

**Scope of Applications****Amounts subject to Pre - Basel III treatment**

The Basel-III Framework is applicable to the Bank. Standardized Approach is used for calculating the Capital Adequacy for Credit and Market risks, whereas, Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purpose.

**Capital Management****Objectives and goals of managing capital**

The Bank manages its capital to attain following objectives and goals:

- an appropriately capitalized status, as defined by banking regulations;
- acquire strong credit ratings that enable an optimized funding mix and liquidity sources at lesser costs;
- cover all risks underlying business activities; and
- retain flexibility to harness future investment opportunities, build and expand even in stressed times.

**Statutory Minimum Capital Requirement and Capital Adequacy Ratio**

The State Bank of Pakistan through its BSD Circular No.07 of 2009 dated April 15, 2009 requires the assigned capital (net off losses) for branches of foreign banks operating in Pakistan to be raised to Rs. 3 billion by the financial year December 2010. The Head Office capital account of the branches for the year ended December 31, 2023 stands at Rs. 42,279 million and is in compliance with the SBP requirement for the said year.

The capital adequacy ratio of the Bank is subject to the Basel III capital adequacy guidelines stipulated by the State Bank of Pakistan through its BPRD Circular No. 06 of 2013 dated August 15, 2013. These instructions are effective from December 31, 2013 in a phased manner with full implementation intended by December 31, 2019. Under Basel III guidelines banks are required to maintain the following ratios on an ongoing basis:

**Phase-in arrangement and full implementation of the minimum capital requirements:**

Sr. No	Ratio	2013	2014	2015	2016	2017	2018	2019	2020	2025
1	CET 1	5.00%	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
2	ADT 1	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
3	Tier 1	6.50%	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
4	Total Capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
5	*CCB	0.00%	0.00%	0.25%	0.65%	1.28%	1.90%	2.50%	1.50%	1.50%
6	<b>Total Capital Plus CCB</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.25%</b>	<b>10.65%</b>	<b>11.28%</b>	<b>11.90%</b>	<b>12.50%</b>	<b>11.50%</b>	<b>11.50%</b>

\* SBP reduced the Capital Conservation Buffer (CCB) from 2.5% to 1.5% to dampen the effects of COVID-19

### **Bank's regulatory capital is analyzed into three tiers**

**Common Equity Tier 1 capital (CET1)**, which includes head office capital account and un-remitted profit after all regulatory adjustments applicable on CET1.

**Additional Tier 1 capital (AT1)**, which includes instruments issued by the Bank which meet the specified criteria.

**Tier 2 capital**, which includes Subordinated debt/ Instruments, share premium on issuance of Subordinated debt / Instruments, general provisions for loan losses (up to a maximum of 1.25% of credit risk weighted assets), gross reserves on revaluation of fixed assets and equity investments and foreign exchange translation reserves after all regulatory adjustments applicable on Tier-2.

### **Capital Adequacy**

The main objective of the capital management is to improve the financial position of the Bank to support the growth in business.

The Bank's capital management approach is driven by its desire to maintain a strong capital base to support the development of its business, to meet regulatory capital requirements at all times and at the same time maintaining creditor and market confidence.

In implementing current capital requirements the State Bank of Pakistan requires banks to maintain minimum Capital Adequacy Ratio (CAR) of 13.50% (including GSIB surcharge of additional 2%) as of December 31, 2025 whereas CAR stood at 46.77% at the year ended December 31, 2025.

The Bank calculates capital adequacy ratio for credit risk, market risk and operational risk based upon requirements under Basel Accord as per guidelines issued by the State Bank of Pakistan from time to time in this regard.

Sensitivity and stress testing of the Bank under different risk factors depicts that the capital adequacy ratio is above the regulatory requirements.

#### 40.1 Capital Adequacy Ratio as at December 31, 2025

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

Particulars	2025	2024
	-----/(Rupees in '000)-----	
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
1 Fully Paid-up Capital/ Capital deposited with SBP	42,018,465	41,782,500
2 Balance in Share Premium Account	-	-
3 Reserve for issue of Bonus Shares	-	-
4 Discount on Issue of shares	-	-
5 General/ Statutory Reserves	-	-
6 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated/unremitted profits/ (losses)	127,664,692	107,946,253
8 Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
9 <b>CET 1 before Regulatory Adjustments</b>	169,683,157	149,728,753
10 Total regulatory adjustments applied to CET1 (Note 40.1.1)	(26,212)	(23,839)
11 <b>Common Equity Tier 1</b>	169,656,945	149,704,914
<b>Additional Tier 1 (AT 1) Capital</b>		
12 Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
13 of which: Classified as equity	-	-
14 of which: Classified as liabilities	-	-
15 Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
16 of which: instrument issued by subsidiaries subject to phase out	-	-
17 <b>AT1 before regulatory adjustments</b>	-	-
18 Total regulatory adjustment applied to AT1 capital (Note 40.1.2)	-	-
19 Additional Tier 1 capital after regulatory adjustments	-	-
20 <b>Additional Tier 1 capital recognized for capital adequacy</b>	-	-
21 <b>Tier 1 Capital (CET1 + admissible AT1) (11+20)</b>	169,656,945	149,704,914
<b>Tier 2 Capital</b>		
22 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
23 Tier 2 capital instruments subject to phase out arrangement issued under pre-Basel 3 rules	-	-
24 Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
25 of which: instruments issued by subsidiaries subject to phase out	-	-
26 General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	96,946	90,738
27 Revaluation Reserves (net of taxes)	-	-
28 of which: Revaluation reserves on fixed assets	-	-
29 of which: Unrealized gains/losses on AFS	1,319,915	1,633,933
30 Foreign Exchange Translation Reserves	-	-
31 Undisclosed/Other Reserves (if any)	-	-
32 <b>T2 before regulatory adjustments</b>	1,416,861	1,724,671
33 Total regulatory adjustment applied to T2 capital (Note 40.1.3)	-	-
34 Tier 2 capital (T2) after regulatory adjustments	1,416,861	1,724,671
35 Tier 2 capital recognized for capital adequacy	1,416,861	1,724,671
36 Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37 <b>Total Tier 2 capital admissible for capital adequacy</b>	1,416,861	1,724,671
38 <b>TOTAL CAPITAL (T1 + admissible T2) (21+37)</b>	171,073,806	151,429,585
39 <b>Total Risk Weighted Assets (RWA) {for details refer Note 40.5}</b>	365,744,285	330,838,147
<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>		
40 <b>CET1 to total RWA</b>	46.39%	45.25%
41 <b>Tier-1 capital to total RWA</b>	46.39%	45.25%
42 <b>Total capital to total RWA</b>	46.77%	45.77%
43 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	9.50%	9.00%
44 of which: capital conservation buffer requirement	1.50%	1.50%
45 of which: countercyclical buffer requirement	-	-
46 of which: D-SIB or G-SIB buffer requirement	2.00%	1.50%
47 CET1 available to meet buffers (as a percentage of risk weighted assets)	39.89%	39.25%
<b>National minimum capital requirements prescribed by SBP</b>		
48 <b>CET1 minimum ratio</b>	9.50%	9.00%
49 <b>Tier 1 minimum ratio</b>	11.00%	10.50%
50 <b>Total capital minimum ratio</b>	13.50%	13.00%

Particulars	2025		2024	
	Amount	Amounts subject to Pre- Basel III treatment	Amount	Amounts subject to Pre- Basel III treatment

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

**41.1.1 Common Equity Tier 1 capital: Regulatory adjustments**

1	Goodwill (net of related deferred tax liability)	-	-
2	All other intangibles (net of any associated deferred tax liability)	26,212	23,839
3	Shortfall in provisions against classified assets	-	-
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
5	Defined-benefit pension fund net assets	-	-
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-	-
7	Cash flow hedge reserve	-	-
8	Investment in own shares/ CET1 instruments	-	-
9	Securitization gain on sale	-	-
10	Capital shortfall of regulated subsidiaries	-	-
11	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	-
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
15	Amount exceeding 15% threshold	-	-
16	of which: significant investments in the common stocks of financial entities	-	-
17	of which: deferred tax assets arising from temporary differences	-	-
18	National specific regulatory adjustments applied to CET1 capital	-	-
19	Investments in TFCs of other banks exceeding the prescribed limit	-	-
20	Any other deduction specified by SBP (mention details)	-	-
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-
22	<b>Total regulatory adjustments applied to CET1 (sum of 1 to 21)</b>	<b>26,212</b>	<b>23,839</b>

**41.1.2 Additional Tier-1 & Tier-1 Capital: regulatory adjustments**

23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-	-
24	Investment in own AT1 capital instruments	-	-
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance	-	-
26	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
28	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	-	-
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
30	<b>Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)</b>	<b>-</b>	<b>-</b>

**41.1.3 Tier 2 Capital: regulatory adjustments**

31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	-
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-
33	Investment in own Tier 2 capital instrument	-	-
34	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
36	<b>Total regulatory adjustment applied to T2 capital (sum of 31 to 35)</b>	<b>-</b>	<b>-</b>

2025

2024

(Rupees in '000)

**40.1.4 Additional Information****Risk Weighted Assets subject to pre-Basel III treatment**

37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-	-
(i)	of which: deferred tax assets	1,485,738	660,672
(ii)	of which: Defined-benefit pension fund net assets	-	-
(iii)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
(iv)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
	<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
38	Non-significant investments in the capital of other financial entities	-	-
39	Significant investments in the common stock of financial entities	-	-
40	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
	<b>Applicable caps on the inclusion of provisions in Tier 2</b>		
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	-
42	Cap on inclusion of provisions in Tier 2 under standardized approach	-	-
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

**40.2 Capital Structure Reconciliation****Reconciliation of each financial statement line item to item under regulatory scope of reporting**

Table: 41.2 - (a)

	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	2025 (Rupees in '000)	
<b>Assets</b>		
Cash and balances with treasury banks	67,628,351	67,628,351
Balances with other banks	25,648,898	25,648,898
Lending to financial institutions	110,713,375	110,713,375
Investments	799,014,314	799,014,314
Advances	374,941,363	374,941,363
Operating fixed assets	1,057,997	1,057,997
Intangible assets	46,494	46,494
Deferred tax assets	1,485,738	1,485,738
Other assets	6,274,176	6,274,176
<b>Total assets</b>	<b>1,386,810,706</b>	<b>1,386,810,706</b>
<b>Liabilities &amp; Equity</b>		
Bills payable	738,279	738,279
Borrowings	571,076,735	571,076,735
Deposits and other accounts	613,021,313	613,021,313
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	30,943,223	30,943,223
<b>Total liabilities</b>	<b>1,215,779,550</b>	<b>1,215,779,550</b>
Share capital/ Head office capital account	42,018,465	42,018,465
Reserves	-	-
Unremitted profit / Accumulated (losses)	127,664,692	127,664,692
Minority Interest	-	-
Surplus / (Deficit) on revaluation of investments- net of tax	1,347,999	1,347,999
<b>Total equity</b>	<b>171,031,156</b>	<b>171,031,156</b>
<b>Total liabilities &amp; equity</b>	<b>1,386,810,706</b>	<b>1,386,810,706</b>

**Reconciliation of balance sheet to eligible regulatory capital**

Particulars	Balance sheet as in published financial statements	Under regulatory scope of consolidation	
<b>2025</b>			<i>Reference</i>
<b>(Rupees in '000)</b>			
<b>Assets</b>			
Cash and balances with treasury banks	67,628,351	67,628,351	
Balances with other banks	25,648,898	25,648,898	
Lending to financial institutions	110,713,375	110,713,375	
Investments	799,014,314	799,014,314	
<i>of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold</i>			a
<i>of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold</i>			b
<i>of which: Mutual Funds exceeding regulatory threshold</i>			c
<i>of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)</i>			d
<i>of which: others (mention details)</i>			e
Advances	374,941,363	374,941,363	
<i>shortfall in provisions/ excess of total EL amount over eligible provisions under IRB</i>			f
<i>general provisions reflected in Tier 2 capital</i>	96,946	96,946	g
Fixed Assets	1,057,997	1,057,997	
Intangible assets	46,494	46,494	
Deferred Tax Assets	1,485,738	1,485,738	
<i>of which: DTAs that rely on future profitability excluding those arising from temporary differences</i>			h
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>			i
Other assets	6,274,176	6,274,176	
<i>of which: Goodwill</i>			j
<i>of which: Intangibles</i>			k
<i>of which: Defined-benefit pension fund net assets</i>		-	l
<b>Total assets</b>	<b>1,386,810,706</b>	<b>1,386,810,706</b>	
<b>Liabilities &amp; Equity</b>			
Bills payable	738,279	738,279	
Borrowings	571,076,735	571,076,735	
Deposits and other accounts	613,021,313	613,021,313	
Sub-ordinated loans		-	
<i>of which: eligible for inclusion in AT1</i>			m
<i>of which: eligible for inclusion in Tier 2</i>			n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	-	
<i>of which: DTLs related to goodwill</i>			o
<i>of which: DTLs related to intangible assets</i>			p
<i>of which: DTLs related to defined pension fund net assets</i>			q
<i>of which: other deferred tax liabilities</i>			r
Other liabilities	30,943,223	30,943,223	
<b>Total liabilities</b>	<b>1,215,779,550</b>	<b>1,215,779,550</b>	
Share capital	42,018,465	42,018,465	
<i>of which: amount eligible for CET1</i>	42,018,465	42,018,465	s
<i>of which: amount eligible for AT1</i>			t
Reserves	-	-	
<i>of which: portion eligible for inclusion in CET1 (provide breakup)</i>	-	-	u
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	v
Unremitted profit / Accumulated (losses)	127,664,692	127,664,692	w
Minority Interest			
<i>of which: portion eligible for inclusion in CET1</i>			x
<i>of which: portion eligible for inclusion in AT1</i>			y
<i>of which: portion eligible for inclusion in Tier 2</i>			z
Surplus on revaluation of assets	1,347,999	1,347,999	
<i>of which: Revaluation reserves on Fixed Assets</i>			
<i>of which: Unrealized Gains/Losses on AFS</i>	1,347,999	1,347,999	aa
<i>In case of Deficit on revaluation (deduction from CET1)</i>			ab
<b>Total equity</b>	<b>171,031,156</b>	<b>171,031,156</b>	
<b>Total liabilities &amp; Equity</b>	<b>1,386,810,706</b>	<b>1,386,810,706</b>	

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

Particulars	Component of regulatory capital reported by branches	Source based on reference number from step 2
<b>2025</b> (Rupees in '000)		
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
1 Fully Paid-up Capital/ Capital deposited with SBP	42,018,465	(s)
2 Balance in Share Premium Account	-	
3 Reserve for issue of Bonus Shares	-	
4 General/ Statutory Reserves	-	(u)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6 Unappropriated/unremitted profits/ (losses)	127,664,692	(w)
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)
<b>8 CET 1 before Regulatory Adjustments</b>	<b>169,683,157</b>	
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>		
9 Goodwill (net of related deferred tax liability)	-	(i) - (o)
10 All other intangibles (net of any associated deferred tax liability)	26,212	(k) - (p)
11 Shortfall of provisions against classified assets	-	(f)
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{(h) - (r)} * 20%
13 Defined-benefit pension fund net assets	-	{(l) - (q)} * 20%
14 Reciprocal cross holdings in CET1 capital instruments	-	(d)
15 Cash flow hedge reserve	-	
16 Investment in own shares/ CET1 instruments	-	
17 Securitization gain on sale	-	
18 Capital shortfall of regulated subsidiaries	-	
19 Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	(ab)
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ac) - (ae)
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23 Amount exceeding 15% threshold	-	
24 of which: significant investments in the common stocks of financial entities	-	
25 of which: deferred tax assets arising from temporary differences	-	
26 National specific regulatory adjustments applied to CET1 capital	-	
27 of which: Investment in TFCs of other banks exceeding the prescribed limit	-	
28 of which: Any other deduction specified by SBP (mention details)	-	
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	
<b>30 Total regulatory adjustments applied to CET1 (sum of 9 to 29)</b>	<b>26,212</b>	
<b>31 Common Equity Tier 1</b>	<b>169,656,945</b>	
<b>Additional Tier 1 (AT 1) Capital</b>		
32 Qualifying Additional Tier-1 instruments plus any related share premium	-	
33 of which: Classified as equity	-	(t)
34 of which: Classified as liabilities	-	(m)
35 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
36 of which: instrument issued by subsidiaries subject to phase out	-	
<b>37 AT1 before regulatory adjustments</b>	<b>-</b>	
<b>Additional Tier 1 Capital: regulatory adjustments</b>		
38 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
39 Investment in own AT1 capital instruments	-	
40 Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
41 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
42 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
43 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	
44 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
<b>45 Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 44)</b>	<b>-</b>	
<b>46 Additional Tier 1 capital</b>	<b>-</b>	
<b>47 Additional Tier 1 capital recognized for capital adequacy</b>	<b>-</b>	
<b>48 Tier 1 Capital (CET1 + admissible AT1) (31+47)</b>	<b>169,656,945</b>	

Particulars	Component of regulatory capital reported by branches	Source based on reference number from step 2
<b>2024</b> (Rupees in '000)		
<b>Tier 2 Capital</b>		
49 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	(n)

50	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	
51	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(z)
52	of which: instruments issued by subsidiaries subject to phase out	-	
53	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	96,946	(g)
54	Revaluation Reserves	-	
55	of which: Revaluation reserves on fixed assets	-	portion of (aa)
56	of which: Unrealized Gains/Losses on AFS	1,319,915	
57	Foreign Exchange Translation Reserves	-	(v)
58	Undisclosed/Other Reserves (if any)	-	
59	<b>T2 before regulatory adjustments</b>	<b>1,416,861</b>	
	<b>Tier 2 Capital: regulatory adjustments</b>		
60	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	
61	Reciprocal cross holdings in Tier 2 instruments	-	
62	Investment in own Tier 2 capital instrument	-	
63	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
64	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
65	<b>Amount of Regulatory Adjustment applied to T2 capital (sum of 60 to 64)</b>	-	
66	Tier 2 capital (T2)	1,416,861	
67	Tier 2 capital recognized for capital adequacy	-	
68	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
69	<b>Total Tier 2 capital admissible for capital adequacy</b>	<b><u>1,416,861</u></b>	
70	<b>TOTAL CAPITAL (T1 + admissible T2) (48+69)</b>	<b><u>171,073,806</u></b>	

### 40.3 Main Features Template of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments				
S. No.	Main Features	Common Shares	Instrument - 2	Instrument - 3
1	Issuer	NA	NA	NA
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	NA	NA	NA
3	Governing law(s) of the instrument	NA	NA	NA
	Regulatory treatment	NA	NA	NA
4	Transitional Basel III rules	NA	NA	NA
5	Post-transitional Basel III rules	NA	NA	NA
6	Eligible at solo/ group/ group & solo	NA	NA	NA
7	Instrument type	NA	NA	NA
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting	NA	NA	NA
9	Par value of instrument	NA	NA	NA
10	Accounting classification	NA	NA	NA
11	Original date of issuance	NA	NA	NA
12	Perpetual or dated	NA	NA	NA
13	Original maturity date	NA	NA	NA
14	Issuer call subject to prior supervisory approval	NA	NA	NA
15	Optional call date, contingent call dates and redemption amount	NA	NA	NA
16	Subsequent call dates, if applicable	NA	NA	NA
	Coupons / dividends	NA	NA	NA
17	Fixed or floating dividend/ coupon	NA	NA	NA
18	coupon rate and any related index/ benchmark	NA	NA	NA
19	Existence of a dividend stopper	NA	NA	NA
20	Fully discretionary, partially discretionary or mandatory	NA	NA	NA
21	Existence of step up or other incentive to redeem	NA	NA	NA
22	Noncumulative or cumulative	NA	NA	NA
23	Convertible or non-convertible	NA	NA	NA
24	If convertible, conversion trigger (s)	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA
30	Write-down feature	NA	NA	NA
31	If write-down, write-down trigger(s)	NA	NA	NA
32	If write-down, full or partial	NA	NA	NA
33	If write-down, permanent or temporary	NA	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument	NA	NA	NA
36	Non-compliant transitioned features	NA	NA	NA
37	If yes, specify non-compliant features	NA	NA	NA

#### 40.4 Leverage Ratio

The State Bank of Pakistan (SBP) through its BPRD Circular No. 06 of 2013 issued instructions regarding implementation of parallel run of leverage ratio reporting and its components from December 31, 2013 to December 31, 2017. During this period the final calibration, and any further adjustments to the definition, was completed, with a view to set the leverage ratio as a separate capital standard on December 31, 2018. Banks are required to disclose the leverage ratio from December 31 2015

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

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

As at December 31, 2025 the Bank's Leverage ratio stood at 11.99% (2024 8.44%) which is well above the minimum requirement of 3.0%.

	2025	2024
	<i>(Rupees in '000)</i>	
Eligible Tier-1 Capital	169,656,945	149,704,914
Total Exposures	<u>1,415,272,102</u>	<u>1,773,796,132</u>
<b>Leverage Ratio</b>	<u><b>11.99%</b></u>	<u><b>8.44%</b></u>

#### 40.5 Risk Weighted Assets

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

	Capital Requirements		Risk Weighted Assets	
	2025	2024	2025	2024
<i>(Rupees in '000)</i>				
<b><u>Credit Risk</u></b>				
<b>On-Balance sheet</b>				
<u>Portfolios subject to standardized approach (Simple or Comprehensive)</u>				
Cash & cash equivalents	-	-	-	-
Sovereign	116,799	169,276	934,391	1,354,204
Public Sector entities	-	-	-	-
Banks	2,208,605	5,338,391	17,668,841	42,707,125
Corporate	235,844	409,929	1,886,751	3,279,430
Retail	149	587	1,190	4,699
Residential Mortgages	1,800	2,804	14,402	22,436
Past Due loans	-	-	-	-
Operating Fixed Assets	132,250	122,491	1,057,997	979,926
Deffered tax asset	473,405	206,460	3,787,240	1,651,680
Other assets	748,981	12,073	5,991,846	96,582
	<b>3,917,832</b>	<b>6,262,010</b>	<b>31,342,658</b>	<b>50,096,082</b>
<u>Portfolios subject to Internal Rating Based (IRB) Approach</u>				
e.g. Corporate, Sovereign, Corporate, Retail, Securitization etc.	-	-	-	-
<b>Off-Balance sheet</b>				
Non-market related				
Financial guarantees	-	-	-	-
Direct Credit Substitutes	14,081	14,081	112,650	112,650
Performance Related Contingencies	15,868,776	15,445,203	126,950,205	123,561,624
Trade Related Contingencies	172,408	124,555	1,379,262	996,442
	<b>16,055,265</b>	<b>15,583,840</b>	<b>128,442,117</b>	<b>124,670,716</b>
Market related				
Foreign Exchange contracts	998,024	729,431	7,984,191	5,835,448
Derivatives	-	-	-	-
	<b>998,024</b>	<b>729,431</b>	<b>7,984,191</b>	<b>5,835,448</b>
<b>Equity Exposure Risk in the Banking Book</b>				
Under simple risk weight method				
Listed Equity Investment	-	-	-	-
Unlisted Equity Investment	-	-	-	-
Under Internal Model approach				
	-	-	-	-
	<b>20,971,121</b>	<b>22,575,281</b>	<b>167,768,967</b>	<b>180,602,246</b>
<b><u>Market Risk</u></b>				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	3,857,321	3,431,139	48,216,515	42,889,232
Equity position risk	-	-	-	-
Foreign Exchange risk	766,498	181,994	9,581,230	2,274,931
<b><u>Operational Risk</u></b>				
Capital Requirement for operational risks	11,214,206	8,405,739	140,177,573	105,071,739
<b>Total Risk Weighted Exposures</b>	<b>36,809,146</b>	<b>34,594,153</b>	<b>365,744,285</b>	<b>330,838,147</b>

Capital Adequacy Ratios	2025		2024	
	Required (including GSIB surcharge)	Actual	Required (including GSIB surcharge)	Actual
CET1 to total RWA	8.00%	46.39%	7.50%	45.25%
Tier-1 capital to total RWA	9.50%	46.39%	9.00%	45.25%
Total capital to total RWA	12.00%	46.77%	11.50%	45.77%
Total capital plus CCB to RWA	13.50%	46.77%	13.00%	45.77%

#### 40.6 Credit Risk - General Disclosures

The Bank has adopted Simple approach of calculation of capital charge against credit risk in line with SBP's requirements.

#### Credit Risk: Disclosures for portfolio subject to the Standardized Approach

The capital requirement is based on the credit rating assigned to the counter parties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. Bank utilizes, wherever available, the credit ratings assigned by the SBP recognized ECAIs, viz. PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company – Vital Information Systems), Fitch, Moody's and Standard & Poors. Credit rating data for advances is obtained from recognized External Credit Assessment Institutions and then mapped to State Bank of Pakistan's Rating

Type of Exposures for which the ratings from the External Credit Rating Agencies are used by the Bank.

Exposures	JCR-VIS	PACRA	Other (S&P   Moody's   Fitch)
Corporate	✓	✓	✓
Banks	✓	✓	✓
Sovereigns	✓	✓	-
PSEs	-	-	-

#### Long - Term Ratings Grades Mapping

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

#### Short - Term Ratings Grades Mapping

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

For exposure amounts after risk mitigation, amount of Bank's/DFI's outstanding (rated and unrated) in each risk bucket as well as those that are deducted are as follows:

				<i>amount in '000</i>
Exposure	Rating Category	Amount Outstanding	Deduction CRM	Net Amount
- Cash and Cash Equivalent		278,490	-	278,490
- Corporate	1	842,833	-	842,833
	2	-	-	-
	3,4	-	-	-
	5,6	-	-	-
	Unrated	317,420	-	317,420
	Unrated-2	1,120,611	-	1,120,611
- Public Sector Entities	1	-	-	-
	2,3	-	-	-
	4,5	-	-	-
	6	-	-	-
	Unrated	-	-	-
- Banks	1	110,817,196	86,595,235	24,221,961
	2,3	25,648,898	-	25,648,898
	4,5	-	-	-
	6	-	-	-
	Unrated	-	-	-
- Sovereigns etc.	1	372,842,767	-	372,842,767
	2	-	-	-
	3	-	-	-
	4,5	-	-	-
	6	622,927	-	622,927
	Unrated	-	-	-
- Government of Pakistan		823,544,659	-	823,544,659
- SBP		42,197,121	-	42,197,121
- Retail		1,586	-	1,586
- Residential Mortgage		41,149	-	41,149
- Past Dues Loans		-	-	-
- Past Dues against Residential Mortgage		-	-	-
- Significant investment in Commercial entities		-	-	-
- Significant investment and DTAs above 15% threshold		1,514,896	-	1,514,896
- Unlisted Equity Investments		-	-	-
- Listed Equity Investments		-	-	-
- Operating Fixed Assets		1,057,997	-	1,057,997
- Other Assets		5,991,846	-	5,991,846
		<b>1,386,840,397</b>	<b>86,595,235</b>	<b>1,300,245,162</b>

## 40.8 Basel III Liquidity Requirement

The Basel Committee for Banking Supervision (BCBS) has introduced Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) under its BASEL III reforms. As part of Basel III implementation in Pakistan, SBP issued guide lines on June 23,2016 to implement Liquidity standards in line with BCBS timelines, keeping in view the conditions as applicable in Pakistan. The Bank is maintaining both the liquidity ratios, under Basel III, with a considerable cushion over and above the regulatory requirement to mitigate any liquidity risk.

### 41.8.1 Liquidity Coverage Ratio

		2025		2024	
----- amount in '000 -----					
		TOTAL UNWEIGHTED <sup>a</sup> VALUE (average)	TOTAL WEIGHTED <sup>b</sup> VALUE (average)	TOTAL UNWEIGHTED <sup>a</sup> VALUE (average)	TOTAL WEIGHTED <sup>b</sup> VALUE (average)
<b>HIGH QUALITY LIQUID ASSETS</b>					
1	Total high quality liquid assets (HQLA)		987,140,718		1,112,304,967
<b>CASH OUTFLOWS</b>					
2	Retail deposits and deposits from small business customers of which:	728,787	66,660	690,881	62,609
2.1	stable deposit	124,379	6,219	129,578	6,479
2.2	Less stable deposit	604,407	60,441	561,303	56,130
3	Unsecured wholesale funding of which:	795,824,030	448,870,882	618,135,075	362,732,011
3.1	Operational deposits (all counterparties)	-	-	-	-
3.2	Non-operational deposits (all counterparties)	2,102,105	209,963	2,735,382	273,249
3.3	Unsecured debt	793,721,925	448,660,920	615,399,693	362,458,762
4	Secured wholesale funding		-		-
5	Additional requirements of which:	1,324,733,399	1,324,733,399	1,671,117,005	1,671,117,005
5.1	Outflows related to derivative exposures and other collateral requirements	1,324,733,399	1,324,733,399	1,671,117,005	1,671,117,005
5.2	Outflows related to loss of funding on debt products	-	-	-	-
5.3	Credit and Liquidity facilities	-	-	-	-
6	Other contractual funding obligations	22,820,802	22,820,802	52,091,377	52,091,377
7	Other contingent funding obligations	405,309,820	19,164,010	462,661,526	20,838,561
8	<b>TOTAL CASH OUTFLOWS</b>		1,815,655,754		2,106,841,563
<b>CASH INFLOWS</b>					
9	Secured lending	204,686,538	-	336,953,116	-
10	Inflows from fully performing exposures	4,147	2,073	35,540	17,770
11	Other Cash inflows	1,336,151,207	1,314,594,598	1,629,528,250	1,629,528,250
12	<b>TOTAL CASH INFLOWS</b>	1,540,841,892	1,314,596,671	1,966,516,907	1,629,546,021
		<b>TOTAL ADJUSTED VALUE</b>		<b>TOTAL ADJUSTED VALUE</b>	
21	<b>TOTAL HQLA</b>		987,140,718		1,112,304,967
22	<b>TOTAL NET CASH OUTFLOWS</b>		500,642,570		539,631,227
23	<b>LIQUIDITY COVERAGE RATIO</b>		197%		206%

#### 40.8.2 Net Stable Funding Ratio (NSFR)

The objective of Net Stable Funding Ratio (NSFR) is to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding on an ongoing basis. Banks are required to maintain NSFR requirement of at least 100% on an ongoing basis from December 31, 2017.

		2025				<i>amount in PKR in thousands</i>
NSFR		unweighted value by residual maturity				weighted value
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
<b>ASF Item</b>						
1	Capital:					
2	Regulatory capital	169,799,321				169,799,321
3	Other capital instruments					
4	Retail deposits and deposit from small business customers:					
5	Stable deposits		9,118	18,715	122,970	149,411
6	Less stable deposits		229,684	299,868	2,475,396	2,951,992
7	Wholesale funding:					
8	Operational deposits					
9	Other wholesale funding		207,488,253	41,090,705	366,434,388	490,723,867
10	Other liabilities:				4,920,814	4,920,814
11	NSFR derivative liabilities					
12	All other liabilities and equity not included in other categories	219,590,741				
13	<b>Total ASF</b>					668,545,405
<b>RSF item</b>						
14	Total NSFR high-quality liquid assets (HQLA)					
15	Deposits held at other financial institutions for operational purposes	25,648,898				12,824,449
16	Performing loans and securities:					
17	Performing loans to financial institutions secured by Level 1 HQLA		110,713,374			11,071,337
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions					
19	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:				1,649,132	1,401,762
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk				38,805	25,224
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.					
22	Other assets:		6,778,024			3,389,012
23	Physical traded commodities, including gold					
24	Assets posted as initial margin for derivative contracts					
25	NSFR derivative assets					
26	NSFR derivative liabilities before deduction of variation margin posted					
27	All other assets not included in the above categories	2,619,387				2,619,387
28	Off-balance sheet items	19,122,726	99,157,332	141,575,987	155,812,358	20,783,420
29	Total RSF					52,114,591
30	<b>Net Stable Funding Ratio (%)</b>					<b>1283%</b>

2024

amount in PKR in thousands

NSFR		unweighted value by residual maturity				weighted value
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
<b>ASF Item</b>						
1	Capital:					
2	Regulatory capital	169,799,321				149,728,753
3	Other capital instruments					
4	Retail deposits and deposit from small business customers:					
5	Stable deposits		9,937	20,369	141,583	28,791
6	Less stable deposits		145,338	233,001	2,093,856	340,505
7	Wholesale funding:					
8	Operational deposits					
9	Other wholesale funding		28,242,830	38,102,194	441,463,988	476,871,940
10	Other liabilities:			67,064,124	32,231,728	65,763,790
11	NSFR derivative liabilities					
12	All other liabilities and equity not included in other categories	592,214,103				
13	<b>Total ASF</b>					692,733,779
<b>RSF item</b>						
14	Total NSFR high-quality liquid assets (HQLA)					
15	Deposits held at other financial institutions for operational purposes	47,033,228				23,516,614
16	Performing loans and securities:					
17	Performing loans to financial institutions secured by Level 1 HQLA		478,661,524			47,866,152
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions					
19	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:				3,409,005	2,897,654
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk				53,067	34,494
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.					
22	Other assets:		16,391,179	88,663		8,239,921
23	Physical traded commodities, including gold					
24	Assets posted as initial margin for derivative contracts					
25	NSFR derivative assets					
26	NSFR derivative liabilities before deduction of variation margin posted					
27	All other assets not included in the above categories	6,558,725				6,558,725
28	Off-balance sheet items	23,973,885	96,013,137	105,084,505	183,738,033	20,440,478
29	Total RSF					109,554,038
30	<b>Net Stable Funding Ratio (%)</b>					<b>632%</b>