Industrial and Commercial Bank of China Limited - Pakistan Branches

Annual Financial Statements
for the Year Ended
December 31, 2025

Statement of Internal Control

It is the responsibility of the management of ICBC Pakistan Operations to establish, improve and effectively implement internal controls and to evaluate the effectiveness of the internal controls of the branch. The objective for the internal control system of the bank is to reasonably assure that the bank's operations and management are in compliance with relevant laws, safety of bank assets, as well as the timeliness, authenticity and completeness of its business records, financial information and other management information, to enhance operation efficiency and results, and to facilitate the bank in achieving its development strategy and operating target.

The bank has adopted internationally accepted COSO Internal Control - Integrated Framework covering all sets of internal controls and ensuring compliance with SBP Guidelines. SBP's guidelines on ICFR have been implemented and the same is updated as and when required and subject to annual review by Internal Auditors.

The Internal Audit Department of the Bank reviews the adequacy and effectiveness of bank-wide internal controls and believed that during the reporting period, internal control system of the Bank was sound and effectively implemented. Keeping in view the risk exposure, internal controls are regularly reviewed and reported on their soundness.

For the year under review, it has been endeavored to follow the Guidelines on Internal Controls and that it is an ongoing process for the identification, evaluation and management of significant risks faced by the bank. The system is designed to manage, rather than eliminate the risk of failure in order to achieve the business objectives, and can only perform reasonable assurance against material misstatement.

The Bank is under process of completing the cycle of Internal Control over Financial Reporting exercises for the Year 2025.

Shah Zeeshan Rafiq
Chief Compliance Officer

Zhou Bo
Chief Executive Officer

Customer Satisfaction and Fair Treatment

The Branches are committed to providing its customers with the highest level of service quality and satisfaction. The branches have established a compliant management function that oversees customer complaints. The Branches Complaint Handling Policy and Grievance Redressal Mechanism ensure that complaints are resolved in a timely manner and recurrence of complaints is prevented where possible. Customers have the option of registering their complaints at the bank's branches and contact center or via email.

A total of **eight** complaints were received by the bank in 2025 (2024: 3), and the average time taken to resolve these complaints was within **five** working days. The complaint handling policy and grievance redressal mechanism ensures that complaints are resolved in a timely manner and recurrence of complaints is prevented where possible. Complaint management process is kept as transparent as possible through registration, acknowledgement, interim response where applicable, and resolution of complaints. Customers are also given the option of contacting the Banking Mohtasib Office and SBP though "*Sunwai Mobile/Portal*" in case they are dissatisfied with the response received from the Bank.

To create enhanced visibility of the recourse mechanism available to its customers, the branches have incorporated awareness messages of its complaint handling function in several customer communications, such as account statements and ATM screens. Complete grievance redressal mechanism and email broadcasts have been sent to the customers for customer education and awareness.Further, the branches' contact center supports customer interactions across a range of channels, including phone calls and through email. The Branches Contact Centre is equipped with trained professionals who offer a wide array of information and problem resolution support.

Business Conduct and Fair Treatment of Customers is an integral part of the branches' corporate culture. The Branches have institutionalized a Business Conduct, Fair Treatment of Consumers and Complaint Management Framework. The bank's' priority is to keep customer benefits in mind while designing, selling and managing products and services, without any discrimination. The Branches' focus is to maintain fairness in their customer dealings, clarity in communication, develop a service culture and design an effective grievance handling mechanism.

Shah Zeeshan Rafiq	Zhou Bo
Chief Compliance Officer	Chief Executive Officer

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with confidence

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INDEPENDENT AUDITORS' REPORT

To the Chief Executive Officer of Industrial and Commercial Bank of China - Pakistan Branches

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Industrial and Commercial Bank of China Limited - Pakistan Branches ("the Bank") which comprise the statement of financial position as at 31 December 2025, the 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 notes to the financial statements including a summary of 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, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the 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 31 December 2025 and of the income, other comprehensive income, 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.

Responsibilities of Management 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 management 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 management 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.

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);

   b) the statement of financial position, the profit and loss account, the statement of comprehensive income, statement of changes in equity and statement of cash flow (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 per cent of the total loans and advances of the Bank.

The engagement partner on the audit resulting in this independent auditors' report is Omer Chughtai.

EY Ford Rhodes

Chartered Accountants

Place: Karachi

Date: 30 March 2026

UDIN Number: AR202510120VXs2EnBJL

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED - PAKISTAN BRANCHES
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2025

	Note	2025	2024
		-------- (Rupees in '000) ---------	
ASSETS			
Cash and balances with treasury banks	6	**67,628,351**	76,916,819
Balances with other banks	7	**25,648,898**	47,033,228
Lendings to financial institutions	8	**110,713,375**	478,661,524
Investments	9	**799,014,314**	729,107,823
Advances	10	**374,941,363**	365,624,885
Property and Equipment	11	**564,083**	583,270
Right of use assets	12	**493,914**	396,657
Intangible assets	13	**46,494**	23,839
Deferred tax assets	14	**1,485,738**	660,672
Other assets	15	**6,274,176**	16,432,020
Total Assets		**1,386,810,706**	1,715,440,737
LIABILITIES			
Bills payable	16	**738,279**	1,889,296
Borrowings	17	**571,076,735**	941,477,718
Deposits and other accounts	18	**613,021,313**	510,453,097
Lease liabilities	19	**286,757**	271,876
Subordinated debt		**-**	-
Deferred tax liabilities		**-**	-
Other liabilities	20	**30,656,466**	109,986,064
Total Liabilities		**1,215,779,550**	1,564,078,051
NET ASSETS		**171,031,156**	151,362,686
REPRESENTED BY			
Head office capital account - net	21	**42,018,465**	41,782,500
Surplus on revaluation of assets	22	**1,347,999**	1,633,933
Unremitted profit		**127,664,692**	107,946,253
		171,031,156	151,362,686
CONTINGENCIES AND COMMITMENTS	23		

The annexed notes 1 to 46 form an integral part of these financial statements.

Chief Executive Officer

Head of Finance

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED - PAKISTAN BRANCHES
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2025

	Note	2025	2024
		-------- (Rupees in '000)	---------
Mark-up / return / interest earned	25	**126,238,770**	234,401,187
Mark-up / return / interest expensed	26	**60,806,069**	172,572,686
Net mark-up / interest income		**65,432,701**	61,828,501
NON MARK-UP / INTEREST INCOME			
Fee and commission income	27	**3,197,409**	3,293,513
Dividend income		**-**	-
Foreign exchange income		**13,874,455**	649,941
Income / (Loss) from derivatives		**-**	-
Gain / (Loss) on securities		**-**	-
Net gains / (losses) on derecognition of financial assets measured at amortised cost		**-**	-
Other income	28	**9,512**	2,776
Total non-markup / interest income		**17,081,376**	3,946,230
Total income		**82,514,077**	65,774,731
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	29	**3,539,282**	3,284,522
Workers welfare fund	30	**1,580,237**	1,246,122
Other charges		**-**	-
Total non-markup / interest expenses		**5,119,519**	4,530,644
Profit before credit loss allowance		**77,394,558**	61,244,087
Credit loss allowance and write offs - net	31	**18,422**	51,388
PROFIT BEFORE TAXATION		**77,376,136**	61,192,699
Taxation	32	**(37,845,143)**	(27,935,516)
PROFIT AFTER TAXATION		**39,530,993**	33,257,183

The annexed notes 1 to 46 form an integral part of these financial statements.

Chief Executive Officer

Head of Finance

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED - PAKISTAN BRANCHES
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2025

	2025	2024
	-------- (Rupees in '000) ---------	
Profit after taxation for the year	**39,530,993**	33,257,183
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent year:		
Movement in (deficit) / surplus on revaluation of investments through FVOCI - net of tax	**(285,934)**	1,754,100
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement (loss) / gain on defined benefit obligations	**(12,065)**	16,233
Total comprehensive income	**39,232,994**	35,027,516

The annexed notes 1 to 46 form an integral part of these financial statements.

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Chief Executive Officer

Head of Finance

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED - PAKISTAN BRANCHES
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2025

	Head office capital account	Surplus / (Deficit) on revaluation of assets	Unremitted profit	Total
	---------- (Rupees in '000) ----------			
Balance as at January 01, 2024	42,279,105	(120,167)	79,206,833	121,365,771
Total comprehensive income for the year ended December 31, 2024				
Profit after taxation	-	-	33,257,183	33,257,183
Other comprehensive income - net of tax	-	1,754,100	16,233	1,770,333
	-	1,754,100	33,273,416	35,027,516
Transactions with owners, recorded directly in equity				
Exchange adjustments on revaluation of capital	(496,605)	-	-	(496,605)
Profit Remittances made to head office	-	-	(4,533,996)	(4,533,996)
Balance as at December 31, 2024	**41,782,500**	**1,633,933**	**107,946,253**	**151,362,686**
Total comprehensive income for the year ended December 31, 2025				
Profit after taxation	**-**	**-**	**39,530,993**	**39,530,993**
Other comprehensive income - net of tax	**-**	**(285,934)**	**(12,065)**	**(297,999)**
	-	**(285,934)**	**39,518,928**	**39,232,994**
Transactions with owners, recorded directly in equity				
Exchange adjustments on revaluation of capital	**235,965**	**-**	**-**	**235,965**
Profit Remittances made to head office	**-**	**-**	**(19,800,489)**	**(19,800,489)**
Balance as at December 31, 2025	**42,018,465**	**1,347,999**	**127,664,692**	**171,031,156**

The annexed notes 1 to 46 form an integral part of these financial statements.

Chief Executive Officer

Head of Finance

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED - PAKISTAN BRANCHES
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2025

	Note	2025	2024
		---------- (Rupees in '000) ----------	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		**77,376,136**	61,192,699
Adjustments:			
Depreciation on Property and Equipment		**106,728**	88,495
Depreciation on right of use assets		**187,489**	163,134
Amortisation		**23,440**	13,197
Financial charges on leased assets		**45,574**	38,505
Charge for defined benefit plan		**5,363**	7,834
Credit loss allowance and write offs		**23,363**	51,395
Provision for workers' welfare fund		**1,580,237**	1,246,122
Gain on lease termination		**(179,943)**	-
Gain on sale of Property and Equipment		**(1,271)**	(1,545)
		1,790,980	1,607,137
		79,167,116	62,799,836
(Increase) / decrease in operating assets			
Lendings to financial institutions		**367,948,149**	(9,648,716)
Advances		**(9,327,157)**	6,595,106
Others assets		**10,150,770**	(2,706,312)
		368,771,762	(5,759,922)
Increase / (decrease) in operating liabilities			
Bills payable		**(1,151,017)**	148,561
Borrowings from financial institutions		**(370,400,983)**	(14,319,836)
Deposits		**102,568,215**	258,578,204
Other liabilities		**(77,913,197)**	32,403,368
		(346,896,982)	276,810,297
		101,041,896	333,850,211
Contribution in gratuity fund		**(10,812)**	(28,504)
Income tax paid		**(41,679,072)**	(30,678,534)
Net cash generated from operating activities		**59,352,012**	303,143,173
CASH FLOWS FROM INVESTING ACTIVITIES			
Net Investments in securities classified as FVOCI		**(75,086,712)**	(258,976,044)
Net investments in amortized cost securities		**4,894,287**	4,644,421
Investments in Property and Equipment		**(87,541)**	(186,794)
Investment in intangible assets		**(46,095)**	-
Proceeds from sale of fixed assets		**1,271**	1,545
Net cash used in investing activities		**(70,324,790)**	**(254,516,872)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liability against right of use assets		**(135,496)**	(181,220)
Profit Remittances made to head office		**(19,800,489)**	(4,533,996)
Net cash used in financing activities		**(19,935,985)**	**(4,715,216)**
Effects of exchange rate changes on cash and cash equivalents		**235,965**	(496,605)
Decrease / Increase in cash and cash equivalents		**(30,672,798)**	**43,414,480**
Cash and cash equivalents at beginning of the year		**123,950,047**	80,535,567
Cash and cash equivalents at end of the year	33	**93,277,249**	**123,950,047**

The annexed notes 1 to 46 form an integral part of these financial statements.

Chief Executive Officer **Head of Finance**

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED - PAKISTAN BRANCHES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR END ENDED DECEMBER 31, 2025

1 STATUS AND NATURE OF BUSINESS

The Pakistan branches of Industrial and Commercial Bank of China Limited ("the Branches" / "the Bank") commenced operations in Pakistan with effect from August 18, 2011. Industrial and Commercial Bank of China Limited ('Head office') is incorporated in the People's Republic of China.

The Pakistan Branches presently operate through three branches (December 31, 2024: three branches) in Pakistan and are engaged in banking activities permissible under the Banking Companies Ordinance, 1962. The registered office of the Branches is located at 15th Floor, Ocean Tower, Block 9, Clifton, Karachi.

The credit rating provided by Moody's Investor Services Inc. to ICBC Pakistan Branches is A1 (2024: A1) for long-term and P1 (2024: P1) for short-term with stable outlook.

2 BASIS OF PRESENTATION

These financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide its BPRD Circular No. 13 dated July 01, 2024.

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 and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives and notifications 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 notifications, shall prevail.

The SBP has deferred the applicability of International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter 10 dated 26 August 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 'Financial Instruments: Disclosures' through its notification S.R.O 411(I)/2008 dated 28 April 2008. During the year, the SECP has notified vide S.R.O. 742(I)/2025 dated 16 April 2025 that IFRS 7 'Financial Instruments: Disclosures' will be applicable for the preparation of financial statements of banks from annual reporting period beginning on or after January 01, 2026. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements.

The Securities and Exchange Commission of Pakistan (SECP) has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. IFAS 3 shall be followed with effect from the financial periods beginning after 1 January 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard has resulted in certain new disclosures in these financial statements of the Bank. The SBP through BPRD Circular Letter No. 4 dated 25 February 2015, has deferred the applicability of IFAS 3 till further instructions. Accordingly, the requirements of the standard has not been considered in the preparation of these financial statements.

In accordance with IFRS 9 application instructions issued by the SBP, the Banks are directed to continue the existing revenue recognition methodology for Islamic Operations, including the requirements of IFAS 1 and IFAS 2 until further instructions.

3.2 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year

The Bank has adopted the following amendments to the approved accounting and reporting standards which became effective for the current year:

- Lack of exchangeability – Amendments to IAS 21

The adoption of the above amendment to accounting standard did not have any material effect on the Bank's financial statements.

3.3 Standards, interpretations and amendments to published accounting and reporting standards as applicable in Pakistan that are not yet effective in the current year

The following standards, amendments and interpretations as notified under the Companies Act, 2017 will be effective for accounting periods beginning on or after January 01, 2026:

Amendments	**Effective date (annual periods beginning on or**
Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7	01 January 2026
Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7	01 January 2026
Annual improvements to IFRS Accounting Standards - Volume 11	01 January 2026
IFRS 18 - Presentation and Disclosures in the financial statements	01 January 2026
IFRS 19 - Subsidiares without Public Accountability: Disclosures	01 January 2026
Translation to a Hyperinflationary Presentation Currency - Amendments to IAS 21	01 January 2027
IFRS S1 - General requirements for disclosures of sustainability related financial information	01 January 2027
'IFRS S2 - Climate-related Disclosures	01 January 2027

The above standards and amendments are not expected to have any material impact on the Bank's financial statements in the period of initial application except for IFRS 18. The impact of adoption of IFRS 18 is described below:

In April 2024, the IASB issued IFRS 18, which replaces IAS 1. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. It also requires disclosure of management-defined performance measures in the notes and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes.

Narrow scope amendments have been made to IAS 7 Statement of Cash Flows, and some requirements previously included within IAS 1 have been moved to IAS 8, which has been renamed IAS 8 Basis of Preparation of Financial Statements.

In addition, there are consequential amendments to several other standards. Earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Bank is currently working to identify all impacts the amendments will have on the financial statements of future period and notes thereto.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

Standard	IASB Effective date (annual periods beginning
IFRS 1 - First-time Adoption of International Financial Reporting Standards	July 01, 2009

4. BASIS OF MEASUREMENT

4.1 Accounting Convention

These financial statements have been prepared under the historical cost convention except available for sale investments and forward foreign exchange contracts which have been measured at fair value and obilgations in respect of gratuity scheme which are measured at present value of defined benefit obligations less fair value of plan assets and lease liabilities which are measured at their present value.

4.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

- Depreciation and amortisation rates for property and equipment (note 5.6.2)
- Classification and expected credit loss (note 5.1.7)
- Defined benefit plan (note 5.11)
- Contingencies and commitments (note 5.13)

4.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Bank's functional and presentation currency. The amounts are rounded off to the nearest thousand rupees except as stated otherwise.

5 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all years presented.

5.1 Financial Instruments

5.1.1 Financial assets and liabilities

Financial instruments carried on the balance sheet include cash and balances with treasury banks, balances with other banks, lendings to financial and other institutions, investments, advances, certain receivables, bills payable, borrowings from financial institutions, deposit accounts and other payables.

5.1.2 Financial assets and liabilities – initial recognition

Financial assets and financial liabilities are recognised when the entity becomes party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Bank purchases or sells the asset. Other financial assets and liabilities like advances, lending to financial institutions, deposits etc. are recognised when funds are transferred to the customers' account or financial institutions. However, for cases, where funds are transferred on deferred payment basis, recognition is done when underlying asset is purchased.

5.1.3 Classification and subsequent measurement of financial assets

Financial Assets

Financial assets are classified into following categories for measurement subsequent to initial recognition:

- Financial assets at amortized cost
- Financial assets at fair value through other comprehensive income (FVOCI)
- Financial assets at fair value through profit or loss account (FVTPL)

a. **Financial assets at amortized cost**
Financial assets and liabilities under amortised cost category are initially recognised at fair value adjusted for directly attributable transaction cost. These are subsequently measured at amortised cost. An expected credit loss allowance (ECL) is recognised for financial assets in the profit or loss. Interest income / profit / expense on these assets / liabilities are recognised in the profit or loss account. On derecognition of these financial assets and liabilities, capital gain / loss will be recognised in the profit or loss account.

b. **Financial assets at fair value through other comprehensive income (FVOCI)**
Financial assets under FVOCI category are initially recognised at fair value adjusted for directly attributable transaction cost. These assets are subsequently measured at fair value with changes recorded in OCI. An expected credit loss allowance (ECL) is recognised for debt based financial assets in the profit or loss account. Interest / profit / dividend income on these assets are recognised in the profit or loss account. On derecognition of debt based financial assets, capital gain / loss will be recognised in the profit or loss account. For equity based financial assets classified as FVOCI, capital gain / loss is transferred from surplus / deficit to retained earnings.

c. **Financial assets at fair value through profit or loss (FVTPL)**
Financial assets under FVTPL category are initially recognised at fair value. Transaction cost will be directly recorded in the profit or loss. These assets are subsequently measured at fair value with changes recorded in the profit or loss account. Interest / dividend income on these assets are recognised in the profit or loss account. On derecognition of these financial assets, capital gain / loss will be recognised in the profit or loss account. An expected credit loss allowance (ECL) is not recognised for these financial assets.

The Bank determins the 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;
- 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 sale 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.

Eventually, the financial assets fall under either of the following two 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

5.1.4 Assessments whether contractual cash flows are solely payments of principal and interest / profit (SPPI)

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 judgement and considers relevant factors such as, but not limited to, the currency in which the financial asset is denominated, and the period for which the interest / profit rate is set. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Debt based financial assets

Debt based financial assets held by the Bank include: advances, lending to financial institutions, investment in federal government securities, corporate bonds and other private sukuks, cash and balances with treasury banks, balances with other banks, and other financial assets.

a. These are measured at amortised cost if they meet both of the following conditions and are not designated as FVTPL:

- the assets are held within a business model whose objective is to hold assets to collect contractual cash flows; and

- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The Bank's business model for these financial assets can still be HTC even when sales of these financial assets occur. However, if more than an infrequent number of sales or sale(s) of significant value are/is made, the Bank assesses whether and how the sales are consistent with the HTC objective.

b. Coporate finance

This represents the banking services (on and off balance sheet finance and guarantees) including treasury and international trade activities to large corporate customers, multinational companies, government and semi-government departments and institutions and SMEs treated as corporate under Prudential Regulations.

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 FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

5.1.5 Derecognition

Financial Assets

The Branch derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire;
- It transfers the rights to receive the contractual cash flows in a transaction in which either:
- substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Branch neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Bank enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial Liabilities

The Branch derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. 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 profit or loss account.

5.1.6 Modification

The Branch 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 in accordance with IFRS 9, the Branch recalculates the gross carrying amount of the financial asset to recognise a modification gain or loss in the profit or 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.

5.1.7 Impairment of financial assets

Overview of the ECL principles

The Branch assesses on a forward-looking basis the expected credit losses ('ECL') associated with all advances 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' expected credit loss (12mECL). 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 after the reporting date. Both LTECLs and 12mECLs are calculated at transactional / facility level.

The Branch 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 Branch considers an exposure to have significantly increased in credit risk when there is considerable deterioration in the internal rating grade for subject customer. The Branch 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 Branch considers that there has been a significant increase in credit risk when contractual payments are more than 60 days past due. However, for certain portfolios, the Bank rebuts 60 DPD presumption based on behavioural analysis of its borrowers. When estimating ECLs on a collective basis for a group of similar assets, the Branch 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 Branch groups its financial instruments into Stage 1, Stage 2 and Stage 3 as described below:

Stage 1:
When financial instruments are first recognised, the Branch 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 Branch 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 Exposure At Default (EAD) and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for all the scenarios.

Stage 2:
When a financial instrument has shown a significant increase in credit risk 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 PDs are applied over the lifetime of the instrument. The expected cashflows are discounted by an approximation to the original EIR.

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 or as prescribed by the SBP.

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 cash flows if the financing is drawn down, based on a probability-weighting of the three scenarios. For revolving facilities that include both a financings and an undrawn commitment, ECLs are calculated on un-drawn portion of the facility and presented within other liabilities.

Guarantee and letters of credit contracts
The Branch estimates ECLs based on the BASEL driven & Internally developed credit conversion factor (CCF) for Guarantee and letter of credit contracts respectively. 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.

The calculation of ECLs
The Bank calculates ECLs based on a three probability-weighted scenarios to measure the expected cash flows, discounted at an approximation to the EIR.

PD

The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. PD is estimated based on statistical technique such as Transition Matrix approach. PDs for non advances portfolio is based on S&Ps global transition default matrices, PDs are then adjusted using Vicesek Model to incorporate forward looking information.

EAD

The Exposure at Default (EAD) 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 interest 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 (LGD) 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 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.

Effective interest 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 Branch 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, an upside, a downside). Each of these is associated with different PDs.

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

Forward looking information

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

- GDP growth
- Consumer price index (Inflation rate)
- Unemployment rate
- USD currency fluctuation risk
- Balance of trade to its GDP

The Bank has defined that an exposure will be treated as having defaulted if it becomes 90+ days past due (DPDs) in repaying its contractual dues or as defined in Prudential Regulations from State Bank of Pakistan (SBP) issued from time to time. Accordingly, such exposures will be classified under Stage 3 under the Standard.

This implies that if one facility of a counterparty becomes 90+ DPD in repaying its contractual dues or as defined in PRs; all other facilities would deem to be classified as stage 3.

Write-offs
Financial assets are written off when there is no realistic prospect of recovery. The amount so written-off is a book entry and does not necessarily prejudice the Bank's right of recovery against the defaulter.

5.1.8 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date at which the derivative contract is entered into and subsequently re-measured at fair value using appropriate valuation techniques. All derivative instruments are carried as assets where fair value is positive and as liabilities where fair value is negative. Any changes in the fair value of derivative financial instruments are taken to profit and loss account.

5.1.9 Off-setting

Financial assets and financial liabilities are off-set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amount and the Bank intend either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

5.2 Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise of cash and balances with treasury banks, balances with other banks and overdrawn nostros.

5.3 Lendings to / borrowings from financial institutions

The Bank enter into transactions of repos and reverse repos at contracted rates for a specified period of time. These are recorded as under:

5.3.1 Sale of securities under repurchase agreement

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counterparty liability is included in borrowings. The difference between the sale and contracted repurchase price is recognised on time proportion basis over the period of the contract and recorded as an expense.

5.3.2 Purchase of securities under resale agreements

Securities purchased under agreement to resell (reverse repo) are not recognised in the financial statements as investments and the amount extended to the counterparty is included in lendings to financial institutions. The difference between the purchase and contracted resale price is recognised on time proportion basis over the period of the contract and recorded as income.

Securities held as collateral are not recognised in the financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability under borrowings from financial institutions.

5.4 Acceptances

Acceptances comprise of 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.

5.5 Advances

Advances are stated net of credit loss allowance, for policy applicable to credit loss allowance is outlined in note 5.1.7 to these financial statements.

The Bank determines write-offs in accordance with the criteria prescribed by the SBP vide BPRD Circular No. 6 dated June 5, 2007.

5.6 Property and Equipment

5.6.1 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 this head. These are transferred to specific assets as and when assets become available for use.

5.6.2 Property and equipment and depreciation

Property and Equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Depreciation is charged to profit and loss account by applying the straight-line method using the rates specified in note 11 to these financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The depreciation method, residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date. Depreciation on additions is charged from the date in which the assets become available for use while no depreciation is charged for the month in which the asset is disposed off.

Costs of maintenance and normal repairs are charged to profit and loss account as and when incurred. Subsequent costs are included in the assets' carrying amount or are 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.

5.7 Leases

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Bank mainly lease properties for its operations. The Bank recognises a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight line method from the commencement date to the earlier of end of the useful life of right-of-use asset or end of the lease term. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. The lease liability is subsequently increased by the finance cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Bank has elected not to recognise right-of-use assets and lease liabilities for short term and low value assets. The lease payments associated with these leases are recognised as an expense on a straight line basis over the lease term. The right-of-use assets are presented in the same line items as it presents underlying assets of the same nature that it owns.

5.8 Intangible assets and amortisation

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortised using the straight-line method over their estimated useful live as specified in note 13 to the financial statements. The useful lives and amortisation method are reviewed and adjusted, if appropriate at each reporting date. Intangible assets having an indefinite useful life are stated at acquisition cost, less accumulated impairment losses, if any.

5.9 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated pre-tax future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

5.10 Borrowings / deposits and their cost

a. Borrowings / deposits are initially recorded at the amount of proceeds received.

b. Costs of borrowings / deposits are recognised as an expense in the period in which these are incurred using effective mark-up / interest rate method to the extent that they are not directly attributable to the acquisition of or construction of qualifying assets. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) are capitalised as part of the cost of that asset.

5.11 Staff retirement benefits

Defined benefit plan
The Bank operate an approved funded gratuity scheme covering eligible employees (excluding expatriates) whose period of employment with the Bank is five years or more. Contributions to the fund are made on the basis of actuarial recommendations. The Projected Unit Credit Method is used for the actuarial valuation. Actuarial gains and losses are recognised in other comprehensive income with no subsequent recycling through profit and loss account. Gratuity is payable to staff on completion of the prescribed qualifying period of service under the scheme.

Defined contribution plan
The Bank operate an approved Provident Fund for all of its permanent employees (excluding expatriates) in respect of which contributions are made to discharge liability under the respective rules of the schemes. Equal monthly contributions are made by both the Bank and its employees to the fund at the rate of 10% of the basic salary in accordance with the terms of the scheme. The Bank has no further payment obligation once the contributions have been paid. The contributions are recognised as an expense when the obligation to make payments to the fund has been established. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future contributions.

5.12 Foreign currency translation

5.12.1 Transactions and balances

Transactions in foreign currencies are translated into Pakistan Rupees at the exchange rates prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into Pakistan Rupees at the exchange rates prevailing at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss account.

Non-monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the date of initial recognition of the non-monetary assets / liabilities.

Forward contracts are valued at forward rates applicable to the respective maturities of the relevant foreign exchange contract.

Forward contracts other than contracts with the State Bank of Pakistan relating to foreign currency deposits are valued at forward rates applicable to the respective maturities of the relevant foreign exchange contract.

Forward purchase contracts with the State Bank of Pakistan relating to foreign currency deposits are valued at the spot rate prevailing on the reporting date. The forward cover fee payable on such contracts is amortised over the term of the contracts.

5.13 Contingencies and Commitments

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

5.14 Revenue recognition

Mark-up / return on advances and investments are recognised on an accrual basis using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

Mark-up recoverable on classified loans, advances and investments is recognised on receipt basis in accordance with the requirements of Prudential Regulations issued by the State Bank of Pakistan. Mark-up on rescheduled / restructured loans, advances and investments is also recognised in accordance with the requirements of these Prudential Regulations.

Where debt securities are purchased at a premium or discount, those premiums / discounts are amortised through profit and loss account over the remaining maturity, using the effective interest method.

Fee and commission income is recognised upon performance of obligations. Fees for ongoing account management are charged to the customer's account on monthly basis. Transaction based fees are charged to the customer's account when the transaction takes place.

Dividend income is recognised when the right to receive income is established.

5.15 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in profit and loss account except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

5.15.1 Current tax

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws and at the prevailing rates for taxation on income earned by the Bank. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any.

5.15.2 Deferred tax

Deferred tax is recognised using the balance sheet method on all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax provided reflects the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available and the credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

5.15.3 Provisions

Provision for guarantee claims and other off balance sheet obligations is recognised when intimated and reasonable certainity exists for the Bank to settle the obligation. Expected recoveries are recognised from the customer's account. Charge to profit and loss account is stated net of expected recoveries.

Other provisions are recognised when the Bank has a present obligation, legal or constructive, 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.

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

5.16 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing product 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' primary format of reporting is based on business segments. The details are as follows:

5.16.1 Business segments

a. **Treasury**
It includes fixed income, equity, foreign exchanges, commodities, credit, funding, own position securities, lending and repos, brokerage debt and prime brokerage.

b. **Branch Banking**
It includes deposits and banking services to private individuals and businesses.

c. **Corporate finance**
This represents the banking services (on and off balance sheet finance and guarantees) including treasury and international trade activities to large corporate customers, multinational companies, Government and semi-Government departments and institutions and SMEs treated as corporate under Prudential Regulations.

5.16.1 There are no geographical segments as the Branches only operate in Pakistan.

6 CASH AND BALANCES WITH TREASURY BANKS

	Note	2025	2024
		-------------- (Rupees in '000) --------------	
In hand			
Local currency		**189,953**	239,062
Foreign currency		**88,005**	112,720
		277,958	351,782
With State Bank of Pakistan in			
Local currency current account	6.1	**24,530,345**	33,667,897
Foreign currency current account	6.2	**42,310,716**	42,131,243
Foreign currency deposit account (non-remunerative)	6.3	**175,077**	201,949
Foreign currency deposit account (remunerative)	6.4	**334,255**	563,948
		67,350,393	76,565,037
Cash and bank with treasury banks		**67,628,351**	76,916,819

6.1 This represents cash reserve requirement maintained with the State Bank of Pakistan (SBP) under Section 22 of the Banking Companies Ordinance, 1962. This section requires the Bank to maintain a reserve in the current account opened with the SBP at a sum not less than such percentage of its demand and time liabilities in Pakistan as may be prescribed by the SBP.

6.2 This includes capital maintained with SBP in accordance with the requirements of Section 13 of Banking Companies Ordinance, 1962 amounting to USD 150 million (December 31, 2024: USD 150 million) and US $ settlement account maintained with the State Bank of Pakistan.

6.3 This represents cash reserve of 6% required to be maintained with the SBP on FE-25 deposits as specified in DMMD Circular No. 08 dated April 17, 2020.

6.4 This represents special cash reserve of 10% required to be maintained with the SBP on FE-25 deposits as specified in DMMD Circular No. 08 dated April 20, 2020. Profit rates on these deposits are fixed by SBP on a monthly basis. These carry mark-up at rate of 2.86% (December 31, 2024: 3.53%).

7. BALANCES WITH OTHER BANKS

	Note	2025	2024
		------- (Rupees in '000) -------	
In Pakistan			
In current accounts		**298**	397
Outside Pakistan			
In current accounts	7.1 & 7.2	**25,654,471**	47,043,631
		25,654,769	47,044,028
Less: Credit loss allowance held against balances with other banks	7.3	**(5,871)**	(10,800)
Cash and balances with treasury banks - net of credit loss allowance		**25,648,898**	47,033,228

7.1 This includes amount held in Automated Investment Plans. The Bank is entitled to earn interest from the correspondent banks at agreed upon rates when the balance exceeds a specified amount

7.2 This includes balance of Rs 17,834 Million (2024: Rs 32,958 Million) held with ICBC branches and Head Office outside Pakistan.

7.3 This represents ECL allowance in line with IFRS 9 and SBP Application Instructions.

	Note	2025	2024
		------- (Rupees in '000) -------	
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings (Reverse Repo)	8.1	**110,713,375**	478,661,524

8.1 This represent repurchase agreement lendings with SBP and local banks at a mark-up rate ranging from 9.50% to 11.25% per annum (December 31, 2024: 12.95% to 13.6% per annum) with maturity in January 2026 (December 31, 2024: January 2025).

8.2 Lendings to the financial institutions include certain approved / government securities which are held by the Bank to comply with the Statutory Liquidity Requirement determined on the basis of the Bank's demand and time liabilities as set out under section 29 of the Banking Companies Ordinance, 1962.

8.3 Particulars of lending

	2025	2024
In local currency	**110,713,375**	478,661,524

8.4 Market value of securities held as collateral against Lending to financial institutions

	2025			2024		
	Held by Bank	**Further given as collateral**	**Total**	Held by Bank	Further given as collateral	Total
Market Treasury Bills	**55,967,968**	-	**55,967,968**	30,426,336	-	30,426,336
Pakistan Investment Bonds	**57,453,173**	-	**57,453,173**	300,716,685	-	300,716,685
Total	**113,421,141**	-	**113,421,141**	331,143,021	-	331,143,021

8.5 There is no credit loss allowance in lending as at December 31, 2025.

	2025				2024			
9. INVESTMENTS **9.1 Investments by type:**	**Cost / Amortised cost**	**Credit Loss Allowance/ Provision**	**Surplus/ (Deficit)**	**Carrying Value**	Cost / Amortised cost	Credit Loss Allowance/ Provision	Surplus/ (Deficit)	Carrying Value
	(Rupees in '000)							
	FVOCI				FVOCI			
Federal Government Securities	**796,205,983**	-	**2,808,331**	**799,014,314**	721,009,744	-	3,203,792	724,213,536
	Amortised Cost				Amortised Cost			
Federal Government Securities	-	-	-	-	4,894,287	-	-	4,894,287
Total Investments	**796,205,983**	-	**2,808,331**	**799,014,314**	725,904,031	-	3,203,792	729,107,823

9.2 Investments by segments

	2025				2024			
Federal Government Securities								
Market Treasury Bills	**796,205,983**	-	**2,808,331**	**799,014,314**	721,009,744	-	3,203,792	724,213,536
Pakistan Investment Bonds	-	-	-	-	4,894,287	-	-	4,894,287
	796,205,983	-	**2,808,331**	**799,014,314**	725,904,031	-	3,203,792	729,107,823

9.3 There is no credit loss allowance in value of investments as at December 31, 2025.

9.4 Investments include certain approved / government securities which are held by the Bank to comply with the Statutory Liquidity Requirement determined on the basis of the Bank's demand and time liabilities as set out under section 29 of the Banking Companies Ordinance, 1962.

9.5 Quality of securities

	2025	2024
	------- (Rupees in '000) -------	
Details regarding quality of securities held under "Held to Collect and Sell" model	Cost	
Federal government securities - Government guaranteed		
Market Treasury Bills	**796,205,983**	721,009,744

9.6 Details regarding quality of securities held under "Held to Collect" model

	2025	2024
Federal government securities - Government guaranteed		
Pakistan Investment Bonds	-	4,894,287

9.6.1 The market value of securities classified under "Held to Collect" model as at December 31, 2025 is Nill (December 31, 2024: Rs. 4,669 million).

10. ADVANCES	Performing		Non Performing		Total	
	2025	2024	**2025**	2024	**2025**	2024
	------- (Rupees in '000) -------		------- (Rupees in '000) -------		------- (Rupees in '000) -------	
Loans, cash credits, running finances, etc.	**375,031,189**	365,704,032	-	-	**375,031,189**	365,704,032
Advances - gross	**375,031,189**	365,704,032	-	-	**375,031,189**	365,704,032
Credit loss allowance against advances						
-Stage 1	**(4,274)**	(76,095)	-	-	**(4,274)**	(76,095)
-Stage 2	**(85,552)**	(3,052)	-	-	**(85,552)**	(3,052)
-Stage 3	-	-	-	-	-	-
	(89,826)	(79,147)	-	-	**(89,826)**	(79,147)
Advances - net of credit loss allowance	**374,941,363**	365,624,885	-	-	**374,941,363**	365,624,885

	2025	2024
	---------- (Rupees in '000) --------	
10.1 Particulars of advances (gross)		
In local currency	**2,281,609**	3,589,032
In foreign currency	**372,749,580**	362,115,000
	375,031,189	365,704,032

10.2 No advances have been placed under non-performing / Stage 3 status as at December 31, 2025 (December 31, 2024: Nil).

10.3 This includes PKR 372.749 billion (December 31, 2024: PKR 362.12 billion), which comprises a foreign currency commercial loan facility of RMB 9.3 billion extended to the Ministry of Finance, Government of Pakistan. Credit loss allowance has been exempted by SBP with reference to SBP letter No. SBPHOK-BPRD-BRD-ICB-898582 dated April 16, 2025

10.4 Particlurs of credit loss allowance

10.4.1 Advances - Exposure

	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	----(Rupees in '000)----				----(Rupees in '000)----			
Opening balance	**364,936,768**	**767,264**	-	**365,704,032**	370,749,151	1,719,984	-	372,469,135
New advances	**372,749,580**	-	-	**372,749,580**	1,273	-	-	1,273
Advances derecognised or repaid	**(362,966,843)**	**(455,580)**	-	**(363,422,423)**	(6,289,655)	(952,721)	-	(7,242,376)
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
	374,719,505	**311,684**	-	**375,031,189**	364,460,769	767,263	-	365,228,032
Amounts written off / charged off	-	-	-	-	-	-	-	-
Changes	-	-	-	-	476,000	-	-	476,000
Closing balance - Current year	**374,719,505**	**311,684**	-	**375,031,189**	364,936,769	767,263	-	365,704,032

10.4.2 Advances - Credit loss allowance

	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	----(Rupees in '000)----				----(Rupees in '000)----			
Opening balance	**76,095**	**3,052**	-	**79,147**	58,803	-	-	58,803
Impact of adoption of IFRS 9	-	-	-	-		-	-	
Reversal of general provision	-	-	-	-	(58,803)	-	-	(58,803)
Recognition of expected credit losses (ECL)	-	-	-	-	6,075	8,641	-	14,716
	76,095	**3,052**	-	**79,147**	6,075	8,641	-	14,716
New Advances	-		-	-				
Advances derecognised or repaid	-	**(1,559)**	-	**(1,559)**	(2,613)	(4,455)	-	(7,068)
Transfer to stage 1		-	-	-	1,134	(1,134)	-	-
Transfer to stage 2	**(49,039)**	**49,039**	-	-	-	-	-	-
Transfer to stage 3	-	-	-		-	-	-	-
	27,056	**50,532**	-	**77,588**	4,596	3,052	-	7,648
Amounts written off / charged off	-	-	-	-	-	-	-	-
Changes in risk parameters (PDs/LGDs/EADs)	**(22,782)**	**35,020**	-	**12,238**	71,499	-	-	71,499
Closing balance	**4,274**	**85,552**	-	**89,826**	76,095	3,052	-	79,147

10.4.3 Advances - Credit loss allowance details Internal / Extrernal rating / stage clasification

	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	----(Rupees in '000)----				----(Rupees in '000)----			
Outstanding gross exposure								
Performing - Stage 1	**374,719,505**	-	-	**374,719,505**	364,460,769	-	-	364,460,769
Under Performing - Stage 2	-	**311,684**	-	**311,684**	-	767,263	-	767,263
Non-perfroming - Stage 3	-	-	-	-	-	-	-	-
Other Assets Especially Mentioned	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Total	**374,719,505**	**311,684**	-	**375,031,189**	364,460,769	767,263	-	365,228,032
Corresponding ECL								
Stage 1 and stage 2	**4,274**	**85,552**	-	**89,826**	76,095	3,052	-	79,147
Stage 3	-	-	-	-	-	-	-	-
	4,274	**85,552**	-	**89,826**	76,095	3,052	-	79,147

10.4.4 Particulars of credit loss allowance against advances

	2025			2024		
	Stage 3	Stage 1 & 2	Total	Stage 3	Stage 1 & 2	Total
	---- Rupees in '000 ----			---- Rupees in '000 ----		
Opening balance	-	**79,147**	**79,147**	-	14,716	14,716
Charge for the year	-	**36,462**	**36,462**	-	71,515	71,515
Reversals		**(25,783)**	**(25,783)**		(7,084)	(7,084)
	-	**10,679**	**10,679**	-	64,431	64,431
Amounts written off	-	-	-	-	-	-
Closing balance	-	**89,826**	**89,826**	-	79,147	79,147

10.4.5 Particulars of credit loss allowance against advances

	2025			2024		
	Stage 1 & 2	Stage 3	Total	Stage 1 & 2	Stage 3	Total
	---- Rupees in '000 ----			---- Rupees in '000 ----		
In local currency	**89,826**	-	**89,826**	79,147	-	79,147
In foreign currency	-	-	-	-	-	-
	89,826	-	**89,826**	79 147	-	79,147

11 Property and equipment

2025

	Leasehold buildings	Leasehold Improvements	Furniture and fixtures	Vehicles	Electrical, office and computer equipments	Total
	(Rupees in '000)					
At January 1, 2025						
Cost	443,100	288,810	128,268	248,787	219,238	1,328,203
Accumulated depreciation	(132,956)	(265,617)	(113,670)	(81,442)	(151,248)	(744,933)
Net book value	310,144	23,193	14,598	167,345	67,990	583,270
Year ended December 2025						
Opening net book value	310,144	23,193	14,598	167,345	67,990	583,270
Additions	-	-	5,399	-	82,142	87,541
Disposals - cost	-	-	(7,561)	-	(85)	(7,646)
Disposals - accumulated depreciation	-	-	7,561	-	85	7,646
Depreciation charge	(14,800)	(15,728)	(5,936)	(30,630)	(39,634)	(106,728)
Closing net book value	295,344	7,465	14,061	136,715	110,498	564,083
At December 31, 2025						
Cost	443,100	288,810	126,106	248,787	301,295	1,408,098
Accumulated depreciation	(147,756)	(281,345)	(112,045)	(112,072)	(190,797)	(844,015)
Net book value	295,344	7,465	14,061	136,715	110,498	564,083
Rate of depreciation (percentage)	3.33	10-33	20.00	16.67	33.33	

2024

	Leasehold buildings	Leasehold improvements	Furniture and fixtures	Vehicles	Electrical, office and computer equipments	Total
	(Rupees in '000)					
At January 1, 2024						
Cost	443,100	288,810	124,185	134,487	170,614	1,161,196
Accumulated depreciation	(118,156)	(249,889)	(107,766)	(60,071)	(140,344)	(676,226)
Net book value	324,944	38,921	16,419	74,416	30,270	484,970
Year ended December 2024						
Opening net book value	324,944	38,921	16,419	74,416	30,270	484,970
Additions	-	-	6,654	114,300	65,841	186,795
Disposals - cost	-	-	(2,571)	-	(17,217)	(19,788)
Disposals - accumulated depreciation	-	-	2,571	-	17,217	19,788
Depreciation charge	(14,800)	(15,728)	(8,475)	(21,371)	(28,121)	(88,495)
Closing net book value	310,144	23,193	14,598	167,345	67,990	583,270
At December 31, 2024						
Cost	443,100	288,810	128,268	248,787	219,238	1,328,203
Accumulated depreciation	(132,956)	(265,617)	(113,670)	(81,442)	(151,248)	(744,933)
Net book value	310,144	23,193	14,598	167,345	67,990	583,270
Rate of depreciation (percentage)	3.33	10-33	20.00	16.67	33.33	

	2025	2024
	---------- (Rupees in '000) ----------	
11.1 The cost of fully depreciated assets still in use are as follows:		
Leasehold improvements	**144,101**	95,873
Electrical, office and computer equipments	**125,776**	118,615
Furniture and fixtures	**100,221**	-
Vehicles	**64,100**	64,100
	434,198	278,588

12 Right-of-use assets

	2025			2024		
	Property	**Vehicles**	**Total**	Property	Vehicles	Total
	---------- (Rupees in '000) ----------					
At January 1,						
Cost	**685,505**	**-**	**685,505**	403,931	6,691	410,622
Accumulated Depreciation	**(288,848)**	**-**	**(288,848)**	(125,714)	(6,691)	(132,405)
Net book value at January 1	**396,657**	**-**	**396,657**	278,217	-	278,217
Additions during the year	**341,930**	**-**	**341,930**	281,574	-	281,574
Deletions during the year	**(57,184)**	**-**	**(57,184)**	-	-	-
Depreciation for the year	**(187,489)**	**-**	**(187,489)**	(163,134)	-	(163,134)
Net Carrying amount at December 31	**493,914**	**-**	**493,914**	396,657	-	396,657

	Note	2025	2024
		---------- (Rupees in '000) ----------	
13 INTANGIBLE ASSETS			
Computer software	13.1	**46,494**	23,839

13.1 Computer Software

	2025	2024
At January 1		
Cost	**49,085**	49,085
Accumulated amortisation	**(25,246)**	(12,049)
Net book value	**23,839**	**37,036**
Year ended December		
Opening net book value	**23,839**	37,036
Additions	**46,095**	-
Amortisation charge	**(23,440)**	(13,197)
Closing net book value	**46,494**	**23,839**
At December 31		
Cost	**95,180**	49,085
Accumulated amortisation	**(48,686)**	(25,246)
Net book value	**46,494**	23,839
Rate of amortisation (percentage)	**20-33**	20-33
Useful life	**3-5 years**	3-5 years

14. DEFERRED TAX ASSETS

Movement of deferred tax during the year

	Note	2025 At January 1, 2025	Recognised in profit and (loss)	Recognised in SOCI/ SOCE	At December 31, 2025
		(Rupees in '000)			
Deductible Temporary Differences on:					
Workers welfare fund		**2,129,198**	**871,409**	**-**	**3,000,607**
Credit loss allowance/ provision held against financial assets		**144,332**	**(75,670)**	**-**	**68,662**
		2,273,530	**795,739**	**-**	**3,069,269**
Taxable Temporary Differences on					
Property and Equipment		**(40,489)**	**(62,428)**	**-**	**(102,917)**
Intangible		**(2,510)**	**(17,772)**	**-**	**(20,282)**
Surplus on revaluation of investments	22	**(1,569,859)**	**-**	**109,527**	**(1,460,332)**
		(1,612,858)	**(80,200)**	**109,527**	**(1,583,531)**
		660,672	**715,539**	**109,527**	**1,485,738**

	Note	2024 At January 1, 2024	Impact of adoption of IFRS 9	Recognised in profit and (loss)	Recognised in SOCI/ SOCE	At December 31, 2024
		(Rupees in '000)				
Deductible Temporary Differences on:						
Workers welfare fund		1,518,598	-	610,600	-	2,129,198
Credit loss allowance/ provision held against financial assets		-	26,749	117,583	-	144,332
		1,518,598	26,749	728,183	-	2,273,530
Taxable Temporary Differences on						
Property and Equipment		(32,081)	-	(8,408)	-	(40,489)
Intangible		(11,132)	-	8,622	-	(2,510)
(Surplus) / deficit on revaluation of investments	22	115,454	-	-	(1,685,313)	(1,569,859)
		72,241	-	214	(1,685,313)	(1,612,858)
		1,590,839	26,749	728,397	(1,685,313)	660,672

15. OTHER ASSETS

	Note	2025	2024
		(Rupees in '000)	
Income / mark-up accrued in local currency		**145,812**	529,499
Income / mark-up accrued in foreign currencies		**93,187**	2,656,137
Advances, deposits, advance rent and other prepayments		**122,967**	71,112
Mark to market gain on forward foreign exchange contracts		**11,438**	152,352
Mark to market gain on FX swap contracts		**5,883,416**	12,975,949
Acceptances		**-**	22,284
Receivable from defined benefit plan		**18,265**	24,881
Others		**348**	597
		6,275,433	16,432,811
Less: Credit loss allowance / provision held against other assets	15.1	**(1,257)**	(791)
		6,274,176	16,432,020

	Note	2025	2024
		(Rupees in '000)	
15.1 Credit loss allowance held against other assets			
Refundable deposits and other receivables		(1,257)	783
Acceptances		-	8
	15.2	(1,257)	791

	2025	2024
15.2 Movement in credit loss allowance held against other assets		
Opening balance	791	1,090
Impact of adoption of IFRS 9	-	316
	791	1,406
Charge for the year	474	-
Reversals	(8)	(615)
	466	(615)
Closing Balance	1,257	791

	Note	2025	2024
16. BILLS PAYABLE			
In Pakistan		738,279	1,889,296
17. BORROWINGS			
Unsecured			
Call borrowings	17.1	571,076,735	941,477,718

17.1 This represents foreign currency borrowings from ICBC branches outside Pakistan at mark-up rates ranging from 1.62% to 5.72% per annum (December 31, 2024: 1.5% to 6.3% per annum) maturing upto July 7, 2026 (December 31, 2024: upto September 12, 2025).

	2025	2024
17.2 Particulars of borrowings with respect to currencies		
In foreign currencies	571,076,735	941,477,718

18. 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	59,632,288	3,476,261	63,108,549	44,090,668	4,093,685	48,184,353
Savings deposits	314,010,159	1,108,030	315,118,189	443,981,648	1,193,051	445,174,699
Term deposits	190,950,241	-	190,950,241	10,931,861	-	10,931,861
Others	30,444,304	-	30,444,304	1,783,848	-	1,783,848
	595,036,992	4,584,291	599,621,283	500,788,025	5,286,736	506,074,761
Financial Institutions						
Current deposits	21,534	13,378,496	13,400,030	32,745	4,339,386	4,372,131
Savings deposits	-	-	-	6,205	-	6,205
	21,534	13,378,496	13,400,030	38,950	4,339,386	4,378,336
	595,058,526	17,962,787	613,021,313	500,826,975	9,626,122	510,453,097

18.1 Composition of deposits

	2025	2024
	(Rupees in '000)	
Individuals	**1,108,399**	974,858
Public Sector Entities	**20,393,937**	1,341,132
Banking Companies	**42,916,323**	4,348,086
Private Sector	**548,602,654**	503,789,021
	613,021,313	510,453,097

18.2 This includes deposits amounting to PKR. 1,086.774 million as at December 31, 2025 , eligible to be covered under insurance arrangements as per the requirement of Deposit Protection Corporation Act, 2016 (the Act), and DPC Circular No. 04 of 2018. The Bank is liable to pay annual premium, on quarterly basis, to the Deposit Protection Corporation (a subsidiary company of State Bank of Pakistan) at the rate of 0.16% on eligible deposits as of December 31 of each preceding calendar year.

19. Lease Liabilities

	Note	2025	2024
		(Rupees in '000)	
Outstanding amount at the start of the year		**271,876**	133,017
Additions during the year		**341,930**	281,573
Termination impact arised during the year		**(237,127)**	-
Payment made during the year		**(135,496)**	(181,219)
Interest expense		**45,574**	38,505
Outstanding amount at the end of the year	19.1	**286,757**	271,876

19.1 Contractual maturity of lease liabilities

	2025	2024
Short-term lease liabilities - within one year	**12,290**	148,368
Long-term lease liabilities		
- 1 to 5 years	**274,467**	123,508
Total lease liabilities	**286,757**	271,876

20. OTHER LIABILITIES

	Note	2025	2024
Mark-up / return / interest payable in local currency		**5,958,499**	35,956,945
Mark-up / return / interest payable in foreign currency		**5,007,763**	14,602,199
Performance bonus payable		**2,247,238**	1,361,207
Unearned commission income		**395,591**	513,627
Current taxation (provisions less payments)		**166,051**	3,174,915
Acceptances		**-**	22,284
Mark to market loss on forward foreign exchange contracts		**11,107**	144,514
Mark to market loss on FX swap contracts		**7,416,900**	48,316,126
Accrued expenses		**34,046**	21,479
Workers' welfare fund	20.1	**5,925,538**	4,345,302
Withholding tax payable		**38,082**	283,765
Clearing and settlements		**3,303,371**	1,167,022
Credit loss allowance against off-balance sheet obligations	20.2	**87,114**	74,908
Others		**65,166**	1,771
		30,656,466	109,986,064

20.1 Provision held at 2% of the higher of profit before tax or taxable income under Sindh Workers' Welfare Act, 2014 and the Punjab Workers' Welfare Fund Act, 2019.

Through Finance Act 2008, the Federal Government introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged and conflicting judgments were rendered by various courts. Appeals against these orders were filed in the Supreme Court of Pakistan.

The Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of WWF were not lawful. The Federal Board of Revenue has filed review petitions against the above judgment. These petitions are currently pending with the Supreme Court of Pakistan.

A legal advice has been obtained by the Pakistan Banks Association which highlights that consequent to filing of these review petitions, a risk has arisen and the judgment is not conclusive until the review petition is decided. Accordingly, the amount charged for WWF since 2013 has not been reversed.

Government of Sindh (Sindh WWF) and Government of Punjab (Punjab WWF) which was effective from January 1, 2014 and January 01. 2019 respectively, where definition of industrial undertakings under the aforesaid WWF laws includes banks and financial institutions as well. However, the Bank along with the other banks has challenged the issue of jurisdiction claimed by Sindh Revenue Board before the Honorable High Court of Sindh (SHC) on grounds that banking companies cannot be considered as industrial establishment. The Court has restrained the Sindh Revenue Board to collect / recover Sindh WWF till the next date of hearing whereas the Bank will challenge the recovery of Punjab WWF in the court of law on same grounds in case of SWWF.

On prudent basis, the Bank has charged WWF provision at the rate of 2% on higher of profit before tax or declared (taxable income) as per tax return.

20.2 Credit loss allowance against off-balance sheet obligations

	Note	2025	2024
		--------- (Rupees in '000) --------	
Opening balance		**74,908**	-
Impact of adoption of IFRS 9		**-**	94,263
		74,908	94,263
Charge for the year		**30,822**	994
Reversals		**(18,616)**	(20,349)
		12,206	(19,355)
Closing balance		**87,114**	74,908

21. HEAD OFFICE CAPITAL ACCOUNT

Capital held as:

	Note	2025	2024
Interest free deposit in approved foreign exchange			
i) Remitted from Head Office (USD 150 million)	6.2	**41,782,500**	42,279,105
ii) Revaluation surplus / (deficit) allowed by the State Bank of Pakistan		**235,965**	(496,605)
		42,018,465	41,782,500

22. SURPLUS ON REVALUATION OF ASSETS

	Note	2025	2024
		(Rupees in '000)	
Surplus on revaluation of Investment at FVOCI - Debt	9	**2,808,331**	3,203,792
Deferred tax on surplus on revaluation of Investment at FVOCI -Debt	14	**(1,460,332)**	(1,569,859)
		1,347,999	1,633,933

23. CONTINGENCIES AND COMMITMENTS

	Note	2025	2024
Guarantees	23.1	**362,648,307**	365,400,497
Commitments	23.2	**2,329,071,409**	3,272,291,324
		2,691,719,716	3,637,691,821

23.1 Guarantees:

	2025	2024
Financial guarantees	**563,251**	563,251
Performance guarantees	**184,810,514**	159,859,090
Other guarantees	**177,274,542**	204,978,156
	362,648,307	365,400,497

23.2 Commitments:

	Note	2025	2024
Documentary credits and short-term trade-related transactions - Letters of credit (including LC confirmations)		**33,897,370**	19,435,176
Commitments in respect of:			
- Forward foreign exchange contracts	23.2.1	**3,837,231**	66,736,598
- FX Swap contracts	23.2.2	**2,291,336,808**	3,186,119,550
		2,329,071,409	3,272,291,324

23.2.1 Commitments in respect of FX Forward contracts

	2025	2024
Purchase	**1,308,163**	33,372,379
Sale	**2,529,068**	33,364,219
	3,837,231	66,736,598

The Bank utilises foreign exchange instruments to meet the needs of its customers and as part of its asset and liability management activity to hedge its own exposure to currency risk. At year end, all foreign exchange contracts have a remaining maturity of less than one year.

23.2.2 Commitments in respect of FX Swap contracts

	2025	2024
Purchase	**1,143,523,177**	1,573,381,426
Sale	**1,147,813,631**	1,612,738,124
	2,291,336,808	3,186,119,550

24 DERIVATIVE INSTRUMENTS

24.1 FX Swap Contracts - Product analysis

Counterparties	2025 Notional principal	2025 Mark to market gain / loss	2024 Notional principal	2024 Mark to market gain / loss
	-------------------- (Rupees in '000) --------------------			
With banks for				
Hedging	**404,434,586**	**(1,637,070)**	1,158,625,841	(35,237,454)
Market making	**1,866,902,222**	**103,586**	2,027,493,710	(102,723)
With FIs other than banks				
Hedging	-	-	-	-
Market making	-	-	-	-
With other entities for				
Hedging	-	-	-	-
Market making	-	-	-	-
Total				
Hedging	**404,434,586**	**(1,637,070)**	1,158,625,841	(35,237,454)
Market making	**1,866,902,222**	**103,586**	2,027,493,710	(102,723)

24.2 Maturity analysis

2025

Remaining Maturity	No. of contracts	Notional principal	Mark to market Negative	Mark to market Positive	Mark to market Net
		-------------------- (Rupees in '000) --------------------			
Upto 1 month	**54**	**672,843,381**	**(2,163,232)**	**2,181,852**	**18,620**
1 to 3 months	**61**	**914,344,351**	**(3,047,927)**	**3,067,276**	**19,349**
3 to 6 months	**34**	**704,149,076**	**(2,205,741)**	**634,289**	**(1,571,452)**
6 month to 1 year	-	-	-	-	-
1 to 2 year	-	-	-	-	-
2 to 3 years	-	-	-	-	-
3 to 5 years	-	-	-	-	-
5 to 10 years	-	-	-	-	-
Above 10 years	-	-	-	-	-
Total	**149**	**2,291,336,808**	**(7,416,900)**	**5,883,417**	**(1,533,483)**

2024

Remaining Maturity	No. of contracts	Notional principal	Mark to market Negative	Mark to market Positive	Mark to market Net
		-------------------- (Rupees in '000) --------------------			
Upto 1 month	64	804,944,904	(15,022,574)	6,041,531	(8,981,043)
1 to 3 months	99	1,550,221,708	(15,254,248)	6,465,852	(8,788,396)
3 to 6 months	30	827,410,752	(18,031,472)	460,632	(17,570,840)
6 month to 1 year	5	3,542,186	(1,201)	1,303	102
1 to 2 year	-	-	-	-	-
2 to 3 years	-	-	-	-	-
3 to 5 years	-	-	-	-	-
5 to 10 years	-	-	-	-	-
Above 10 years	-	-	-	-	-
Total	198	3,186,119,550	(48,309,495)	12,969,318	(35,340,177)

24.2.1 Risk management related to derivatives is discussed in note 41.5.

25. MARK-UP / RETURN / INTEREST EARNED

	Note	2025	2024
		--------- (Rupees in '000) --------	
On:			
Loans and advances	25.1	**14,471,464**	31,571,379
Investments		**86,341,904**	139,382,450
Lendings to financial institutions		**25,031,802**	62,911,301
Balances with other banks		**393,600**	536,057
	25.2	**126,238,770**	234,401,187

25.1 This includes PKR 14.097 billion (December 31, 2024: PKR 29.864 billion) interest earned from loan to Ministry of Finance, Pakistan.

25.2 Interest income calculated using effective interest rate recognised on:

	Note	2025	2024
		--------- (Rupees in '000) --------	
Financial assets measured at amortised cost		**40,298,775**	96,082,603
Financial assets measured at FVOCI		**85,939,995**	138,318,584
		126,238,770	234,401,187

26. MARK-UP / RETURN / INTEREST EXPENSED

	Note	2025	2024
On:			
Deposits		**20,420,666**	67,697,807
Borrowings	26.1	**22,967,019**	55,009,158
Cost of foreign currency swaps against foreign currency deposits / borrowings		**17,372,810**	49,827,216
Finance charges on lease liability against right of use asset		**45,574**	38,505
	26.2	**60,806,069**	172,572,686

26.1 Borrowings

	Note	2025	2024
Call Borrowings from ICBC Head office and branches	26.1.1	**22,947,919**	55,009,158
Securities sold under repurchase agreements		**19,100**	-
		22,967,019	55,009,158

26.1.1 This includes PKR 8,867 Million (December 31, 2024: 22,283 Million) interest expense on Call Borrowings arranged from ICBC Dubai and Doha Branch for loan to Ministry of Finance, Pakistan.

	Note	2025	2024
		--------- (Rupees in '000) --------	
26.2 Interest expense calculated using effective interest rate method		**43,433,259**	122,745,470
Other financial liabilities		**17,372,810**	49,827,216
		60,806,069	172,572,686

27. FEE & COMMISSION INCOME

	Note	2025	2024
Branch banking customer fees		**13,122**	13,121
Card related fees (debit cards)		**166**	168
Investment banking fees		**279,560**	200,387
Commission on trade		**618,164**	219,614
Commission on guarantees		**1,099,653**	1,000,961
Commission on remittances including home remittances		**59,832**	48,963
Credit related fees	27.1	**1,126,912**	1,810,299
		3,197,409	3,293,513

27.1 This relates to arrangement fee on loan to Ministry of Finance, Pakistan.

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

28. OTHER INCOME

	Note	2025	2024
Recovered from employees against waiver of notice period		**8,241**	1,231
Gain on sale of Property and Equipment		**1,271**	1,545
		9,512	2,776

29. OPERATING EXPENSES

	Note	2025	2024
Total compensation expense	29.1	**2,730,563**	2,501,622
Property expense			
Rent & taxes		**4,004**	20,041
Insurance		**661**	133
Utilities cost		**19,187**	19,983
Security (including guards)		**26,960**	34,436
Repair & maintenance (including janitorial charges)		**47,599**	40,950
Depreciation		**14,800**	14,800
Depreciation on right-of-use assets		**187,489**	163,134
		300,700	293,477
Information technology expenses			
Software maintenance		**13,254**	27,510
Hardware maintenance		**20,053**	2,659
Depreciation		**39,634**	28,121
Amortisation		**23,440**	13,197
Insurance		**-**	7
Network and connectivity charges		**26,024**	20,532
		122,405	92,026
Other operating expenses			
Legal & professional charges		**47,146**	34,024
Insurance		**4,504**	11,018
Outsourced services costs	29.2	**16,514**	63,854
Repair & maintenance		**11,445**	13,908
Travelling & conveyance		**39,393**	41,919
Entertainment expense		**4,052**	7,638
Depreciation		**52,294**	45,574
Training & development		**15,282**	6,588
Postage & courier charges		**1,884**	3,979
Communication		**20,320**	5,709
Fees and subscription		**128,728**	121,209
Stationery, printing and low value consumables		**10,367**	16,897
Marketing, advertisement & publicity		**14,981**	3,197
Donations	29.3	**1,000**	-
Auditor remuneration	29.4	**5,104**	4,545
Commission expense		**3,771**	8,595
NIFT clearing charges		**409**	2,983
Deposit protection premium		**1,739**	1,285
Others		**6,681**	4,475
		385,614	397,397
		3,539,282	3,284,522

	Note	2025	2024
		(Rupees in '000)	

29.1 Total compensation expense

	Note	2025	2024
Managerial Remuneration			
i) Fixed		1,352,973	1,363,815
ii) Variable of which:			
(a) Cash bonus / awards etc.		1,273,020	987,778
(b) Charge for defined benefit plan	35	5,363	7,834
Contribution to defined contribution plan		8,123	5,145
Rent & house maintenance		27,319	-
Medical		2,089	2,228
Conveyance		22,571	-
Others			
a) Staff canteen allowances		30,518	122,775
f) Health & Life Insurance		6,027	9,909
g) Staff festival event allowances		2,560	2,138
		2,730,563	2,501,622

29.2 Total cost for the year relating to outsourcing activities included in other operating activities is Rs. 16.5 million (December 31, 2024: Rs.63.8 million) being paid to companies incorporated in Pakistan. The material outsourcing arrangements service are as follows:

Name of Service Provider	Type of Services	Note	2025	2024
			(Rupees in '000)	
Fulcrum Private Limited	Support Staff		15,032	16,740
Phoenix Security Services Private Limited	Security Service		19,816	22,431

29.3 Donations above Rs.0.1 million

	2025	2024
Pakistan - China Institute	1,000	-

29.3.1 Donations were not made to any related party.

29.4 Auditors' remuneration

	2025	2024
Annual audit fee	1,556	2,884
Half yearly and Other certifications	3,548	1661
	5,104	4,545

30. WORKERS' WELFARE FUND

	Note	2025	2024
Charge during the year	20.1	1,580,237	1,246,122

31. CREDIT LOSS ALLOWANCE AND WRITE OFFS / (REVERSAL OF PROVISION)

	Note	2025	2024
		---------- (Rupees in '000) --------	
Balances with other banks		(4,929)	6,702
Loans & advances	10.4.4	10,679	64,431
Other assets		466	(390)
Off balance sheet items	20.2	12,206	(19,355)
		18,422	51,388

32. TAXATION

	2025	2024
Current	38,571,735	28,663,913
Prior years	(11,053)	-
Deferred	(715,539)	(728,397)
	37,845,143	27,935,516

32.1 Relationship between tax expense and accounting profit

	2025	2024
Profit before taxation	77,376,136	61,192,699
Tax at the applicable rate of 43% (December 31, 2024: 44%)	33,271,739	26,924,787
Effect of:		
Super tax	7,273,403	5,308,132
Exempt Income	(2,733,410)	(4,132,054)
Prior year charge/ (income)	(11,053)	-
Effect of change in rate	44,464	(165,349)
	37,845,143	27,935,516

32.2 With reference to FBR letter no.C.No.1(1)M(IR-OPS)/2025 dated April 14, 2025 and sub rule 4 of Rule 8 of seventh schedule of Income Tax Ordinance, 2001, profit on debt on the Bank's commercial foreign currency commercial loan facility of RMB 9.3 billion to Ministry of Finance, Government of Pakistan is exempt from all taxes but limited to Income Tax, Super Tax and withholding taxes.

33. CASH AND CASH EQUIVALENTS

	2025	2024
	--------- (Rupees in '000) ---------	
Cash and balances with treasury banks	67,628,351	76,916,819
Balances with other banks	25,648,898	47,033,228
	93,277,249	123,950,047

34 STAFF STRENGTH

	2025	2024
	-------------- (Number) --------------	
Permanent	89	92
On third party contract	20	22
Bank's own staff strength at the end of the year	109	114

In addition to the above, 12 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.

MS Fulcrum Private Limited an outsourcing service company, were assigned to the Bank to perform services other than guarding and janitorial services.

35. DEFINED BENEFIT PLAN

35.1 General description

The Bank operate an approved gratuity fund registered in October 2013 w.e.f July 2013 for all its local permanent employees who have completed the qualifying period as defined in the scheme. In the current year, the branches have carried out an actuarial valuation as at December 31, 2025 using Projected Unit Credit Method and recorded the obligation accordingly.

35.2 Number of Employees under the scheme

The number of employees covered under the defined benefit scheme are as follows:

	2025	2024
	(Number)	
Gratuity fund	**57**	57

35.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2025 using the following significant assumptions:

	2025	2024
	(Per annum)	
Discount rate	**10.75%**	12.25%
Expected rate of salary increase	**10.75%**	10.25%
Mortality rates	**70% of EFU (61-66) table**	70% of EFU (61-66) table
Withdrawal rates	**20%**	20%

35.4 Reconciliation of receivable from defined benefit plans

	2025	2024
	(Rupees in '000)	
Present value of defined benefit obligations	**66,089**	58,492
Fair value of plan assets	**(84,354)**	(83,373)
Receivable from defined benefit plan	**(18,265)**	(24,881)

35.5 Movement in defined benefit obligations

	2025	2024
Obligations at the beginning of the year	**58,492**	51,728
Interest cost	**6,036**	8,050
Current service costs	**9,073**	9,490
Benefits paid	**(18,442)**	(2,827)
Re-measurement loss / (gain) - Experience	**10,930**	(7,949)
Obligations at the end of the year	**66,089**	**58,492**

35.6 Movement in fair value of plan assets

	2025	2024
Fair value at the beginning of the year	**83,373**	55,946
Interest income on plan assets	**9,746**	9,706
Contribution paid in the fund	**10,812**	12,264
Investment return	**(1,135)**	8,284
Benefits paid from the fund	**(18,442)**	(2,827)
Fair value at the end of the year	**84,354**	**83,373**

		2025	2024
35.7	**Movement in receivable from defined benefit plan**	--------- (Rupees in '000)	---------
	Opening balance	**(24,881)**	(4,218)
	Charge for the year in profit and loss account	**5,363**	7,834
	Re-measurement loss/(gain) recognised in OCI during the year	**12,065**	(16,233)
	Contribution by the Bank	**(10,812)**	(12,264)
	Closing balance	**(18,265)**	(24,881)
35.8	**Charge for defined benefit plan**		
	Cost recognised in profit and loss		
	Current service costs	**9,073**	9,490
	Net interest expense on defined benefit asset / liability	**(3,710)**	(1,656)
		5,363	7,834
	Re-measurements recognised in OCI during the year		
	Loss / (gain) on obligation		
	Experience adjustment	**5,935**	(4,376)
	Financial assumptions	**4,994**	(3,573)
	Return on plan assets over interest income	**-**	-
	Investment return	**1,136**	(8,284)
	Total re-measurements recognised in OCI	**12,065**	(16,233)
35.9	**Components of plan assets**		
	Cash and cash equivalents	**84,354**	83,373

35.10 Maturity profile

Expected maturity analysis of undiscounted defined benefit obligation (benefit payments) for the gratuity fund is as follows:

	Up to one year	Over 1-2 years	Over 2- 5 years	Over 5 and above years	Total
	-------------------	-------------------	Rs.000	-------------------	-------------------
Balance as at December 31, 2025	**12,720**	**14,395**	**47,141**	**76,807**	**151,063**
Balance as at December 31, 2024	12,923	13,320	44,338	66,726	137,307

35.11 Sensitivity analysis

Significant actuarial assumptions for the determination of the defined obligation are discount rate, and expected rate of salary increase. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

Impact on obligation of change in assumptions over the year

		2025		2024	
	% age	Increase	Decrease	Increase	Decrease
		-------------	(Rupees in '000)	-------------	-------------
Discount rate	**1%**	**(2,586)**	**2,807**	(2,122)	2,296
Salary increase rate	**1%**	**2,781**	**(2,608)**	2,318	(2,178)

35.12 Expected contributions to be paid to the fund in the next financial year

	2025	2024
	--------- (Rupees in '000) ---------	
The contributions are equal to the current service cost with adjustment for any surplus or deficit.	**12,720**	12,922

35.13 Expected charge for the next financial year

	2025	2024
Service cost	**10,467**	9,073
Net interest	**(1,963)**	(3,048)
	8,504	6,025

35.14 Maturity profile

	2025	2024
The weighted average duration of the obligation (in years)	**4.6**	4.3

35.2 Funding Policy

The Bank endeavour to ensure that liabilities under the employee benefit scheme are covered by the Fund on any valuation date having regards to the various actuarial assumptions such as projected future salary increase, expected future contributions to the fund, projected increase in liability associated with future service and the projected investment income of the Fund.

The significant risks associated with the staff retirement benefit scheme include:

Asset volatility

The fund is exposed to asset volatility risk to the extent of change in bond yields.

Changes in bond yields

The valuation of the defined benefit liability is discounted with reference to the Government bond yields. So, any increase in bond yields will lower the defined benefit liability but it will also lower the plan asset values and vice versa.

Inflation risk

The salary inflation (especially the final salary risk) is the major risk that the Gratuity liability carries. In a general economic sense and in a longer view, there is a case that if bond yields increase, the ensuing change in salary inflation generally offsets the gains from the decrease in discounted gratuity. But viewed with the fact that, for gratuity, asset values will also decrease; the salary inflation does, as an overall effect, increase the net liability of the Bank.

Life expectancy / withdrawal rate

The Gratuity is paid off at the maximum of age 60. The life expectancy is in almost minimal range and is quite predictable in the ages when the employee is in the accredited employment of the Bank for the purpose of the Gratuity. Thus, the risk of life expectancy is almost negligible.

The withdrawal risk is dependent upon the benefit structure, age and retention profile of the staff, the valuation methodology, and long-term valuation assumptions. In this case, it is not a significant downside risk as higher withdraws, although troublesome for the Bank, will give rise to a release in the liability as retirement benefits for unvested due to earlier withdrawals.

36. DEFINED CONTRIBUTION PLAN

36.1 General Description

The Bank operate an approved Provident Fund scheme for all of its local permanent employees to which both Branches and employees contribute at the rate of 10% of basic salary in equal monthly contributions. During the year, the Branches contributed an amount of Rs 8.123 million (2024: Rs.5.145 million) to the recognised Provident Fund.

COMPENSATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive		Executives	
	2025	2024	**2025**	2024
	(Rupees in '000)			
Managerial remuneration & bonus	**88,156**	74,104	**480,138**	506,399
Charge for defined benefit plan	-	-	**353**	640
Contribution to defined contribution plan	-	-	**173**	312
Rent and house maintenance	**468**	550	**8,305**	9,098
Utilities	**532**	891	**8,269**	12,789
Medical	-	115	**1,181**	1,120
Conveyance	**4,150**	4,110	**11,133**	13,007
Others	-	-	**24**	24
	93,306	79,770	**509,576**	543,389
Number of persons	**1**	1	**16**	14

The chief executive and certain executives are also provided with drivers, security arrangements, accommodation and payment of travel bills in accordance with their terms of employment.

The remuneration of the CEO includes the remuneration of the outgoing CEO. The CEO was appointed with effect from May 29, 2023.

37. FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted debt securities, fixed term loans, 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.

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 these are either short-term in nature or, in the case of customer loans and deposits, are frequently repriced.

37.1 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).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

37.2 The table below analysis financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2025				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
On balance sheet financial instruments	**(Rupees in '000)**				
Financial assets measured at fair value					
Investments					
Federal Government Securities (FVOCI)	**796,205,983**	**-**	**799,014,314**	**-**	**799,014,314**
Financial assets - disclosed but not measured at fair value					
Investments					
Federal Government Securities (Amortised Cost)	-	-	-	-	-
	796,205,983	**-**	**799,014,314**	**-**	**799,014,314**
Off-balance sheet financial instruments - measured at fair value					
Purchase and sale of FX forward contracts	**1,927,813**	**-**	**1,928,144**	**-**	**1,928,144**
Purchase and sale of FX swap Contracts	**1,147,813,631**	**-**	**1,146,280,147**	**-**	**1,146,280,147**

	2024				
	Carrying Value	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	(Rupees in '000)				
Financial assets - measured at fair value					
Investments					
Federal Government Securities (FVOCI)	721,009,744	-	724,213,536	-	724,213,536
Financial assets - disclosed but not measured at fair value					
Investments					
Federal Government Securities (Amortised Cost)	4,894,287	-	4,668,990	-	4,668,990
	725,904,031	-	728,882,526	-	728,882,526
Off-balance sheet financial instruments - measured at fair value					
Purchase and sale of FX forward contracts	9,834,408	-	9,842,246	-	9,842,246
Purchase and sale of FX swap Contracts	1,612,731,494	-	1,577,391,317	-	1,577,391,317

37.3 Valuation techniques used in determination of fair valuation of financial instruments within level 2 and level 3

(a) Financial instruments in level 2

Financial instruments included in level 2 comprise of Market Treasury Bills, Pakistan Investment Bonds and forward foreign exchange contracts.

Item	**Valuation technique and input used**
Pakistan Investment Bonds	Fair values of Pakistan Investment Bonds are derived using the PKRV rates
Market Treasury Bills	Fair values of Treasury Bills are derived using the PKRV rates.
Forward Foreign Exchange Contracts	The valuation has been determined by interpolating the FX revaluation rates announced by State Bank of Pakistan.
Forward Foreign Exchange Contracts	The valuation has been determined by interpolating the FX revaluation rates announced by State Bank of Pakistan.
FX Swap Contracts	The Valuation has been determined based on market observable inputs for FX swap contracts. The most frequently applied valuation techniques are swap models using present value calculations.

(b) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

37.4 During the year ended 31 December 2025, there were no transfers between level 1 and level 2 fair value measurements.

38. SEGMENT INFORMATION

38.1 Segment details with respect to business activities

	2025				
	Corporate finance	Treasury	Branch Banking	Others	Total
	(Rupees in '000)				
December 31, 2025					
Profit & Loss					
Net mark-up / return / profit	1,772,961	63,705,314	-	(45,574)	65,432,701
Inter segment revenue - net	2,376,532	(2,376,532)	-	-	-
Non mark-up / return / interest income	9,789,420	7,209,324	73,120	9,512	17,081,376
Total Income	13,938,913	68,538,106	73,120	(36,062)	82,514,077
Segment direct expenses	864,450	4,250,533	4,536	-	5,119,519
Total expenses	864,450	4,250,533	4,536	-	5,119,519
Credit loss allowance / (reversal of provision)	23,351	(4,929)	-	-	18,422
Profit before tax	13,051,112	64,292,502	68,584	(36,062)	77,376,136
December 31, 2025					
Statement of financial position					
Cash & Bank balances	-	93,277,249	-	-	93,277,249
Investments	-	799,014,314	-	-	799,014,314
Net inter segment lending	610,829,530	-	-	-	610,829,530
Lendings to financial institutions	-	110,713,375	-	-	110,713,375
Advances - performing	374,941,363	-	-	-	374,941,363
- non-performing	-	-	-	-	-
Others	135,178	115,259	-	2,730,552	2,980,989
Total Assets	985,906,071	1,003,120,197	-	2,730,552	1,991,756,820
Borrowings	372,749,580	198,327,155	-	-	571,076,735
Deposits & other accounts	613,021,313	-	-	-	613,021,313
Net inter segment borrowing	-	610,829,530	-	-	610,829,530
Others	8,468,877	2,991,197	4,041,650	8,762,878	24,264,602
Total liabilities	994,239,770	812,147,882	4,041,650	8,762,878	1,819,192,180
Equity	-	-	-	171,031,156	171,031,156
Total Equity & liabilities	994,239,770	812,147,882	4,041,650	179,794,034	1,990,223,336
Contingencies & Commitments	396,545,677	2,295,174,039	-	-	2,691,719,716

	2024				
	Corporate finance	Treasury	Branch Banking	Others	Total
	(Rupees in '000)				
December 31, 2024					
Profit & Loss					
Net mark-up / return / profit	13,273,384	48,593,622	-	(38,505)	61,828,501
Inter segment revenue - net	2,376,532	(2,376,532)	-	-	-
Non mark-up / return / interest income	8,733,430	(4,852,228)	62,252	2,776	3,946,230
Total Income	24,383,346	41,364,862	62,252	(35,729)	65,774,731
Segment direct expenses	1,678,643	2,847,714	4,287	-	4,530,644
Inter segment expense allocation					
Total expenses	1,678,643	2,847,714	4,287	-	4,530,644
Credit loss allowance	44,686	6,702	-	-	51,388
Profit before tax	22,660,017	38,510,446	57,965	(35,729)	61,192,699
December 31, 2024					
Statement of financial position					
Cash & Bank balances	-	123,950,047	-	-	123,950,047
Investments	-	729,107,823	-	-	729,107,823
Net inter segment lending	506,943,212	-	-	-	506,943,212
Lendings to financial institutions	-	478,661,524	-	-	478,661,524
Advances - performing	365,624,885	-	-	-	365,624,885
- non-performing	-	-	-	-	-
Others	2,789,817	13,546,404	-	1,760,237	18,096,458
Total Assets	875,357,914	1,345,265,798	-	1,760,237	2,222,383,949
Borrowings	362,115,000	579,362,718	-	-	941,477,718
Deposits & other accounts	510,453,097	-	-	-	510,453,097
Net inter segment borrowing	-	506,943,212	-	-	506,943,212
Others	38,595,437	61,035,166	3,056,318	9,460,315	112,147,236
Total liabilities	911,163,534	1,147,341,096	3,056,318	9,460,315	2,071,021,263
Equity	-	-	-	151,362,686	151,362,686
Total Equity & liabilities	911,163,534	1,147,341,096	3,056,318	160,823,001	2,222,383,949
Contingencies & Commitments	384,835,673	3,252,856,148	-	-	3,637,691,821

38.2 The Bank only have Pakistan Operations and reported as that geographical location.

39. RELATED PARTY TRANSACTIONS

The Bank have related party transactions with its Head Office, other ICBC Branches, employee benefit plans and its Directors and Key management personnel.

The Bank 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. Contributions to and accruals in respect of staff retirement benefits and other 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.

Details of the transactions with related parties during the year and balances with them as at year end are as follows:

	2025				2024			
	Key management personnel	Head office	Overseas branches / associates	Other related parties	Key management personnel	Head office	Overseas branches / associates	Other related parties
	(Rupees in '000)							
Balances with other banks								
In current accounts	-	13,440,481	4,393,509	-	-	32,169,234	788,901	-
	-	13,440,481	4,393,509	-	-	32,169,234	788,901	-
Other Assets								
Receivable from Defined benefit asset	-	-	-	12,296	-	-	-	8,641
Mark to market gain on :								
forward foreign exchange contract	-	-	-	-	-	-	152,352	-
FX Swap contracts	-	-	5,867,096	-	-	-	26,165	-
	-	-	5,867,096	12,296	-	-	178,517	8,641
Borrowings								
Opening balance	-	3,042,768	938,434,950	-	-	-	955,797,554	-
Borrowings during the year	-	19,238,688	6,333,148,804	-	-	29,809,164	2,615,549,644	-
Settled during the year	-	(22,445,136)	(6,705,806,793)	-	-	(26,712,108)	(2,621,643,597)	-
Transfer in / (out) - net	-	163,680	5,299,774	-	-	(54,288)	(11,268,651)	-
Closing balance	-	-	571,076,735	-	-	3,042,768	938,434,950	-
Deposits and other accounts								
Opening balance	5,819	1,789	-	133,098	2,791	1,789	-	97,345
Received during the year	511,359	-	-	46,011	585,769	-	-	47,575
Withdrawn during the year	(516,390)	-	-	(42,957)	(584,828)	-	-	(11,822)
Transfer in / (out) - net	374	-	-	-	2,087	-	-	-
Closing balance	1,162	1,789	-	136,152	5,819	1,789	-	133,098
Other Liabilities								
Interest / mark-up payable	13	-	5,006,103	7,032	2	861	14,599,728	11,121
Mark to market loss on forward foreign exchange contracts	-	-	11,107	-	-	-	-	-
Mark to market loss on Swap forward exchange contracts	-	-	-	-	-	-	12,902,171	-
Commission received in advance against unfunded exposure	-	146,296	-	-	-	73,194	-	-
	13	146,296	5,017,210	7,032	2	74,055	27,501,899	11,121
Contingencies and Commitments								
Letter of guarantee	-	156,785,970	-	-	-	186,296,991.00	-	-
Forward exchange contract purchase	-	-	934,036	-	-	-	-	-
Forward exchange contract sale	-	-	941,894	-	-	-	-	-
Swap exchange contract purchase	-	-	478,041,316	-	-	-	517,888,936.00	-
Swap exchange contract sale	-	-	473,671,355	-	-	-	531,395,643.00	-

	2025				2024			
	Key management personnel	Head office	Overseas branches / associates	Other related parties	Key management personnel	Head office	Overseas branches / associates	Other related parties
	(Rupees in '000)							
Income								
Mark-up / return / interest earned	-	184,918	-	-	-	110,988	1,423	-
Fee & commission income	-	232,016	-	-	-	24,041	-	-
Expense								
Mark-up / return / interest paid	52	92,673	22,855,245	18,828	16	11,664	54,997,494	22,587
Compensation expense	602,883	-	-	-	623,160	-	-	-
Contribution to gratuity fund	-	-	-	8,123	-	-	-	5,145
Contribution to provident fund	-	-	-	10,280	-	-	-	7,841

40. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2025	2024
	(Rupees in '000)	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	**42,018,465**	41,782,500
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	**169,656,945**	149,704,914
Eligible Additional Tier 1 (ADT 1) Capital	**-**	-
Total Eligible Tier 1 Capital	**169,656,945**	149,704,914
Eligible Tier 2 Capital	**1,416,861**	1,724,671
Total Eligible Capital (Tier 1 + Tier 2)	**171,073,806**	151,429,585
Risk Weighted Assets (RWAs):		
Credit Risk	**167,768,967**	180,602,246
Market Risk	**57,797,745**	45,164,163
Operational Risk	**140,177,573**	105,071,739
Total	**365,744,285**	330,838,148
Common Equity Tier 1 Capital Adequacy Ratio	**46.39%**	45.25%
Tier 1 Capital Adequacy Ratio	**46.39%**	45.25%
Total Capital Adequacy Ratio	**46.77%**	45.77%

For capital adequacy calculation, Bank has adopted Simple approach for Credit & Market Risk related exposures and Basic Indicator Approach for Operational Risk.

	2025	2024
	(Rupees in '000)	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	**169,656,945**	149,704,914
Total Exposure	**1,415,272,102**	1,773,796,132
Leverage Ratio	**11.99%**	8.44%
Minimum Requirement (%)	**3.00%**	3.00%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	**987,140,718**	1,112,304,967
Total Net Cash Outflow	**500,642,570**	539,641,227
Liquidity Coverage Ratio	**197.17%**	206.12%
Minimum Requirement (%)	**100.00%**	100.00%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	**668,545,405**	692,717,546
Total Required Stable Funding	**52,114,591**	109,554,038
Net Stable Funding Ratio	**1282.84%**	632.31%
Minimum Requirement (%)	**100.00%**	100.00%

40.1 With reference to SBP letter No. SBPHOK-BPRD-BRD-ICB-898582 dated April 16, 2025, conditions given under Basel III Guidelines for CAR, Leverage Ratio, LCR and NSFR (Issued under BPRD circular # 06 dated August 15, 2013 and BPRD circular # 08 dated June 23, 2016) and the requirement of Foreign Exposure Exposure Limit (FEEL) in accordance with DMMD Circular No. 16 of 2020 dated July 22, 2020, are not applicable on the foreign currency commercial loan facility of RMB 9.3 billion to Ministry of Finance, Government of Pakistan by the Bank.

The full disclosures on the Capital adequacy, leverage ratio & Liquidity ratio requirements as per SBP instructions issued from time to time are placed on the website.

41. RISK MANAGEMENT

The primary objective of the Risk Management System is to safeguard the Branches' capital, their financial resources and profitability from various risks. The Bank's risk management policies are designed to identify and analyse all risks, to set appropriate risk limits and controls, to measure and monitor the same through reliable Management Information Systems.

This section presents information about the Bank's exposure to, and its management and control of risks, in particular the primary risks associated with its use of financial instruments. Most of the functions specified below are performed at Head office level.

41.1 Credit risk

Credit Risk Management processes encompass identification, assessment, measurement, monitoring and control of the credit exposures. In the Branches' experience, the key to effective credit risk management is a well thought out business strategy. The Branches' focus over the coming years is to further enhance risk models, processes and systems infrastructure, in line with its ambition to bring maximum sophistication to the risk management function.

The Head office has delegated responsibility for the management of credit risk to the credit committee which is responsible for the oversight of the Branches' credit risk in respect of:

- Formulating credit policies
- Establishing the authorization structure
- Reviewing and assessing credit risk
- Limiting concentration of exposure to counterparties
- Developing and maintaining the Branches' risk grading
- Reviewing compliance of business units
- Providing advice, guidance and specialist skills to promote best practice in the management of credit risk.

The Branches have built up and maintained a sound loan portfolio in terms of well defined Credit Policy. Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for the purpose of emphasizing prudence in lending activities and ensuring the high quality of asset portfolio. As part of prudent practices, the management conducts pre-fact validation of major cases from integrated risk point of view. The Branches manage its portfolio of loan assets with a view to limit concentrations in terms of risk quality, geography, industry, maturity and large exposure.

Credit Risk - General Disclosures Basel Specific

The Bank is using 'The Standardized Approach' (TSA) of SBP Basel accord for the purpose of estimating Credit Risk Weighted Assets. Under TSA, Bank is allowed to take into consideration external rating(s) of counter-party(ies) for the purpose of calculating Risk Weighted Assets.

External Rating

SBP Basel guidelines require banks to use ratings assigned by specified External Credit Assessment Institutions (ECAIs) namely PACRA, JCR-VIS, Moody's, Fitch and Standard & Poors.

The Bank uses external ratings for the purposes of computing the risk weights as per the Basel framework. For exposures with a contractual maturity of less than or equal to one year, short-term rating given by approved ECAIs is used, whereas for long-term exposure with maturity of greater than one year, long-term ratings are used.

Disclosures with respect to Credit Risk Mitigation for The Standardized Approach - Basel specific

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 or rights offered as security for the obligations of the borrower / obligor.

Collateral valuation and management

As stipulated in the SBP Basel guidelines, the Branches have a policy to use the simplified approach for collateral valuation. Under this approach, the Branches reduce its credit exposure to a counterparty when calculating its capital requirements to the extent of credit 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 received for possible future fluctuations in the value of the collateral. These adjustments, also referred to as 'haircuts', are made to produce volatility-adjusted amounts for collateral. These are reduced from the exposure to compute the capital charge based on the applicable risk weights. At December 31, 2025, there are no non-performing advances.

Types of collateral taken by the Branches

The Bank determine the appropriate collateral for each facility based on the type of product and counterparty. In case of corporate and small and medium enterprises financing, Property and Equets are generally taken as security for long tenor loans and current assets for working capital finance usually backed by mortgage or hypothecation. For project finance, security of the assets of the borrower and assignment of the underlying project contracts is generally obtained. Additional security such as pledge of shares, cash collateral, TDRs, SSC/DSCs, charge on receivables may also be taken. Moreover, in order to cover the entire exposure Personal Guarantees of directors of borrowers are also obtained by the Branches.

Types of eligible financial collateral

For credit risk mitigation purposes, the Branches consider all types of financial collaterals that are eligible under SBP Basel II instructions. These include cash / TDRs, gold, securities issued by Government of Pakistan such as T-Bills and PIBs, National Savings Certificates, certain debt securities rated by a recognized credit rating agencies, mutual fund units where daily Net Asset Value (NAV) is available in public domain and guarantees from certain specified entities. In general, for Capital calculation purposes, the Branches only recognise eligible collaterals as mentioned in the SBP Basel II instructions.

Credit concentration risk

Credit concentration risk arises mainly due to concentration of exposures under various categories viz. industry, geography, and single / group borrower. 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 borrower and group borrowers. The Branches are compliant with the aforementioned limits.

The Risk Management function of the Bank is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment.

Provisions for the credit portfolio are determined in accordance with IFRS 9 and SBP Prudential Regulations. Details of the credit loss allowance against advances are provided in Note 31.

Details of the methodologies and models used for measuring Probability of Default (PD), Exposure at Default (EAD), Loss Given Default (LGD), ECL principles, and staging criteria are provided in Note 5.1.7.

41.1.1 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Credit loss allowance held				Provision held
	2025	2024	**2025**	2024	**2025**				2024
					Stage 1	**Stage 2**	**Stage 3**	**Total**	
	---- (Rupees in '000) ----								
Public/ Government	**20,741,900**	423,249,000	-	-	-	-	-	-	-
Private	**89,971,475**	55,412,524	-	-	-	-	-	-	-
	110,713,375	478,661,524	-	-	-	-	-	-	-

41.1.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Credit loss allowance held				Provision held
	2025	2024	**2025**	2024	**2025**				2024
					Stage 1	**Stage 2**	**Stage 3**	**Total**	
	---- (Rupees in '000) ----								
Financial	**799,014,314**	729,107,823	-	-	-	-	-	-	-

Credit risk by Public/ Private sector

	Gross investments		Non-performing investments		Credit loss allowance held				Provision held
	2025	2024	**2025**	2024	**2025**				2024
					Stage 1	**Stage 2**	**Stage 3**	**Total**	
	---- (Rupees in '000) ----								
Public/ Government	**799,014,314**	729,107,823	-	-	-	-	-	-	-
Private	-	-	-	-	-	-	-	-	-
	799,014,314	729,107,823	-	-	-	-	-	-	-

41.1.3 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Credit loss allowance held				Provision held
	2025	2024	**2025**	2024	**2025**				2024
					Stage 1	**Stage 2**	**Stage 3**	**Total**	
	---- (Rupees in '000) ----								
Government of Pakistan	**372,749,580**	362,115,000	-	-	-	-	-	-	-
Construction	-	40,000	-	-	-	-	-	-	1,559
Automobile and transportation equipment	**204,000**	476,000	-	-	**2,289**	-	-	**2,289**	24,552
Power (electricity), gas, water, sanitary	**827,602**	993,122	-	-	**864**	**85,225**	-	**86,089**	40,403
Services	**896,360**	1,284,398	-	-	**1,115**	-	-	**1,115**	1,909
Individuals	**41,963**	68,248	-	-	**6**	-	-	**6**	9,231
Others	**311,684**	727,264	-	-	-	**327**	-	**327**	1,493
	375,031,189	365,704,032	-	-	**4,274**	**85,552**	-	**89,826**	79,147

Credit risk by public / private sector

	Gross investments		Non-performing investments		Credit loss allowance held				Provision held
	2025	2024	**2025**	2024	**2025**				2024
					Stage 1	**Stage 2**	**Stage 3**	**Total**	
	---- (Rupees in '000) ----								
Public/ Government	**372,749,580**	362,115,000	-	-	-	-	-	-	-
Private	**2,281,609**	3,589,032	-	-	**4,274**	**85,552**	-	**89,826**	79,147
	375,031,189	365,704,032	-	-	**4,274**	**85,552**	-	**89,826**	79,147

41.1.4 Contingencies and commitments

	2025	2024
Credit risk by industry sector	------ (Rupees in '000) ------	
Automobile and transportation equipment	**1,114**	8,731
Electronics and electrical appliances	**146,043**	1,521,491
Construction	**53,006,174**	85,107,773
Power (electricity), gas, water, sanitary	**48,168,835**	6,581,577
Wholesale and retail trade	**-**	21,963
Financial	**2,590,187,265**	3,544,043,681
Others	**210,285**	406,605
	2,691,719,716	3,637,691,821

	2025	2024
Credit risk by public / private sector		
Public/ Government	**-**	-
Private	**2,691,719,716**	3,637,691,821
	2,691,719,716	3,637,691,821

41.1.5 Concentration of advances

The bank top 10 exposures on the basis of total (funded and non-funded expsoures) aggregated to Rs 469,706 million (2024: 448,294 million) are as following:

	2025	2024
	------ (Rupees in '000) ------	
Funded	**372,749,580**	362,115,000
Non Funded	**96,956,501**	86,178,656
Total Exposure	**469,706,081**	448,293,656

The sanctioned limits against these top 10 expsoures aggregated to Rs 469,706 million (2024: 448,294 million).

41.1.6 Advances - Province/Region-wise Disbursement & Utilization

2025

Province/Region	**Disbursements**	**Utilization**					
		Punjab	**Sindh**	**KPK including FATA**	**Balochistan**	**Islamabad**	**AJK including Gilgit-Baltistan**
	---------- (Rupees in '000) ----------						
Punjab	-	-	-	-	-	-	-
Sindh	-	-	-	-	-	-	-
Islamabad	**368,471,580**	-	-	-	-	**368,471,580**	-
Total	**368,471,580**	-	-	-	-	**368,471,580**	-

2024

Province/Region	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	---------- (Rupees in '000) ----------						
Punjab	-	-	-	-	-	-	-
Sindh	4,835,000	-	-	-	4,835,000	-	-
Islamabad	1,500	-	-	-	-	1,500	-
Total	4,836,500	-	-	-	4,835,000	1,500	-

41.2 Market Risk

Market risk is the risk of loss arising from movement in market variables including observable variables such as interest rates, exchange rates and equity indices, and others which may be only indirectly observable such as volatilities and correlations. The Bank's policy is that all market risk taking activity is undertaken within approved market risk limits, and that the Branches' standards / guiding principles are upheld at all times.

Market Risk Management is an independent control function with clear segregation of duties and reporting lines. Its main responsibility is to ensure that the risk-taking units manage the Branches' market risk exposure within a robust market risk framework and within the Bank's risk appetite. The Bank's standard systems are used to furnish senior trading and market risk staff with risk exposures. All trading activities and any business proposal that commit or may commit the Branch (legally or morally) to deliver risk sensitive products require approval by independent authorised risk professionals or committees, prior to commitment.

41.2.1 Balance sheet split by trading and banking books

	2025			2024		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	(Rupees in '000)			(Rupees in '000)		
Cash and balances with treasury banks	67,628,351	-	67,628,351	76,916,819	-	76,916,819
Balances with other banks	25,648,898	-	25,648,898	47,033,228	-	47,033,228
Lendings to financial institutions	110,713,375	-	110,713,375	478,661,524	-	478,661,524
Investments	-	799,014,314	799,014,314	729,107,823	-	729,107,823
Advances	374,941,363	-	374,941,363	365,624,885	-	365,624,885
Property and Equipment	564,083	-	564,083	583,270	-	583,270
Right of use assets	493,914	-	493,914	396,657	-	396,657
Intangible assets	46,494	-	46,494	23,839	-	23,839
Deferred tax assets	1,485,738	-	1,485,738	660,672	-	660,672
Other assets	379,322	5,894,854	6,274,176	3,303,719	13,128,301	16,432,020
	581,901,538	804,909,168	1,386,810,706	1,702,312,436	13,128,301	1,715,440,737

41.2.2 Foreign Exchange Risk

Foreign exchange risk (FX risk) arises from the fluctuation in the value of financial instruments consequent to the changes in foreign exchange rates. The Bank manage this risk by setting and monitoring dealer, currency and counterparty limits for on and off-balance sheet financial instruments.

FX risk is mainly managed through matched positions. Unmatched positions are covered substantially through derivative instruments such as forwards and swaps.

The currency risk is regulated and monitored against the regulatory / statutory limits enforced by the SBP. The foreign exchange exposure limits in respective currencies are managed against the prescribed limits.

The analysis below represents the concentration of the Bank's foreign currency risk 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 Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)							
United States Dollar	47,305,156	245,171,802	188,285,416	(9,581,230)	448,899,329	1,004,142,711	564,390,043	9,146,661
Great Britain Pound Sterling	2,029	-	-	2,029	1,809	-	-	1,809
Euro	72,773	9,902	-	62,871	43,653	8,735	-	34,918
Japanese Yen	921	-	-	921	914	-	-	914
Chinese Yuan	389,404,979	391,624,164	5,015,414	2,796,229	5,460,773	6,931,368	(6,667,476)	(8,138,070)
Hong Kong Dollar	3,293	-	-	3,293	3,208	-	-	3,208
	436,789,151	636,805,868	193,300,830	(6,715,887)	454,409,686	1,011,082,814	557,722,567	1,049,440

	2025		2024	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)		(Rupees in '000)	
Impact of 1% change in foreign exchange rates on - Profit and loss account	162,097	-	22,749	-

41.2.3 Yield / Interest Rate Risk in the Banking Book (IRRBB) - Basel Specific

The interest rate risk arises from the fluctuation in the value of financial instruments consequent to changes in market interest rates. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or are re-priced in a given period. In order to ensure that this risk is managed within acceptable limits, the Bank's Asset and Liability Management Committee (ALCO) monitors various gap limits and re-pricing of the assets and liabilities on a regular basis.

Impact of 1% change in interest rates on	2025		2024	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
- Profit and loss account				
- 1 % Upward change in interest rates	(2,522,946)	3,857,602	(1,799,667)	-
- 1 % Downward change in interest rates	2,522,946	(3,857,602)	1799667	-
- Other comprehensive income				
- 1 % Upward change in interest rates	-	-	(30,432)	-
- 1 % Down change in interest rates	-	-	30,899	-

41.2.4 **Mismatch of Interest Rate Sensitive Assets and Liabilities**

2025

	Effective Yield / Interest rate	Total	Exposed to Yield / Interest 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	Non-interest bearing financial instruments
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.07%	67,628,351	333,723	-	-	-	-	-	-	-	-	67,294,628
Balances with other banks	1.42%	25,648,898	25,566,634	-	-	-	-	-	-	-	-	82,264
Lending to financial institutions	10.51%	110,713,375	110,713,375	-	-	-	-	-	-	-	-	-
Investments	11.21%	799,014,314	250,829,500	76,084,226	12,630,583	459,470,005	-	-	-	-	-	-
Advances	4.55%	374,941,363	41,953	374,065,667	833,743	-	-	-	-	-	-	-
Other assets		8,864,405	-	-	-	-	-	-	-	-	-	8,864,405
		1,386,810,707	387,485,185	450,149,893	13,464,326	459,470,005	-	-	-	-	-	76,241,297
Liabilities												
Bills payable		738,279	-	-	-	-	-	-	-	-	-	738,279
Borrowings	3.54%	571,076,735	198,327,155	-	-	372,749,580	-	-	-	-	-	-
Deposits and other accounts	3.72%	613,021,313	539,966,162	-	-	-	-	-	-	-	-	73,055,151
Lease liabilities	9.50%-16.34%	286,757	-	-	-	-	143,690	104,081	38,986	-	-	-
Other liabilities		30,452,333	-	-	-	-	-	-	-	-	-	30,452,333
		1,215,575,416	738,293,317	-	-	372,749,580	143,690	104,081	38,986	-	-	104,245,763
On-balance sheet gap		171,235,290	(350,808,132)	450,149,893	13,464,326	86,720,425	(143,690)	(104,081)	(38,986)	-	-	(28,004,466)
Off-balance sheet financial instruments												
Commitments in respect of:												
FX Forward Contracts - Purchase		1,308,163	269,072	885,384	153,708	-	-	-	-	-	-	-
FX Forward Contracts - Sale		2,529,068	557,739	1,612,937	358,391	-	-	-	-	-	-	-
FX Swaps Contracts - Purchase		1,143,523,177	336,429,148	457,171,868	349,922,162	-	-	-	-	-	-	-
FX Swaps Contracts - Sale		1,147,813,631	336,414,233	457,172,484	354,226,914	-	-	-	-	-	-	-
Off-balance sheet gap		2,295,174,039	673,670,192	916,842,673	704,661,175	-	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap			322,862,060	1,366,992,566	718,125,501	86,720,425	(143,690)	(104,081)	(38,986)	-	-	(28,004,466)
Cumulative Yield / Interest Risk Sensitivity Gap			322,862,060	1,689,854,626	2,407,980,127	2,494,700,552	2,494,556,862	2,494,452,781	2,494,413,795	2,494,413,795	2,494,413,795	2,466,409,330

2024

	Effective Yield / Interest rate	Total	Exposed to Yield / Interest 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	Non-interest bearing financial instruments
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	3.53%	76,916,819	912,691	-	-	-	-	-	-	-	-	76,004,128
Balances with other banks	-	47,033,228	-	-	-	-	-	-	-	-	-	47,033,228
Lending to financial institutions	12.24%	478,661,524	478,661,524	-	-	-	-	-	-	-	-	-
Investments	16.46%	729,107,823	248,985,100	97,914,000	1,932,598	380,276,125	-	-	-	-	-	-
Advances	7.76%	365,624,884	362,763,736	1,800,008	992,907	-	-	-	-	-	-	68,233
Other assets		16,432,020	-	-	-	-	-	-	-	-	-	16,432,020
		1,713,776,298	1,091,323,051	99,714,008	2,925,505	380,276,125	-	-	-	-	-	139,537,609
Liabilities												
Bills payable		1,889,296	-	-	-	-	-	-	-	-	-	1,889,296
Borrowings	5.37%	941,477,718	289,134,900	429,224,268	160,166,250	62,952,300	-	-	-	-	-	-
Deposits and other accounts	11.95%	510,453,097	28,398,105	-	-	38,355,564	389,359,096	-	-	-	-	54,340,332
Lease Liabilities	7.52%-16.34%	271,876	-	2,775	4,245	139,973	124,879	-	-	-	-	-
Other liabilities		106,527,384	-	-	-	-	-	-	-	-	-	106,527,384
		1,560,619,372	317,533,005	429,227,043	160,170,495	101,447,842	389,483,975	-	-	-	-	162,757,012
On-balance sheet gap		153,156,926	773,790,046	(329,513,035)	(157,244,990)	278,828,283	(389,483,975)	-	-	-	-	(23,219,403)
Off-balance sheet financial instruments												
Commitments in respect of:												
FX Forward Contracts - Purchase		33,372,379	8,368,697	16,005,644	8,958,787	39,250	-	-	-	-	-	-
FX Forward Contracts - Sale		33,364,219	8,354,900	15,814,031	9,156,994	38,295	-	-	-	-	-	-
FX Swaps Contracts - Purchase		1,573,381,426	397,828,540	770,305,176	403,476,327	1,771,384	-	-	-	-	-	-
FX Swaps Contracts - Sale		1,612,738,125	407,116,365	779,916,531	423,934,425	1,770,803	-	-	-	-	-	-
Off-balance sheet gap		3,252,856,148	821,668,502	1,582,041,382	845,526,533	3,619,731	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap			1,595,458,547	1,252,528,347	688,281,543	282,448,014	(389,483,975)	-	-	-	-	(23,219,403)
Cumulative Yield / Interest Risk Sensitivity Gap			1,595,458,547	2,847,986,894	3,536,268,438	3,818,716,452	3,429,232,477	3,429,232,477	3,429,232,477	3,429,232,477	3,429,232,477	3,406,013,074

41.3 Liquidity Risk

Liquidity risk is the risk that the Bank will be unable to meet their net funding requirements. Liquidity risk can be caused by market destruction of credit downgrades, which may cause certain sources of funding to become unavailable. To guard against this risk the Bank's assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity is maintained.

The table below summarizes the maturity profile of the Bank's assets and liabilities. The contractual maturities of assets and liabilities at the year end have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date and do not take account of the effective maturities as indicated by the Bank deposit retention history and the availability of liquid funds. Assets and liabilities not having a contractual maturity are assumed to mature on the expected date on which the assets / liabilities will be realized / settled.

Moreover, the Bank is fully compliant with Basel III LCR and NSFR, which ensure sufficient stock of High Quality Liquidity Assets in relation to its liability profile.

41.3.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank

2025

	Total	Up to 1 day	Over 1 to 7 day	Over 7 to 14 day	Over 14 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 to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years
	(Rupees in '000)													
Assets														
Cash and balances with treasury banks	67,628,351	24,530,345	462,661	616,880	-	-	-	-	-	-	-	-	-	42,018,465
Balances with other banks	25,648,898	25,648,898	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	110,713,375	-	103,713,375	7,000,000	-	-	-	-	-	-	-	-	-	-
Investments	799,014,314	-	-	99,771,900	151,057,600	76,084,226	-	12,630,583	51,682,082	407,787,923	-	-	-	-
Advances	374,941,363	-	-	-	-	-	-	-	372,971,910	203,951	896,715	-	828,392	40,395
Property and Equets	564,083	-	-	-	99	47	-	2,554	-	2,775	31,854	78,652	146,617	301,485
Right of use assets	493,914	-	-	-	-	-	-	-	-	12,290	179,316	130,331	171,977	-
Intangible assets	46,494	-	-	-	-	-	-	-	10,642	-	-	35,852	-	-
Deferred tax assets - net	1,485,738	-	-	-	-	-	-	-	-	-	1,485,738	-	-	-
Other assets	6,274,176	-	370,730	331,203	1,862,235	1,309,171	1,764,992	635,845	-	-	-	-	-	-
	1,386,810,706	50,179,243	104,546,766	107,719,983	152,919,934	77,393,444	1,764,992	13,268,982	424,664,634	408,006,939	2,593,623	244,835	1,146,986	42,360,345
Liabilities														
Bills payable	738,279	738,279	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	571,076,735	-	22,409,848	40,617,850	135,299,457	-	-	-	372,749,580	-	-	-	-	-
Deposits and other accounts	613,021,313	455,078,934	70,563,098	39,933,705	47,445,576	-	-	-	-	-	-	-	-	-
Lease liabilities	286,757	-	-	-	-	-	-	-	-	-	143,690	104,081	38,986	-
Other liabilities	30,656,466	10,965,730	355,939	327,129	13,682,610	1,307,424	1,750,706	2,207,250	-	59,678	-	-	-	-
	1,215,779,550	466,782,943	93,328,885	80,878,684	196,427,643	1,307,424	1,750,706	2,207,250	372,749,580	59,678	143,690	104,081	38,986	-
Net assets	171,031,156	(416,603,700)	11,217,881	26,841,299	(43,507,709)	76,086,020	14,286	11,061,732	51,915,054	407,947,261	2,449,933	140,754	1,108,000	42,360,345

	2025
Represented by:	(Rupees in '000)
Head office capital account	42,018,465
Reserves	-
Unappropriated / Unremitted profit	127,664,692
Deficit on revaluation of assets	1,347,999
	171,031,156

2024

	Total	Up to 1 day	Over 1 to 7 day	Over 7 to 14 day	Over 14 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 to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years
	(Rupees in '000)													
Assets														
Cash and balances with treasury banks	76,916,819	1,171,144	7,026,864	8,198,008	18,738,304	-	-	-	-	-	-	-	-	41,782,499
Balances with other banks	47,033,228	1,567,774	9,406,646	10,974,419	25,084,389	-	-	-	-	-	-	-	-	-
Lending to financial institutions	478,661,524	-	478,661,524	-	-	-	-	-	-	-	-	-	-	-
Investments	729,107,823	-	-	199,367,800	49,617,300	-	97,914,000	1,932,598	47,833,336	332,442,789	-	-	-	-
Advances	365,624,885	-	-	-	59	41	278,489,842	83,547,061	48,508	-	1,204,483	1,285,037	2,695	1,047,159
Property and Equets	583,270	-	-	-	126	85	249	42	783	460	30,845	40,743	77,244	432,693
Right of use assets	396,657	14,145	-	-	-	28,290	-	41,344	38,352	36,734	127,300	110,492	-	-
Intangible assets	23,839	-	-	-	-	2,199	1,099	2,199	3,299	4,399	10,644	-	-	-
Deferred tax assets - net	660,672	22,022	132,134	154,157	352,359	-	-	-	-	-	-	-	-	-
Other assets	16,432,020	-	4,065,949	2,191,089	2,868,756	4,800,064	1,879,411	585,538	39,910	1,303	-	-	-	-
	1,715,440,737	2,775,085	499,293,117	220,885,473	96,661,293	4,830,679	378,284,601	86,108,782	47,964,188	332,485,685	1,373,272	1,436,272	79,939	43,262,351
Liabilities														
Bills payable	1,889,296	62,976	377,859	440,835	1,007,626	-	-	-	-	-	-	-	-	-
Borrowings	941,477,718	-	-	13,927,500	275,207,400	147,631,500	281,592,768	160,166,250	62,952,300	-	-	-	-	-
Deposits and other accounts	510,453,097	16,650,707	100,704,248	116,554,955	276,508,187	-	-	35,000	-	-	-	-	-	-
Lease liabilities	271,876	1,371	-	-	-	2,774	-	4,244	23,895	116,084	123,508	-	-	-
Other liabilities	109,986,064	3,847	3,265,078	12,720,696	15,889,635	16,485,008	3,024,461	22,517,269	2,490,252	1,481,593	3,686,163	5,836,149	14,935,698	7,650,215
	1,564,078,051	16,718,901	104,347,185	143,643,986	568,612,848	164,119,282	284,617,229	182,722,763	65,466,447	1,597,677	3,809,671	5,836,149	14,935,698	7,650,215
Net assets	151,362,686	(13,943,817)	394,945,932	87,739,209	(482,465,514)	(159,288,603)	93,667,371	(96,613,979)	(17,502,258)	330,888,009	(2,436,402)	(4,399,878)	(14,855,757)	35,612,139

	2024
Represented by:	(Rupees in '000)
Head office capital account	41,782,500
Reserves	
Unappropriated / Unremitted profit	107,946,253
Deficit on revaluation of assets	1,633,933
	151,362,686

41.3.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

	2025									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Over 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	67,628,351	25,609,886	-	-	-	-	-	-	-	42,018,465
Balances with other banks	25,648,898	25,648,898	-	-	-	-	-	-	-	-
Lending to financial institutions	110,713,375	110,713,375	-	-	-	-	-	-	-	-
Investments	799,014,314	250,829,500	76,084,226	12,630,583	459,470,005	-	-	-	-	-
Advances	374,941,363	-	-	-	373,175,861	896,715		828,392		40,395
Property and Equets	564,083	99	47	2,554	2,775	31,854	78,652	146,617	6,099	295,386
Right of use assets	493,914	-	-	-	12,290	179,316	130,331	171,977	-	-
Intangible assets	46,494	-	-	-	10,642	-	35,852	-	-	-
Deferred tax assets - net	1,485,738	-	-	-	-	1,485,738	-	-	-	-
Other assets	6,274,176	2,202,202	3,436,129	635,845	-	-	-	-	-	-
	1,386,810,706	415,003,960	79,520,402	13,268,982	832,671,573	2,593,623	244,835	1,146,986	6,099	42,354,246
Liabilities										
Bills payable	738,279	738,279	-	-	-	-	-	-	-	-
Borrowings	571,076,735	198,327,155	-	-	372,749,580	-	-	-	-	-
Deposits and other accounts	613,021,313	144,452,918	54,716,357	8,557,780	15,332,099	20,929,406	118,101,277	167,973,448	82,958,028	-
Lease liabilities	286,757	-	-	-	-	143,690	104,081	38,986	-	-
Other liabilities	30,656,466	25,247,690	3,141,848	2,207,250	59,678	-	-	-	-	-
	1,215,779,550	368,766,042	57,858,205	10,765,030	388,141,357	21,073,096	118,205,358	168,012,434	82,958,028	-
Net assets	171,031,156	46,237,918	21,662,197	2,503,952	444,530,216	(18,479,473)	(117,960,523)	(166,865,448)	(82,951,929)	42,354,246

	2025
	(Rupees in '000)
Represented by:	
Head office capital account	42,018,465
Reserves	-
Unappropriated / Unremitted profit	127,664,692
Deficit on revaluation of assets	1,347,999
	171,031,156

	2024									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Over 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	76,916,819	471,759	922,129	1,093,244	4,310,546	5,668,503	7,382,023	10,844,339	4,441,776	41,782,500
Balances with other banks	47,033,228	11,261,718	14,311,354	11,113,360	10,346,796	-	-	-	-	-
Lending to financial institutions	478,661,524	478,661,524	-	-	-	-	-	-	-	-
Investments	729,107,823	248,985,100	97,914,000	1,932,598	380,276,125	-	-	-	-	-
Advances	365,624,885	59	278,489,882	83,547,061	48,509	1,204,484	1,285,036	2,695	995,095	52,064
Property and Equets	583,270	126	334	42	1,244	30,843	40,742	77,246	122,548	310,145
Right of use assets	396,657	14,145	28,290	41,345	75,086	127,300	110,491	-	-	-
Intangible assets	23,839	-	3,299	2,199	7,698	10,643	-	-	-	-
Deferred tax assets - net	660,672	660,672	-	-	-	-	-	-	-	-
Other assets	16,432,020	9,125,792	6,679,475	585,539	41,214	-	-	-	-	-
	1,715,440,737	749,180,895	398,348,763	98,315,388	395,107,218	7,041,773	8,818,292	10,924,280	5,559,419	42,144,709
Liabilities										
Bills payable	1,889,296	1,889,296	-	-	-	-	-	-	-	-
Borrowings	941,477,718	289,134,900	429,224,268	160,166,250	62,952,300	-	-	-	-	-
Deposits and other accounts	510,453,097	12,950,245	6,385,963	9,061,898	38,355,566	53,732,886	80,333,692	204,297,923	52,667,462	52,667,462
Lease liabilities	271,876	1,372	2,774	4,244	139,977	123,509	-	-	-	-
Other liabilities	109,986,064	42,393,217	19,509,469	22,517,269	3,971,848	3,686,163	5,836,147	4,421,739	3,825,106	3,825,106
	1,564,078,051	346,369,030	455,122,474	191,749,661	105,419,691	57,542,558	86,169,839	208,719,662	56,492,568	56,492,568
Net assets	151,362,686	402,811,865	(56,773,711)	(93,434,273)	289,687,527	(50,500,785)	(77,351,547)	(197,795,382)	(50,933,149)	(14,347,859)

	2024
	(Rupees in '000)
Represented by:	
Head office capital account	41,782,500
Reserves	
Unappropriated / Unremitted profit	107,946,253
Deficit on revaluation of assets	1,633,933
	151,362,686

41.4 Operational risk

The Branches' operational risk is related to possible losses which may be incurred as a result of failures occurring in the Branches' day to day operations, such as breakdown in electronic and telecommunication, routines or other systems. Additional factors being insufficient levels of professional skills or human errors. In order to keep the Branches' operational risk to a minimum level, various suites of risk tools are used to manage operational risk using a common categorization of risk.

Bank's approach to operational risk is not designed to eliminate risk, rather, to contain it within the acceptable levels, as determined by senior management, and to ensure that the Branches have used sufficient information to make informed decisions about additional controls, adjustments to controls, or other risk responses.

Operational Risk-Disclosures Basel Specific

The Bank use Basic Indicator Approach to calculate capital charge for operational risk as per Basel II regulatory framework.

This approach is considered to be most suitable in view of the business model of the Bank.

41.5 Derivative Risk

There are a number of risks undertaken by the Bank, which need to be monitored and assessed.

Credit risk
Credit risk refers to the risk of non-performance or default by a party to a derivatives transaction, resulting in an adverse impact on the Bank's profitability. Credit risk associated with derivatives transactions is categorized into settlement risk and pre-settlement risk. Credit proposals for derivatives transactions are approved by the relevant credit authority. The credit exposure of each counterparty is estimated and monitored against approved counterparty limits by Market & Treasury Risk (M&TR) on a daily basis.

Market risk
The Bank, as a policy, hedges back-to-back all options transactions. In addition, the Bank does not carry any exchange risk on its Cross Currency Swaps portfolio as it hedges the exposure in the interbank market. To manage the interest rate risk of Interest Rate Derivatives, the Bank has implemented various limits which are monitored and reported by M&TR on a daily basis

Liquidity risk
Derivatives transactions, usually being non-funded in nature, do not carry a specific funding liquidity risk.

The liquidity risk arises from the fact that in Pakistan, interest rate derivatives generally have a uni-directional demand, and no perfect hedge is available. The Bank mitigates its risk by limiting the portfolio in terms of tenor, notional and sensitivity limits, and can also hedge its risk by taking on and off balance sheet positions in the interbank market, where available

Operational risk
The staff involved in the trading, settlement and risk management of derivatives is carefully trained to deal with the complexities involved in the process. Adequate systems and controls are in place to carry out derivatives transactions smoothly. Each transaction is processed in accordance with the product program or a transaction memo, which contains detailed guidance on the accounting and operational aspects of the transaction to further mitigate operational risk. In addition, M&TR and the Compliance Department are assigned the responsibility of monitoring any deviation from policies and procedures. The Bank's Audit Group also reviews this function, with a regular review of systems, transactional processes, accounting practices and end-user roles and responsibilities.

The Bank uses FX and Derivatives module of Treasury System which provides an end-to-end valuation solution, supports the routine transactional process and provides analytical tools to measure various risk exposures, carry out stress tests and sensitivity analysis

M&TR produces various reports on a periodic basis which are reviewed by senior management. These reports provide details of the derivatives business profile such as outstanding positions, profitability, risk exposures and the status of compliance with limits.

42 Customer Satisfaction and Fair Treatment

The Bank is committed to providing its customers with the highest level of service quality and satisfaction. The Bank has established a compliant management function that oversees customer compliants. The Bank's Complaint Handling Policy and Grievance Redressal Mechanism ensure that complaints are resolved in a timely manner and recurrence of complaints is prevented where possible. Customers have the option of registering their complaints at the Bank's branches and contact center or via email.

This approach is considered to be most suitable in view of the business model of the Bank.

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A total of three complaints were received by the Bank in 2024 (2023: 2) and the average time taken to resolve these complaints was within three working days. The complaint handling policy and grievance redressal mechanism ensures that complaints are resolved in a timely manner and recurrence of complaints is prevented where possible. Complaint management process is kept as transparent as possible through registration, acknowledgement, interim response where applicable and resolution of complaints. Customers are also given the option of contacting the Banking Mohtasib office in case they are dissatisfied with the response received from the Bank.

To create enhanced visibility of the recourse mechanism available to its customers, the Bank has incorporated awareness messages of its complaint handling function in several customer communications such as account statements and ATM screens. Complete grievance redressal mechanism and email broadcasts have been sent to the customers for customer education and awareness. Further, the Bank's contact center supports customers interactions across a range of channels, including phone calls and through email. The Bank's Contact Centre is equipped with trained professionals who offer a wide array of information and problem resolution support.

Fair Treatment of Customers is an integral part of the Bank's corporate culture. The Bank has institutionalized a 'Consumer Protection Framework'. The Bank's priority is to keep customer benefits in mind while designing, selling and managing products and services, without any discrimination. The Bank's focus is to maintain fairness in their customer dealings, clarity in communication, develop a service culture and design an effective grievance handling mechanism.

44 Statement on Green Banking

Industrial and Commercial Bank of China Limited - Pakistan Branches is committed to driving growth for green banking initiatives and is therefore continuously exploring opportunities to support and finance environment friendly projects as its contribution towards making our planet more sustainable. A comprehensive 'Green Banking Policy' in line with the instructions and guidelines of the State Bank of Pakistan (issued vide IH & SMEFD Circular # 08 dated October 09, 2017 of State Bank of Pakistan) has been duly approved by the Chief Executive Officer of the Bank that outlines the compliance measures to be put in place to ensure smooth and transparent operations of the Bank. The Policy delineates broader guidelines to the management for ensuring that adequate controls to be maintained and risk to be managed within acceptable limits.

Through its issuance of Green Banking Policy, the Bank has put in a conscious effort for environmental conservation. It includes tools like environment risk rating, industry limits etc. The policy not only helps in compliance to relevant laws on environmental protection but also provides openings to emerging businesses.

45 GENERAL

45.1 Corresponding figures have been re-arranged and re-classified to reflect more appropriate presentation of events and transactions to enhance comparability with the current period's financial statements.

45.2 The figures in these financial statements have been rounded off to the nearest thousand.

46. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 30,2026 by the Chief Executive Officer and Head of Finance.

Chief Executive Officer

Head of Finance