaceuticals	11,016,948	331,798	20,256	13,864	331,407
Cement and steel	1,504,420	104,743	48	49,151	73,121
Sugar	4,682,617	248,416	12,840	6,545	260,867
Footwear and leather garments	342,224	259,161	388	-	254,162
Automobile and transportation equipment	3,225,898	65,476	5,358	869	89,231
Electronics and electrical appliances	10,428,164	611,259	29,789	11,333	528,768
Construction	1,894,686	136,032	971	197	131,175
Power (electricity), gas, water, sanitary	17,484,104	-	754	44,058	-
Wholesale and retail trade	4,413,847	451,582	9,453	19,214	360,359
Exports / Imports	135,000	-	120	-	-
Transport, storage and communication	8,795,359	11,034	6,255	82	48,834
Financial	781,960	1,898	1,805	10	1,898
Services	1,286,575	148,647	1,259	15,185	147,755
Individuals / staff	20,336,223	876,840	35,872	22,902	779,525
Food products and beverages	9,766,431	2,076,918	6,525	68,374	1,895,963
Oil and gas companies	1,478,643	1,478,645	-	-	1,478,645
Others	15,648,989	691,450	18,203	6,037	619,127
	<u>148,193,245</u>	<u>11,728,033</u>	<u>216,828</u>	<u>308,096</u>	<u>10,959,517</u>
Credit risk by public / private sector					
Public / Government	22,654,011	-	-	-	-
Private	125,539,234	11,728,033	216,828	308,096	10,959,517
	<u>148,193,245</u>	<u>11,728,033</u>	<u>216,828</u>	<u>308,096</u>	<u>10,959,517</u>

	2024				
	Gross Islamic financing and related assets	Non-performing Islamic financing and related assets	Credit loss allowance held		
			Stage 1	Stage 2	Stage 3
	(Rupees in '000)				
Credit risk by industry sector					
Agriculture, forestry, hunting and fishing	4,217,201	818,500	12,168	3,066	685,632
Mining and quarrying	387,919	73,569	38	4,314	55,784
Textile	21,332,094	3,729,816	71,758	44,250	3,570,640
Chemical and pharmaceuticals	13,599,474	411,647	24,773	11,651	411,195
Cement and steel	2,098,030	179,260	2,986	137,292	135,926
Sugar	4,359,644	248,416	18,117	254	265,701
Footwear and leather garments	288,847	269,097	16	-	207,014
Automobile and transportation equipment	2,050,563	81,281	7,187	67,455	84,267
Electronics and electrical appliances	6,152,464	686,888	20,058	43,096	571,692
Construction	1,168,311	292,780	364	4,228	283,559
Power (electricity), gas, water, sanitary	1,224,351	-	8,928	-	-
Wholesale and retail trade	3,160,341	662,506	4,824	23,776	518,568
Exports / imports	120,000	-	286	-	-
Transport, storage and communication	7,306,873	18,179	3,529	94	46,019
Financial	1,068,051	1,898	3,242	1	1,898
Services	1,335,836	154,708	5,167	45,806	153,717
Individuals / staff	19,793,990	1,129,893	68,267	27,790	834,713
Food products and beverages	10,906,578	2,128,142	10,624	179,413	2,060,051
Oil and gas companies	1,692,425	1,692,425	-	-	1,692,425
Others	12,777,031	686,594	23,440	11,464	540,306
	<u>115,040,023</u>	<u>13,265,599</u>	<u>285,772</u>	<u>603,950</u>	<u>12,119,107</u>

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2024				
Gross Islamic financing and related assets	Non-performing Islamic financing and related assets	Credit loss allowance held		
		Stage 1	Stage 2	Stage 3
(Rupees in '000)				
Credit risk by public / private sector				
Public / Government	6,217,768	-	-	-
Private	108,822,255	13,265,599	285,772	603,950
	<u>115,040,023</u>	<u>13,265,599</u>	<u>285,772</u>	<u>603,950</u>
				<u>12,119,107</u>

47.1.9 Contingencies and commitments

Credit risk by industry sector

Agriculture, forestry, hunting and fishing

Mining and quarrying

Textile

Chemical and pharmaceuticals

Cement and steel

Sugar

Footwear and leather garments

Automobile and transportation equipment

Electronics and electrical appliances

Construction

Power (electricity), gas, water, sanitary

Wholesale and retail trade

Exports / imports

Oil and gas companies

Transport, storage and communication

Financial

Services

Food products and beverages

Others

Credit risk by public / private sector

Public / Government

Private

	2025	2024
-----Rupees in '000-----		
Agriculture, forestry, hunting and fishing	393,247	700,153
Mining and quarrying	-	-
Textile	3,257,725	3,394,521
Chemical and pharmaceuticals	5,576,381	4,410,644
Cement and steel	225,997	238,721
Sugar	174,688	123,808
Footwear and leather garments	53,309	6,883
Automobile and transportation equipment	855,915	1,151,421
Electronics and electrical appliances	3,195,210	1,775,273
Construction	4,085,919	3,568,553
Power (electricity), gas, water, sanitary	12,490,891	1,431,767
Wholesale and retail trade	5,368,440	2,781,880
Exports / imports	602,428	9,812
Oil and gas companies	-	-
Transport, storage and communication	819,977	3,042,250
Financial	186,524	10,893,959
Services	6,928,430	4,003,348
Food products and beverages	631,755	1,256,449
Others	44,714,011	12,263,183
	<u>89,560,847</u>	<u>51,052,625</u>
Credit risk by public / private sector		
Public / Government	11,528,418	3,265,573
Private	78,032,429	47,787,052
	<u>89,560,847</u>	<u>51,052,625</u>

47.1.10 Concentration of Islamic financing and related assets

The Bank's top 10 exposures on the basis of total funded and non-funded exposures aggregating to Rs. 44,397 million (31 December 2024: Rs. 28,228 million) are as following:

	2025	2024
-----Rupees in '000-----		
Funded	43,047,974	22,152,808
Non-funded	1,349,091	6,075,572
Total exposure	<u>44,397,065</u>	<u>28,228,380</u>

The sanctioned limits against these top 10 exposures aggregated to Rs. 67,148 million (31 December 2024: Rs. 33,432 million).

Total funded classified therein

	2025		2024	
	Amount	Credit loss allowance held	Amount	Credit loss allowance held
----- (Rupees in '000) -----				
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	1,478,645	1,478,645	1,692,425	1,692,425
Total	<u>1,478,645</u>	<u>1,478,645</u>	<u>1,692,425</u>	<u>1,692,425</u>

47.1.11 Islamic financing and related assets - Province / Region-wise disbursement and utilisation

Province / Region	2025						
	Disbursements	Utilisation					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	(Rupees in '000)						
Punjab	77,604,997	77,604,997	-	-	-	-	-
Sindh	139,322,835	-	139,322,835	-	-	-	-
KPK including FATA	2,067,067	-	-	2,067,067	-	-	-
Balochistan	1,036,116	-	-	-	1,036,116	-	-
Islamabad	43,731,803	-	-	-	-	43,731,803	-
AJK including Gilgit-Baltistan	2,958	-	-	-	-	-	2,958
Total	263,765,776	77,604,997	139,322,835	2,067,067	1,036,116	43,731,803	2,958

Province / Region	2024						
	Disbursements	Utilisation					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	(Rupees in '000)						
Punjab	50,850,930	50,850,930	-	-	-	-	-
Sindh	113,558,296	-	113,558,296	-	-	-	-
KPK including FATA	1,613,127	-	-	1,613,127	-	-	-
Balochistan	870,793	-	-	-	870,793	-	-
Islamabad	4,922,564	-	-	-	-	4,922,564	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-	-
Total	171,815,710	50,850,930	113,558,296	1,613,127	870,793	4,922,564	-

47.2 Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects yield rate risk, currency risk and other price risks. Banks could be adversely affected by movements in market rates or prices such as benchmark rates, deposit rates, foreign exchange rates, equity prices and market conditions resulting in a loss to earnings and capital.

47.2.1 Equity position in the banking and trading book

The Bank classifies and values its investment portfolio in accordance with the IFRS 9, IFRS 13 and SBP directives as stated in note 6.1 to these financial statements.

Market risk arises from investment in sukuk, equities and dealing in foreign exchange transactions.

Market risk is being monitored by ALCO which performs the following functions in relation to market risk:

- Regular periodic reviews of market risk, based on economic review reports.
- Keeps an eye on the structure / composition of the Bank's assets and liabilities and decide upon product pricing for deposits, Islamic financing and related assets.
- Develop future business strategy in view of the latest trends / policy in the market, economic conditions and local regulatory requirements.
- Review and recommend to the Board of Directors, new opportunities for generating revenues.

Trading book

FVTPL and FVOCI securities with trading intent;

- They are marked to market daily; and
- Any valuation difference is charged / credited to the statement of profit and loss account in case of FVTPL securities and to surplus on revaluation of investments - net of tax under equity in case of FVOCI securities.

Banking book

Assets outside trading book are part of the banking book. These may include assets classified as FVOCI and amortised cost.

The main objective of the Bank's market risk management is to minimise market risk and to facilitate business growth within a controlled and transparent risk management framework.

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47.2.1 Statement of financial position split by trading and banking books

	2025			2024		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	25,614,941	-	25,614,941	18,834,915	-	18,834,915
Balances with other banks	1,724,589	-	1,724,589	1,800,742	-	1,800,742
Due from financial institutions	15,996,408	-	15,996,408	1,398,776	-	1,398,776
Investments	70,514,378	33,159,791	103,674,169	126,804,887	147,065	126,951,952
Islamic financing and related assets - net	135,966,429	-	135,966,429	101,438,819	-	101,438,819
Property and equipment	3,621,690	-	3,621,690	2,792,479	-	2,792,479
Right-of-use assets	3,273,573	-	3,273,573	2,297,928	-	2,297,928
Intangible assets	1,227,535	-	1,227,535	1,249,863	-	1,249,863
Deferred tax assets	3,720,563	-	3,720,563	2,968,013	-	2,968,013
Other assets	16,464,277	638,955	17,103,232	13,626,113	1,353	13,627,466
	<u>278,124,383</u>	<u>33,798,746</u>	<u>311,923,129</u>	<u>273,212,535</u>	<u>148,418</u>	<u>273,360,953</u>

47.2.1.1 In accordance with the transitional arrangement allowed by the SBP circular BPRD/BA&CP/881411/2025 dated 16 May 2025, the Bank is progressively reclassifying its FVOCI portfolio from the Banking Book to the Trading Book. As of December 2025, 25% has been reclassified, with cumulative targets of 50% by December 2026 and 100% by December 2027.

47.2.2 Foreign exchange risk

Foreign exchange risk arises from the fluctuation in the value of financial instruments consequent to the changes in foreign exchange rates. Objective of foreign exchange risk management function is to minimise the adverse impact of foreign exchange assets and liabilities mismatch and maximise the earnings. The Bank manages this risk by setting and monitoring dealer, currency, inter exposures, stop loss and counter party limits for on and off balance sheet financial instruments.

	2025				2024			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign currency assets	Foreign currency	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)							
United States Dollar	11,633,804	18,965,711	7,571,030	239,123	13,412,216	20,253,797	5,372,428	(1,469,153)
Great Britain Pound Sterling	225,031	2,089,805	1,890,546	25,772	2,089,976	2,030,392	-	59,584
Euro	623,455	1,337,986	720,619	6,088	666,783	1,338,960	700,332	28,155
United Arab Emirates Dirham	140,920	127,557	-	13,363	165,851	151,011	-	14,840
Japanese Yen	14,142	10,328	-	3,814	15,778	5	-	15,773
Canadian Dollar	4,810	-	-	4,810	30,990	-	-	30,990
Saudi Riyal	121,843	-	-	121,843	131,897	-	-	131,897
Swiss Frank	65	65	-	-	22,158	-	-	22,158
Chinese Yuan	8,193	-	-	8,193	496,146	453,291	-	42,855
Malaysian Ringgit	196,464	187,634	-	8,830	5	5	-	-
Foreign currency exposure	<u>12,968,727</u>	<u>22,719,086</u>	<u>10,182,195</u>	<u>431,836</u>	<u>17,031,800</u>	<u>24,227,461</u>	<u>6,072,760</u>	<u>(1,122,901)</u>

The exposures of the Bank to foreign exchange risk is also restricted by the statutory limit on aggregate exposure prescribed by the SBP.

	2025		2024	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates on:				
- Statement of profit and loss account	(97,504)	101,822	(71,957)	60,728

47.2.3 Equity position risk

Equity position includes the following:

- Strategic investment
- Investment in equities for generating revenue in short term

The equity investments are accounted for and disclosed as per the provisions and directives of SBP, SECP and the requirements of accounting and reporting standards as applicable in Pakistan.

Credit loss allowance is charged to the statement of profit and loss account.

	2025		2024	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 5% change in equity prices on:				
- Profit or loss	-	2,364	-	4,968
- Other comprehensive income	-	-	-	-

47.2.4 Yield / profit rate risk

It includes all material yield risk positions of the Bank taking into account all re-pricing and maturity date. It includes current balances and contractual yield rates, the Bank understands that its Islamic financing and related assets shall be re-priced as per their respective contracts.

The Bank's estimates changes in the economic value of equity due to changes in the yield rates on on-balance sheet positions by conducting duration gap analysis. It also assesses yield rate risk on earnings of the Bank by applying upward and downward shocks.

	2025		2024	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in profit rates on:				
- Profit or loss	(46,809)	(29,881)	(920)	(67,590)
- Other comprehensive income	-	-	-	-

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47.2.5 Mismatch of yield rate sensitive assets and liabilities

On-balance sheet financial instruments	Effective yield / profit rate	Total	2025										Non-profit bearing financial instruments	
			Exposed to Yield Risk											
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years			
(Rupees in '000)														
Assets														
Cash and balances with treasury banks		25,614,941	-	-	-	-	-	-	-	-	-	-	-	25,614,941
Balances with other banks	3.10%	1,724,589	1,035,576	-	-	-	-	-	-	-	-	-	-	689,013
Due from financial institutions	8.80%	15,996,408	15,996,408	-	-	-	-	-	-	-	-	-	-	-
Investments	11.60%	103,674,169	1,706,091	7,531,217	93,129,984	1,172,103	-	-	-	-	-	-	-	134,774
Islamic financing and related assets - net	13.00%	135,966,429	14,503,446	56,398,688	50,779,336	8,571,248	393,771	766,873	1,324,182	927,267	922,990	922,990	1,378,628	
Other assets		14,599,067	-	-	-	-	-	-	-	-	-	-	-	14,599,067
Liabilities														
Bills payable		8,546,764	-	-	-	-	-	-	-	-	-	-	-	8,546,764
Due to financial institutions	10.50%	4,377,721	-	-	-	-	-	-	-	-	-	-	-	4,377,721
Deposits and other accounts	6.20%	259,643,089	181,777,906	-	-	-	-	-	-	-	-	-	-	77,865,183
Subordinated mudaraba	14.08%	3,124,241	-	-	1,735,000	1,389,241	-	-	-	-	-	-	-	-
Lease liabilities		3,606,386	45,436	70,029	137,176	346,982	502,869	502,869	710,193	1,290,832	-	-	-	10,054,371
Other liabilities		10,054,371	-	-	-	-	-	-	-	-	-	-	-	-
On-balance sheet gap		289,352,572	181,823,342	70,029	1,872,176	1,736,223	502,869	502,869	710,193	1,290,832	-	100,844,039	8,223,031	(148,581,821)
Non-financial assets														
Property and equipment		3,621,690	-	-	-	-	-	-	-	-	-	-	-	3,621,690
Right of use assets		3,273,573	-	-	-	-	-	-	-	-	-	-	-	3,273,573
Intangible assets		1,227,535	-	-	-	-	-	-	-	-	-	-	-	1,227,535
Other assets		2,504,165	-	-	-	-	-	-	-	-	-	-	-	2,504,165
Deferred tax assets		3,720,563	-	-	-	-	-	-	-	-	-	-	-	3,720,563
		14,347,526	-	-	-	-	-	-	-	-	-	-	-	14,347,526
Non-financial liabilities														
Other liabilities		517,701	-	-	-	-	-	-	-	-	-	-	-	517,701
Total net assets		22,052,856	-	-	-	-	-	-	-	-	-	-	-	22,052,856
Off-balance sheet financial instruments														
Commitments in respect of:														
- forward foreign exchange contracts		23,893,587	-	-	-	-	-	-	-	-	-	-	-	23,893,587
- guarantees		16,950,297	-	-	-	-	-	-	-	-	-	-	-	16,950,297
- letter of credit		16,477,605	-	-	-	-	-	-	-	-	-	-	-	16,477,605
- financing		23,734,210	-	-	-	-	-	-	-	-	-	-	-	23,734,210
- acquisition of property and equipment		105,843	-	-	-	-	-	-	-	-	-	-	-	105,843
- others		8,399,305	-	-	-	-	-	-	-	-	-	-	-	8,399,305
Off-balance sheet gap		89,560,847	-	-	-	-	-	-	-	-	-	-	-	89,560,847
Total yield / profit risk sensitivity gap		(148,581,821)	63,859,876	142,037,144	8,007,128	(109,098)	264,004	613,989	(363,565)	922,990	31,133,231	(148,581,821)	(84,721,944)	57,315,200
Cumulative yield / profit risk sensitivity gap		(148,581,821)	(84,721,944)	57,315,200	65,322,328	65,213,230	65,477,234	66,091,223	65,727,658	66,650,648	97,783,879	(148,581,821)	(84,721,944)	57,315,200

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47.3 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events and Shariah non-compliance. In this regard, an Operational Risk Management unit has been established within the Risk Management Department.

Under basic indicator approach the capital charge for operational risk is a fixed percentage (denoted alpha) of average positive annual gross income of the Bank over the past three years. Figures for any year in which annual gross income is negative or zero, should be excluded from both the numerator and denominator when calculating the average.

The Bank ensures that the key operational risks are managed in a timely and effective manner by raising awareness of operational risk, improving early warning information and allocating risk ownership and responsibilities. The Bank has developed policies, guidelines and manuals necessary for the mitigation of operational risk.

The Bank is also supervised by the Shariah Board which sets out guidelines, policies and procedures for the Bank to ensure that all its activities and products are Shariah compliant. The internal audit function of the Bank performs regular audit on various operations of the Bank and monitors the key risk exposure areas to ensure that internal control procedures are in place and those procedures are able to mitigate risk associated with operational activities.

47.4 Liquidity risk

Liquidity risk is defined as the potential loss arising from the Bank's inability to meet its obligation when due.

The Liquidity Coverage Ratio (LCR) is a quantitative requirement which aims to ensure that a bank maintains an adequate level of unencumbered high quality liquid assets which can easily be converted into cash at little or no loss of value in private markets, to withstand an acute liquidity stress scenario over a 30-day horizon at the entity level.

With reference to the SBP Basel III Liquidity Standards issued under BPRD circular # 08 dated June 23, 2016, the Bank calculates Liquidity Coverage Ratio (LCR) on a monthly basis. Based on the financial statements as at December 31, 2025, the LCR is 1.36 or 136% against the SBP minimum requirement of 100%, with Total Stock of High Quality Liquid Assets (HQLA) of Rs. 126,761.884 million and Net Cash Outflows of Rs. 92,894.561 million.

LCR has been defined as
$$\frac{\text{Stock of high quality liquid assets (HQLAs)}}{\text{Total net cash outflows over the next 30 calendar days}}$$

Liquid assets comprise of high quality liquid assets that can be readily sold or used as collateral to obtain funds in a range of stress scenarios. There are two categories of assets included in the stock of HQLAs, viz. Level 1 and Level 2 assets. Level 1 assets are with 0% haircut while Level 2A assets are with a minimum 15% haircut and Level 2B assets, with a maximum 50% haircut.

The term "Total net cash outflows" is defined as the total expected cash outflows minus total expected cash inflows in the stress scenario for the subsequent 30 calendar days.

The most significant drivers of the Bank's cash outflow were retail and unsecured wholesale funding. Unsecured funding transactions include funds provided by non-financial corporate customers, sovereigns, central banks, multilateral development banks and Public Sector Entities (PSEs).

The objective of NSFR is to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress.

NSFR has been defined as
$$\frac{\text{Available amount of Stable Funding (Funding Source)}}{\text{Required amount of Stable Funding (Funding User)}}$$

The amount of available stable funding (ASF) is measured mainly on the broad characteristics of the relative stability of a bank's funding sources (equity & liabilities), contractual maturity of its liabilities and the difference in the tendency to withdraw their funding by different types of funding providers.

The amount of required stable funding (RSF) is measured based on the broad characteristics of the liquidity risk profile of the Bank's assets and off-balance sheet (OBS) exposures.

As per the Bank's Investment Policy, ALCO shall be the management's governing committee mainly responsible for Market and Liquidity risks pertaining to balance sheet and off-balance sheet items. It is ALCO's responsibility to establish and monitor liquidity targets as well as strategies and tactics to meet those targets. Furthermore, ALCO will ensure that sufficient liquidity is available for unanticipated contingencies. ALCO monitors the maintenance of liquidity ratios, depositor's concentration both in terms of overall funding mix and avoidance of reliance on large individual deposits. The Board of Directors has approved a comprehensive liquidity management policy.

Management of liquidity is centrally managed through Treasury within the Bank. The Bank has sufficient liquidity sources for outflows and management is of the view that we are adequately liquid as required by LCR & NSFR regulations. The Asset and Liability Management Committee (ALCO) of the Bank is responsible for oversight of liquidity management and review of positions on monthly basis and / or on need basis based on systematic risks.

The Bank has a comprehensive contingency plan that specifies strategies for dealing with the liquidity problem and outlines particular funding sources that would be drawn upon as part of the overall strategy. It also outlines trigger points that would be indicative of the crisis and lays the course of action to be taken by the institution for handling such a crisis.

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47.4.1 Assets and liabilities - based on contractual maturity

	2025													
	Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
Assets														
Cash and balances with treasury banks	25,614,941	25,614,941	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	1,724,589	1,724,589	-	-	-	-	-	-	-	-	-	-	-	-
Due from financial institutions	15,996,408	-	4,998,518	3,999,021	6,998,869	-	-	-	-	-	-	-	-	-
Investments	103,674,169	134,739	160,049	-	-	-	-	-	-	-	-	-	-	-
Islamic financing and related assets - net	135,966,429	18,883	915,947	759,862	2,442,491	9,230,897	8,061,443	25,703,658	979,393	39,301,039	41,673,332	4,018,200	564,271	16,291,400
Property and equipment	3,621,690	-	-	-	18,962	18,962	18,962	772,680	56,884	56,884	227,535	227,536	304,286	32,569,622
Right of use assets	3,273,573	-	-	-	65,222	64,567	64,567	191,887	182,347	182,349	565,898	565,898	682,309	1,918,999
Intangible assets	1,227,535	-	-	-	11,314	11,314	11,314	33,945	33,943	33,943	135,774	135,775	11,700	708,529
Deferred tax assets	3,720,563	254,210	23,871	19,595	73,106	245,469	215,532	276,302	71,528	780,220	211,359	243,866	484,799	808,513
Other assets	17,103,232	2,332,176	1,426,950	173,706	6,562,304	218,308	561,179	1,603,068	1,244,842	2,383,349	597,350	-	-	820,706
Liabilities														
Bills payable	311,923,129	30,079,538	7,525,335	4,952,184	16,712,268	9,789,517	8,932,997	29,133,286	4,433,819	70,658,969	47,267,463	11,954,332	17,905,652	53,117,769
Due to financial institutions	8,546,764	8,546,764	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	4,377,721	-	-	19,000	-	672,043	250,000	2,096,500	2,525	7,316	-	70,153	377,424	882,760
Lease liabilities	259,643,089	-	-	-	32,818,887	17,084,515	17,084,515	21,498,448	26,769,202	26,769,202	29,313,705	32,533,279	23,082,271	32,689,065
Subordinated mudaraba	3,606,386	-	-	-	45,436	35,014	35,014	137,176	173,491	173,491	502,869	502,869	710,193	1,290,833
Other liabilities	3,124,241	-	-	-	-	-	-	-	-	-	-	-	-	3,124,241
Net assets	10,572,072	1,205,044	902,085	192,566	6,719,095	944	568,918	475,108	16,926	4,246	-	-	487,140	-
	289,870,273	9,751,808	902,085	211,566	39,583,418	17,792,516	17,938,447	24,207,232	26,962,144	26,964,255	29,816,574	33,106,301	24,657,028	37,986,899
	22,052,856	20,327,730	6,623,250	4,740,618	(23,411,150)	(8,002,999)	(9,005,450)	4,926,054	(22,528,325)	43,704,714	17,450,889	(21,151,969)	(6,751,376)	15,130,870
Represented by														
Share capital - net	14,500,490													
Reserves	2,561,694													
Surplus on revaluation of assets - net of tax	373,879													
Unappropriated profit	4,616,793													
	22,052,856													

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2024													
Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years

(Rupees in '000)

Assets													
Cash and balances with treasury banks	18,834,915	18,834,915	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	1,800,742	1,800,742	-	-	-	-	-	-	-	-	-	-	-
Due from financial institutions	1,398,776	-	-	-	1,398,776	-	-	-	-	-	-	-	-
Investments	126,851,952	99,367	-	-	-	-	-	-	-	-	-	-	-
Islamic financing and related assets - net	101,438,819	8,495	736,221	530,386	3,464,066	8,727,332	9,040,292	9,201,205	10,462,252	16,538,289	19,932,170	33,487,916	10,165,160
Property and equipment	2,792,479	-	-	-	15,415	15,415	15,415	401,368	3,013,981	21,212,161	4,608,325	6,044,468	6,449,540
Right of use assets	2,297,928	-	-	-	53,225	53,225	53,225	157,465	46,245	46,245	184,981	184,981	213,470
Intangible assets	1,249,863	-	-	-	4,906	4,906	4,906	218,618	144,253	144,253	451,798	451,798	449,106
Deferred tax assets	2,968,011	208,009	30,179	23,694	145,150	345,268	367,580	573,574	47,332	14,718	58,870	58,870	25,740
Other assets	13,627,468	2,374,661	1,056,171	412,327	1,827,989	1,571,770	183,211	2,218,473	89,876	749,067	1,130,782	325,446	674,636
Liabilities													
Bills payable	273,260,953	23,326,189	1,822,571	966,407	6,909,527	12,104,520	9,664,629	36,204,478	13,818,657	38,874,133	26,402,646	40,554,654	18,152,943
Due to financial institutions	7,282,964	7,282,964	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	6,144,594	469,324	-	200,000	-	1,154,000	116,500	2,821,200	-	3,939	27,276	-	989,335
Lease liabilities	223,402,080	176,514,289	2,397,675	3,532,458	14,684,882	3,263,181	2,418,030	6,708,782	8,087,889	5,252,448	154,249	230,547	156,748
Subordinated mudaraba	2,476,776	-	-	-	23,099	15,704	15,704	152,456	140,047	140,047	456,849	456,849	464,950
Other liabilities	3,124,241	-	-	-	-	-	-	-	-	-	-	-	611,071
	9,211,885	1,531,893	398,744	1,279,669	1,257,947	977,722	1,850,825	706,763	585,365	413,367	70,017	29,531	3,599
Net assets	251,642,540	185,798,470	2,796,419	5,012,127	15,985,928	5,410,607	4,401,059	10,389,201	8,813,301	5,809,801	708,391	716,927	988,317
	21,618,413	(162,472,281)	(973,848)	(4,045,720)	(9,056,401)	6,693,913	5,263,570	29,815,277	5,005,356	33,064,332	25,694,255	39,837,727	17,164,626
													39,627,607

Represented by
Share capital - net
Reserves
Surplus on revaluation of assets - net of tax
Unappropriated profit

14,500,490
2,187,858
1,227,933
3,702,132
<u>21,618,413</u>

Net

47.4.2 Assets and Liabilities - based on expected maturities

Saving and current accounts have been bucketed on the basis of behavioural study conducted by the Bank.

		2025								
Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	25,614,941	25,614,941	-	-	-	-	-	-	-	-
Balances with other banks	1,724,589	1,724,589	-	-	-	-	-	-	-	-
Due from financial institutions	15,996,408	15,996,408	-	-	-	-	-	-	-	-
Investments	103,674,169	294,787	-	551,746	40,280,432	41,673,332	4,018,201	564,272	16,191,400	100,000
Islamic financing and related assets - net	135,966,429	4,137,183	17,292,340	25,703,658	29,786,067	3,856,215	6,763,057	15,858,287	27,979,754	4,589,867
Property and equipment	3,621,690	18,961	37,923	772,680	113,768	227,535	227,536	304,287	1,918,999	-
Right of use assets	3,273,573	65,223	129,136	191,887	364,694	565,898	565,898	682,309	708,528	-
Intangible assets	1,227,535	11,314	22,629	33,943	67,887	135,774	135,774	11,700	808,514	-
Deferred tax assets	3,720,563	370,783	461,000	276,302	851,748	211,359	243,866	484,799	820,706	-
Other assets	17,103,232	10,495,135	779,488	1,603,068	3,628,191	597,350	-	-	-	-
	311,923,129	58,729,324	18,722,516	29,133,284	75,092,787	47,267,463	11,954,332	17,905,654	48,427,900	4,689,867
Liabilities										
Bills payable	8,546,764	8,546,764	-	-	-	-	-	-	-	-
Due to financial institutions	4,377,721	19,000	922,043	2,096,500	9,841	-	70,153	377,424	882,760	-
Deposits and other accounts	259,643,089	32,818,886	34,169,031	21,498,448	53,538,405	29,313,705	32,533,279	23,082,271	17,733,623	14,955,442
Lease liabilities	3,606,386	45,436	70,029	137,176	346,982	502,869	502,869	710,193	1,290,832	-
Subordinated mudaraba	3,124,241	-	-	-	-	-	-	-	1,735,000	1,389,241
Other liabilities	10,572,072	9,018,791	569,862	475,108	21,172	-	-	487,140	-	-
	289,870,273	50,448,877	35,730,964	24,207,232	53,916,400	29,816,574	33,106,301	24,657,028	21,642,215	16,344,683
Net assets	22,052,856	8,280,447	(17,008,448)	4,926,052	21,176,387	17,450,889	(21,151,969)	(6,751,374)	26,785,685	(11,654,816)
Represented by										
Share capital - net	14,500,490									
Reserves	2,561,694									
Surplus on revaluation of assets - net of tax	373,879									
Unappropriated profit	4,616,793									
	<u>22,052,856</u>									

		2024								
Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	18,834,915	18,834,915	-	-	-	-	-	-	-	-
Balances with other banks	1,800,742	1,800,742	-	-	-	-	-	-	-	-
Due from financial institutions	1,398,776	1,398,776	-	-	-	-	-	-	-	-
Investments	126,851,952	99,367	1,386,604	9,201,205	27,000,542	19,932,170	33,487,916	10,165,160	25,369,145	209,843
Islamic financing and related assets - net	101,438,819	4,739,168	17,767,624	23,433,775	24,226,142	4,608,325	6,044,468	6,449,540	10,054,549	4,115,228
Property and equipment	2,792,479	15,415	30,830	401,368	92,490	184,981	184,981	213,470	1,668,944	-
Right of use assets	2,297,928	53,225	106,450	157,465	288,506	451,798	451,798	449,106	339,580	-
Intangible assets	1,249,863	4,906	9,812	218,618	29,436	58,870	58,870	25,740	843,611	-
Deferred tax assets	2,968,011	407,032	712,848	573,574	796,399	35,720	1,175	175,291	265,972	-
Other assets	13,627,468	5,671,148	1,754,981	2,218,473	259,276	1,130,782	325,446	674,636	1,592,726	-
	273,260,953	33,024,694	21,769,149	36,204,478	52,692,791	26,402,646	40,554,654	18,152,943	40,134,527	4,325,071
Liabilities										
Bills payable	7,282,964	7,282,964	-	-	-	-	-	-	-	-
Due to financial institutions	6,144,594	669,324	1,270,500	2,821,200	3,939	27,276	-	363,020	989,335	-
Deposits and other accounts	223,402,080	42,926,423	28,910,491	21,324,166	49,737,583	20,082,712	22,347,787	15,848,868	12,056,826	10,167,224
Lease liabilities	2,476,776	23,099	31,408	152,456	280,094	456,849	456,849	464,950	611,071	-
Subordinated mudaraba	3,124,241	-	-	-	-	-	-	-	1,735,000	1,389,241
Other liabilities	9,211,885	4,468,253	2,828,547	706,763	998,732	70,017	29,531	3,599	106,443	-
	251,642,540	55,370,063	33,040,946	25,004,585	51,020,348	20,636,854	22,834,167	16,680,437	15,498,675	11,556,465
Net assets	21,618,413	(22,345,369)	(11,271,797)	11,199,893	1,672,443	5,765,792	17,720,487	1,472,506	24,635,852	(7,231,394)
Represented by										
Share capital - net	14,500,490									
Reserves	2,187,858									
Surplus on revaluation of assets - net of tax	1,227,933									
Unappropriated profit	3,702,132									
	<u>21,618,413</u>									

48 PROFIT / (LOSS) DISTRIBUTION TO DEPOSITOR'S POOL

48.1 General remunerative depositors' pools / IERS pools / Treasury pools

2025							
Remunerative pools	Period	Profit sharing ratio (average)	Profit rate and weightage announcement period	Mudarib share (Rupees in '000)	Percentage of Mudarib Share transferred through Hiba	Profit rate return earned	Profit rate return distributed
General pool - PKR	Jan to Dec 2025	50%	Monthly	224,260	18.2%	10.4%	6.7%
General pool - FCY	Jan to Dec 2025	90%	Monthly	3,916	10.6%	0.8%	0.2%
Islamic export refinance pool	Jan to Dec 2025	68%	Monthly	-	-	13.7%	7.5%
Treasury pool	Jan to Dec 2025	14%	Variable	-	-	12.4%	11.3%
Special depositors' pool - PKR	Jan to Dec 2025	24%	Monthly	259,859	36.8%	11.8%	10.0%
Special depositors' pool - FCY	Jan to Dec 2025	50%	Monthly	23,681	27.5%	8.9%	5.5%
Open market operation pool	Jan to Dec 2025	3%	Variable	4,010	-	13.1%	12.2%

2024							
Remunerative pools	Period	Profit sharing ratio (average)	Profit rate and weightage announcement period	Mudarib share (Rupees in '000)	Percentage of Mudarib Share transferred through Hiba	Profit rate return earned	Profit rate return distributed
General pool - PKR	Jan to Dec 2024	50%	Monthly	340,087	19.7%	16.5%	9.8%
General pool - FCY	Jan to Dec 2024	90%	Monthly	3,446	13.1%	0.8%	0.2%
Islamic export refinance pool	Jan to Dec 2024	59%	Monthly	-	-	19.9%	16.7%
Treasury pool	Jan to Dec 2024	21%	Variable	-	-	19.8%	18.0%
Special depositors' pool - PKR	Jan to Dec 2024	17%	Monthly	254,844	21.7%	19.5%	17.1%
Special depositors' pool - FCY	Jan to Dec 2024	50%	Monthly	42,486	35.2%	13.1%	8.8%
Open market operation pool	Jan to Dec 2024	1%	Variable	220	-	23.8%	22.0%

49 COMPLAINT MANAGEMENT

49.1 Mechanism of the Complaint Management Unit (CMU)

At Al Baraka Bank Pakistan Limited (ABPL), we prioritise delivering exceptional customer experiences and ensuring that customer complaints are handled efficiently and effectively. In 2025, we received 16,522 complaints through various channels, with an impressive resolution rate of 100% within regulatory TAT and an average resolution time of 4 working days. The Complaint Resolution Unit (CRU) under Service Quality Department continuously aspired to handle / resolve customer complaints & grievances as per the Consumer Grievances Handling Mechanism (CGHM) guidelines issued by the SBP.

The CRU is a responsible unit whose role is to be an effective intermediary between the customers and the core units of the Bank to get customer complaints properly responded and answered. The unit's core focus is the quick and efficient resolution of the complaints to analyse root cause of complaints and take necessary measures to mitigate complaints and avoid its recurrence.

49.2 Lodgement of complaints

The complaint lodgment procedure is adequately displayed in all our branches as well as on our corporate website www.albaraka.com.pk. Further, details regarding lodgment of a complaint to Banking Mohtasib Pakistan (BMP) and State Bank of Pakistan (SBP) are also prominently displayed. Moreover, the same is also available on Sunwai CCP URL pasted on our website too.

All complaints of the customers that are received through various channels are logged in a Complaint Management System to keep track of their resolution. The Bank has a complaint escalation mechanism whereby all complaints are escalated to the senior management, if not resolved within the stipulated time.

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The Bank receives complaints from following sources:

- 1) Phone banking / call centre
- 2) Letter / CEO office / drop box / email / ATM hotline / any ABPL branch
- 3) Banking Mohtasib Pakistan / SBP / Prime Minister Portal / SBP Sunwai Portal
- 4) Social media / website / mobile & Internet banking

The Bank follows defined standards, practices and regulatory requirements in resolution of complaints lodged with the Bank.

49.3 Steps of complaint resolution or handling of complaint

Our complaint handling process is designed to ensure that customer concerns are addressed promptly and fairly. The process comprises the following steps:

- 1) We acknowledge receipt of every complaint, ensuring that customers know their concerns are being addressed.
- 2) We investigate each complaint and tag it to the relevant department or branch for resolution.
- 3) If the resolution exceeds the defined timeline, we provide customers with an interim update on the status of their complaint.
- 4) Once the complaint is resolved, we inform the customer of the resolution.
- 5) We conduct a root cause analysis of each complaint to identify areas for improvement.
- 6) Based on the root cause analysis, we suggest required actions to prevent similar complaints in the future.
- 7) We issue a daily Management Information System (MIS) report to all stakeholders, ensuring that everyone is informed about the complaint resolution process.
- 8) We send SMS notifications to customers at least twice a year, informing them about the modes of complaint lodgment.

49.4 New initiatives

The Bank consistently endeavors to provide superior customer services and in order to give better customers experience, below are the few initiatives taken by the Bank during 2025.

- The Bank has arranged quarterly training sessions for empowering the front end staff to comprehend the concept of Handling Customer's Complaints & Grievances.
- The Bank conducts extensive surveys regarding the complaint management to gauge customers' satisfaction and their experience. This research activity also help to identify customers expectations associated with Bank. ABPL has introduced a Digital Survey Platform for customers where they can provide their feedback through website.
- The Bank has also upgraded its Complaint Management System V2 by launching a state-of-the-art solution which has resulted in process automation and efficient handling of customer complaints.
- The voice of customer complaint closure survey score was 85% in 2025. Post complaint closure satisfaction ratio of the customer was 85% in 2025.
- The Bank has launched a new QR Code Feedback System. Both account holders and non-account holders can easily share feedback, suggestions, or complaints with just one scan and submissions go directly to our Service Quality Team and are acknowledged instantly, with timely follow-up by our Phone Banking and Complaint department Staff. By implementing these initiatives and continually improving our complaint handling process, we aim to provide our customers with an exceptional banking experience.
- The Bank launched the project to send SMS notifications to customers regarding the collection of their debit cards from respective branches.
- In a significant move to enhance customer satisfaction and digital security, ABPL (AI Baraka Bank Pakistan Limited) has successfully rolled out a major acceleration of its internal digital fraud investigation process. The Bank has officially reduced the investigation turnaround time (TAT) from the standard regulatory 30 working days to an industry-leading 25 working days.

By implementing these initiatives and continually improving our complaint handling process, we aim to provide our customers with an exceptional banking experience.

50 CORRESPONDING FIGURES

Corresponding figures have been rearranged, reclassified or additionally incorporated in these financial statements, wherever necessary, to facilitate comparison and better presentation. There were no significant reclassifications / restatements during the year except as given in note 6.1.

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51 GENERAL

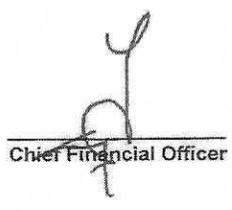
51.1 Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

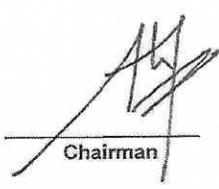
51.2 The Board of Directors in its meeting held on 19th February 2026 has announced final cash dividend of Re. 0.175 per share (1.75 %) (2024: Re. 0.38 per share i.e. 3.8%). The financial statements for the year ended 31 December 2025 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending 31 December 2026.

52 DATE OF AUTHORISATION

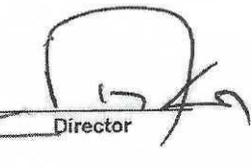
These financial statements were authorised for issue on 19th February 2026 by the Board of Directors of the Bank.


Chief Executive Officer


Chief Financial Officer


Chairman


Director


Director