## 1. CAPITAL - ASSESSMENT AND ADEQUACY - BASEL III SPECIFIC

### 1.1 Capital Adequacy Framework

Capital Management aims to safeguard the Bank's ability to continue as a going concern so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. For this the Bank ensures strong capital position and efficient use of capital as determined by the underlying business strategy i.e. maximizing growth on continuing basis. The Bank maintains a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

**i) Goals of Managing Capital**

The main objective of the capital management is to improve the financial position and strengthen the statement of financial position of the Bank to support the growth in business, provide protection to depositors and enhance shareholders' value. The Bank's Board and the management is committed to maintaining a sound balance between depositors' liability and shareholders' funds so that optimal capital / debt ratio is maintained. The optimal capital / debt ratio will provide reasonable assurance to depositor's about safety and security of their funds and at the same time provide impetus to the management to invest their depositors' funds into profitable ventures without compromising the risk profile of the Bank

**ii) Statutory Minimum Capital requirement and Management of Capital:**

The State Bank of Pakistan (SBP) vide circular no.7 dated April 15, 2009 had set the Minimum Capital Requirement (MCR) for banks of Rs 10 billion to be achieved in a phased manner by December 31, 2013. The paid up capital of the Bank for the year ended December 31, 2025stands at Rs. 14.500 billion and is in compliance with the SBP requirement for the said year.

**iii) Capital Adequacy Ratio (CAR):**

The Capital Adequacy Ratio (CAR) assesses the capital requirement based on the risks faced by the banks. The Banks are required to comply with the CAR as specified by SBP on standalone as well as consolidated basis.

SBP issued the instructions on the computation of CAR based on Basel III capital reform as published by Basel Committee on Banking Supervision. These instructions are effective from 31 December 2013 with full implementation intended by 31 December 2022.

Accordingly, the Bank has assessed and reported its Capital Adequacy Ratio in these financial statements on the basis of BASEL III requirements as prescribed by SBP.

After the pandemic of COVID 19 occurs in 2020, SBP via BPRD Circular Letter No. 12 of 2020 has been reduced Capital Conservation Buffer (CCB) from 2.5% to 1.5% and new Capital Adequacy Ratio requirement stands at 11.50%.

## 2. Scope of Applications

The Basel-III framework is applicable to the Bank on a standalone basis as the Bank does not have a subsidiary. Standardized Approach has been used for calculating the Capital Adequacy for Credit and Market risk, whereas, Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purposes.

## 3. Capital Structure

Bank's regulatory capital has been analyzed in two tiers;

- Common equity Tier 1 capital (CET 1), which includes fully paid up capital, discount on issuance of shares, statutory reserves, accumulated losses and regulatory adjustments applicable on CET 1.
- Additional Tier 1 capital consist of instrument that can absorb losses while the bank is a going concern which help to enhance the bank's capital base and provide additional financial stability.
- Tier 2 capital, which includes subordinated debt/instrument, general provisions for loan losses (upto a maximum of 1.25% of credit risk weighted assets) and reserves on revaluation of investments , incase of surplus.

## Capital Adequacy Ratio (CAR) Disclousre:

| | 2025 | 2024 |
|---|---|---|
| **Common Equity Tier 1 capital (CET1): Instruments and reserves** | -------------------Rupees in '000---------------- | |
| Share Capital including advance against issuance of shares | **15,133,256** | 15,133,256 |
| Balance in share premium account | **-** | - |
| Reserve for issue of bonus shares | **-** | - |
| Discount on Issuance of shares - net | **(632,766)** | (632,766) |
| Statutory reserves | **2,561,694** | 2,187,858 |
| Gain/(Losses) on derivatives held as Cash Flow Hedge | **-** | - |
| Un-appropriated/ un-remitted profits/ (losses) | **4,820,975** | 4,165,630 |
| Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group) | **-** | - |
| **CET 1 before Regulatory Adjustments** | **21,883,160** | 20,853,979 |
| **Total regulatory adjustments applied to CET1** | **3,067,143** | 3,086,196 |
| **Common Equity Tier 1** | **18,816,017** | 17,767,782 |
| **Additional Tier 1 (AT 1) Capital** | | |
| Qualifying Additional Tier-1 capital instruments plus any related share premium | **1,389,241** | 1,389,241 |
| of which: Classified as equity | **1,389,241** | 1,389,241 |
| of which: Classified as liabilities | **-** | - |
| Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1) | **-** | - |
| of which: instrument issued by subsidiaries subject to phase out | **-** | - |
| **AT1 before regulatory adjustments** | **1,389,241** | **1,389,241** |
| Total regulatory adjustment applied to AT1 capital | **-** | **-** |
| Additional Tier 1 Capital after regulatory adjustments | **1,389,241** | 1,389,241 |
| **Additional Tier 1 capital recognized for capital adequacy** | **1,389,241** | 1,389,241 |
| **Tier 1 Capital (CET1 + admissible AT1)** | **20,205,258** | 19,157,023 |
| **Tier 2 Capital** | | |
| Qualifying Tier 2 capital instruments under Basel III | **1,735,000** | 1,735,000 |
| Tier 2 capital instruments subject to phase-out arrangement issued under pre-Basel 3 rules | **-** | - |
| Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2) | **-** | - |
| of which: instruments issued by subsidiaries subject to phase out | **-** | - |
| General provisions for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets | **924,682** | 699,665 |
| Revaluation Reserves (net of taxes) | **14,111** | 933,488 |
| of which: Revaluation reserves on fixed assets | **-** | - |
| of which: Unrealized gains on AFS | **14,111** | 933,488 |
| Foreign Exchange Translation Reserves | **-** | - |
| Undisclosed/Other Reserves | **-** | - |
| **T2 before regulatory adjustments** | **2,673,792** | **3,368,153** |
| Total regulatory adjustment applied to T2 capital | **-** | - |
| **Tier 2 capital (T2) after regulatory adjustments** | **2,673,792** | 3,368,153 |
| Tier 2 capital recognized for capital adequacy | **2,673,792** | 3,368,153 |
| Portion of Additional Tier 1 capital recognized in Tier 2 capital | **-** | - |
| **Total Tier 2 capital admissible for capital adequacy** | **2,673,792** | **3,368,153** |
| **TOTAL CAPITAL (T1 + admissible T2)** | **22,879,050** | 22,525,176 |
| **Total Risk Weighted Assets (RWA)** | **131,739,357** | **111,101,476** |
| **Capital Ratios and buffers (in percentage of risk weighted assets)** | | |
| **CET1 to total RWA** | **14.28%** | **15.99%** |
| **Tier-1 capital to total RWA** | **15.34%** | **17.24%** |
| **Total capital to RWA** | **17.37%** | **20.27%** |
| Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement) | **-** | - |
| of which: capital conservation buffer requirement | **-** | - |
| of which: countercyclical buffer requirement | **-** | - |
| of which: D-SIB or G-SIB buffer requirement | **-** | - |
| CET1 available to meet buffers (as a percentage of risk weighted assets) | **-** | - |
| **National minimum capital requirements prescribed by SBP** | | |
| CET1 minimum ratio | **6.00%** | 6.00% |
| Tier 1 minimum ratio | **7.50%** | 7.50% |
| Total capital minimum ratio | **11.50%** | 11.50% |

**Regulatory Adjustments and Additional Information**

| | | Amount 2025 | Amount 2024 |
|---|---|---|---|
| | | ------------Rupees in '000------------ | |
| | **Common Equity Tier 1 capital: Regulatory adjustments** | | |
| - | Goodwill (net of related deferred tax liability) | **396,117** | 396,117 |
| - | All other intangibles (net of any associated deferred tax liability) | **839,111** | 859,631 |
| - | Shortfall in provisions against classified assets | - | - |
| - | Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) | - | - |
| - | Defined-benefit pension fund net assets | - | - |
| - | Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities | - | - |
| - | Cash flow hedge reserve | - | - |
| - | Investment in own shares/ CET1 instruments | - | - |
| - | Securitization gain on sale | - | - |
| - | Capital shortfall of regulated subsidiaries | - | - |
| - | Deficit on account of revaluation of investments classified as AFS | - | - |
| - | Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | - | - |
| - | Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | - | - |
| - | Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability) | **1,831,916** | 1,830,449 |
| - | Amount exceeding 15% threshold | - | - |
| - | of which: significant investments in the common stocks of financial entities | - | - |
| - | of which: deferred tax assets arising from temporary differences | - | - |
| - | National specific regulatory adjustments applied to CET1 capital | - | - |
| - | Investments in TFCs of other banks exceeding the prescribed limit | - | - |
| - | Any other deduction specified by SBP | - | - |
| - | Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions | - | - |
| | **Total regulatory adjustments applied to CET1** | **3,067,143** | 3,086,196 |
| | **Additional Tier-1 & Tier-1 Capital: regulatory adjustments** | | |
| - | Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment] | - | - |
| - | Investment in own AT1 capital instruments | - | - |
| - | Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities | - | - |
| - | Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not | - | - |
| - | Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation | - | - |
| - | Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital | - | - |
| - | Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions | - | - |
| | **Total regulatory adjustment applied to AT1 capital** | - | - |

**Tier 2 Capital: regulatory adjustments**

| | | 2025 | 2024 |
|---|---|---|---|
| - | Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital | - | - |
| - | Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities | - | - |
| - | Investment in own Tier 2 capital instrument | - | - |
| - | Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | - | - |
| - | Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation | - | - |
| | **Total regulatory adjustment applied to T2 capital** | - | - |

| | | | |
|---|---|---|---|
| | **Additional Information** | **2025** | **2024** |
| | **Risk Weighted Assets subject to pre-Basel III treatment** | | |
| - | Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment) | - | - |
| | of which: deferred tax assets | - | - |
| | of which: Defined-benefit pension fund net assets | - | - |
| | of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity | - | - |
| | of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity | - | - |
| | ***Amounts below the thresholds for deduction (before risk weighting)*** | | |
| | Non-significant investments in the capital of other financial entities | - | - |
| | Significant investments in the common stock of financial entities | - | - |
| | Deferred tax assets arising from temporary differences (net of related tax liability) | **2,064,793** | 1,959,823 |
| | **Applicable caps on the inclusion of provisions in Tier 2** | | |
| | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap) | - | - |
| | Cap on inclusion of provisions in Tier 2 under standardized approach | - | - |
| | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap) | - | - |
| | Cap for inclusion of provisions in Tier 2 under internal ratings-based approach | - | - |

*This column highlights items that are still subject to Pre Basel III treatment during the transitional period

**Capital Structure Reconciliation**

| Step 1 | As per published financial statements 2025 | Under regulatory scope of consolidation 2025 | As per published financial statements 2024 | Under regulatory scope of consolidation 2024 |
|---|---|---|---|---|
| | Rupees in '000 | | | |
| **Assets** | | | | |
| Cash and balances with treasury banks | **25,614,941** | **25,614,941** | 18,834,915 | 18,834,915 |
| Balanced 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 | **103,674,169** | **103,674,169** | 126,851,952 | 126,851,952 |
| Islamic financing and related assets | **135,966,429** | **135,966,429** | 101,438,819 | 101,438,819 |
| Operating Fixed Assets | **6,895,263** | **6,895,263** | 5,480,640 | 5,480,640 |
| Intangible Assets | **1,227,535** | **1,227,535** | 859,631 | 859,631 |
| Deferred tax assets | **3,720,563** | **3,720,563** | 2,968,011 | 2,968,011 |
| Other assets | **17,103,232** | **17,103,232** | 13,627,468 | 13,627,468 |
| **Total assets** | **311,923,129** | **311,923,129** | 273,260,953 | 273,260,953 |
| **Liabilities** | | | | |
| Bills payable | **8,546,764** | **8,546,764** | 7,282,964 | 7,282,964 |
| Due to financial institutions | **4,377,721** | **4,377,721** | 6,144,594 | 6,144,594 |
| Deposits and other accounts | **259,643,089** | **259,643,089** | 223,402,080 | 223,402,080 |
| Sub-ordinated Debt | **3,124,241** | **3,124,241** | 3,124,241 | 3,124,241 |
| Deffered Tax Liabilities | - | - | - | - |
| Other liabilities | **14,178,458** | **14,178,458** | 11,688,661 | 11,688,661 |
| **Total liabilities** | **289,870,273** | **289,870,273** | 251,642,540 | 251,642,540 |
| **Represented by** | | | | |
| Share capital (including advance against issuance of shares and discount) | **14,500,490** | **14,500,490** | 14,500,490 | 14,500,490 |
| Reserves | **2,561,694** | **2,561,694** | 2,187,858 | 2,187,858 |
| Accumulated loss/Profit | **4,616,793** | **4,616,793** | 3,702,132 | 3,702,132 |
| Surplus on revaluation of Investments-net of tax | **373,879** | **373,879** | 1,227,933 | 1,227,933 |
| **Total equity** | **22,052,856** | **22,052,856** | 21,618,413 | 21,618,413 |
| **Total liabilities & equity** | **311,923,129** | **311,923,129** | 273,260,953 | 273,260,953 |

| Step 2 | As per published financial statements 2025 | Under regulatory scope of consolidation 2025 | As per published financial statements 2024 | Under regulatory scope of consolidation 2024 |
|---|---|---|---|---|
| | Rupees in '000 | | | |
| **Assets** | | | | |
| Cash and balances with treasury banks | **25,614,941** | **25,614,941** | 18,834,915 | 18,834,915 |
| Balanced 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 | **103,674,169** | **103,674,169** | 126,851,952 | 126,851,952 |
| *of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold* | - | - | - | - |
| *of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold* | - | - | - | - |
| *of which: Mutual Funds exceeding regulatory threshold* | - | - | - | - |
| *of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)* | - | - | - | - |
| *of which: others (mention details)* | - | - | - | - |
| Islamic financing and related assets | **135,966,429** | **135,966,429** | 101,438,819 | 101,438,819 |
| *shortfall in provisions against classified assets* | - | - | - | - |
| *general provisions reflected in Tier 2 capital* | **699,665** | **699,665** | 699,665 | 699,665 |
| Fixed Assets | **6,895,263** | **6,895,263** | 5,480,640 | 5,480,640 |
| Intangible Assets | **1,227,535** | **1,227,535** | 859,631 | 859,631 |
| *Deferred Tax Assets* | **3,720,563** | **3,720,563** | 2,968,011 | 2,968,011 |
| *of which: DTAs that rely on future profitability excluding those arising from temporary differences* | - | - | - | - |
| of which: DTAs arising from temporary differences exceeding regulatory threshold | **1,831,916** | **1,831,916** | 1,830,449 | 1,830,449 |
| *Other assets* | **17,103,232** | **17,103,232** | 13,627,468 | 13,627,468 |
| *of which: Goodwill* | **396,117** | **396,117** | 396,117 | 396,117 |
| of which: Intangibles | **839,111** | **839,111** | 859,631 | 859,631 |
| *of which: Defined-benefit pension fund net assets* | - | - | - | - |
| **Total assets** | **311,923,129** | **311,923,129** | **273,260,953** | **273,260,953** |

**Step 2**

| | As per published financial statements 2025 | Under regulatory scope of consolidation 2025 | As per published financial statements 2024 | Under regulatory scope of consolidation 2024 | Ref |
|---|---|---|---|---|---|
| | --------------Rupees in '000 | | ------------------ | | |
| **Liabilities & Equity** | | | | | |
| Bills payable | 8,546,764 | 8,546,764 | 7,282,964 | 7,282,964 | |
| Due to Financial institutions | 4,377,721 | 4,377,721 | 6,144,594 | 6,144,594 | |
| Deposits and other accounts | 259,643,089 | 259,643,089 | 223,402,080 | 223,402,080 | |
| Sub-ordinated Debt | 3,124,241 | 3,124,241 | 3,124,241 | 3,124,241 | |
| *of which: eligible for inclusion in AT1* | 1,389,241 | 1,389,241 | 1,389,241 | 1,389,241 | m |
| *of which: eligible for inclusion in Tier 2* | 1,735,000 | 1,735,000 | 1,735,000 | 1,735,000 | n |
| Deferred tax liabilities | - | - | - | - | |
| *of which: DTLs related to goodwill* | - | - | - | - | o |
| *of which: DTLs related to intangible assets* | - | - | - | - | p |
| *of which: DTLs related to defined pension fund net assets* | - | - | - | - | q |
| *of which: other deferred tax liabilities* | - | - | - | - | r |
| Other liabilities | 14,178,458 | 14,178,458 | 11,688,661 | 11,688,661 | |
| **Total liabilities** | 289,870,273 | 289,870,273 | 251,642,540 | 251,642,540 | |
| | | | | - | |
| Share capital | | | | | |
| *of which: amount eligible for CET1* | 14,500,490 | 14,500,490 | 14,500,490 | 14,500,490 | s |
| *of which: amount eligible for AT1* | 1,389,241 | 1,389,241 | 1,389,241 | 1,389,241 | t |
| Reserves | 2,561,694 | 2,561,694 | 2,187,858 | 2,187,858 | |
| *of which: portion eligible for inclusion in CET1(provide breakup)* | 2,561,694 | 2,561,694 | 2,187,858 | 2,187,858 | u |
| *of which: portion eligible for inclusion in Tier 2* | - | - | - | - | v |
| Accumulated losses | 4,616,793 | 4,616,793 | 3,702,132 | 3,702,132 | w |
| Minority Interest | - | - | - | - | |
| *of which: portion eligible for inclusion in CET1* | - | - | - | - | x |
| *of which: portion eligible for inclusion in AT1* | - | - | - | - | y |
| *of which: portion eligible for inclusion in Tier 2* | - | - | - | - | z |
| Surplus on revaluation of assets | 373,879 | 373,879 | 1,227,933 | - | |
| *of which: Revaluation reserves on Fixed Assets* | 359,767 | 359,767 | (1,330,260) | 933,488 | aa |
| *of which: Unrealized Gains/Losses on AFS* | 14,112 | 14,112 | 2,558,193 | - | |
| *In case of Deficit on revaluation (deduction from CET1)* | - | - | - | - | ab |
| **Total equity and liabilities** | 22,052,856 | 22,052,856 | 21,618,413 | 21,323,969 | |
| **Total Equity** | 311,923,129 | 311,923,129 | 273,260,953 | 272,966,509 | |

**Step 3**

| | Component of regulatory capital reported by bank 2025 Rupees in '000 | Source based on reference number from step 2 | Component of regulatory capital reported by bank 2024 Rupees in '000 | Source based on reference number from step 2 |
|---|---|---|---|---|
| **Common Equity Tier 1 capital (CET1): Instruments and reserves** | | | | |
| Share capital (including advance against issuance of shares ) | 15,133,256 | | 15,133,256 | |
| Discount against issuance of shares | (632,766) | (s) | (632,766) | (s) |
| Reserve for issue of Bonus Shares | - | | - | |
| Statutory Reserves | 2,561,694 | (u) | 2,187,858 | (u) |
| Gain/(Losses) on derivatives held as Cash Flow Hedge | - | | - | |
| Accumulated losses | 4,820,975 | (w) | 4,165,630 | (w) |
| Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group) | - | (x) | - | (x) |
| **CET 1 before Regulatory Adjustments** | 21,883,160 | | 20,853,979 | |
| **Common Equity Tier 1 capital: Regulatory adjustments** | | | | |
| Goodwill (net of related deferred tax liability) | 396,117 | (j) - (o) | 396,117 | (j) - (o) |
| All other intangibles (net of any associated deferred tax liability) | 839,111 | (k) - (p) | 859,631 | (k) - (p) |
| Shortfall of provisions against classified assets | - | (f) | - | (f) |
| Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) | - | {(h) - (r} * 100% | - | {(h) - (r} * 100% |
| Defined-benefit pension fund net assets | - | {(l) - (q)} * 0% | - | {(l) - (q)} * 0% |
| Reciprocal cross holdings in CET1 capital instruments | - | (d) | - | (d) |
| Cash flow hedge reserve | - | | - | |
| Investment in own shares/ CET1 instruments | - | | - | |
| Securitization gain on sale | - | | - | |
| Capital shortfall of regulated subsidiaries | - | | - | |
| Deficit on account of revaluation from bank's holdings of fixed assets/ AFS | - | (ab) | - | (ab) |
| Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | - | (a) - (ac) - (ae) | - | (a) - (ac) - (ae) |
| Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | - | (b) - (ad) - (af) | - | (b) - (ad) - (af) |
| Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability) | 1,831,916 | (i) | 1,830,449 | (i) |
| Amount exceeding 15% threshold | - | | - | |
| of which: significant investments in the common stocks of financial entities | - | | - | |
| of which: deferred tax assets arising from temporary differences | - | | - | |
| National specific regulatory adjustments applied to CET1 capital | - | | - | |
| of which: Investment in TFCs of other banks exceeding the prescribed limit | - | | - | |
| of which: Any other deduction specified by SBP (mention details) | - | | - | |
| Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions | - | | - | |
| **Total regulatory adjustments applied to CET1** | 3,067,143 | | 3,086,196 | |

| | | | | |
|---|---|---|---|---|
| **Common Equity Tier 1** | **18,816,017** | | **17,767,782** | |
| **Additional Tier 1 (AT 1) Capital** | | | | |
| Qualifying Additional Tier-1 instruments plus any related share premium | | | | |
| of which: Classified as equity | **1,389,241** | **(t)** | 1,389,241 | (t) |
| of which: Classified as liabilities | **-** | | - | |
| Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) | **-** | **(y)** | - | (y) |
| of which: instrument issued by subsidiaries subject to phase out | **-** | | - | |
| **AT1 before regulatory adjustments** | **1,389,241** | | **1,389,241** | |
| **Additional Tier 1 Capital: regulatory adjustments** | | | | |
| Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment) | **-** | | **-** | |
| Investment in own AT1 capital instruments | **-** | | **-** | |
| Reciprocal cross holdings in Additional Tier 1 capital instruments | **-** | | **-** | |
| Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | **-** | **(ac)** | **-** | (ac) |
| Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation | **-** | **(ad)** | - | (ad) |
| Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital | **-** | | **-** | |
| Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions | **-** | | **-** | |
| Total of Regulatory Adjustment applied to AT1 capital | **-** | | **-** | |
| Additional Tier 1 capital | | | | |
| **Additional Tier 1 capital recognized for capital adequacy** | **1,389,241** | | **1,389,241** | |
| **Tier 1 Capital (CET1 + admissible AT1)** | **20,205,258** | | **19,157,023** | |
| **Tier 2 Capital** | | | | |
| Qualifying Tier 2 capital instruments under Basel III plus any related share premium | **1,735,000** | **(n)** | 1,735,000 | (n) |
| Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments) | **-** | | - | |
| Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2) | **-** | **(z)** | - | (z) |
| of which: instruments issued by subsidiaries subject to phase out | **-** | | - | |
| General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets | **924,682** | **(g)** | 699,665 | (g) |
| Revaluation Reserves | **-** | | - | |
| of which: Revaluation reserves on fixed assets | **-** | **portion of (aa)** | - | portion of (aa) |
| of which: Unrealized Gains/Losses on AFS | **14,111** | | 933,488 | |
| Foreign Exchange Translation Reserves | **-** | **(v)** | - | (v) |
| Undisclosed/Other Reserves (if any) | **-** | | - | |
| **T2 before regulatory adjustments** | **2,673,792** | | **3,368,153** | |
| **Tier 2 Capital: regulatory adjustments** | | | | |
| Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital | **-** | | - | |
| Reciprocal cross holdings in Tier 2 instruments | **-** | | - | |
| Investment in own Tier 2 capital instrument | **-** | | - | |
| Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | **-** | **(ae)** | - | (ae) |
| Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation | **-** | **(af)** | - | (af) |
| Amount of Regulatory Adjustment applied to T2 capital | **-** | | - | |
| Tier 2 capital (T2) | **2,673,792** | | 3,368,153 | |
| Tier 2 capital recognized for capital adequacy | **2,673,792** | | 3,368,153 | |
| Excess Additional Tier 1 capital recognized in Tier 2 capital | **-** | | - | |
| Total Tier 2 capital admissible for capital adequacy | **2,673,792** | | 3,368,153 | |
| **TOTAL CAPITAL (T1 + admissible T2)** | **22,879,050** | | **22,525,176** | |

| Risk-Weighted Exposures | 2025 | | 2024 | |
|---|---|---|---|---|
| | --------------Rupees in '000------------------ | | | |
| **Credit Risk** | **Capital Requirement** | **Risk weighted Assets** | **Capital Requirement** | **Risk weighted Assets** |
| **On-Balance sheet** | | | | |
| **Portfolios subject to standardized approach (Simple or Comprehensive)** | | | | |
| Cash and cash equivalents | - | - | - | - |
| Sovereign | 4,582 | 39,841 | 2,508 | 21,805 |
| Public Sector entities | - | - | - | - |
| Banks | 505,703 | 4,397,416 | 326,235 | 2,836,823 |
| Corporate | 5,831,483 | 50,708,549 | 4,405,832 | 38,311,584 |
| Retail | 1,476,675 | 12,840,652 | 1,260,389 | 10,959,906 |
| Residential mortgages | 285,540 | 2,482,957 | 175,930 | 1,529,830 |
| Past due loans | 58,376 | 507,621 | 90,397 | 786,064 |
| Operating Fixed assets | 792,955 | 6,895,263 | 585,397 | 5,090,408 |
| Other assets | 1,130,503 | 9,830,461 | 1,244,520 | 10,821,911 |
| | 10,085,817 | 87,702,760 | 8,091,208 | 70,358,329 |
| **Portfolios subject to Internal Rating Based (IRB) Approach** | | | | |
| Corporate, Sovereign, Corporate, Retail, Securitization etc. | - | - | - | - |
| **Off-Balance sheet** | | | | |
| Non-market related | | | | |
| Financial guarantees, acceptances, performance related commitments, trade related etc. | 1,292,055 | 11,235,261 | 1,314,166 | 11,427,533 |
| Market related | | | | |
| Foreign exchange contracts | 15,666 | 136,226 | 1,710 | 14,874 |
| **Equity Exposure Risk in the Banking Book** | | | | |
| Under simple risk weight method | | | | |
| - Listed | 11,625 | 101,089 | 13,805 | 120,044 |
| - Unlisted | 1,400 | 12,171 | 939 | 8,164 |
| Under Internal models approach | | | | |
| **Market Risk** | | | | |
| Capital Requirement for portfolios subject to Standardized Approach | | | | |
| Interest rate risk | 151,736 | 1,896,706 | 6,625 | 82,810 |
| Equity position risk | 7,564 | 94,552 | 15,899 | 198,733 |
| Foreign Exchange risk | 34,659 | 433,232 | 117,532 | 1,469,153 |
| Capital Requirement for portfolios subject to Internal Models Approach | - | - | - | - |
| **Operational Risk** | | | | |
| Capital Requirement for operational risks | 2,410,189 | 30,127,361 | 2,193,747 | 27,421,837 |
| | 3,924,894 | 44,036,597 | 3,664,423 | 40,743,147 |
| **Total Risk-Weighted Exposures** | 14,010,711 | 131,739,357 | 11,755,631 | 111,101,476 |

| | 2025 | | 2024 | |
|---|---|---|---|---|
| **Capital Adequacy Ratios** | **Required** | **Actual** | **Required** | **Actual** |
| CET1 to total RWA | 6.00% | 14.28% | 6.00% | 15.99% |
| Tier-1 capital to total RWA | 7.50% | 15.34% | 7.50% | 17.24% |
| Total capital to total RWA | 11.50% | 17.37% | 11.50% | 20.27% |

**Main Features Template of Regulatory Capital Instruments**

| | | COMMON SHARES | ADDITIONAL TIER 1 | THIRD ISSUE TIER II SUKUK |
|---|---|---|---|---|
| 1 | Issuer | Al Baraka Bank (Pakistan) Limited | Al Baraka Bank (Pakistan) Limited | Al Baraka Bank (Pakistan) Limited |
| 2 | Unique identifier (eg KSE Symbol or Bloomberg identifier etc.) | Not Applicable | Not Applicable | AlBaraka Bank (Pakistan) Limited - Tier II Sukuk |
| 3 | Governing law(s) of the instrument | Laws applicable in Pakistan | Laws applicable in Pakistan | Laws applicable in Pakistan |
| | **Regulatory treatment** | | | |
| 4 | Transitional Basel III rules | Common equity Tier 1 | Additional Tier 1 | Tier 2 |
| 5 | Post-transitional Basel III rules | Common equity Tier 1 | Additional Tier 1 | Ineligible |
| 6 | Eligible at solo / group / group&solo | Solo | Solo | Solo |
| 7 | Instrument type | Common shares | Liability - subordinated loans | Subordinated Debt |
| 8 | Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date) | 18,816,017 | 1,389,241 | 1,735,000 |
| 9 | Par value of instrument | Rs 10 per share | | Rs 1 million per certificate |
| 10 | Accounting classification | Shareholder equity | Liability - subordinated loans | Liability - subordinated loans |
| 11 | Original date of issuance | 2005-2016 | December 2018 | 22 December 2021 |
| 12 | Perpetual or dated | Perpetual | Perpetual | Dated |
| 13 | Original maturity date | No maturity | No maturity | 21 December 2031 |
| 14 | Issuer call subject to prior supervisory approval | No | Yes | Yes |
| 15 | Optional call date, contingent call dates and redemption amount | Not Applicable | December 2023 | 22 December 2026 |
| 16 | Subsequent call dates, if applicable | Not Applicable | Any time after the option call date | Any time after the option call date |
| | **Coupons / dividends** | | | |
| 17 | Fixed or floating dividend/ coupon | Not Applicable | Floating | Floating |
| 18 | coupon rate and any related index/ benchmark | Not Applicable | 1 Year Kibor + 2.50% per annum | 6 months Kibor + 1.50% per annum |
| 19 | Existence of a dividend stopper | No | Yes | Yes |
| 20 | Fully discretionary, partially discretionary or mandatory | Fully Discretionary | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | No | No | No |
| 22 | Noncumulative or cumulative | Non cumulative | Non cumulative | Cumulative |
| 23 | **Convertible or non-convertible** | Non Convertible | Convertible | Convertible |
| 24 | If convertible, conversion trigger (s) | Not Applicable | The Instrument is subject to loss absorbency, under which SBP may convert the instrument, fully or partially, into common ordinary shares upon the occurrence of a non-viability trigger event (the "PONV"). The conversion shall be based on the price as agreed with SBP | The Instrument is subject to loss absorbency, under which SBP may convert the instrument, fully or partially, into common ordinary shares upon the occurrence of a non-viability trigger event (the "PONV"). The conversion shall be based on the price as agreed with SBP |
| 25 | If convertible, fully or partially | Not Applicable | May convert fully or partially upon the occurrence of PONV. | May convert fully or partially upon the occurrence of PONV. |
| 26 | If convertible, conversion rate | Not Applicable | To be determined in the case of Trigger event. | To be determined in the case of Trigger event. |
| 27 | If convertible, mandatory or optional conversion | Not Applicable | Mandatory | Mandatory |
| 28 | If convertible, specify instrument type convertible into | Not Applicable | Common Equity Tier 1 | Common Equity Tier 1 |
| 29 | If convertible, specify issuer of instrument it converts into | Not Applicable | AlBaraka Bank (Pakistan) Limited | AlBaraka Bank (Pakistan) Limited |
| 30 | **Write-down feature** | NO | | |
| 31 | If write-down, write-down trigger(s) | Not Applicable | The Instrument is subject to loss absorbency, under which SBP, may either convert into common ordinary shares or immediately write off upon the occurrence of a non-viability trigger event (the "PONV"). | The Instrument is subject to loss absorbency, under which SBP, may either convert into common ordinary shares or immediately write off upon the occurrence of a non-viability trigger event (the "PONV"). |
| 32 | If write-down, full or partial | Not Applicable | May be written down fully or may be written off partially | May be written down fully or may be written off partially |
| 33 | If write-down, permanent or temporary | Not Applicable | Permanent | Permanent |
| 34 | If temporary write-down, description of write-up mechanism | Not Applicable | Not Applicable | Not Applicable |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument | Subordinated debt as shareholders' equity represents residual interest | Subordinate to all other indebtness to the Bank including depositors | Subordinate to all other indebtness to the Bank including depositors |
| 36 | Non-compliant transitioned features | No | No | No |
| 37 | If yes, specify non-compliant features | Not Applicable | Not Applicable | Not Applicable |

**Leverage ratio**

During 2013, SBP issued the instructions on the computation of Tier 1 Leverage Ratio. In line with these instructions, parallel run period for leverage ratio will commence from 31 December 2013 to 31 December 2017. During the period, banks has to maintain Tier 1 Leverage ratio of 3%.

| | 2025 | 2024 |
|---|---|---|
| | -------------- Rupees in '000 ------------------ | |
| Tier-1 Capital | **20,205,258** | **19,157,023** |
| Total Exposures | **362,414,075** | 313,546,250 |
| Leverage Ratio | **5.58%** | **6.11%** |

**Credit Risk – General Disclosures**

The Bank has adopted Standardised Approach, under Basel III.

**Credit Risk: Standardized Approach**

The Bank use rating assigned by JCR-VIS and PACRA as External Credit Assessment Institutions (ECAI) for the purpose of risk weighing its exposure. In the case of foreign currency exposure, ratings assigned by Fitch and Moody's have been applied.

Following are the types of exposure for which each agency is used:

| Exposure | Fitch | Moody's | JCR-VIS | PACRA |
|---|---|---|---|---|
| Corporate | - | - | ✔ | ✔ |
| Banks | ✔ | ✔ | ✔ | ✔ |
| Sovereigns | ✔ | ✔ | - | - |

Most of the Bank's asset base is short or medium term. Therefore, the Bank uses the entity's rating to assess the risk of its exposure without any adjustments.

For exposure amounts after risk mitigation subject to the standardised approach, amount of Bank's outstandings (rated and unrated) in each risk bucket as well as those that are deducted are as follows:

| Exposure | Rating category No. | Amount outstanding | Deduction CRM* | Net Amount |
|---|---|---|---|---|
| | | ---- | Rupees in '000 | ---- |
| Corporate | 1 | 8,964,482 | - | 8,964,482 |
| | 2 | 53,438,485 | 620,212 | 52,818,273 |
| | 3,4 | 2,873,474 | 30,000 | 2,843,474 |
| | Unrated-1 | 18,652,447 | 4,947,082 | 13,705,365 |
| | Unrated-2 | 9,985,342 | 5,219,200 | 4,766,142 |
| | | 93,914,230 | 10,816,494 | 83,097,736 |
| Banks | 1,2,3 | 19,926,048 | - | 19,926,048 |
| Sovereigns etc. | | 115,023,311 | - | 115,023,311 |
| Public sector enterprises | 1 | 194,933 | 194,933 | - |
| | 2,3 | - | - | - |
| | Unrated | 23,637,683 | 23,637,683 | 7,335 |
| | | 23,832,615 | 23,832,615 | - |
| Others | | 44,453,550 | 3,500 | 44,450,050 |
| Total | | 297,149,754 | 34,652,610 | 262,497,144 |

* CRM= Credit Risk Mitigation

Main types of collateral taken by the Bank are:

- Cash margin
- Lien on deposits
- Government guarantee
- Bank guarantee

The Bank has adopted simple approach to credit risk mitigation under Basel III and therefore has not applied any haircuts to the collateral except pledge of shares. Moreover the Bank's eligible collateral only includes cash / liquid securities.