

## **1 CAPITAL ASSESSMENT AND ADEQUACY BASEL SPECIFIC**

### **1.1 Capital Management**

The objective of managing capital is to safeguard the Bank's ability to continue as a going concern, so that it could continue to provide adequate returns to investors by pricing products and services commensurately with the level of risk. It is the policy of the Bank to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

### **1.2 CAPITAL ADEQUACY**

#### **Statutory minimum capital requirement and management of capital**

The State Bank of Pakistan through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid-up capital (net of losses) for Banks / Development Finance Institutions to be raised to Rs. 10 billion by the year ending December 31, 2013. The raise is to be achieved in a phased manner requiring Rs.10 billion capital (net of losses) from the end of the financial year 2013 onwards. However, branches of foreign banks operating in Pakistan whose head office holds paid-up capital (free of losses) of atleast US\$ 300 million, have a CAR of 8% or minimum prescribed by the home regulator and have prescribed number of branches, are allowed to maintain lower amount with prior approval of SBP. In this regard the Bank is maintaining higher capital to support business requirements.

The Head office capital account of the Bank as at December 31, 2025 stands at Rs 6.813 billion and is in compliance with the SBP requirement for the said period. In addition, the banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 11.50% of the risk weighted exposures of the Bank as of December 31, 2025. The Bank's CAR as at 31 December 2025 is 25.01% of its risk weighted exposure.

A framework for Domestic Systemically Important Bank – (D-SIB) was issued by State Bank of Pakistan in April 2018. Under the framework, the Bank is required to hold additional CET 1 capital on its risk weighted assets in Pakistan at the rate applicable on G-SIB. Accordingly, bank hold additional 2% (December 2024: 2%) under Pillar 1 capital requirement.

### **1.3 Capital Structure**

Under Basel III framework, Bank's regulatory capital has been analysed into two tiers as

- Tier 1 capital (going concern capital) which is sub divided into:
  - a) Common Equity Tier 1 (CET1), which includes fully paid up capital, reserve for bonus issue, general reserves and un-appropriated profits (net of losses), etc after deductions for investments in the equity of subsidiary companies engaged in banking and financial activities ( to the extent of 50%), reciprocal crossholdings and deficit on revaluation of available for sale investments and deduction for book value of intangibles.
  - b) Additional Tier 1 capital (AT1), which includes instruments issued by the Bank which meet the specified criteria after deduction of remaining 50% investment in the equity of subsidiary companies engaged in banking and financial activities and other specified

- Tier II capital, which includes general provisions for loan losses (upto a maximum of 2.50% of credit risk weighted assets), reserves on revaluation of fixed assets and available for sale investments after deduction of deficit on available for sale investments.

Banking operations are categorised in either the trading book or the banking book and risk weighted assets are determined according to the specified requirements that seek to reflect the varying levels of risk attached to assets and off balance sheet exposures.

The required capital adequacy ratio is achieved by the Bank through:

- a) Adequate level of paid up capital;
- b) Adequate risk profile of asset mix;
- c) Ensuring better recovery management; and
- d) Maintaining acceptable profit margins.

#### **1.4 Capital adequacy ratio**

The capital to risk weighted assets ratio, calculated in accordance with the SBP guidelines on capital adequacy, under Basel III and Pre-Basel III treatment using Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk is presented below:

1.5 Capital Adequacy Ratio (CAR) disclosure template:

Rows #	Common Equity Tier 1 capital (CET1): Instruments and reserves	2025	2024
		(Rupees in '000) Amount	Amount
1	Fully Paid-up Capital/ Capital deposited with SBP	6,812,671	6,812,671
2	Balance in Share Premium Account		
3	Reserve for issue of Bonus Shares		
4	Discount on Issue of shares		
5	General/ Statutory Reserves	163,719	163,719
6	Gain/(Losses) on derivatives held as Cash Flow Hedge		
7	Unappropriated/unremitted profits/ (losses)	11,103,649	10,875,927
8	Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		
9	<b>CET 1 before Regulatory Adjustments</b>	<b>18,080,039</b>	17,852,317
10	Total regulatory adjustments applied to CET1 (Note 1.5)	-	-
11	<b>Common Equity Tier 1</b>	<b>18,080,039</b>	17,852,317
	<b>Additional Tier 1 (AT 1) Capital</b>		
12	Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
13	of which: Classified as equity	-	-
14	of which: Classified as liabilities	-	-
15	Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
16	of which: instrument issued by subsidiaries subject to phase out	-	-
17	<b>AT1 before regulatory adjustments</b>	-	-
18	Total regulatory adjustment applied to AT1 capital (Note 40.6)	-	-
19	Additional Tier 1 capital after regulatory adjustments	-	-
20	<b>Additional Tier 1 capital recognized for capital adequacy</b>	-	-
21	<b>Tier 1 Capital (CET1 + admissible AT1) (11+20)</b>	<b>18,080,039</b>	17,852,317
	<b>Tier 2 Capital</b>		
22	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
23	Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules	-	-
24	Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in	-	-
25	of which: instruments issued by subsidiaries subject to phase out	-	-
26	General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	170,232	84,523
27	Revaluation Reserves (net of taxes)	152,763	1,514,650
28	of which: Revaluation reserves on fixed assets	-	-
29	of which: Unrealized gains/losses on AFS	-	-
30	Foreign Exchange Translation Reserves	-	-
31	Undisclosed/Other Reserves (if any)	-	-
32	<b>T2 before regulatory adjustments</b>	<b>322,995</b>	1,599,173
33	Total regulatory adjustment applied to T2 capital (Note 40.7)	-	-
34	Tier 2 capital (T2) after regulatory adjustments	-	-
35	Tier 2 capital recognized for capital adequacy	-	-
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37	<b>Total Tier 2 capital admissible for capital adequacy</b>	<b>322,995</b>	1,599,173
38	<b>TOTAL CAPITAL (T1 + admissible T2) (21+37)</b>	<b>18,403,034</b>	19,451,490
39	<b>Total Risk Weighted Assets (RWA) {for details refer Note 40.11}</b>	<b>73,579,438</b>	85,921,177
	<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>		
40	<b>CET1 to total RWA</b>	<b>24.57%</b>	20.78%
41	<b>Tier-1 capital to total RWA</b>	<b>24.57%</b>	20.78%
42	<b>Total capital to total RWA</b>	<b>25.01%</b>	22.64%
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	10.50%	10.50%
44	of which: capital conservation buffer requirement	1.50%	1.50%
45	of which: countercyclical buffer requirement	0.00%	0.00%
46	of which: D-SIB or G-SIB buffer requirement	2.00%	2.00%
47	CET1 available to meet buffers (as a percentage of risk weighted assets)	24.57%	20.78%
	<b>National minimum capital requirements prescribed by SBP</b>		
48	<b>CET1 minimum ratio</b>	<b>24.57%</b>	20.78%
49	<b>Tier 1 minimum ratio</b>	<b>24.57%</b>	20.78%
50	<b>Total capital minimum ratio</b>	<b>25.01%</b>	22.64%

2025 2024

(Rupees in '000)

Regulatory Adjustments and Additional Information		Amount	Amounts subject to Pre- Basel III treatment*	Amount
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1.6	Common Equity Tier 1 capital: Regulatory adjustments			
1	Goodwill (net of related deferred tax liability)			
2	All other intangibles (net of any associated deferred tax liability)	-		-
3	Shortfall in provisions against classified assets			
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)			
5	Defined-benefit pension fund net assets			
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities			
7	Cash flow hedge reserve			
8	Investment in own shares/ CET1 instruments			
9	Securitization gain on sale			
10	Capital shortfall of regulated subsidiaries			
11	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-		-
12	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)			
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)			
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax)			
15	Amount exceeding 15% threshold			
16	of which: significant investments in the common stocks of financial entities			
17	of which: deferred tax assets arising from temporary differences			
18	National specific regulatory adjustments applied to CET1 capital			
19	Investments in TFCs of other banks exceeding the prescribed limit			
20	Any other deduction specified by SBP (mention details)			
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions			
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	-		-

1.7	Additional Tier-1 & Tier-1 Capital: regulatory adjustments			
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]			
24	Investment in own AT1 capital instruments			
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities			
26	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)			
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation			
28	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			
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions			
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)			

1.8	Tier 2 Capital: regulatory adjustments			
31	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			
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities			
33	Investment in own Tier 2 capital instrument			
34	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)			
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation			
36	Total regulatory adjustment applied to T2 capital (sum of 31 to 35)			

2025 2024

(Rupees in '000)

1.9	Additional Information	Amount	Amount
<b>Risk Weighted Assets subject to pre-Basel III treatment</b>			
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-	-
(i)	of which: deferred tax assets	-	-
(ii)	of which: Defined-benefit pension fund net assets	-	-
(iii)	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	-	-
(iv)	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	-	-
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
38	Non-significant investments in the capital of other financial entities	-	-
39	Significant investments in the common stock of financial entities	-	-
40	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
<b>Applicable caps on the inclusion of provisions in Tier 2</b>			
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	-
42	Cap on inclusion of provisions in Tier 2 under standardized approach	-	-
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

## 1.10 Capital Structure Reconciliation

<b>Table: 1.10.1</b>	<b>Balance sheet of the published financial statements</b>	<b>Under regulatory scope of consolidation</b>
<b>(in thousand PKR)</b>	<b>As at December 31, 2025</b>	<b>As at December 31, 2024</b>
<b>Assets (1)</b>	<b>(2)</b>	<b>(3)</b>
Cash and balances with treasury banks	24,248,780	26,973,691
Balanced with other banks	1,838,879	4,312,528
Lending to financial institutions	-	-
Investments - net	246,231,259	237,611,294
Advances - net	41,720,631	56,670,582
Fixed Assets (including Right-of-use assets)	2,116,163	1,975,295
Deferred tax assets - net	702,382	-
Other assets	12,431,153	9,563,275
<b>Total assets</b>	<b>329,289,247</b>	<b>337,106,665</b>

<b>Liabilities &amp; Equity</b>		
Bills payable	2,330,033	1,768,903
Borrowings	78,853,151	60,676,463
Deposits and other accounts	214,733,817	241,454,059
Sub-ordinated loans	-	-
Deferred tax liabilities	-	703,516
Other liabilities	15,536,651	13,897,462
<b>Total liabilities</b>	<b>311,453,652</b>	<b>318,500,403</b>

Share capital/ Head office capital account	6,812,671	6,812,671
Reserves	163,719	163,719
Surplus on revaluation of assets	152,763	1,514,650
Unappropriated/ Unremitted profit/ (losses)	10,706,442	10,115,222
<b>Total liabilities &amp; equity</b>	<b>329,289,247</b>	<b>337,106,665</b>

Table: 1.10.2	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at December 31, 2025	As at December 31, 2025	
<b>Assets</b>	<b>(1)</b>	<b>(2)</b>	<b>(3)</b>
Cash and balances with treasury banks	24,248,780	24,248,780	
Balanced with other banks	1,838,879	1,838,879	
Lending to financial institutions	-	-	
Investments - net	246,231,259	246,231,259	
<i>of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold</i>	-	-	a
<i>of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory</i>	-	-	b
<i>of which: Mutual Funds exceeding regulatory threshold</i>	-	-	c
<i>of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)</i>	-	-	d
<i>of which: others (mention details)</i>	-	-	e
Advances - net	41,720,631	41,720,631	
<i>shortfall in provisions/ excess of total EL amount over eligible provisions under IRB</i>	-	-	f
<i>general provisions reflected in Tier 2 capital</i>	170,232	170,232	g
Fixed Assets	2,116,163	2,116,163	
Deferred Tax Assets - net	702,382	702,382	
<i>of which: DTAs that rely on future profitability excluding those arising from temporary differences</i>	-	-	h
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>	-	-	i
Other assets	12,431,153	12,431,153	
<i>of which: Goodwill</i>	-	-	j
<i>of which: Intangibles</i>	-	-	k
<i>of which: Defined-benefit pension fund net assets</i>	-	-	l
<b>Total assets</b>	<b>329,289,247</b>	<b>329,289,247</b>	
<b>Liabilities &amp; Equity</b>			
Bills payable	2,330,033	2,330,033	
Borrowings	78,853,151	78,853,151	
Deposits and other accounts	214,733,817	214,733,817	
Sub-ordinated loans	-	-	
<i>of which: eligible for inclusion in AT1</i>	-	-	m
<i>of which: eligible for inclusion in Tier 2</i>	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	-	
<i>of which: DTLs related to goodwill</i>	-	-	o
<i>of which: DTLs related to intangible assets</i>	-	-	p
<i>of which: DTLs related to defined pension fund net assets</i>	-	-	q
<i>of which: other deferred tax liabilities</i>	-	-	r
Other liabilities	15,536,651	15,536,651	
<b>Total liabilities</b>	<b>311,453,652</b>	<b>311,453,652</b>	
Share capital			
<i>of which: amount eligible for CET1</i>	6,812,671	6,812,671	s
<i>of which: amount eligible for AT1</i>	-	-	t
Reserves			
<i>of which: portion eligible for inclusion in CET1 (provide breakup)</i>	163,719	163,719	u
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	v
Unappropriated profit/ (losses)	10,706,442	10,706,442	w
Minority Interest			
<i>of which: portion eligible for inclusion in CET1</i>	-	-	x
<i>of which: portion eligible for inclusion in AT1</i>	-	-	y
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	z
Surplus on revaluation of assets			
<i>of which: Revaluation reserves on Fixed Assets</i>	-	-	aa
<i>of which: Unrealized Gains/Losses on AFS</i>	152,763	152,763	
<i>In case of Deficit on revaluation (deduction from CET1)</i>	-	-	ab
<b>Total liabilities &amp; Equity</b>	<b>329,289,247</b>	<b>329,289,247</b>	

**Basel III Disclosure Template (with added column)**

**Table: 1.10.3**

		<b>Component of regulatory capital reported by bank</b>	<b>Source based on reference number from step 2</b>
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>			
1	Fully Paid-up Capital/ Capital deposited with SBP	6,812,671	
2	Balance in Share Premium Account	-	(s)
3	Reserve for issue of Bonus Shares	-	
4	General/ Statutory Reserves	163,719	(u)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated/unremitted profits/ (losses)	11,103,649	(w)
7	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)
8	<b>CET 1 before Regulatory Adjustments</b>	<b>18,080,039</b>	
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>			
9	Goodwill (net of related deferred tax liability)		(j) - (o)
10	All other intangibles (net of any associated deferred tax liability)	-	(k) - (p)
11	Shortfall of provisions against classified assets		(f)
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)		{(h) - (r)} * x%
13	Defined-benefit pension fund net assets		{(l) - (q)} * x%
14	Reciprocal cross holdings in CET1 capital instruments		(d)
15	Cash flow hedge reserve		
16	Investment in own shares/ CET1 instruments		
17	Securitization gain on sale		
18	Capital shortfall of regulated subsidiaries		
19	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS		(ab)
20	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%		(a) - (ac) - (ae)
21	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)
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		(i)
23	Amount exceeding 15% threshold		
24	of which: significant investments in the common stocks of financial entities		
25	of which: deferred tax assets arising from temporary differences		
26	National specific regulatory adjustments applied to CET1 capital		
27	of which: Investment in TFCs of other banks exceeding the prescribed limit		
28	of which: Any other deduction specified by SBP (mention details)		
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		
30	Total regulatory adjustments applied to CET1 (sum of 9 to 29)		
31	<b>Common Equity Tier 1</b>	<b>18,080,039</b>	
<b>Additional Tier 1 (AT 1) Capital</b>			
32	Qualifying Additional Tier-1 instruments plus any related share premium	-	
33	of which: Classified as equity	-	(t)
34	of which: Classified as liabilities	-	(m)
35	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
36	of which: instrument issued by subsidiaries subject to phase out		
37	<b>AT1 before regulatory adjustments</b>	-	
<b>Additional Tier 1 Capital: regulatory adjustments</b>			
38	Investment in mutual funds exceeding the prescribed limit (SBP specific)		
39	Investment in own AT1 capital instruments		
40	Reciprocal cross holdings in Additional Tier 1 capital instruments		

<b>Basel III Disclosure Template (with added column)</b>			
<b>Table: 1.10.3</b>		<b>Component of regulatory capital reported by bank</b>	<b>Source based on reference number from step 2</b>
41	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%		(ac)
42	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation		(ad)
43	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		
44	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		
45	Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 44)		
46	Additional Tier 1 capital		
47	<b>Additional Tier 1 capital recognized for capital adequacy</b>		
48	<b>Tier 1 Capital (CET1 + admissible AT1) (31+47)</b>	<b>18,080,039</b>	
	<b>Tier 2 Capital</b>		
49	Qualifying Tier 2 capital instruments under Basel III plus any related share		
50	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)		(n)
51	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)		(z)
52	of which: instruments issued by subsidiaries subject to phase out		
53	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	170,232	(g)
54	Revaluation Reserves		
55	of which: Revaluation reserves on fixed assets		portion of (aa)
56	of which: Unrealized Gains/Losses on AFS	152,763	
57	Foreign Exchange Translation Reserves		(v)
58	Undisclosed/Other Reserves (if any)		
59	<b>T2 before regulatory adjustments</b>	<b>322,995</b>	
	<b>Tier 2 Capital: regulatory adjustments</b>		
60	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		
61	Reciprocal cross holdings in Tier 2 instruments		
62	Investment in own Tier 2 capital instrument		
63	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)
64	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation		(af)
65	Amount of Regulatory Adjustment applied to T2 capital (sum of 60 to 64)		
66	Tier 2 capital (T2)	322,995	
67	Tier 2 capital recognized for capital adequacy	322,995	
68	Excess Additional Tier 1 capital recognized in Tier 2 capital		
69	Total Tier 2 capital admissible for capital adequacy	322,995	
70	<b>TOTAL CAPITAL (T1 + admissible T2) (48+69)</b>	<b>18,403,034</b>	

## 1.11 Main Features Template of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments		
	Main Features	Government Securities
1	Issuer	Government of Pakistan
2	Unique identifier (eg KSE Symbol or Bloomberg identifier)	N/A
3	Governing law(s) of the instrument	State Bank of Pakistan
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/ group/ group&solo	Solo
7	Instrument type	Government Securities
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	6,812,671
9	Par value of instrument	N/A
10	Accounting classification	Head Office Capital
11	Original date of issuance	Various
12	Perpetual or dated	Dated
13	Original maturity date	Various
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	N/A
18	coupon rate and any related index/ benchmark	N/A
19	Existence of a dividend stopper	N/A
20	Fully discretionary, partially discretionary or mandatory	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A

## 1.12 Risk Weighted Assets

The capital requirements for the banking group as per the major risk categories should be indicated in the manner given below:-

	Capital Requirements		Risk Weighted Assets	
	2025	2024	2025	2024
<b>Credit Risk</b>				
<b>On-Balance sheet</b>				
<u>Portfolios subject to standardized approach (Simple or Comprehensive)</u>				
Cash and other liquid Assets	39,684	88,165	396,838	881,651
Money at call / Repurchase agreement lendings	-	-	-	-
Investments	-	-	-	-
Loans and Advances	973,074	1,337,157	9,730,741	13,371,567
Fixed Assets (including Right-of-use assets)	211,616	197,530	2,116,162	1,975,302
Deferred tax assets - net	175,594	-	1,755,944	-
Other Assets	12,788	11,325	127,878	113,251
	<b>1,412,756</b>	<b>1,634,177</b>	<b>14,127,563</b>	<b>16,341,771</b>
<u>Portfolios subject to Internal Rating Based (IRB) Approach</u>				
e.g. Corporate, Sovereign, Corporate, Retail, Securitization etc.				
<b>Off-Balance sheet</b>				
Loan Repayment Guarantees	-	-	-	-
Purchase and Resale Agreements	906	1,558	9,057	15,580
Commitment in respect of forward purchase contract of government secur	-	-	-	-
Performance Bonds etc	31,039	43,579	310,388	435,785
Financial guarantees	26,450	17,500	264,500	175,000
Commitments to extend to credit	7,000	-	70,000	-
Stand By Letters of Credit, Acceptances and Shipping Guarantees	213,204	205,447	2,132,042	2,054,472
Commitment in respect of Cross Currency and interest rate derivative con	-	-	-	-
Commitment in respect of Foreign currency options	-	-	-	-
Outstanding Foreign Exchange Contracts	134,944	211,097	1,349,437	2,110,973
Commitments in respect of capital expenditure	4,624	54,185	46,243	541,851
	<b>418,167</b>	<b>533,366</b>	<b>4,181,667</b>	<b>5,333,661</b>
Credit Risk-weighted Exposures	<b>1,830,923</b>	<b>2,167,543</b>	<b>18,309,230</b>	<b>21,675,432</b>
<b>Equity Exposure Risk in the Banking Book</b>				
Under simple risk weight method	-	-	-	-
e.g. Listed, Unlisted	-	-	-	-
Under Internal models approach	-	-	-	-
<b>Market Risk</b>				
<u>Capital Requirement for portfolios subject to Standardized Approach</u>				
Interest rate risk	318,990	1,351,847	3,987,372	16,898,091
Equity position risk	-	-	-	-
Foreign Exchange risk	40,620	81,951	507,750	1,024,385
<u>Capital Requirement for portfolios subject to Internal Models Approach</u>				
<b>Operational Risk</b>				
<u>Capital Requirement for operational risks</u>	4,062,007	3,705,862	50,775,086	46,323,269
TOTAL	<b>6,252,540</b>	<b>7,307,203</b>	<b>73,579,438</b>	<b>85,921,177</b>

Capital Adequacy Ratios	2025		2024	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	24.57%	6.00%	20.78%
Tier-1 capital to total RWA	7.50%	24.57%	7.50%	20.78%
Total capital to total RWA	13.50%	25.01%	15.0%	22.64%

### 1.13 Credit Risk - General Disclosures

The Bank has adopted standardised approach for calculation of capital charge against credit risk in line with SBP requirement.

### 1.14 Credit Risk: Disclosures for portfolio subject to the Standardised Approach

Under standardized approach the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. In this connection, Bank utilizes the credit ratings assigned by ECAIs and has recognized agencies such as PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company - Vital Information System), Moody's and Standard & Poors which are also recognized by the SBP.

#### Types of exposures and ECAI's used:

Exposures	JCR-VIS	PACRA	Standard & Poors	Moody's
Corporate	✓	✓	N/A	N/A
Banks	✓	✓	✓	✓
SME's	✓	✓	N/A	N/A
Public Sector Entities (PSEs)	✓	✓	N/A	N/A

#### Use of ECAI Ratings

The Bank prefers solicited ratings over unsolicited ratings at all times, owing to the greater degree of accuracy (in general) associated with solicited ratings as compared to unsolicited ratings. Unsolicited ratings may only be used in cases where a solicited rating is not available.

#### Mapping to SBP Rating Grades

The selected final ratings (after application of the principles stated above) for all exposures need to be translated to the standard rating grades given by the SBP. In this regard, the mapping tables to be used for converting ECAI ratings to SBP rating grades are given below:

#### Long – Term Rating Grades Mapping

SBP Rating grade	Fitch	Moody's	S & P	PACRA	JCR-VIS	ECA Scores
1	AAA	Aaa	AAA	AAA	AAA	0
	AA+	Aa1	AA+	AA+	AA+	1
	AA	Aa2	AA	AA	AA	
	AA-	Aa3	AA-	AA-	AA-	
2	A+	A1	A+	A+	A+	2
	A	A2	A	A	A	
	A-	A3	A-	A-	A-	
3	BBB+	Baa1	BBB+	BBB+	BBB+	3
	BBB	Baa2	BBB	BBB	BBB	
	BBB-	Baa3	BBB-	BBB-	BBB-	
4	BB+	Ba1	BB+	BB+	BB+	4
	BB	Ba2	BB	BB	BB	
	BB-	Ba3	BB-	BB-	BB-	
5	B+	B1	B+	B+	B+	5
	B	B2	B	B	B	6
	B-	B3	B-	B-	B-	
6	CCC+ and below	Caa1 and below	CCC+ and below	CCC CC C	CCC CC C D	7

#### Short – Term Rating Grades Mapping

SBP Rating Grade	Fitch	Moody's	S & P	PACRA	JCR-VIS
S1	F1	P-1	A-1+	A-1+	A-1+
S1	F1	P-1	A-1	A-1	A-1
S2	F2	P-2	A-2	A-2	A-2
S3	F3	P-3	A-3	A-3	A-3
S4	Others	Others	Others	Others	Others

### 1.15 Credit Exposures subject to Standardised approach

For exposure amounts after risk mitigation subject to the standardized approach, amount of bank's / DFI's outstanding (rated & unrated) in each risk bucket as well as those that are deducted are as follows:

Exposures	Rating Category	2025			2024		
		Amount Outstanding	Deduction CRM	Net amount	Amount Outstanding	Deduction CRM	Net amount
(Rupees '000)							
Corporate	1	596,053	-	596,053	436,022	-	436,022
	2	182	-	182	179	-	179
	3,4	-	-	-	-	-	-
	Unrated	200,585,498	-	200,585,498	189,765,679	(26,297)	189,739,382
Banks	1	69,745,941	(7,381,109)	62,364,832	95,206,946	(12,418,275)	82,788,671
	2	3,230,506	-	3,230,506	5,667,577	-	5,667,577
	3	-	-	-	-	-	-
	5	-	-	-	-	-	-
	Unrated	2,976,065	-	2,976,065	3,276,932	-	3,276,932
Sovereigns etc		266,228,445	-	266,228,445	243,173,101	-	243,173,101
	4,5	-	-	-	-	-	-
	6	19,269	-	-	12,597	-	-
Public sector entities	1	-	-	-	-	-	-
	2,3	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
Retail	Unrated	-	-	-	-	-	-
Mortgage	Unrated	31,476	-	31,476	37,334	-	37,334
Others	Unrated	-	-	-	-	-	-

CRM= Credit Risk Mitigation

### 1.17 Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardised Approach

The Bank has adopted the Comprehensive Approach of Credit Risk Mitigation for the Banking Book. In instances where the Bank's exposure on an obligor is secured by collateral that conforms to the eligibility criteria under the Comprehensive Approach of CRM, then the Bank reduces its exposure under that particular transaction by taking into account the risk mitigating effect of the collateral for the calculation of capital requirement i.e. risk weight of the collateral instrument securing the exposure is substituted for the risk weight of the counter party.

The Bank accepts cash, lien on deposits, government securities under the Comprehensive Approach of Credit Risk Mitigation. The Bank has in place detailed guidelines with respect to valuation and management of various collateral types. In order to obtain the credit risk mitigation benefit, the Bank uses realizable value of eligible collaterals to the extent of outstanding exposure.

Counterparty ratings are obtained through the two local SBP authorized External Credit Rating Agencies; JCR VIS and PACRA and other international sources such as Standard and Poor's and Moody's. Credit risk assessment and the continuous monitoring of counterparty and portfolio credit exposures is carried out by the Credit Risk Management function.

The wholesale portfolio, which includes corporate and commercial are ideally collateralized by cash equivalents, fixed and current assets including property plant and equipment and land. Loans to individuals are typically secured by autos for car loans and private or income producing real estate is secured by a mortgage over the relevant property.

### 1.18 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 banks' maximum exposure to single borrowers and group borrowers.

## 1.16 Leverage ratio

SBP vide BPRD Circular No. 06 dated August 15, 2013 introduced leverage ratio (Tier 1 Capital to total exposure) under Basel III Framework. Banks are required to maintain minimum leverage ratio of 3%.

The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as a percentage:

$$\text{Leverage Ratio} = \frac{\text{Tier 1 capital (after related deductions)}}{\text{Total Exposure}}$$

As at 31 December 2025 the Bank's Leverage ratio stood at 4.49% which is well above the minimum requirement of 3.0%.

	31-Dec-25	31-Dec-24
	(Rupees in 000)	
<b>On Balance Sheet Assets</b>		
Cash and balances with treasury banks	23,225,590	21,898,072
Balances with other banks	1,794,959	3,124,180
Lendings to financial institutions	20,126,113	-
Investments	246,292,883	233,955,927
Advances	48,974,405	55,503,037
Operating fixed assets	2,251,536	1,961,170
Deferred tax assets	670,617	-
Financial Derivatives (A.1)	1,414,788	1,924,601
Other assets	10,641,762	7,060,561
<b>Total Assets (A)</b>	<b>355,392,653</b>	<b>325,427,549</b>
<b>Derivatives (On-Balance Sheet)</b>		
Interest Rate	-	-
Foreign Exchange & gold	1,414,788	1,924,601
<b>Total Derivatives (A.1)</b>	<b>1,414,788</b>	<b>1,924,601</b>
<b>Off-Balance Sheet items excluding derivatives</b>		
Direct Credit Substitutes (i.e. Acceptances, general guarantees for indebtedness etc.)	667,264	350,000
Performance-related Contingent Liabilities (i.e. Guarantees)	7,548,488	6,148,953
Trade-related Contingent Liabilities (i.e. Letter of Credits)	13,280,937	21,645,999
Lending of securities or posting of securities as collaterals	2,475,465	16,952,379
Undrawn committed facilities (which are not cancellable)	350,004	-
Unconditionally cancellable commitments (which can be cancelled at any time without notice)	20,311,338	18,022,894
Commitments for the acquisition of operating fixed assets	48,497	605,878
<b>Total Off-balance sheet items excluding derivatives (B)</b>	<b>44,681,993</b>	<b>63,726,103</b>
<b>C) Commitments in respect of Derivatives - Off Balance Sheet Items</b>		
(Derivatives having negative fair value are also included)		
Interest Rate	-	-
Foreign Exchange & gold	2,679,229	3,799,850
<b>Total Derivatives ( c )</b>	<b>2,679,229</b>	<b>3,799,850</b>
Tier-1 Capital	18,080,039	17,852,317
Total Exposure (sum of A, B and C)	402,753,875	392,953,501
Leverage Ratio	4.49%	4.54%

## 2 Liquidity Coverage Ratio (LCR)

Liquidity Risk is quantified by Liquidity coverage ratio and Net Stable funding ratio as communicated by the Regulator. Liquidity Coverage Ratio (LCR) refers to the highly liquid assets held by the bank to meet its short term obligations. LCR is used as a tool to manage liquidity risk. LCR has two components: High Quality Liquid Asset (HQLA) and total net cash outflows. HQLA comprises of those assets that can be readily sold or employed as collateral for obtaining fund. HQLA structure has been divided into 1) cash and treasury balance, 2) marketable securities, 3) corporate debt securities with credit rating, 4) non-financial equity shares.

	2025		2024	
	TOTAL UNWEIGHTED VALUE (average)	TOTAL WEIGHTED VALUE (average)	TOTAL UNWEIGHTED VALUE (average)	TOTAL WEIGHTED VALUE (average)
<i>(Amount in PKR in thousands)</i>				
<b>HIGH QUALITY LIQUID ASSETS</b>				
Total high quality liquid assets (HQLA)	229,975,929	229,975,929	215,725,882	215,725,882
<b>CASH OUTFLOWS</b>				
<b>Retail deposits and deposits from small business customers of which:</b>				
stable deposit	-	-	-	-
Less stable deposit	-	-	-	-
<b>Unsecured wholesale funding of which:</b>				
Operational deposits (all counterparties)	113,603,239	72,470,401	109,795,229	68,117,041
Non-operational deposits (all counterparties)	68,554,730	27,421,892	69,463,646	27,785,458
Unsecured debt	45,048,509	45,048,509	40,331,583	40,331,583
<b>Secured wholesale funding</b>				
	-	-	-	-
<b>Additional requirements of which:</b>				
Outflows related to derivative exposures and other collateral requirement	157,452,393	157,426,143	185,449,549	185,396,636
Outflows related to loss of funding on debt products	157,423,227	157,423,227	185,390,757	185,390,757
Credit and Liquidity facilities	-	-	-	-
	29,167	2,917	58,792	5,879
<b>Other contractual funding obligations</b>				
	2,059,486	2,059,486	1,732,817	1,732,817
<b>Other contingent funding obligations</b>				
	28,684,880	727,461	29,775,310	579,881
<b>TOTAL CASH OUTFLOWS</b>		<b>232,683,491</b>		<b>255,826,375</b>
<b>CASH INFLOWS</b>				
Secured lending	364	171	421	196
Inflows from fully performing exposures	5,364,070	2,682,035	7,231,050	3,615,525
Other Cash inflows	165,963,002	159,937,703	202,429,623	185,780,678
<b>TOTAL CASH INFLOWS</b>		<b>162,619,909</b>		<b>189,396,399</b>
<b>TOTAL HIGH QUALITY LIQUID ASSETS (HQLA)</b>		229,975,929		215,725,882
<b>TOTAL NET CASH OUTFLOWS</b>		73,487,126		75,982,927
<b>LIQUIDITY COVERAGE RATIO</b>		<b>312.95%</b>		<b>283.91%</b>

- 1 Unweighted values must be calculated as outstanding balances maturing or callable within 30 days (for inflows)
- 2 Weighted values must be calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows)
- 3 Adjusted values must be calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (ie cap on level 2B and level 2 assets for HQLA and cap on inflows)

### 3 Net Stable Funding Ratio (NSFR)

Net Stable Funding Ratio (NSFR) is used 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. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on and off balance sheet items and promotes funding stability. The ratio is defined as the amount of Available Stable Funding (ASF), relative to the amount of Required Stable Funding (RSF).

ASF Item	2025				
	unweighted value by residual maturity				weighted value
	No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
<b>Capital:</b>					
Regulatory capital	17,835,590	-	-	-	17,835,590
<b>Wholesale funding:</b>					
Other wholesale funding	-	139,617,177	-	146,548,030	216,356,619
<b>Other liabilities:</b>					
All other liabilities and equity not included in	-	2,939,033	4,309,536	691,541	2,846,309
<b>Total ASF</b>					<b>237,038,518</b>
<b>RSF item</b>					
Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	755,251
Deposits held at other financial institutions for operational purposes	-	1,838,879	-	-	919,440
Performing loans to financial institutions secured by Level 1 HQLA			-		-
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks	-	-	-	-	-
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for NSFR derivative assets	-	-	-	-	-
				261,609	261,609
All other assets not included in the above categories	-	48,648,297	-	1,632,366	25,956,514
Off-balance sheet items	-	447,396,527	19,598,603	146,754,204	30,687,467
<b>Total RSF</b>					<b>58,580,281</b>
<b>Net Stable Funding Ratio (%)</b>					<b>404.64%</b>

ASF Item	2024				
	unweighted value by residual maturity				weighted value
	No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
<b>Capital:</b>					
Regulatory capital	18,606,262	-	-	-	18,606,262
<b>Wholesale funding:</b>					
Other wholesale funding	-	121,889,122	-	167,744,733	228,694,293
<b>Other liabilities:</b>					
All other liabilities and equity not included in other categories	-	3,666,433	5,265,152	989,808	3,622,385
<b>Total ASF</b>					<b>250,922,940</b>
<b>RSF item</b>					
Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	988,458
Deposits held at other financial institutions for operational purposes	-	4,311,377	-	-	2,155,688
Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	-	-	-	-
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-
NSFR derivative assets				633,888	633,888
All other assets not included in the above categories	-	61,662,050	-	214,409	31,045,434
Off-balance sheet items	-	554,657,371	10,561,520	135,074,097	35,014,649
<b>Total RSF</b>					<b>69,838,118</b>
<b>Net Stable Funding Ratio (%)</b>					<b>359.29%</b>