



[Subsidiary of Habib Bank AG Zurich]

HABIBMETRO

ANNUAL REPORT 2025

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عَلَّمَ الْقُرْآنَ

OUR VISION

To be the most respected financial institution
based on trust, service and commitment



OUR VALUES

RESPECT

We respect our heritage, our team's dedication, and our customers' faith in us.

INTEGRITY

We set high professional and ethical standards for ourselves and each other.

TEAMWORK

We play to our strengths and build teams that deliver at the local and global levels.

RESPONSIBILITY

We take responsibility for ourselves, our actions, and always give our best.

COMMITMENT

We are committed to responding to the needs of our customers.

TRUST

We safeguard the trust that our customers place in us, and foster the same with passion.



TEAMWORK

INTEGRITY

RESPECT

RESPONSIBILITY

COMMITMENT

TRUST

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CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN

Mohamedali R. Habib

PRESIDENT & CHIEF EXECUTIVE OFFICER

Khurram Shahzad Khan

DIRECTORS

Ali Abbas Sikander
Hamza Habib
Mohomed Bashir
Mohsin A. Nathani
Muhammad H. Habib
Rashid Ahmed Jafer

BOARD COMMITTEES

AUDIT

Mohsin A. Nathani
Muhammad H. Habib
Rashid Ahmed Jafer

CREDIT

Hamza Habib
Khurram Shahzad Khan
Mohamedali R. Habib
Mohsin A. Nathani
Rashid Ahmed Jafer

HUMAN RESOURCE & REMUNERATION

Ali Abbas Sikander
Mohamedali R. Habib
Mohomed Bashir
Mohsin A. Nathani

SHARIAH BOARD

Tan Sri Dr. Mohd. Daud Bakar - Chairman
Mufti Abdul Sattar Laghari - Member
Mufti Khawaja Noor ul Hassan - Resident Member

HEAD OF LEGAL & COMPANY SECRETARY

Mehvish Muneera

REGISTERED OFFICE

Ground Floor, HABIBMETRO Head Office
I. I. Chundrigar Road,
Karachi - 74200, Pakistan

INFORMATION TECHNOLOGY

Ali Abbas Sikander
Hamza Habib
Khurram Shahzad Khan
Mohamedali R. Habib

RISK & COMPLIANCE

Khurram Shahzad Khan
Mohsin A. Nathani
Muhammad H. Habib
Rashid Ahmed Jafer

SHARE REGISTRAR

CDC Share Registrar Services Limited
CDC House, 99-B, Block-B,
S.M.C.H.S., Main Shakra-e-Faisal,
Karachi - 74400

OUR BOARD OF DIRECTORS



Mr. Mohamedali R. Habib
Chairman

Mr. Mohamedali R. Habib is a graduate of Business Management in Finance from Clark University, USA, and has pursued advanced executive studies at Stanford – National University of Singapore. He brings over three decades of corporate experience, having served in senior managerial capacities across diverse industries, including multinational projects. Mr. Habib began his banking career in 1996 with Habib Bank AG Zurich, where he has been serving in various capacities.

In addition to presently serving as the Group CEO of Habib Bank AG Zurich since 2016, Mr. Habib is a Founding Director of Indus Motor Company Limited and was appointed Chairman of the Company in 2020. He serves as a Member of the Board of Thal Limited and is Chairman of Habib University Foundation. Mr. Habib is also Chairman of Habib Metropolitan Bank Limited, Pakistan, as well as Chairman of Habib Bank Zurich (Hong Kong) Limited.



Mr. Ali Abbas Sikandar
Director

Mr. Ali Abbas Sikander has over 25 years of experience in the banking and financial services sector, with particular expertise in technology-driven financial solutions, payments and transactional banking. He has held senior leadership roles within regulated local and global financial institutions, where he has led digital transformation initiatives and technology-enabled product development.

Over the course of his career, Mr. Sikander has driven innovation through the use of technology and strategic partnerships, strengthening systems, enhancing operational efficiency and developing customer-centric financial solutions in competitive market environments.

Mr. Sikander holds a Bachelor of Science from Lock Haven University of Pennsylvania, USA (1990), and a Master of Science in Engineering from the New Jersey Institute of Technology, USA (1993). He is a Certified Board Director from the Institute of Chartered Accountants of Pakistan (2018).



Mr. Hamza Habib
Director

Mr. Hamza Habib was appointed as a non-executive director of Habib Metropolitan Bank Limited in 2020. He is also a director of Agriauto Industries Limited, a PSX-listed company. He brings over 15 years of banking experience and is currently Head of Corporate Banking at Habib Bank AG Zurich (HBZ) in Dubai, UAE. Within the HBZ Group, Mr. Hamza Habib has held several senior roles, including Alternate Chief Executive of Habib Bank Zurich (Hong Kong) Limited. Prior to this, he served as Area Head with HBZ in the UAE. He also worked with Standard Chartered Bank in Geneva and London.

Mr. Hamza Habib graduated from Babson College in Wellesley, Massachusetts (USA), with a Bachelor of Science in Business Management and is a Certified Director from the Pakistan Institute of Corporate Governance.



Mr. Mohomed Bashir
Director
(Sitara-e-Imtiaz, Justice of Peace)

Mr. Mohomed Bashir possesses rich and extensive experience in commerce and industry. He is an accomplished businessman and a well-known figure in the textile industry. Mr. Bashir joined the Board of Gul Ahmed Textile Mills Limited in 1982. He is a Fellow Member of the Chartered Institute of Management Accountants (CIMA), United Kingdom.

Presently, Mr. Bashir serves as the Chairman of the Board of Directors of Gul Ahmed Textile Mills Limited. He is also the Founding Director and Former Chairman of the Pakistan Business Council. He has served as President of the International Cotton Association (ICA) and the International Textile Manufacturers Federation (ITMF), as well as Chairman of the All Pakistan Textile Mills Association (APTMA). He has additionally served as the former Honorary Consul General of Sweden in Pakistan.

Mr. Bashir holds directorships in Gul Ahmed Energy Limited, Ideas (Private) Limited, Gul Ahmed Holdings, Gul Ahmed Textile Mills (Europe) Ltd. (UK), Gul Ahmed International Limited (FZC) (UAE), Habib Metropolitan Bank Limited, Education Fund for Sindh, and Habib University Foundation. He is also a Member of the Pakistan France Business Council, the Pakistan German Business Council, and the Pakistan Swedish Business Council.

In recognition of his distinguished services, Mr. Bashir was awarded the Sitara-e-Imtiaz by the President of Pakistan in 2006, and was also conferred the title of Justice of the Peace. On April 07, 2017, he was awarded the Grade d'Officier in the National Order of Merit by the President of the French Republic. On February 19, 2020, he was further honored with the Knight First Class of the Royal Order of the Polar Star by His Majesty Carl XVI Gustaf, King of Sweden.



Mr. Mohsin Ali Nathani
Director

Mr. Mohsin Ali Nathani is a member of the General Management of Habib Bank AG Zurich and Head of Asian Markets & Canada since June 2024. He also serves on the Board of Directors of four subsidiaries of Habib Bank AG Zurich - Habib Metropolitan Bank Ltd. (Pakistan), Habib Canadian Bank, Habib Bank Zurich (Hong Kong) Limited and HBZ Bank Limited (South Africa). Mr. Nathani has over 30 years of banking experience in the Middle East, Africa, South Asia, Asia-Pacific and Levant regions, where he has held various leadership positions with responsibilities in areas such as corporate banking, Islamic banking, credit, treasury and syndications.

From 2018 to 2023, Mr. Nathani was the President & CEO of Habib Metropolitan Bank Limited. Prior to this, he served at Standard Chartered as CEO in Pakistan, and later in the UAE where he was approved by the UK Financial Services Authority for "Significant Influence Function". Between 2007 and 2010, he was the Commercial Banking Director (Emerging Markets) at Barclays UAE, and subsequently, the Country Head & Managing Director at Barclays Pakistan. Between 2000 and 2007, Mr. Nathani was engaged by Citigroup Hong Kong as Co-Head of Asia Debt Markets and later by Citigroup Dubai as Regional Head of Corporate Banking (Middle East, Pakistan & Levant) and CEO Global Islamic Banking. From 1993 to 2000, Mr. Nathani held various senior roles at ABN AMRO in Singapore and Pakistan.

Mr. Nathani holds a Master of Business Administration from the Institute of Business Administration (IBA), Karachi.



Mr. Muhammad H. Habib
Director

Mr. Muhammad H. Habib is a banker by profession with over 40 years of experience. He is a member of the Board of Directors of Habib Bank AG Zurich and, in addition, holds directorships of HBZ Bank Ltd. (South Africa), Habib Canadian Bank (Canada), Habib Bank Zurich Plc, UK and Gefan Finanz AG, Switzerland. He also serves as Chancellor of Habib University, Karachi.

Mr. Muhammad H. Habib is a graduate in Finance from Babson College, Boston, MA, USA.



Mr. Rashid Ahmed Jafer
Director

Mr. Rashid Ahmed Jafer has over 38 years of professional experience with M/s. A.F. Ferguson & Co., including 23 years as a partner of the firm. He is a Fellow Member of the Institute of Chartered Accountants of Pakistan (ICAP) and has extensive expertise in statutory audit.

He has been a member of the Professional Standards and Technical Advisory Committee of ICAP for several years and was a member of the SBP-ICAP Coordination Committee. Currently, he is also a member of the Quality Assurance Board of ICAP.



Mr. Khurram Shahzad Khan
President & CEO

Mr. Khurram Shahzad Khan is a seasoned banking professional with over three decades of diverse experience across corporate, risk and credit management, investment and transactional banking.

Prior to his appointment as President & Chief Executive Officer of HABIBMETRO, he led the Corporate and Transaction Banking Group of the Bank and served as a member of the Central Management Committee since 2018. Mr. Khan has also held various senior management positions, including Chairman of the Board of Directors of Standard Chartered Modaraba and Standard Chartered Leasing, and Director at HABIBMETRO Financial Services (HMFS).

In addition to his experience in the local market, Mr. Khan also brings international experience from roles such as Country Senior Credit Officer at Standard Chartered Bank in Thailand and Bangladesh. During his career, Mr. Khan has served as Country Chief Risk Officer and Chief Credit Officer at Standard Chartered Bank Pakistan and Country Head, Group Special Assets Management.

Mr. Khan holds an MBA from the University of Rochester, USA.

OUR MANAGEMENT

Ahmed Shah Durrani
Group Executive Retail Banking
& Chief Digital Officer

Adeel Ahmed
Head of Systems,
Policies & Procedures

Ali Mansoor
Chief Risk Officer

Muhammad Raza Dyer
Head of Operations

Muhammad Ayaz Sheikh
Country Treasurer

Asad Ali
Head of Human
Resources



Najeeb Gilani
Head of Internal Audit

Syed Abu Tufail
Head of Information Technology

Syed Hasnain Haider Rizvi Chief Compliance Officer **Saleemullah Shaikh** Head of Islamic Banking **Madiha Sarim Alvi** Head of Marketing & Corporate Communications **Syed Ather Ahmed** Head of Commercial Banking (South) & FI **Amanullah Shaikh** Head of Corporate & Transaction Banking **Haris Ahmed** Joint Head Commercial North **Mehvish Muneera Ismail** Head of Legal & Company Secretary



Khurram Shahzad Khan
President & Chief Executive

Fuzail Abbas
Group Executive/Chief Financial Officer

Wahid Younus Dada
Group Executive Operations & Remedial Management

AWARDS AND ACCOLADES



**Best Bank for
Islamic Retail Banking
Growth and Strategy 2025**
Islamic Retail Banking Awards

**PSX Top 25 Companies
Awards 2024**
Pakistan Stock Exchange
Limited

**Highest Growing
Bank FY-25 in Pakistan
Remittance Market**
Pakistan Remittance
Initiative Award 2025



**Pakistan Supply Chain
Innovation of the Year - Financial Services**
Asian Innovation Excellence Awards 2025

**Client Excellence Award 2024 -
Institutional Cash & Trade Finance**
Deutsche Bank



DEI Structure and Implementation (Progressive), DEI Learning and Development (Progressive), Community, Government Relations and Philanthropy (Best Practice)
Global Diversity, Equity & Inclusion Benchmarks Awards

2024 U.S. Dollar Clearing Elite Quality Recognition Award
JP Morgan



Most Improved Debit Authorization in the Industry in 2024
VISA

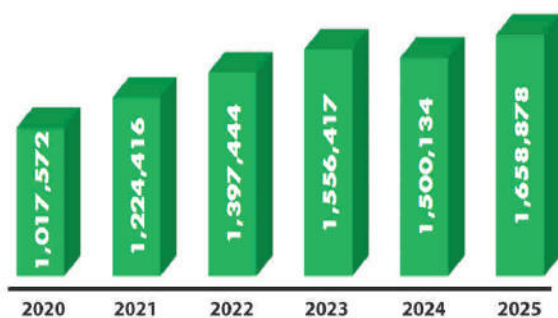
Social Responsibility Award 2024
Shaukat Khanum

Domestic Cash Management Bank of the Year - Pakistan 2024
Asian Banking & Finance Awards

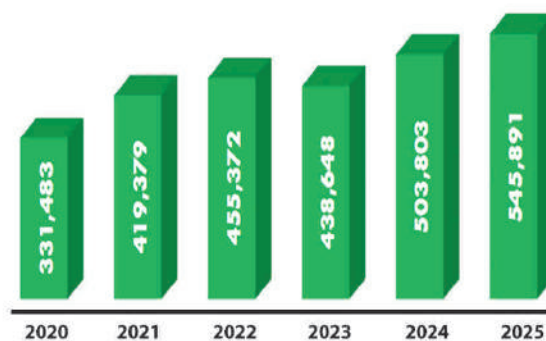
Financial Highlights

(Rs. in Million)

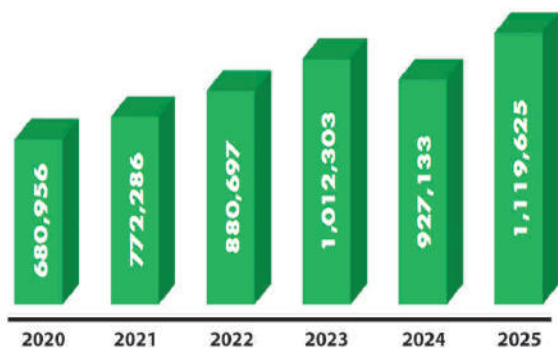
Total Assets



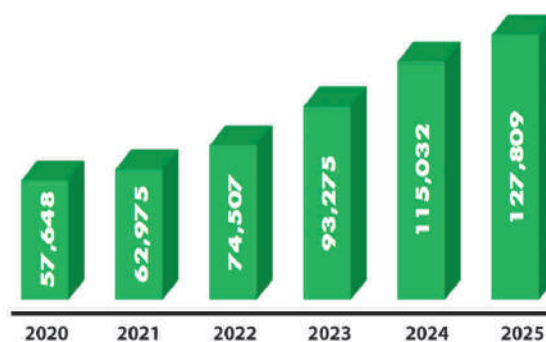
Advances - Gross



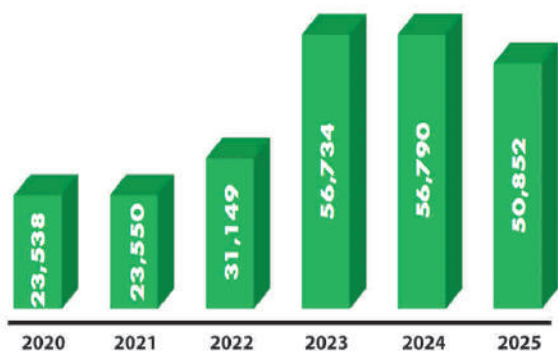
Deposits



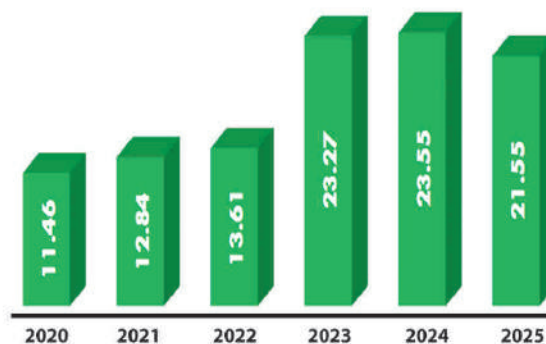
Shareholder's Equity



Operating Profit



EPS (In Rs.)



CHAIRMAN'S REVIEW



Dear Shareholders,

On behalf of the directors of Habib Metropolitan Bank, it gives me pleasure to present this report on the overall performance of the Bank together with the financial statements of the Bank for the year ended 31 December 2025. The operating financial results and appropriations on an unconsolidated basis, as recommended by the Board of Directors, are summarized below:

	Rupees in '000
Profit before credit loss allowance and tax	50,851,826
Credit loss allowance and write offs - net	<u>(1,829,136)</u>
Profit before taxation	49,022,690
Taxation	<u>(26,438,007)</u>
Profit after taxation	22,584,683
Un-appropriated profit brought forward	54,867,002
Transfer from surplus on revaluation of assets - net of tax	152,856
Gain on sale of equity investments - FVOCI - net of tax	508,817
Remeasurement loss on defined benefit obligations - net of tax	<u>(30,879)</u>
Profit available for appropriation	78,082,479
Appropriations:	
Transfer to Statutory Reserve	<u>(2,258,468)</u>
Cash dividend (Rs. 4.50 per share) - 2024	<u>(4,715,242)</u>
Interim Cash dividend (Rs. 7.50 per share) - 2025	<u>(7,858,737)</u>
	<u>(14,832,447)</u>
Un-appropriated profit carried forward	<u><u>63,250,032</u></u>

The Directors are pleased to propose a final cash dividend of Rs. 4.50 per share (45%) for the year under review. This is in addition to the interim cash dividend of Rs. 7.50 per share (75%) already paid. As such, the total dividend for the year 2025 amounts to Rs. 12.0 per share (120%).

During the year under review, Pakistan's economy exhibited steady progress, underpinned by prudent fiscal management and a consistent monetary policy stance. The current account experienced some pressure due to higher imports that were well supported by robust growth in workers' remittances. USD/PKR exchange rate remained broadly stable, in the range of Rs. 280-281/ USD. Inflation stayed within the medium-term target set out by the State Bank of Pakistan, enabling the regulator to further reduce interest rates by 250 bps during the year.

By the Grace of Allah, your Bank continues to make steady progress. Total assets crossed Rs. 1.6 trillion, posting a growth of 10.6%. Gross advances increased to Rs. 545.9 billion at year-end with 8.4% growth. Deposits grew by 20.8% to close at Rs. 1,119.6 billion. Investments increased to Rs. 864.7 billion, posting a growth of 6.6% during the year.

HABIBMETRO posted profit before tax of Rs. 49.0 billion for the year 2025. The performance translates into after tax earnings of Rs. 21.55 per share.

At year-end, HABIBMETRO's equity stands at Rs. 127.8 billion, with a capital adequacy level of 17.0% against the required 11.50%.

The primary role of the Board is to set the overall strategy for the Bank and enhance its long-term strategic value. The Board's focus remains on the overall governance structure to ensure effective oversight of the business, establishing a risk & control framework,

determining the Bank's level of risk tolerance through different policies and documents relating to operational, regulatory, compliance, and financial performance of the Bank

The composition of the Board has been established to ensure the availability of resources with relevant knowledge and experience to manage the strategic objectives of the Bank. It comprises three independent directors including one female director and five non-executive directors.

The Board ensures that the business of the Bank is conducted in an efficient and effective manner within an established framework of an effective system of internal controls, robust risk management processes and compliance with regulatory requirements. While discharging its responsibilities, the Board acts in good faith, with due diligence and care, and in the best interests of the Bank and its Shareholders.

As per the SBP guidelines, an external board performance evaluation exercise was conducted in 2025 through Pakistan Institute of Corporate Governance (PICG), which assesses the Board's performance against best practices for board effectiveness. The assessment was designed to reflect Board's priorities, performance, comparison and consensus. It was based on different statements formatted using a 6-point Likert scale covering strategy planning, board composition, control environment, risk oversight, chairperson, independent directors, board procedures, board committees, board & CEO compensation.

This review forms an integral part of the Directors' Report to the Shareholders.

I would like to take this opportunity to place on record my sincere gratitude to the Ministry of Finance, the State Bank of Pakistan and the Securities and the Exchange Commission of Pakistan for their continued support and guidance. I also acknowledge our valued customers for their trust and staff members for their devotion and diligence.

We bow our heads to Allah and pray for His blessings and continued guidance.

On behalf of the Board

MOHAMEDALI R. HABIB
Chairman

Karachi: 12 February 2026

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present the audited annual financial statements of Habib Metropolitan Bank Limited (HABIBMETRO) for the financial year ended 31 December 2025.

ECONOMIC AND BANKING REVIEW

Pakistan's economy demonstrated steady progress during the year, supported by prudent fiscal management and a consistent monetary policy stance. Industrial activity exhibited resilience, with large-scale manufacturing continuing its recovery across key sectors including textiles, automobiles, cement, and food processing. The agriculture sector also contributed positively, while growth in the services sector remained moderate. The successful completion of the 2nd review under the IMF's Extended Fund Facility (EFF) and Resilience & Sustainability Facility (RSF) resulted in the disbursement of USD 1.2 billion, strengthening external buffers and reinforcing investor confidence. However, public debt increased to Rs. 78.5 trillion, reflecting ongoing fiscal and financing requirements.

The external sector remained slightly subdued during CY2025, primarily due to a substantial rise in imports. The current account recorded a deficit of USD 199 million in CY2025, compared to a surplus of USD 496 million in CY2024. Exports grew marginally by 0.9% to USD 40.6 billion, with the decline in goods exports offset by a strong 12.1% growth in services exports. Imports, however, increased sharply by 11.4% to USD 74.5 billion, widening the trade deficit to USD 33.9 billion. Workers' remittances remained robust, rising by 15.9% to USD 40.2 billion, and continued to provide critical support in offsetting the widening trade imbalance. As a result, the State Bank of Pakistan's net foreign exchange reserves increased to a high of USD 16.05 billion.

The State Bank of Pakistan (SBP) maintained the policy rate at 10.5% in its latest Monetary Policy Committee meeting held in January 2026, following a reduction of 50 basis points in December 2025. Average inflation remained contained at 5.2% for the first half of FY2025, broadly in line with SBP's target range of 5-7%. The inflation outlook remained stable, supported by subdued global commodity prices and a tight monetary policy stance. Nevertheless, elevated geopolitical risks in the Middle East pose potential upside to global commodity prices, particularly oil.

The Pakistani rupee averaged around Rs. 281 per USD during 2025. The banking sector recorded balance sheet growth, with deposits and investments increasing, while advances contracted amid cautious lending behavior in a slowing economic environment.

Increasing by 23.6% on a year-on-year basis, the banking sector's deposit base amounted to Rs. 37.4 trillion at the end of December 2025. Advances decreased by 7.1% year-on-year and stood at Rs. 14.9 trillion while investments during the period significantly increased by 30.1% year-on-year to be recorded at Rs. 37.9 trillion.

BANK'S PERFORMANCE DURING THE YEAR

By the Grace of Allah, HABIBMETRO has posted profit before tax of Rs. 49,023 million for the year ended December 31, 2025, translating into earnings per share of Rs. 21.55.

The Bank's net interest income amounted to Rs. 66,458 million, non-interest income amounted to Rs. 24,491 million increasing by 15.1%, including fee and commission income of Rs. 11,293 million which increased by 5.0% as compared to last year.

Net advances increased by 8.5% to Rs. 514,783 million while investments increased by 6.6% to Rs. 864,652 million. Deposits stood at Rs. 1,119,625 million as of December 31, 2025, increasing by 20.8% during the year.

The Bank's Net Equity exhibited a growth of 11.1% and amounted to Rs. 127,809 million, with a capital adequacy level of 17.0% at the end of the year under review.

COMMITMENTS

No material changes in commitments affecting the financial position of the Bank have occurred between the end of financial year of the Bank and the date of the report.

CREDIT RATING

The Bank maintained its ratings of AA+ for long term and A1+ for short term assigned by Pakistan Credit Rating Agency Limited (PACRA). These ratings denote a high credit quality with a low expectation of credit risk, and a strong capacity for timely payment of financial commitments.

ENHANCED REACH TO OUR CUSTOMERS

HABIBMETRO enhanced its outreach by adding 11 new branches to its network in 2025 - in doing so, the Bank's outreach spread to 8 new cities, with an increased footprint of 562 branches in 229 cities across Pakistan. The Bank's branch network includes 243 Islamic Banking Branches and 311 Islamic Banking Windows offering a broad range of services.

HABIBMETRO enjoys correspondent relationships with banks of repute in more than 70 countries, with large number of banks having formal credit lines for the Bank. HABIBMETRO provides comprehensive banking services and products including specialized trade finance products, and an array of products and services such as secured SMS and Internet & Mobile Banking services, globally accepted Visa Debit Cards and a nationwide network of 600+ ATMs.

TRANSACTION BANKING

HABIBMETRO's Transaction Banking has successfully served approximately 2,000 business customers in year 2025. This year has been recognized as a landmark period for Transaction Banking at HABIBMETRO, highlighted by the introduction of various innovative product offerings tailored to meet the evolving needs of our clients.

The Bank has significantly revamped its corporate collections module, Net2Bank, providing state-of-the-art transaction banking facilities designed to enhance client collection requirements and improve overall customer experiences resulting in the achievement of landmark Rs. 4 trillion throughput volume of collections & Payments with a total 5.2 million transactions shows approximately 17% growth compared to 2024. This module efficiently addresses diverse daily collections & payments for clients in both integrated and non-integrated modes.

RAAST transactions for Corporate Customers are also live through Net2Bank Portal, processing over Rs 325 billion in 2025. This demonstrates the growing adoption of RAAST for interbank fund transfers, offering a reliable and efficient method for moving funds between accounts through our payment portal.

HABIBMETRO's dedication to excellence in transaction banking has been recognized with multiple prestigious awards in last three consecutive years.

In year 2025 HABIBMETRO recognized by Asian Innovation Awards (Singapore) as Pakistan Supply Chain - Innovation of the year 2025.

DIGITAL CHANNELS

In 2025, HABIBMETRO continued to demonstrate strong progress in advancing its digital banking strategy, delivering notable growth in customer adoption, transaction activity, and digital revenue. The Bank's sustained investments in digital infrastructure, customer experience, and service reliability have accelerated the migration of customers toward digital channels, reinforcing digital banking as the primary mode of engagement for a growing portion of the customer base.

Digital transactions recorded strong growth overall, increasing from 46 million transactions in 2024 to 56 million transactions in 2025, representing a 22% increase. Mobile Banking remained the primary driver of this growth, with transactions reaching 29.6 million, reflecting a 42% increase, highlighting growing customer reliance on mobile channels for day-to-day banking activities.

Debit card point-of-sale transactions also expanded steadily, reaching 8.3 million transactions, an increase of 35%, demonstrating continued momentum in cashless payment adoption.

In value terms, total digital transaction volumes increased significantly, rising from Rs. 1.09 trillion in 2024 to Rs. 1.53 trillion in 2025, representing a 40% increase. Mobile Banking contributed the largest share, processing Rs. 1.28 trillion, a 50% increase, underscoring growing customer confidence in executing higher-value transactions through digital channels. Debit card POS volumes reached Rs. 35.8 billion, reflecting 26% growth.

During the year, the Bank recorded healthy growth in its debit card base, mobile banking users, and digital account penetration, reflecting continued success in customer onboarding, activation, and digital migration initiatives. A major milestone of the year was the launch of Digital Account Opening, which resulted in over 76,000 digital accounts being opened, contributing to a penetration level of 72%. Recognizing the growing demand for a low cost debit card solution with global acceptability, the Bank introduced a new payment scheme (UnionPay) and launched two new card products: the PayPak UnionPay Co-Badged Debit Card and the UnionPay Single Logo Debit Card. Additionally, the Bank successfully revamped its Mobile App and Internet Banking platforms with a modernized UI/UX, further strengthening digital engagement and improving the end-to-end customer experience.

The Bank also secured a landmark 5-year strategic partnership with VISA Inc. which will enable enhanced support for joint market campaigns, technology upgrades, and advanced value propositions. This partnership positions the Bank to accelerate card portfolio growth and strengthen its payments ecosystem.

Overall, 2025 marked another significant milestone in HABIBMETRO's digital transformation journey. The Bank remains focused on further strengthening its digital ecosystem, expanding customer journeys, and enhancing service delivery to sustain long-term growth in digital adoption, operational efficiency, and revenue generation.

GREEN BANKING INITIATIVES

HABIBMETRO recognizes its responsibility towards environmental, social and governance practices. The Bank believes in playing its part in the collective national and global efforts to mitigate the deteriorating environmental and social circumstances. Environmental, Social and Governance (ESG) aspects are becoming a part of the strategic as well as operational considerations of the Bank. The Bank also strives to align itself with the regulatory expectations and has adopted Pakistan's Nationally Determined Contributions (NDCs) for climate resilience approaches, aiming to promote sustainability and minimize carbon footprints. Pakistan's Green Taxonomy (PGT) and Green Banking Guidelines assist the Bank in developing plans and targets to achieve the local and international Sustainable Development Goals 2030.

As a part of its robust risk management framework, the bank conducts risk assessment related to climate, environmental and social risks at the relevant levels using national and international level information, assessment and guidelines. This enables the bank to highlight risk as well as opportunities to its overall portfolio. The bank also actively participates in stakeholder consultation with regulatory, non-profit, commercial and other entities in developing knowledge, understanding and implementation of the green banking domain. Based on the Green Banking Guidelines, the bank strives in the following specific areas:

- **Environmental & Social Risk Management**

For improving financial stability through management and mitigation of environmental and social exposures of financing portfolios, HABIBMETRO has integrated the Environmental and Social Risk Management (ESRM) considerations into the credit risk assessment process. As a result, the bank is able to assign a risk rating to all its eligible obligors and assess ESG risk at its portfolio level.

- **Business Facilitation**

For fostering development of 'green market' through actively tapping the emerging viable business opportunities of financing; including clean energy and resource efficiency projects. The Bank is actively pursuing a green portfolio through soliciting clients for Renewable Energy.

- **Own Impact Reduction**

The Bank has enhanced focus on potential re-engineering of internal operations and procedures. To reduce its impact on environment and society, the Bank is working on a scope emission reduction plan and has adopted various administrative and engineering controls and measures to reduce its consumption of natural and other resources.

- **Capacity Building**

To increase the understanding and acceptability towards the initiative and eco-friendly practices, the Bank arranges learning and training opportunities for its team through internal and external sources. This enables better understanding of the Green Banking concepts and assists the team to perform better environmental due diligence in assessing credit proposals, adopting own impact reduction measures and helps in business facilitation. In addition to scheduled trainings and workshop, the bank has also set up an Advisory desk to assist its staff and well as the bank clients & customers in their day to day ESG affairs.

ENVIRONMENT, SOCIAL AND GOVERNANCE

Sustainability through implementation of ESG is philosophy of HABIBMETRO and the Group, which is naturally embedded in the business functions of the Bank. We strive in taking conscious steps to fulfill our responsibility as a responsible entity to increase transparency, adopt means and methods to comprehend, detect and interpret risks associated with ESG in our activities, and strategically embracing the opportunities they present. HABIBMETRO shall Insha Allah continue to take focused initiatives to drive its sustainable journey.

The Bank is planning to adopt targeted measures to reduce emissions by adopting the following measures:

- Overall travel budget reduction by preferring meetings through online meeting platforms
- Adoption of construction and maintenance techniques in places of business to reduce resource consumption
- Installation of Solar Panels at the branches and offices, wherever possible, to shift to clean energy
- Take environmentally friendly measures for waste management and material consumption
- Create awareness on reduction of energy and paper usage through communications
- Introduction and encouragement to use hybrid vehicles to staff
- Indoor and outdoor plantation
- To highlight other measures to reduce emissions

AWARDS AND ACCOLADES

As an award-winning institution, HABIBMETRO has recently been honored with the following accolades and industry recognition:

- Ranked 1st in the Banking Industry and 6th position in the PSX Top 25 Companies Awards 2024, included in PSX top 25 companies 3 years in a row
- Highest Growing Home Remittance Bank 2025, recognized by the State Bank of Pakistan at the SBP PRI Summit, London
- Best Bank for Islamic Retail Banking Growth and Strategy 2025
- Pakistan Supply Chain Innovation of the Year by the Asian Innovation Excellence Awards 2025 (Singapore)
- 4 Elite Quality Recognition Award by J.P. Morgan
- DEI Structure and Implementation (Progressive), DEI Learning and Development (Progressive), Community, Government Relations and Philanthropy (Best Practice) by Global Diversity, Equity & Inclusion Benchmarks Awards

HUMAN RESOURCES

In 2025, HABIBMETRO continued to advance its organizational strength and workforce capability by reinforcing its commitment to employee engagement, wellbeing, learning and development, and diversity, equity and inclusion (DEI). Through disciplined talent management and sustained cultural leadership, the Bank maintained a high-performing, innovative, and inclusive workplace aligned with its strategic growth objectives.

The Human Resources Division remained instrumental in supporting the Bank's nationwide expansion by ensuring the effective alignment of people, processes, and culture across its growing network. A significant milestone during the year was the continued progress in gender diversity, with female representation surpassing 1,609 employees and the overall gender diversity ratio reaching 25 percent, compared to 24 percent in the preceding year.

During the year, the Bank implemented several focused DEI and employee engagement initiatives, including LeadHership, the Employee Wellbeing Campaign, CMC-led Coffee Corner Sessions, celebration of the International Day of the Girl Child, the Female Mentorship Program, and HR on Wheels sessions designed to engage junior female staff on women-centric HR policies and benefits. These initiatives, along with various sensitization and engagement activities, were aimed at strengthening inclusion, fostering belonging, and promoting cultural cohesion across the organization.

HABIBMETRO further reaffirmed its commitment to empowering persons with disabilities by continuing to offer structured internship pathways and tailored development opportunities, enabling participants to build professional capabilities and pursue sustainable careers.

The Bank also enhanced its learning and development framework through continued investment in in-house capability-building programs and specialized external training initiatives designed to strengthen both functional expertise and leadership capacity. By remaining responsive to evolving workforce dynamics and employee needs, HABIBMETRO proactively addressed organizational challenges, supported continuous professional development, and reinforced a culture grounded in trust, respect, and shared purpose.

Consistent with its core values, HABIBMETRO remains an equal opportunity employer and is committed to sustaining its position as an Employer of Choice for current and aspiring banking professionals across Pakistan.

GENDER PAY GAP STATEMENT

Gender Pay Gap reporting aims towards narrowing and eventually eliminating the pay differential between men and women. Gender pay gap, at the financial year end, calculated at HABIBMETRO as under:

i) Mean Deviation	40.1%
ii) Median Deviation	39.8%
iii) Grade Adjusted Mean Deviation *	2.3%

* With the 'adjustment' for comparable bands, this analysis is more indicative of any pay gaps for colleagues at same grades.

CORPORATE SOCIAL RESPONSIBILITY

HABIBMETRO remains committed to its role as a responsible corporate organization, making significant contributions to community well-being. Alongside its staff members, HABIBMETRO supports initiatives in education, healthcare, environmental sustainability, disaster relief, emergency response, community welfare, inclusion of persons with disabilities (PWDs), and other humanitarian causes. These efforts advance the United Nations Sustainable Development Goals (SDGs), reinforcing the Bank's commitment to sustainable and inclusive growth.

During the year, the Bank partnered with leading organizations to benefit the community. The Bank contributed a total of Rs. 526.6 million, with further details available in the notes to the financial statements.

The Bank also acknowledges its role in driving economic growth and contributing to the development of our nation. It continues to be one of the leading corporate taxpayers with Rs. 39.1 billion paid as direct taxes to the Government of Pakistan during the year 2025. Additionally, an amount of Rs. 44.4 billion indirect and withholding income tax deductions for the exchequer was collected through the Bank's network.

CUSTOMER GRIEVANCES HANDLING

HABIBMETRO Bank is committed to providing an immaculate customer experience, which is considered one of the most important factors in driving growth. The Bank's consumer grievance handling mechanism serves as the first line of defense against the grievances of the Bank's customers and therefore it is ensured that all the grievances received are handled fairly, transparently and efficiently as per the regulatory framework.

During 2025, the Bank continued to strengthen visibility and accessibility of its complaint channels. Awareness campaigns were carried out through ATM screens, social media posts, SMS alerts and In App notifications, ensuring customers are well informed regarding complaint lodgment process and modes i.e.:

- Contact Center: (+92 21) 111 142 242
- Email: complaints@habibmetro.com
- Letter to Complaint Resolution Unit, Habib Metropolitan Bank Ltd., Al Manzoor Building, 1st Floor, Dr. Ziauddin Ahmed Road, Karachi 74200
- Mobile App / Website: www.habibmetro.com/customer-charter/complaint
- Branches: Complaint Forms and Drop Boxes at branches and ATM vestibules

All complaints are investigated and resolved / disposed with diligence and the customer is kept up-to-date with respect to the progress of the grievances through SMS, email and letters. A customer feedback mechanism is also in place to support continuous improvement in complaint resolution and grievance handling.

In 2025, total of 84,655 complaints were received at the Bank and the overall turnaround time of resolved complaints was 5.4 working days. In addition, the Bank conducts detailed root cause analysis to identify gaps and drive enhancements in processes, products and services, thereby reinforcing customer satisfaction.

CORPORATE GOVERNANCE

BOARD MEETINGS

Details of the meetings of the Board of Directors and its Sub-Committees held during the year 2025 and the attendance by each director / committee member are given as under:

Name of Directors	Board of Directors	Audit Committee	Credit Committee	Human Resource & Remuneration Committee	Risk & Compliance Committee	Information & Technology Committee
Mr. Mohamedali R. Habib	5/5	–	4/4	4/4	–	2/2
Mr. Ali Abbas Sikander **	5/5	–	–	2/4	–	2/2
Mr. Hamza Habib	5/5	–	4/4	–	–	2/2
Mr. Mohamed Bashir	5/5	–	–	4/4	–	–
Mr. Mohsin A. Nathani	5/5	4/4	4/4	4/4	4/4	–
Mr. Muhammad H. Habib	5/5	4/4	–	–	4/4	–
Mr. Rashid Ahmed Jafer	5/5	4/4	4/4	–	4/4	–
Ms. Tahira Raza *	2/5	2/4	–	2/4	2/4	–
Ms. Sima Kamil ***	1/5	–	–	1/4	–	–
Mr. Khurram Shahzad Khan	5/5	–	4/4	–	4/4	2/2
Meetings held	5	4	4	4	4	2

* Ms. Tahira Raza an Independent Director has resigned with effect from May 23, 2025.

** Mr. Ali Abbas Sikander, an Independent Director was appointed as a member and as Chairperson of the BHR&RC to comply with the requirements of the Code of Corporate Governance, post the resignation of Ms. Tahira Raza.

*** Ms. Sima Kamil has been appointed as Independent Director of the Bank in place of Ms. Tahira Raza on August 19, 2025 and further nominated as Chairperson of Board Human Resource & Remuneration Committee.

**** Ms. Sima Kamil resigned from the Board and BHR&RC on December 30, 2025.

BOARD REMUNERATION POLICY

The remuneration policy of non-executive directors, including independent directors, has been approved in line with the SBP's guidelines dated 31 March 2020. Significant features of this policy are as under:

All Non-Executive directors shall be entitled for remuneration as determined by the Board, from time to time, for him/her attending meetings of the Board, its sub-committees and shareholders including the holding of the office of Chairman of the Board or its sub-committees.

The scale of remuneration under the policy shall be recommended by the Board for shareholders' approval on pre or post facto basis.

The level of remuneration so determined shall not, in any case, exceed the limits defined by the SBP.

All the Directors will be eligible for travelling, boarding and lodging expenses, including ancillary expenses, for the purpose of attending meetings or engagements related to the Bank's business.

The information in respect of directors' remuneration is provided in note 40 of the financial statements.

COMPOSITIONS OF THE BOARD AND BOARD COMMITTEES

Current compositions of the Board and Board Committees are provided in the Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019.

PATTERN OF SHAREHOLDING

The pattern of shareholding as on 31 December 2025 is annexed to the report.

The Bank is a subsidiary of Habib Bank AG Zurich - Switzerland (the holding company with 51 percent shares in the Bank) which is incorporated in Switzerland.

AUDITORS

The present auditors M/s. KPMG Taseer Hadi and Co., Chartered Accountants, retired and being eligible offered themselves for reappointment.

As required under the Code of Corporate Governance, upon the recommendation of the Audit Committee, the Board has recommended the appointment and remuneration of KPMG Taseer Hadi and Co., Chartered Accountants as auditors of the Bank for the year ending 31 December 2026.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

1. The financial statements prepared by the Bank, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of accounts have been maintained by the Bank.
3. Appropriate accounting policies and estimates have been consistently applied in preparation of financial statements.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure therefrom, if any, has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored.

6. There are no significant doubts upon the Bank's ability to continue as a going concern.
7. There has been no departure from the best practices of the code of corporate governance, as detailed in the Listed Companies (Code of Corporate Governance) Regulations, 2019.
8. The key operating and financial data of last six years of the Bank is placed below:

Rs. in millions

	2025	2024	2023	2022	2021	2020
Shareholders' Equity	127,809	115,032	93,275	74,507	62,975	57,648
Paid-up capital	10,478	10,478	10,478	10,478	10,478	10,478
Total assets	1,658,878	1,500,134	1,556,417	1,397,444	1,224,416	1,017,572
Deposits	1,119,625	927,133	1,012,303	880,697	772,286	680,956
Advances	514,783	474,301	412,049	433,503	398,382	312,167
Investments	864,652	810,875	925,412	723,579	667,996	584,532
Profit pre-tax	49,023	52,660	51,995	27,617	21,541	20,037
Profit post-tax	22,585	24,674	24,384	14,261	13,459	12,008
Earnings per share (Rs)	21.55	23.55	23.27	13.61	12.84	11.46
Cash dividend (percent) - final	45	45	55	32.5	30	25
- interim	75	75	50	20	20	20
No. of staff	7,403	7,245	7,193	6,915	6,410	5,603
No. of branches/ sub-branches	562	551	525	500	459	406

Value of investments of Provident Fund and Gratuity Scheme are as under:

- Provident Fund Rs. 7,407 million as at 31 December 2025
- Gratuity Fund Rs. 3,076 million as at 31 December 2025

RISK MANAGEMENT

STATEMENT ON RISK MANAGEMENT FRAMEWORK

HABIBMETRO has a robust and rigorous risk management framework catering to its complexity, size, and target markets. Risk Management considerations are embedded into HABIBMETRO's philosophy, strategy, organizational practices, and structure. The Bank has devised a cohesive risk management structure for credit, operations, information, continuity, liquidity and market risk, with an integrated approach and strengthened internal controls.

The framework ensures comprehensive management of risk across all areas of the Bank. It has a role at all levels and tiers of the Bank with risk management considerations at the strategic, tactical as well as the operational levels. It is equipped with the capacity and flexibility to respond to evolving market, regulatory as well as internal risk requirements.

The Bank's entire branch network is on-line, and its state-of-the-art processing system is secure and has adequate capacity. Segregation of duties as a control is built into the Bank's system and organization. The Internal Audit Division conducts independent, risk-based reviews and verification of the Bank's branches and major functions throughout the year for evaluation of the control system. Comprehensive internal reports and an effective Management Information System has been developed as an additional tool for the management of risk control. The Risk Management Division is staffed with seasoned and experienced professionals, who have the capacity and knowledge to cover all aspects of risks faced by the Bank.

The Bank's Board of Directors along with the Board Risk and Compliance Committee, Central Management Committee and Operational Risk and Compliance Committee oversee the Bank's Strategy, efforts and processes related to risk management.

CREDIT RISK

HABIBMETRO observes a strategy to control credit risk through product, geography, industry and customer diversification. The Bank extends trade and working capital financing, keeping the major portion of its exposure on a short-term and self-liquidating basis. A major portion of the Bank's credit portfolio is priced on a floating rate basis using KIBOR as a reference, which minimizes interest rate risk. The risk inherent in extending credit is further mitigated by rigorous and robust credit approval procedures that have been structured to ensure proper evaluation, adequacy of security, and monitoring of exposures on an ongoing basis. All these risk mitigation measures are further facilitated by centralized trade processing and credit administration.

MARKET / LIQUIDITY RISK

The role of the specialized Market & Liquidity Risk Unit is to systematically identify, assess, monitor, and report all related financial risk exposures and limits in the form of interest rate, equity, currency or foreign exchange. The monitoring of all these risks is ensured in line with Board approved Market and Liquidity Risk Management Policy. The Asset and Liability Management Committee regularly reviews the economic & business environment and recommends levels of exposure along with limits for FX, Money Market & Equity. The strategy aims to balance risk, liquidity, and profitability. Furthermore, a Board approved investment policy focuses on, amongst other aspects, asset allocation and operating guidelines.

STRESS TESTING

The Bank proactively uses stress testing techniques to assess risk exposures across the institution and to estimate the changes in the value of the portfolio, when exposed to various risk factors. Risk factors used in stress testing models are Interest Rate, Credit, Equity Price, Exchange Rate and Liquidity. The Bank's stress testing methodology ensures adherence to the SBP guidelines.

CAPITAL MANAGEMENT

The Bank has maintained its Capital Adequacy Ratio (CAR) above the regulatory thresholds under the prescribed Basel regulations and instructions issued by the regulator from time to time. It also has in place a Board approved Internal Capital Adequacy Assessment Process and Risk Appetite Statement. The Internal Capital Adequacy Assessment Process (ICAAP) Framework is well defined and is reviewed/updated regularly.

OPERATIONAL RISK

Operational risk is present in all aspects of bank activities and can expose the Bank to material financial and/or reputational losses. Identification of threats prior to materialization of the risk and strengthening of controls for mitigation, have always been the Bank's priority. The Bank has a dedicated Operational Risk Management (ORM) Unit that designs and implements the Operational Risk framework across the organization. The ORM unit engages and regularly collaborates with the Bank's business / support units to review and determine the inherent operational risks, applicable controls and mitigations and an assessment of residual risk. This leads to improved quality of control infrastructure, strengthened processes and management information.

The Bank is committed to enhance Operational Risk coverage and integrating it with other risk classifications (Market, Credit Risk, Compliance and legal risks) under a comprehensive approach to manage the dynamic environment and evolving risk landscape. The Bank's operational risk management infrastructure remains strengthened by the oversight of the Operational Risk and Control Committee (ORCC) which ensures the effective and efficient management of the Bank's significant operational risks.

FRAUD RISK

The Bank expends a dedicated effort towards reduction of fraud incidents and misconduct. A robust policy is in place to strengthen the process of prevention, detection, investigation and reporting. The Bank has a dedicated Fraud Risk Management Unit which ensures the effective management of the Bank's fraud risk with the support and oversight of the Board Risk & Compliance Committee (BR&CC).

With increased uptake of the Bank's alternate delivery banking channels, the FRM Unit works on a 24/7 basis to monitor digital banking transactions, identifying trends and activities inconsistent with normal transactional behavior or with the propensity of fraud risk. The Bank endeavors to safeguard its customers from fraudulent activities by adopting best practices and collaborating with industry partners. To further enhance its digital transaction monitoring capacity, the bank has implemented an Enterprise Fraud Management solution with advanced AI capabilities to prevent financial as well as non-financial fraudulent transactions.

BUSINESS CONTINUITY RISK

The Bank constantly works on improving its operational resilience through an effective Business Continuity Management Framework. The framework consists of a policy and comprehensive plans with detailed roles, responsibilities, actions plans and recovery strategies, drawn from a rigorous risk and impact analysis aims to respond to disastrous situations. It complies with the regulatory framework and best industry practices, subject to regular reviews and audits. From an execution perspective, a Crisis Management Team consisting of the Senior Management monitors situations and takes the necessary timely decisions in the event of any crisis situations.

As a part of a contingency arrangement, the Bank maintains multiple BCP Sites along with facilities for staff to work from home, if required. Staff readiness to respond in such situations is ensured through training, awareness and testing efforts. The bank maintains a robust disaster recovery arrangement, with a DR Data Center functional at a geographically segregated location, enabling daily operations in case of a technology related incident or disaster. The availability of the DR Data Center and the readiness of the technical and functional staff are assessed through regular DR Drill. The entire effort is based on the purpose of building a resilient culture within an organization, whereby continuity of operations and continued provision of service is always prioritized.

INFORMATION SECURITY RISK

The Information Security Department (ISD) is a part of the Risk Management Division of the Bank and works as a second line of defense to protect the Bank's information and information system. With the increasing use of technology in the customer service delivery, the objective of Information Security Department is to minimize the information security risks by ensuring confidentiality and availability of customer's financial and personal information. ISD performs activities such as risk assessments, reviews, analysis, reporting and monitoring of risks to achieve the Bank's goal of managing Information and Technology risk within its risk appetite. The department also works to increase the level of understanding and awareness of the information security risks and their mitigations.

COMPLIANCE

Your Bank continued to strengthen compliance oversight across its network during the year that included enhancing stringent Know Your Customer (KYC) & Anti Money Laundering (AML) / Combating Financing of Terrorism (CFT) / Combatting Proliferation Financing (CPF) controls and regulatory compliance awareness. The Compliance function provides support and counsel to management and staff on compliance and regulatory issues. All new policies and procedures, initiatives, products, services, business processes etc. are reviewed from a Compliance, AML / CFT / CPF perspective along with maintaining relationship with regulatory authorities. An automated Compliance Risk Management (CRM) system is in place wherein a regulatory library is maintained that includes circulars issued by the SBP and other relevant regulatory authorities. Furthermore, facilitation and liaison with the SBP and its on-site Inspection teams is a key role played by this unit to ensure smooth conduct of the SBP inspection. Inquiries from Law Enforcement Agencies (LEAs) are also facilitated through Compliance Function.

With the highly challenging and demanding global AML/CFT/CPF environment, Bank's Anti-Financial Crimes & Compliance function is fully committed towards implementation of highest standards of compliance within the Bank and ensures management and employees adhere to these standards. The Bank also exercises oversight of its subsidiaries from an AML/CFT/CPF perspective

The Bank's Transaction Monitoring System (TMS) facilitates in monitoring activities that may be related to Money Laundering (ML) / Terrorism Financing (TF) through the Bank's channels, products and services. The TMS monitors out-of-pattern transactions and reviews different transactional activity through multiple AML / CFT scenarios embedded in the core banking system. Bank has acquired renowned external third-party TMS software backed by Oracle, known as 'Financial Crime and Compliance Management' was implemented for trade related modules. Furthermore, the Bank has a robust Customer Due Diligence (CDD) process that allows the Bank to document/update each profile of customer and conduct comprehensive CDD as per regulatory requirements. Bank regularly reports Suspicious Transaction Reports (STRs) and Currency Transaction Reports (CTRs) to the Financial Monitoring Unit (FMU) through goAML portal.

Being a trade-oriented bank, cross border transactions are screened and pre-approved by Compliance to ensure that transactions, which includes sanctioned elements, are not conducted. Bank has taken additional steps to curb risks associated with Trade Based Money Laundering. This includes performing due diligence of all trade transactions and updating trade KYCs / risk profiles of trade customers, screening of counterparties and goods, vessels, banks etc. Bank has in place a renowned Technology-based solution for mitigation of ML/TF risks associated with Trade Transactions. In addition to screening, the system supports in identification of dual use goods and tracking of vessels to further strengthen existing controls.

In addition, a dedicated CFT Desk is in place which focuses on mitigation of TF risk in the Bank. In order to ensure compliance of UNSC resolutions and that bank's services are not extended to proscribed or designated individuals and entities, systems processes & controls are monitored and upgraded from time to time.

Training & Development of staff on ML / TF / PF risks and their mitigant has been a focus throughout the year. Various bi-lingual eLearning modules have been completed by staff and numerous face-to-face session were also conducted to keep staff members abreast on latest threats, vulnerabilities, and developments in this area.

Your Bank also participates as a Foreign Financial Institution (FFI) and is fully compliant with the Foreign Account Tax Compliance Act (FATCA) by collecting additional information and documentation from prospective clients, in order to determine whether they have any US tax reporting responsibilities. FATCA is a US legislation aimed at preventing tax evasion by US Persons that came into effect in Pakistan on July 01, 2014. To ensure compliance with the FATCA legislation, Compliance Division facilitates coordination, training, development and monitoring of FATCA requirements.

Common Reporting Standards (CRS) is a global standard approved by the Organization for Economic Cooperation & Development (OECD) Council and has been translated into domestic law by Government of Pakistan through Income Tax Ordinance 2001 vide S.R.O 166 (I)/2017. The Bank is compliant with CRS rules and for this purpose, tax residency of customers is obtained for further reporting to Federal Board of Revenue (FBR).

Whilst focusing on creativity and innovation, Compliance function will continue to increase its effectiveness through professional development of its staff and strengthening of functional solutions.

CONTROLS

The Risk Management function contributes to the overall control culture of the organization specifically from the risk perspective. The Internal Control Unit (ICU), as a part of the Risk Management team of the Bank, strive towards implementing and maintaining a sound system of operational internal controls that ensure efficiency and effectiveness. These efforts are a component of the overall Internal Control ambit of operations, compliance with regulatory and legal requirements along with reliability of financial reporting managed collectively by the Compliance, Finance and Risk Management Division. Adequate systems, processes and controls have been put in place by the management to identify and mitigate the risk of failure to achieve the overall objectives of the Bank.

The Bank's organizational structure and lines of authority are well-defined and processes throughout the Bank are governed by policies and procedures approved by the Board. Existing policies and procedures are reviewed at regular intervals and improved from time to time. The Board has constituted sub-committees for oversight of the overall Risk Management Framework which meet at regular intervals to ensure adequacy of governance.

The Bank's operating system contains controls embedded into all processes and functions which are governed through policies and procedures and their compliance and effectiveness is verified by an independent Internal Audit Division which reports directly to the Board Audit Committee.

The SBP Internal Control Guidelines require the Bank's management to evaluate the effectiveness of internal controls. The management believes that the Bank's existing system of Internal Control is considered reasonable in design and is being effectively implemented and monitored.

INTERNAL AUDIT

HABIBMETRO has an active Board Audit Committee functioning under the Listed Companies (Code of Corporate Governance) Regulations 2019 as stipulated by SECP and adopted by the SBP and Guidelines on Internal Audit Function issued by the SBP. The Board Audit Committee is chaired by an independent director.

Reporting directly to the Board Audit Committee, Internal Audit pro-actively follows a risk-based approach for auditing branches, operational areas and key activities of the Bank, highlighting control lapses, and tracking completion of remedial actions, wherever warranted.

Internal Audit, being the third line of defense, is an essential element of the Bank's overall control environment that provides independent assurance to the Bank's Management and Board in assessing the Bank's internal control system. Internal Audit periodically reviews the Bank's policies, processes, systems, and controls to provide reasonable assurance to the Board Audit Committee and adds value towards the Bank's risk mitigation endeavors.

FUTURE OUTLOOK

Pakistan's economic outlook over the medium term is expected to remain cautiously constructive, underpinned by macroeconomic stabilization, continued engagement with multilateral partners, and the gradual normalization of domestic economic activity. However, the growth trajectory is likely to remain constrained by structural weaknesses, elevated public debt, and persistent external vulnerabilities, necessitating sustained policy discipline and reform momentum.

Inflation is expected to remain within the SBP's medium-term target range, supported by tight monetary conditions, and relatively stable global commodity prices. Risks to the inflation outlook remain tilted to the upside, stemming from potential energy price adjustments, exchange rate volatility, and external supply-side shocks-particularly in the event of heightened geopolitical tensions in the Middle East. As a result, monetary policy is expected to remain restrictive relative to historical norms, limiting excessive demand-side pressures.

The fiscal outlook remains challenging, with continued pressure on revenues and elevated debt servicing obligations constraining fiscal space. While ongoing fiscal consolidation efforts under IMF-supported programs are expected to improve primary balances, public debt is likely to remain high in the absence of sustained revenue mobilization and expenditure rationalization.

The exchange rate is expected to remain broadly market-determined, with periodic volatility reflecting external financing flows and global risk conditions. A flexible exchange rate regime will remain a key policy anchor for absorbing external shocks and preserving reserve adequacy.

The banking sector is expected to remain stable and well-capitalized, benefiting from high capital adequacy and strong liquidity buffers. However, credit growth may remain constrained in the medium term due to elevated interest rates, risk aversion, and weak private sector demand. Over time, improvements in macroeconomic stability and declining inflation are expected to support a gradual recovery in private sector lending.

Considering all the factors, the Pakistan's economy seems to be on the right track. While near-term growth is likely to remain moderate, consistency in the policies and broadening the tax base can lay the foundation for stronger and sustainable growth in the long term

ACKNOWLEDGEMENTS

In conclusion, we extend our sincere thanks to the Ministry of Finance, the State Bank of Pakistan, and the Securities and Exchange Commission of Pakistan for their continued support. We also thank our valued shareholders and customers for their trust, the Board of Directors for their guidance and the staff of HABIBMETRO for their dedication, which enables us to grow from strength to strength.

On behalf of the Board

KHURRAM SHAHZAD KHAN

President & Chief Executive Officer

MOHAMEDALI R. HABIB

Chairman

Karachi: 12 February 2026

CORPORATE GOVERNANCE

Composition of Board Committees and their Terms of Reference

Current compositions of the Board and Board Committees are provided in the Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019. Further, the number of meetings of the Board of Directors (BOD) and its Sub- Committees held during the year 2024 and the attendance by each director / committee member are provided in the Directors' Report.

The key terms of reference of the Board Committees are as follows:

Board Audit Committee (BAC)

BAC ensures adequacy of internal control systems of the Bank including financial and operational controls, accounting systems, reporting structures along with recommending the Bank's statement on internal controls for endorsement by the BOD.

Under SECP's Listed Companies (Code of Corporate Governance) Regulations, 2019, BAC is responsible to review & recommend to the BOD, interim and annual financial statements of the Bank while focusing particularly on major judgmental areas, going concern assumption, change in accounting policies & estimates, related party transactions and compliance with applicable accounting standards.

BAC also reviews & approves annual internal audit plan, scope and extent of internal audit function and its reporting framework and procedures.

BAC is updated regularly on significant issues raised by the external & internal auditors along with related corrective action progress. Further, BAC ensures compliance of the corrective actions determined by Shari'ah Board on the reports of Internal and External Shari'ah Audit.

BAC also recommends to the BOD, appointment, removal and remuneration of external auditors as well as for the Head of Internal Audit Function.

BAC also ensures independence of Internal Audit in its day-to-day activities with unrestricted access to people, information, records, and systems so that it is able to perform audit activities with objectivity.

Finally, BAC reviews effectiveness of whistle blowing mechanism of the Bank and ensures that concerns raised are treated confidentially.

Board Credit Committee (BCC)

The primary function of the BCC is to maintain an oversight over the Bank's credit portfolio management process, portfolio quality and adherence to the credit policy and regulatory requirements. It reviews and provides guidance to the Management with respect to the large exposures, credit portfolio strategy and related risks so as to ensure continued health of the portfolio and a sustainable growth. It also provides credit approval for exposures which are beyond the delegation provided to the Bank's CCC.

Board Human Resource and Remuneration Committee (BHR&RC)

The BHR&RC is responsible for the reviewing the HR policies, HR initiatives including manpower planning, learning & development policy, utilization of HR budgets and other HR activities. The BHR&RC also recommends to the BOD compensation & remuneration practices and succession planning for CEO, CFO, Company Secretary, and Head of Internal Audit. It also reviews Chief Executive's recommendations for direct reports including key executives. Further, the BHR&RC reviews and approves terminal benefits such as provident fund, gratuity and other separation benefits schemes. In addition, it considers any HR related issue specifically delegated by the BOD.

Board Information Technology Committee (BITC)

The BITC establishes and maintains a system of governance and oversight of the bank's Core Technologies, Digital Channels, Information / Cyber security functions as well as ensuring that required measures are in place for Disaster recovery and business continuity. BITC is further responsible for advising and reporting to the BOD on the IT strategies and initiatives being carried out and executed at the bank. The BITC ensures that overall IT infrastructure and enterprise risk management is carried out according to approved policies. It also provides an oversight on all major technology-related projects and procurements along with monitoring the human capital development plans within the technology functions.

Board Risk and Compliance Committee (BR&RC)

The BRCC acts with the principle role of enhancing the Risk and Compliance culture within the organization along with continuously monitoring, assessing and managing the risk profile of the bank. It ensures that all material risks are deliberated and mitigated in an

integrated manner engaging all the relevant stakeholders. It is responsible for establishing and maintaining a Compliance and Risk management process with an enterprise wide approach, built to identify and prioritize risks including Compliance and AML / CFT related risks and to evaluate the alignment and effectiveness of activities including:

- Ensuring effectiveness and independence of Risk Management and Compliance Functions as well as adequacy of resources allocated given the size, nature, and volume of business.
- Recommending Risk Management Policies and ensuring implementation of Compliance Program, Compliance Risk Strategy and allied policies including CDD/AML /CFT/CPF.
- Ensuring that Management identifies, assesses and understands the ML / TF / PF risks and ensures proportionate AML / CFT / CPF controls are in place.
- evaluate significant observations / issues raised in the SBP inspection reports and review the actions taken in this regard.
- reviewing and approving Risk Appetite including risk limits and triggers as well as ensuring independence of Risk and Control Functions.
- Reviewing and assessing the Bank's Capital Adequacy and Management, Market / Liquidity Profile, Credit Portfolio, Results of Stress Tests and Frameworks of Operational, Continuity, Fraud, Conduct Risks and Risk Based Financial Reporting (IFRS).
- Oversee business conduct, FTC and customer protection compliance and related activities by reviewing the performance of management-level committee responsible for business conduct & FTC.

Board's Oversight over Shariah Compliance Mechanism

The Board of Directors meet the SB members on half yearly basis to have a detailed briefing on the Shariah compliance environment, the issues / weaknesses (if any), and recommendations to improve Shariah compliance environment and to ensure timely and effective enforcement of the SB's decisions, fatawa, observations and recommendations. Further, every year, Shariah Board Report is also presented by the SB in the meeting of the Board of Directors of the Bank which is also published in the annual report of the Bank.

Appointment of the Shariah Board Members

The appointment of the Shariah Board (SB) Members, including Resident Shariah Board Member & Chairperson, is done by the Board of Directors as per applicable rules and regulations, including clearance of Fit and Proper Criteria (FAPC) and prior written clearance of the SBP. The SB members are appointed for a term of three years. They may be reappointed for another term by the BOD, subject to SBP FAPC.

Profile of Shariah Board Members

Tan Sri Dr. Mohd. Daud Bakar, Chairperson Shariah Board

Tan Sri Dr. Mohd. Daud Bakar is an internationally recognized Shariah Scholar from Malaysia. He is the Founder and Group Chairman of Amanie Group. He is a Shariah Board Member of various financial institutions and hold the Chairperson position for HabibMetro Sirat. Previously, he held Chairmanships for the Shariah Advisory Council (SAC) of Astana International Financial Centre (AIFC), Kazakhstan, Central Bank of Malaysia, and the Securities Commission of Malaysia for more than 2 decades. He was also the former Chairman of Federal Territory Islamic Religious Council (MAIWP), Malaysia.

He received his first degree in Shariah from the University of Kuwait in 1988, a Ph.D. from the University of St. Andrews, the United Kingdom in 1993, and a Bachelor of Jurisprudence from the University of Malaya, in 2002. He has published more than 40 books and his well-known book titled "Shariah Minds in Islamic Finance" has received the "Islamic Finance Book of the Year 2016" award by the Global Islamic Finance Award (GIFA). He has also published several articles in various academic journals and has made many presentations at various conferences across the globe. Tan Sri Dr. Mohd. Daud has been honored with "The Asset Triple A Industry Leadership Award" at The Asset Triple A Islamic Finance Award 2014 by The Asset magazine and has been named as the "Most Outstanding Individual", awarded by the King of Malaysia in 2014. He was also awarded, "The Royal Award for Islamic Finance 2022" from the King of Malaysia for contributions in Islamic Banking.

Mufti Abdul Sattar Laghari, Member Shariah Board

Mufti Abdul Sattar Laghari is Member Shariah Board at HabibMetro Sirat. Mufti Laghari is among the senior Shariah Scholars in the field of Islamic Banking & Finance. He has been associated with HMB as Resident Shariah Board Member (RSBM) & Head Shariah Compliance since 2015 to June 2021.

He has extensive experience in Islamic Banking and Finance, Takaful, and Non-Banking Financial Institutions (NBFIs). His academic background includes comprehensive religious studies in Quran, Hadith, and Fiqh from Jamia Darul-Uloom, Karachi, along with a specialization in Islamic Jurisprudence from Darul Ifta wal Irshad. Additionally, he has pursued various certifications in banking and finance.

Mufti Laghari has played a pivotal role in guiding and overseeing numerous projects aimed at transitioning from conventional to Islamic Banking. His expertise extends to being a trainer in Islamic Banking and Finance, leading various courses across Pakistan through several esteemed platforms, including the National Institute of Banking and Finance (NIBAF) and the Centre of Islamic Economics.

His contributions to the field include serving on sub-committees for reviewing AAOIFI Shariah standards at the State Bank of Pakistan. He has authored two books and has provided Shariah advisory services to several financial institutions, including National Bank of Pakistan (NBP), First Habib Modaraba, First National Bank Modaraba, KASB Modaraba, Standard Chartered Modaraba, and the NBF Modaraba Association.

Mufti Khawaja Noor ul Hassan, Resident Shariah Board Member

Mufti Khawaja Noor ul Hassan has extensive professional experience in Islamic banking including Shariah governance & compliance, Islamic product development, and management, credit administration with prestigious institutions such as Saadiq, Standard Chartered Bank (Pakistan), Faysal Bank, Meezan Bank & Albaraka Bank (formerly Emirates Global Islamic Bank). He also has over 03 years' experience, working as corporate law consultant & Assistant company secretary.

Mufti Noor possesses both contemporary & religious qualifications. He holds the Shahadat-ul-Aalamia and Takhassus fil-Ifta (Specialization in Islamic Jurisprudence and Fatwa) from Jamia Farooqia & Jamia Darul Uloom, Taleem ul Quran, Karachi. He also holds a Bachelor's degree in Law (LLB), a Master's degree in Islamic Studies, and a Master's degree in Islamic History from the University of Karachi & Federal Urdu University respectively.

Mufti Noor is the registered Shariah advisor at the Securities and Exchange Commission of Pakistan (SECP) and Certified Director as per the code of corporate governance, SECP. He also leads as the senior Research consultant at Accounting & Auditing Organization of Islamic Financial Institution (AAOIFI) on different projects. He is also enrolled as an advocate, High Court and is a member of Sindh Bar Council and Karachi Bar Association. He has vast teaching experience of religious and Islamic banking professional courses and is the visiting faculty member in different institutions such as in Institute of Business Administration (IBA), Jamia Yousufia Binnoria, Centre of Islamic Economics (a division of Jamia Darul Uloom, Karachi), National Institute of Banking & Finance (NIBAF), Institute of Cost and Management Accountants of Pakistan, Centre of Excellence (ICMA, COE).

Key Terms of Reference of Shariah Board

The Shariah Board (SB) shall be empowered to consider, decide and supervise all Shariah related matters, cause to develop a comprehensive Shariah compliance framework for all areas of operations and shall review and approve all the procedure manuals, product programs structures, process flows, related agreements, marketing advertisements, sales illustrations and brochures so that they are in conformity with the rules and principles of Shariah. The SB shall have at all reasonable times unhindered access to all books of accounts, records, documents and information from all sources including professional advisors and Bank's employees in the due discharge of its duties. Considering the importance and binding nature of decisions, rulings and fatawa given by SB, it shall rigorously deliberate on the issue placed before it for consideration before giving any decision / fatwa.

All complete reports of external Shariah audit, SBP Shariah compliance assessment and summaries/key findings of the reports of Internal Shariah Audit and Shariah compliance reviews shall be submitted to the SB for consideration and prescribing appropriate corrective/enforcement action. The SB shall also specify the process / procedures to be adopted for changing, modifying or revisiting fatawa, rulings and guidelines already issued by it.

The SB shall not delegate any of its roles and responsibilities as prescribed in the Shariah governance framework to any other person or any of its members and all decisions and rulings of the SB shall be in conformity with the directives, regulations, instructions and guidelines issued by SBP in accordance with the rulings of Shariah Advisory Committee of the SBP.

Shariah Board meetings held during the year

During the year four meetings were held and were attended by all members.

Remuneration Policy

In line with the regulatory guidelines, the Remuneration Policy is already in place wherein the criteria for identification and performance evaluation of MRTs and MRCs is defined.

Scope, objective and governance of remuneration policy

The scope of remuneration policy covers all employees across the Bank who are materially responsible for risk taking or risk controlling activities. The purpose of the policy is to develop a fair, objective, transparent and sound remuneration policy that is in alignment with risks and responsibilities of the organization. Following are the main objectives of Remuneration Framework:

Following are the main objectives of Remuneration Framework:

- I To promote consistent, sound and effective risk management, to discourage risk-taking that exceeds the risk thresholds of the Bank;
- II. To ensure that the remuneration practice is in line with the Bank's objectives, taking into consideration all major risks that the Bank may face.
- III. To attract, retain and motivate employees who perform while managing the risks facing the Bank, and also those who ensure long term value generation.

The Board is overall responsible for reviewing, approving and monitoring implementation of the Bank-wide remuneration framework, based on the recommendations of Board's Human Resource & Remuneration Committee (BHR&RC), which shall be mainly responsible for overseeing the Bank's remuneration programme.

Material Risk Taker (MRT) / Material Risk Controller (MRC)

The MRTs and MRCs are identified through a detailed assessment of the Bank's employees using various qualitative and quantitative criteria, as documented in the remuneration policy.

The Bank offers a compensation structure with a balanced mix of fixed and variable elements, with the objective to encourage behaviors focused on achievement of long-term sustainable results. For MRTs / MRCs, the deferred variable component has been made part of their compensation structure.

Performance measurement of MRTs and MRCs

The Bank's performance management mechanism provides a sound basis for assessing employee performance holistically. The Bank's remuneration policy is aligned with the performance management mechanism and differentiates pay appropriately amongst its employees based on degree of contribution, skill and availability of talent owing to competitive market forces by considering factors such as role, skills, competencies, experience and grade / seniority.

Performance measurement of MRTs / MRCs is carried-out through the risk-adjusted balanced scorecards. The Bank has developed risk adjusted balanced scorecards for all MRTs and MRCs for their performance measurement, which ensure establishing a correlation between and alignment of risks and rewards. These scorecards are prepared at individual levels, incorporating various financial, nonfinancial / qualitative and risk-adjusting factors.

The Bank has individual level accountability mechanism whereby a certain portion of variable compensation of the MRTs / MRCs is deferred / withheld for a defined period, thus creating alignment between the employees' and stakeholders' interests and reinforcing that compensation is appropriately linked to longer-term sustainable performance.

The deferred pay is subject to claw back clause that permits the Bank to cancel or reduce, all or part of the amount of an unvested variable compensation award, due to malus triggers i.e. specific crystallized risk, behavior, conduct, or adverse performance outcome, attributable to the MRT / MRC.

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

FOR THE YEAR ENDED 31 DECEMBER 2025

The Bank has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 9 (nine) as per the following:

Gender	Number
Male	08
Female	NIL *
Vacancy *	01 *

2. The composition of Board is as follows:

Category	Names
Independent Directors*	Mr. Ali Abbas Sikander Mr. Rashid Ahmed Jafer
Female Independent Director	NIL *
Non-Executive Directors	Mr. Hamza Habib Mr. Mohamedali R. Habib Mr. Mohomed Bashir Mr. Mohsin Ali Nathani Mr. Muhammad H. Habib
President & CEO	Mr. Khurram Shahzad Khan

* Ms. Sima Kamil resigned from directorship on 30 December 2025, a casual vacancy arose in the category of Female Independent Director.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Bank.
4. The Bank has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Bank.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the Board were presided over by the Chairman. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
8. The Board and the shareholders have approved a formal policy and transparent procedures for remuneration of directors in accordance with the instructions from the State Bank of Pakistan, Act and these Regulations.
9. The Bank is compliant with the requirement of directors training program provided in these Regulations.

10. There has been one (01) new appointment during the year for the position of Company Secretary. The Board has approved the appointment, including remuneration and terms and conditions of employment, and complied with the relevant requirements of the Regulations. The Chief Financial Officer and Head of Internal Audit positions remain the same.
11. The Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:

Committees	Names	Committee Designation	Category of Director
Audit Committee	Mr. Rashid Ahmed Jafer Mr. Mohsin A. Nathani Mr. Muhammad H. Habib	Chairman Member Member	Independent Director Non-Executive Director Non-Executive Director
Human Resources & Remuneration Committee	Mr. Ali Abbas Sikander Mr. Mohamedali R. Habib Mr. Mohomed Bashir Mr. Mohsin A. Nathani	Member Member Member Member	Independent Director Non-Executive Director Non-Executive Director Non-Executive Director
Risk & Compliance Committee	Mr. Muhammad H. Habib Mr. Khurram Shahzad Khan Mr. Mohsin A. Nathani Mr. Rashid Ahmed Jafer	Chairman Member Member Member	Non-Executive Director President & Chief Executive Non-Executive Director Independent Director
Credit Committee	Mr. Mohamedali R. Habib Mr. Hamza Habib Mr. Khurram Shahzad Khan Mr. Mohsin A. Nathani Mr. Rashid Ahmed Jafer	Chairman Member Member Member Member	Non-Executive Director Non-Executive Director President & Chief Executive Non-Executive Director Independent Director
IT Committee	Mr. Ali Abbas Sikander Mr. Hamza Habib Mr. Khurram Shahzad Khan Mr. Mohamedali R. Habib	Chairman Member Member Member	Independent Director Non-Executive Director President & Chief Executive Non-Executive Director

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance. The Board has not constituted a separate Nomination Committee, as its functions are being performed by the Board.
14. The frequency of meetings of the committees were as per following:

Committees	Frequency of Meetings
Audit Committee	Four meetings were held during the financial year ended December 31, 2025
Human Resources & Remuneration Committee	Four meetings were held during the financial year ended December 31, 2025
Risk & Compliance Committee	Four meetings were held during the financial year ended December 31, 2025
Credit Committee	Four meetings were held during the financial year ended December 31, 2025
IT Committee	Two meetings were held during the financial year ended December 31, 2025

15. The Board has set up an effective internal audit function.
16. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head Of Internal Audit, Company Secretary or Director of the Bank.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. In compliance with Regulation 10A, the Board assigned the governance and oversight of sustainability to the Board Human Resource & Remuneration Committee during the year. The Committee will review the existing policies to incorporate the matters mentioned in the regulations. The Committee will periodically submit its report to the Board on matters related to sustainability.
19. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with the below explanation:

S.No.	Requirement	Regulation No.	Description of non-compliance
1	Listed companies are required to maintain a minimum of two independent directors, or one-third of the total Board membership, whichever is higher. Additionally, and subject to section 154 of the Act, the Board must have at least one female director.	6 & 7	Consequent upon the resignation of an independent female director from the Board with effect from 30 December 2025, a casual vacancy occurred. The casual vacancy is required to be filled within the statutory period of ninety (90) days in accordance with applicable laws and regulations.

On behalf of the Board

KHURRAM SHAHZAD KHAN
President & Chief Executive Officer

MOHAMEDALI R. HABIB
Chairman

Karachi: 12 February 2026

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Habib Metropolitan Bank Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Habib Metropolitan Bank Limited ('the Bank') for the year ended 31 December 2025 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Bank. Our responsibility is to review whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Regulations.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

The Regulations require the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Bank for the year ended 31 December 2025.

Karachi: 6 March 2026
UDIN: CR202510188qWmKkMPIO

KPMG Taseer Hadi & Co.
Chartered Accountants

STATEMENT OF INTERNAL CONTROLS

This statement is being issued in compliance with the Guidelines on Internal Controls, issued by the State Bank of Pakistan vide BSD Circular No. 7 dated May 27, 2004.

MANAGEMENT EVALUATION OF INTERNAL CONTROL SYSTEM

An internal control system is a set of procedures and activities designed to identify, evaluate and mitigate the risk in processes and operations in order to support the overall business objectives of the Bank. It is the responsibility of the Bank's management to establish an internal control system to maintain an adequate and effective internal control environment on an ongoing basis.

The management of the Bank has formulated, implemented, and maintained a system of internal controls approved by the Board of Directors, the goal of which is to achieve effectiveness and efficiency of operations while adhering to laws and regulations, resulting in reliability of financial reporting. However, any system of internal controls can only be designed to manage, rather than eliminate the risk of failure to achieve objectives. It can therefore only provide reasonable assurance and not absolute assurance against material misstatement and loss. It also requires continuous improvement to align it with the changing environment and needs of the business.

The Bank monitors its processes and operations on an ongoing basis to ensure that an effective and efficient internal control system remains active and implemented and strive for continuous strengthening of its control environment. The internal control structure comprises of different levels of monitoring activities.

Line Management's role is to monitor day-to-day operations and ensure that the business risks are properly mitigated, control breaches are identified on a timely basis and corrective actions are promptly implemented.

The Compliance Division of the Bank is entrusted with the responsibility to minimize compliance risk and strengthen compliance environment across the organization and ensure a professional working relationship with the State Bank of Pakistan (SBP) and other regulatory bodies. The Management has established a Management Compliance Committee to oversee compliance and related controls in the bank. Compliance status of irregularities identified and other compliance related matters are reported to the Bank's Management Compliance Committee, while significant compliance matters are also reported to Board Risk & Compliance Committee. Further, compliance status of observations highlighted in regulatory inspection reports are also presented in Board Risk & Compliance Committee. The Division also has an Anti Financial Crimes and Compliance function to ensure compliance with the relevant AML / CFT / CPF Laws & Regulations.

Internal Audit Division is an independent function and follows a risk-based approach to provide reasonable assurance to the governing authorities on adequacy and effectiveness of the Bank's procedures, processes, controls and systems. All significant / material observations made through internal audit activities are reported to the Board Audit Committee (BAC) on a regular basis, which actively monitors and tracks resolution of these observations and provides guidance in improving the overall control environment of the Bank.

Based upon the results achieved from reviews, ongoing testing of financial reporting controls and audits conducted during the year 2025, management considers that, the existing system of internal controls is adequate and has been effectively implemented and monitored.

NAJEEB GILANI
Head of Internal Audit

SYED HASNAIN HAIDER RIZVI
Chief Compliance Officer

FUZAIL ABBAS
Chief Financial Officer

KHURRAM SHAHZAD KHAN
President &
Chief Executive Officer

Karachi: 12 February 2026

REPORT OF SHARI'AH BOARD

FOR THE YEAR ENDED 31 DECEMBER 2025

In The Name of Allah Subhanahu, The Beneficent, The Merciful

All Praise Be to Allah Subhanahu, The Lord of All the Worlds and Blessings On Our Master,

Prophet Muhammad (Peace Be Upon Him), And His Household and All His Companions.

By the Grace of Allah Almighty, Sirat, the Islamic Banking Division of Habib Metropolitan Bank Limited ("Bank") has completed its twenty-two years of successful operations of Islamic Banking. The Bank is continuously expanding its Islamic Banking network and at the end of the year 2025, the number of Islamic Banking Branches and Islamic Banking Windows were 243 and 311, respectively.

Alhamdulillah, HabibMetro Sirat has been recognized as the Best Bank for Islamic Retail Banking Growth and Strategy for 2025, in 11th Islamic Retail Banking Awards 2025.

During the year, the Shariah Board held four (04) meetings and has reviewed, provided opinions, and approved different existing and new products, process documents, manuals, policy, transactions, process flows, Shariah compliance review reports and Shariah audit reports. Further, the Board of Directors and the Shariah Board held two joint meetings to have comprehensive briefings on the Shariah compliance environment of the Bank.

The Shariah Board appreciates the vision of the Board of Directors and the management for the continuous growth and support for Islamic Banking.

In this regard, following is the overview for the year 2025:

1. Islamic Business

During the year 2025, diversified Islamic financing products including but not limited to Murabaha, Musawamah, Al-Bai, Working Capital Musharakah, Istisna, Salam, Ijarah, Diminishing Musharakah and Currency Salam, were utilized. Further, the Bank has also participated in an Islamic syndicate transaction. In this regard, Shariah Board has reviewed and approved different structures for Corporate, SME and Commercial customers. The breakup is as follows:

S. No.	Facilities	Number
1.	Murabaha	59
2.	Musawamah	17
3.	Al-Bai	30
4.	Working Capital Musharakah	26
5.	Istisna	47
6.	Salam	01
7.	Ijarah	02
8.	Diminishing Musharakah	37
9.	Currency Salam	01
10.	Participation in Islamic Syndicated Facility	01
	Total	221

2. Miscellaneous

During the year, Shariah Board has ratified and approved 576 miscellaneous matters which include guarantees, security documentations, letter of hypothecations, takaful waivers, standard documentation and different transactional cases, explanations & approvals etc.

3. Islamic Branches/Windows: Expansion & Conversion

During the year, the Bank has converted 14 conventional branches into Islamic branches, opened 06 new Islamic branches and 125 new Islamic windows.

4. Shariah Compliance and Shariah Audit

During the year, Shariah Compliance & Shariah Audit teams have conducted different regulatory and regular reviews and audits on sample basis. Shariah reviews and audits covered various areas and products in different regions. These included Islamic financings, verification of profit distribution, website, Shariah-approved deposit protection mechanism, review of 237 Islamic branches & windows, and existing Islamic products. In this regard, twenty reports were issued by Shariah Compliance & Shariah Audit department which were reviewed, and corrective actions were provided by the Shariah Board, where required.

5. Charity Amounts

The opening balance of the charity account on January 01, 2025, was Rs.457,509/-. During the year, Rs.1,987,134/- has been credited in the charity account which includes the amount received due to delayed payments by the customers, and other reasons. An amount of Rs.2,318,815/- was utilized for different charitable organizations and the remaining will also be distributed to approved charitable and social welfare institutions.

6. Training & Capacity Building

During the year, the Bank conducted 78 training sessions benefiting around 7664 employees from Corporate, SME, Commercial, Consumer, Credit, Credit Administration Department, Head office, branches, windows, and other support functions who participated in 2553 in-house, 07 external, and 5104 H-learning sessions, focused on Islamic banking.

7. Industry & Staff Engagement

During the year, the Bank executed key initiatives to promote Islamic banking & finance, as follows:

- Islamic Banking Awareness Sessions were conducted by Shariah Board Member, Shariah Compliance Department & Islamic Banking Team in Mardan Chamber of Commerce and Industries for customers, at City Court, Karachi, for Lawyers & Bar Council members, Institute of Business & Health Management - Dow Business School for faculty members, respectively.
- Participation of Shariah Board Members in Islamic banking awareness roadshows with State Bank of Pakistan and other Islamic banking institutions.
- Initiation of one-year Postgraduate Diploma in Islamic Banking & Finance in collaboration with NED University, Karachi.
- Islamic Banking Branches/Windows and departments' visits by Shariah Board Members and Shariah Compliance team to strengthen Shariah compliance environment.
- Regular customer interactions through visits and calls by Shariah Board Members, business teams, Shariah Compliance and Product team to educate the customers about the Islamic products of the Bank.
- The Shariah Compliance department under the supervision of Shariah Board members initiated the Sirat Learning Series, to foster deeper understanding and enhance awareness on Islamic Banking & Shariah principles, across the Bank.
- Arranged visit of delegations from Malaysia through Association of Shariah Advisors in Islamic Finance (ASAS) and eight African countries through Al Huda Centre of Islamic Banking & Economics (CIBE) to provide valuable insights into the growing Islamic banking sector of Pakistan & open doors for future partnerships & initiatives.
- Sirat Shariah Summit was conducted under the supervision of Chairperson Shariah Board, with participation of regulators, prominent Shariah Board Members, Banking industry practitioners, academicians to deliberate on the future of Islamic banking in Pakistan.

Shariah Board's Opinion

As per the Shariah Governance Framework, the Board of Directors and the executive management are solely responsible to ensure that the operations of the Bank are conducted in a manner that comply with Shariah principles at all times, while we are required to submit a report on the overall Shariah compliance environment of the Bank. To establish our opinion as expressed in this report, we have reviewed the reports of Shariah Compliance Department, Internal Shariah Audit and External Shariah Audit who had carried out their reviews and audits, on test check basis for each class of transactions with the relevant documentation and process flows.

Based on the above, we are of the view that:

- i. The Bank has complied with Shariah rules and principles in the light of fatawa, rulings and guidelines issued by its Shariah Board.
- ii. The Bank has complied with directives, regulations, instructions and guidelines related to Shariah compliance issued by State Bank of Pakistan (SBP) in accordance with the rulings of SBP's Shariah Advisory Committee.
- iii. The Bank has a comprehensive mechanism in place to ensure Shariah compliance in their overall operations.
- iv. The Bank has a well-defined system in place sound enough to ensure that any earnings realized from sources or by means prohibited by Shariah have been credited to charity account and are being properly utilized for charitable purposes.
- v. The Bank has complied with the SBP instructions on profit & loss distribution and pool management.
- vi. The Learning Department and the management have arranged various Islamic Banking capacity building sessions and are in continuous process to enhance Islamic Banking learning environment. In this regard, the level of awareness, capacity and sensitization of the staff, management and the Board in appreciating the importance of Shariah compliance in the products and processes of the Bank, is acceptable.
- vii. The Shariah Board has been provided adequate resources enabling it to discharge its duties. However, considering the increase in the network of Islamic branches/windows, business, and volume of the work, it is strongly suggested to provide additional resources to further strengthen the Shariah compliance function of the Bank.

Recommendations:

Based on the above, we recommend that, the Bank should:

1. Continue the ongoing capacity-building measures for adherence of the Shariah and regulatory requirements, including regular arrangement of intensive & relevant Islamic banking training sessions, refresher courses for senior management and staff across the Bank, alongwith awareness sessions for customers.
2. Enhance & strengthen the digital strategy for Islamic banking, aligning with Islamic banking industry trends and regulatory guidelines.
3. Continue expanding its Islamic banking network by converting conventional branches and opening new Islamic banking branches in line with the Constitution of Pakistan, Federal Shariat Court's judgment and strategic plan of State Bank of Pakistan.
4. Maintain and enhance controls to strengthen its existing comprehensive Islamic banking network along with its newly opened branches and windows, during the expansion and conversion phases. This includes refinement of product development, policies, procedures, and systems.

And Allah Subhanahu knows the Best.

May Allah Subhanahu accept our endeavors and grant us devotion to accomplish His cherished tasks, forgive our mistakes and make us successful herein this world and hereafter. We also pray, seek guidance and blessings from Allah Almighty for further progress and prosperity of Islamic Banking. Ameen

MUFTI KHAWAJA NOOR UL HASSAN

Resident Shari'ah Board Member

Karachi: 12 February 2026 | Shaban 23, 1447 A.H.

MUFTI ABDUL SATTAR LAGHARI

Shari'ah Board Member &
Acting Chairperson Shari'ah Board

INDEPENDENT AUDITOR'S REPORT

To the members of Habib Metropolitan Bank Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of Habib Metropolitan Bank Limited ("the Bank"), which comprise the unconsolidated statement of financial position as at 31 December 2025, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for 33 branches which have been audited by us and notes to the unconsolidated financial statements, including material accounting policy 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 unconsolidated statement of financial position, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and unconsolidated 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 profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Unconsolidated 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.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the Key Audit Matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	Credit loss allowance against advances and off-balance sheet items: (Refer note 10.5 & 20.1 to the unconsolidated financial statements)	
	<p>As at 31 December 2025, the Bank's Credit loss allowance against advances and off-balance sheet items amounted to Rs. 31,108 million and Rs. 436.587 million, respectively.</p> <p>The Bank recognises Expected Credit Losses (ECL) on advances and off-balance sheet items in accordance with the requirements of IFRS 9 along with the Application instructions issued by the State Bank of Pakistan (SBP) ("herein referred to as application instructions of IFRS 9"). The estimation of ECL, involves judgement and complexity.</p> <p>The key areas which are subject to complexity and judgement in the estimation of ECL are:</p> <ul style="list-style-type: none">Model estimations - judgmental modelling and assumptions	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none">Performing risk assessment procedures over the credit loss allowance against advances and off-balance sheet exposure within the Bank's unconsolidated financial statements. As part of these risk assessment procedures, identifying the elements associated with risk of material misstatement on application including those arising from judgements over the estimation of ECL either due to, methods / models, assumptions or data.Assessing the design, implementation and operating effectiveness of key controls established by the Bank over measurement of ECL and provision calculated as per PR.

S. No.	Key Audit Matters	How the matter was addressed in our audit
	<p>are used to estimate ECL which involves determining Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). Respective model's assumptions are key driver of uncertainty, and are required in the application of these model for calculation of the ECL estimate.</p> <ul style="list-style-type: none"> • Economic scenarios - IFRS 9 requires the Bank to measure ECL on an unbiased forward-looking basis reflecting a range of future economic conditions. Complex Statistical methodology is applied in determining the forward-looking economic scenarios used as an input to calculate ECL, the associated scenario probability weightings, and the key economic variables that drive the scenarios. • Qualitative criteria - the criteria selected to identify a SICR involves judgment and can lead to unreliable ECL recognised for certain portfolios. <p>In line with the application instructions of IFRS 9, the Bank must compare the ECL for Stage 3 with the provision determined under the Prudential Regulations (PR) issued by the SBP. The PR requires specific provisioning against the advances on the basis of time-based criteria which should be supplemented by a Bank's subjective evaluation of credit worthiness of customers. The determination of provision, therefore, involves use of management's judgement, on a case-to-case basis, taking into account factors such as the economic and business conditions, borrowers' repayment behaviors and realisability of collateral held by the Bank.</p> <p>Because of the high degree of estimation uncertainty and complexity involved in the calculation of ECL we considered the area of ECL as a key audit matter.</p>	<ul style="list-style-type: none"> • We involved in-house specialist who assisted in the following: <ul style="list-style-type: none"> – Evaluating the Bank's ECL model methodologies for compliance with application instructions of IFRS 9; – Assessing the reasonableness of the Bank's methodology for determining the economic scenarios used and the probability weightings applied to them by independently validating and challenging the assumption, methodologies and outputs of the models; – Assessing the reasonableness of macro-economic variables and economic forecasts by comparing these to external sourced data extracted; and – Performing independent testing of the Expected Credit Loss (ECL) allowance on a sample basis. • Assessing the appropriateness of SICR criteria applied by the Bank by ensuring that the SICR criteria and staging methodology are consistent with the application instructions of IFRS 9. • Ensuring relevance and completeness of the key inputs into the ECL calculations with their respective sub-ledgers and general ledgers. • Performing testing on sample basis over key inputs into the ECL calculations with their respective source documents. • Performing sensitivity analysis on the key assumption, that is probability weighted economic scenarios, to assess reasonableness and the risk of biasness by changing weights assigned to each economic scenario. • In accordance with the PR, we sampled at least sixty percent of the total advances outstanding exposure and performed credit reviews through the following substantive procedures: <ul style="list-style-type: none"> – verifying repayments of advances / interest installments and checked that non-performing advances have been correctly classified and categorised based on the number of days overdue; – examining watchlist accounts and, based on review of the individual facts and circumstances, discussions with management and our assessment of financial conditions of the borrowers, formed a judgement as to whether classification of these accounts as performing was appropriate; and – assessing the accuracy of specific provision made against non-performing advances in accordance with the criteria prescribed under the PRs by performing recalculation.

S. No.	Key Audit Matters	How the matter was addressed in our audit
		<ul style="list-style-type: none"> Assessing the appropriateness of ECL categorised as stage 3 by performing a comparison of ECL computed, through the use of methodology and models with the provision required to be computed as required under the PR to ensure that an amount which is higher of the ECL and PR requirements is appropriately recognised for these stage 3 customers pursuant to the requirement of application instructions of IFRS 9. Evaluating the adequacy of the financial statements disclosures, including disclosures of key assumptions, judgements and sensitivities.

Information other than the Unconsolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Bank's Annual Report but does not include the consolidated and unconsolidated financial statements and our auditor's reports thereon.

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

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

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

Management is responsible for the preparation and fair presentation of the unconsolidated 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 unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Zeeshan Rashid.

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2025

	Note	2025	2024
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks	6	88,751,233	86,815,817
Balances with other banks	7	13,542,382	6,434,551
Lendings to financial institutions	8	45,950,890	5,570,998
Investments	9	864,651,712	810,875,400
Advances	10	514,782,767	474,300,584
Property and equipment	11	17,446,345	16,856,551
Right-of-use assets	12	8,969,420	8,608,382
Intangible assets	13	641,326	685,790
Other assets	14	104,141,556	89,985,707
Total Assets		1,658,877,631	1,500,133,780
LIABILITIES			
Bills payable	15	29,736,142	28,478,822
Borrowings	16	272,083,732	330,010,768
Deposits and other accounts	17	1,119,625,165	927,132,777
Lease liabilities	18	11,253,857	10,463,713
Sub-ordinated debts		-	-
Deferred tax liabilities	19	5,095,030	3,077,177
Other liabilities	20	93,274,221	85,938,708
Total Liabilities		1,531,068,147	1,385,101,965
NET ASSETS		127,809,484	115,031,815
REPRESENTED BY			
Share capital	21	10,478,315	10,478,315
Reserves		37,609,753	35,352,814
Surplus on revaluation of assets - net of tax	22	16,471,384	14,333,684
Unappropriated profit		63,250,032	54,867,002
		127,809,484	115,031,815
CONTINGENCIES AND COMMITMENTS			
	23		

The annexed notes 1 to 48 and annexure I form an integral part of these unconsolidated financial statements.

FUZAIL ABBAS Chief Financial Officer **KHURRAM SHAHZAD KHAN** President & Chief Executive Officer **MOHOMED BASHIR** Director **RASHID AHMED JAFER** Director **MOHAMEDALI R. HABIB** Chairman

UNCONSOLIDATED PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025	2024
		Rupees in '000	
Mark-up / return / interest earned	25	159,261,719	234,238,668
Mark-up / return / interest expensed	26	(92,804,098)	(163,924,780)
Net mark-up / interest income		66,457,621	70,313,888
NON MARK-UP / INTEREST INCOME			
Fee and commission income	27	11,293,344	10,752,584
Dividend income		904,593	746,054
Foreign exchange income		8,188,692	7,085,082
Income / (loss) from derivatives		–	–
Gain / (loss) on securities - net	28	3,964,701	2,450,620
Net loss on derecognition of financial assets measured at amortised cost	29	–	(3,602)
Other income	30	139,934	256,148
Total non mark-up / interest income		24,491,264	21,286,886
Total income		90,948,885	91,600,774
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	31	38,803,643	33,483,644
Workers' welfare fund		1,000,463	1,139,470
Other charges	32	292,953	187,804
Total non mark-up / interest expenses		(40,097,059)	(34,810,918)
Profit before credit loss allowance		50,851,826	56,789,856
Credit loss allowance and write offs - net	33	(1,829,136)	(4,129,875)
PROFIT BEFORE TAXATION		49,022,690	52,659,981
Taxation	34	(26,438,007)	(27,986,473)
PROFIT AFTER TAXATION		22,584,683	24,673,508
Basic and diluted earnings per share	35	21.55	23.55

The annexed notes 1 to 48 and annexure I form an integral part of these unconsolidated financial statements.

FUZAIL ABBAS
Chief Financial Officer

KHURRAM SHAHZAD KHAN
President &
Chief Executive Officer

MOHOMED BASHIR
Director

RASHID AHMED JAFER
Director

MOHAMEDALI R. HABIB
Chairman

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025	2024
		Rupees in '000	
Profit after taxation for the year		22,584,683	24,673,508
Other comprehensive income			
Items that may be reclassified to profit and loss account in subsequent periods:			
Effect of translation of net investment in an offshore branch - net of tax		(1,529)	51
Movement in (deficit) / surplus on revaluation of debt investments through FVOCI - net of tax		(12,680)	7,757,554
		(14,209)	7,757,605
Items that will not be reclassified to profit and loss account in subsequent periods:			
Remeasurement (loss) / gain on defined benefit obligations - net of tax		(30,879)	118,513
Movement in surplus on revaluation in equity investments through FVOCI - net of tax		2,276,907	1,884,497
Movement in surplus on revaluation of property and equipment - net of tax	22.1	25,924	(101,927)
Movement in surplus on revaluation of non-banking assets - net of tax	22.2	477,760	769,953
		2,749,712	2,671,036
Total comprehensive income		25,320,186	35,102,149

The annexed notes 1 to 48 and annexure I form an integral part of these unconsolidated financial statements.

FUZAIL ABBAS
Chief Financial Officer

KHURRAM SHAHZAD KHAN
President &
Chief Executive Officer

MOHOMED BASHIR
Director

RASHID AHMED JAFER
Director

MOHAMEDALI R. HABIB
Chairman

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2025

	Reserves						Surplus / (deficit) on revaluation			Total
	Share capital	Exchange translation reserve	Share premium	Statutory reserve	Special reserve	Revenue reserve	Investments	Property, equipment & Non-banking assets	Un-appropriated profit	
Rupees in '000										
Opening balance as at 31 December 2023	10,478,315	11,309	2,550,985	26,115,406	240,361	1,500,000	(1,550,763)	6,369,534	47,560,186	93,275,333
Impact of adoption of IFRS 9 as at 1 January 2024 - net of tax	-	-	-	-	-	-	(184,901)	-	461,044	276,143
Balance as at 1 January 2024 on adoption of IFRS 9	10,478,315	11,309	2,550,985	26,115,406	240,361	1,500,000	(1,735,664)	6,369,534	48,021,230	93,551,476
Profit after taxation	-	-	-	-	-	-	-	-	24,673,508	24,673,508
Other comprehensive income - net of tax										
Effect of translation of net investment in an offshore branch - net of tax	-	51	-	-	-	-	-	-	-	51
Movement in surplus on revaluation of debt securities measured at FVOCI - net of tax	-	-	-	-	-	-	7,757,554	-	-	7,757,554
Movement in surplus on revaluation of equity securities measured at FVOCI - net of tax	-	-	-	-	-	-	1,884,497	-	-	1,884,497
Remeasurement gain on defined benefit obligations - net of tax	-	-	-	-	-	-	-	-	118,513	118,513
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	-	-	769,953	-	769,953
Movement in deficit on revaluation of property and equipment - net of tax	-	-	-	-	-	-	-	(101,927)	-	(101,927)
Total comprehensive income	-	51	-	-	-	-	9,642,051	668,026	24,792,021	35,102,149
Gain on sale of equity investments - FVOCI	-	-	-	-	-	-	(445,658)	-	445,658	-
Transfer to statutory reserve	-	-	-	4,934,702	-	-	-	-	(4,934,702)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(164,605)	164,605	-
Transactions with owners, recorded directly in equity										
Final cash dividend (Rs. 5.50 per share) for the year ended 31 December 2023	-	-	-	-	-	-	-	-	(5,763,073)	(5,763,073)
Interim cash dividend (Rs. 2.50 per share) for the quarter ended 31 March 2024	-	-	-	-	-	-	-	-	(2,619,579)	(2,619,579)
Interim cash dividend (Rs. 2.50 per share) for the quarter ended 30 June 2024	-	-	-	-	-	-	-	-	(2,619,579)	(2,619,579)
Interim cash dividend (Rs. 2.50 per share) for the quarter ended 30 September 2024	-	-	-	-	-	-	-	-	(2,619,579)	(2,619,579)
Balance as at 31 December 2024	10,478,315	11,360	2,550,985	31,050,108	240,361	1,500,000	7,460,729	6,872,955	54,867,002	115,031,815

	Reserves					Surplus / (deficit) on revaluation			Total
	Share capital	Exchange translation reserve	Share premium	Statutory reserve	Special reserve	Revenue reserve	Investments	Property, equipment & Non-banking assets	

Rupees in '000

Impact of adoption of IFRS 9
as at 1 January 2025
- net of tax (note 4.1)

	-	-	-	-	-	-	31,462	-	-	31,462
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**Balance as at 1 January 2025
on adoption of IFRS 9**

	10,478,315	11,360	2,550,985	31,050,108	240,361	1,500,000	7,492,191	6,872,955	54,867,002	115,063,277
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Profit after taxation

	-	-	-	-	-	-	-	-	22,584,683	22,584,683
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**Other comprehensive income
- net of tax**

Effect of translation of net investment in an offshore branch - net of tax	-	(1,529)	-	-	-	-	-	-	-	(1,529)
Movement in deficit on revaluation of debt securities measured at FVOCI - net of tax	-	-	-	-	-	-	(12,680)	-	-	(12,680)
Movement in surplus on revaluation of equity securities measured at FVOCI - net of tax	-	-	-	-	-	-	2,276,907	-	-	2,276,907
Remeasurement loss on defined benefit obligations - net of tax	-	-	-	-	-	-	-	-	(30,879)	(30,879)
Movement in surplus on revaluation of property and equipment - net of tax	-	-	-	-	-	-	-	25,924	-	25,924
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	-	-	477,760	-	477,760
Total comprehensive income	-	(1,529)	-	-	-	-	2,264,227	503,684	22,553,804	25,320,186

Gain on sale of equity investments - FVOCI

	-	-	-	-	-	-	(508,817)	-	508,817	-
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Transfer to statutory reserve

	-	-	-	2,258,468	-	-	-	-	(2,258,468)	-
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Transfer from surplus on revaluation of assets to unappropriated profit - net of tax

	-	-	-	-	-	-	-	(152,856)	152,856	-
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**Transactions with owners,
recorded directly in equity**

Final cash dividend (Rs. 4.50 per share) for the year ended 31 December 2024

	-	-	-	-	-	-	-	-	(4,715,242)	(4,715,242)
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Interim cash dividend (Rs. 2.50 per share) for the quarter ended 31 March 2025

	-	-	-	-	-	-	-	-	(2,619,579)	(2,619,579)
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Interim cash dividend (Rs. 2.50 per share) for the quarter ended 30 June 2025

	-	-	-	-	-	-	-	-	(2,619,579)	(2,619,579)
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Interim cash dividend (Rs. 2.50 per share) for the quarter ended 30 September 2025

	-	-	-	-	-	-	-	-	(2,619,579)	(2,619,579)
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**Balance as at
31 December 2025**

	10,478,315	9,831	2,550,985	33,308,576	240,361	1,500,000	9,247,601	7,223,783	63,250,032	127,809,484
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The annexed notes 1 to 48 and annexure I form an integral part of these unconsolidated financial statements.

FUZAIL ABBAS Chief Financial Officer **KHURRAM SHAHZAD KHAN** President & Chief Executive Officer **MOHOMED BASHIR** Director **RASHID AHMED JAFER** Director **MOHAMEDALI R. HABIB** Chairman

UNCONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025	2024
Rupees in '000			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		49,022,690	52,659,981
Less: Dividend income		(904,593)	(746,054)
		<u>48,118,097</u>	<u>51,913,927</u>
Adjustments			
Net mark-up / interest income (excluding mark-up on lease liability against right-of-use assets)		(67,773,371)	(71,513,297)
Depreciation on property and equipment	11.2	2,830,999	2,465,078
Depreciation on right-of-use assets	12	1,632,246	1,542,854
Depreciation on non-banking assets	14	1,293	-
Amortisation	13	298,258	255,885
Mark-up on lease liability against right-of-use assets	26	1,315,750	1,199,409
Credit loss allowance against cash and balances with banks	33	133,904	(3,473)
Credit loss allowance against lending to financial institutions	33	339	(85)
Credit loss allowance for diminution in value of investments	33	(11,431)	337,945
Credit loss allowance against loans and advances	33	1,606,438	4,114,350
Credit loss allowance against other assets	33	332,989	(50,872)
Credit loss allowance against off-balance sheet obligation	20.1	82,704	(197,990)
Gain on sale of property and equipment - net	30	(50,233)	(41,338)
Gain on sale of investment in a subsidiary	28.1	(5,576)	-
Gain on sale of ijarah assets	30	(51,260)	(71,725)
Gain on termination of right-of-use-assets - net	30	(6,039)	(20,980)
Unrealised gain on FVTPL securities	28	(753,881)	(1,176,593)
Unrealised - forward purchase of federal Government security transactions	28	(122,190)	-
Provision against workers welfare fund		1,000,463	1,139,470
Provision against defined benefit plan	31.1	322,010	310,200
Provision against compensated absences	31.1	182,332	149,026
		<u>(59,034,256)</u>	<u>(61,562,136)</u>
		<u>(10,916,159)</u>	<u>(9,648,209)</u>
(Increase) / decrease in operating assets			
Lendings to financial institutions		(40,380,231)	(74,631)
Securities classified as FVTPL		12,579,666	(39,136,408)
Advances		(42,262,655)	(65,404,645)
Other assets (excluding advance taxation)		(9,246,924)	(8,735,060)
		<u>(79,310,144)</u>	<u>(113,350,744)</u>
Increase / (decrease) in operating liabilities			
Bills payable		1,257,320	126,123
Borrowings from financial institutions		(59,860,713)	1,116,946
Deposits and other accounts		192,492,388	(85,170,067)
Other liabilities (excluding current taxation)		15,083,965	(15,922,085)
		<u>148,972,960</u>	<u>(99,849,083)</u>
		<u>58,746,657</u>	<u>(222,848,036)</u>
Payment against compensated absences		(125,747)	(118,010)
Contribution to the defined benefit plan		(326,925)	(60,000)
Mark-up / Interest received		160,571,503	242,410,706
Mark-up / Interest paid		(93,837,108)	(166,333,202)
Income tax paid		(39,102,452)	(33,737,128)
		<u>85,925,928</u>	<u>(180,685,670)</u>
Net cash flow generated from / (used in) operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in amortised cost securities		(45,903,425)	17,364,288
Net investments in securities classified as FVOCI		(15,235,878)	158,372,865
Investments in subsidiaries		38,724	(1,000,000)
Dividend received		904,593	740,211
Investments in property and equipment		(3,444,532)	(3,620,923)
Investments in intangible assets		(253,794)	(618,421)
Proceeds from sale of property and equipment		73,972	55,665
Proceeds from sale of ijarah assets		225,294	265,937
Effect of translation of net investment in an offshore branch		(1,529)	51
		<u>(63,596,575)</u>	<u>171,559,673</u>
Net cash flows (used in) / generated from investing activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(12,571,187)	(13,522,536)
Payment of lease obligation against right-of-use assets		(2,512,852)	(2,315,877)
		<u>(15,084,039)</u>	<u>(15,838,413)</u>
Net cash flows used in financing activities			
Increase / (Decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		7,245,314	(24,964,410)
		<u>86,737,498</u>	<u>111,701,908</u>
Cash and cash equivalents at the end of the year	36	<u>93,982,812</u>	<u>86,737,498</u>

The annexed notes 1 to 48 and annexure I form an integral part of these unconsolidated financial statements.

FUZAIL ABBAS Chief Financial Officer	KHURRAM SHAHZAD KHAN President & Chief Executive Officer	MOHOMED BASHIR Director	RASHID AHMED JAFER Director	MOHAMEDALI R. HABIB Chairman
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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

1. STATUS AND NATURE OF BUSINESS

Habib Metropolitan Bank Limited (the Bank) was incorporated in Pakistan on 3 August 1992, as a public limited company, under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and is engaged in commercial banking and related services. Its shares are listed on the Pakistan Stock Exchange. The Bank operates 562 (2024: 551) branches, including 243 (2024: 223) Islamic banking branches, an offshore branch (Karachi Export Processing Zone branch) and 1 (2024: 1) sub branch in Pakistan. The Bank is a subsidiary of Habib Bank AG Zurich - Switzerland (the Holding Company with 51% shares in the Bank) which is incorporated in Switzerland.

- 1.1** The Pakistan Credit Rating Agency Limited (PACRA) has determined the Bank's long term rating as AA+ (31 December 2024: AA+) and short term rating as A1+ (31 December 2024: A1+) dated 31 December 2025.

The registered office of the Bank is situated at HabibMetro Head Office, I.I. Chundrigar Road, Karachi.

2. BASIS OF PRESENTATION

- 2.1** These unconsolidated financial statements represent separate financial statements of the Bank. The consolidated financial statements of the Bank and its subsidiary companies are being separately issued.

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic mode, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate profit in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such, but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon.

Key financial figures of the Islamic banking branches are disclosed in Annexure I to these unconsolidated financial statements.

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

2.3 Statement of Compliance

These unconsolidated financial statements have been prepared as per the format prescribed by the SBP vide BPRD Circular No. 02 dated 9 February 2023 and as per the accounting and reporting standards 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 (ICAP), as are notified under the Companies Act, 2017;
- Provisions of and directives 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) from time to time.

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

- 2.3.1** SBP has deferred the applicability of International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter No. 10 dated 26 August 2002 till further instructions. Accordingly, the requirements of this standard has not been considered in the preparation of these unconsolidated financial statements.

2.3.2 The disclosure requirements of IFAS 3, 'Profit and Loss Sharing on Deposits' for Islamic Banking Institutions (IBIs) relating to annual and quarterly financial statements have been based on a format prescribed by SBP vide BPRD Circular Letter No. 02 dated 09 February 2023.

2.3.3 IFRS 10, 'Consolidated Financial Statements' was made applicable from period beginning on or after 01 January 2015 vide S.R.O 633 (I) / 2014 dated 10 July 2014 by SECP. However, SECP has directed through S.R.O 56 (I) / 2016 dated 28 January 2016 that the requirement of consolidation under section 228 of the Companies Act, 2017 and IFRS 10, 'Consolidated Financial Statements' is not applicable in case of investment by companies in mutual funds established under trust structure.

2.3.4 The State Bank of Pakistan (SBP) has adopted the requirements of IFRS 9 along with the application instructions through BPRD Circular No. 07 of 2023 dated 13 April 2023, while deferring certain requirements. For its conventional banking operations, the Bank follows SBP-prescribed accounting and regulatory requirements applicable to conventional banks. For its Islamic Banking Window operations, the Bank follows existing SBP-approved operational guidelines as per IBD Circular No. 02 of 2020. Further, the SBP through BPRD Circular Letter No. 01 of 2025 dated 22 January 2025 has allowed Islamic banking institutions (IBIs) to follow Islamic Financial Accounting Standards (IFAS) 1 & 2 where applicable and continue existing accounting practices for other Islamic products until further instructions, however, IBI's are required to disclose the impact in the financial statements, had IFRS 9 been adopted in its entirety. Therefore, the Bank continues to apply existing IFAS 1 & 2 issued by the Institute of Chartered Accountants of Pakistan (ICAP), as notified under the Companies Act, 2017, where applicable. The impact of profit on Islamic financing and related assets in the advance stage is Rs. 833,583 thousands excluding any Effective Interest Rate (EIR) effect.

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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning 1 January 2025 except as disclosed in note 4.1. However, these are not considered to be relevant or do not have any significant effect on the Bank's operations and therefore have not been detailed in these unconsolidated financial statements.

2.5 Standards, interpretations of and amendments to existing accounting and reporting standards that are not yet effective

Following standards, interpretations of and amendments to approved accounting and reporting standards will be effective from the dates (for the accounting periods) as stated below against the respective standards, interpretations of and amendments to:

Standards and amendments	Effective date (annual periods beginning on or after)
Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 & IFRS 7	1 January 2026
IFRS S1 - General Requirements for Disclosure of Sustainability - related Financial Information	1 January 2026
IFRS S2 - Climate - related Disclosures	1 January 2026
Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2026
Presentation and Disclosure in Financial Statements - IFRS 18	1 January 2027
Amendments to IAS 21 - Hyperinflationary presentation currency	1 January 2026

However, the above are either not applicable to the Bank or are not expected to have any material impact on the Bank's financial statements. SECP vide S.R.O. 742 (I)/2025 (dated 16 April 2025) notified that International Financial Reporting

Standard (IFRS)-7, 'Financial Instruments: Disclosures' shall be followed by Banks, for the preparation of financial statements, from the annual accounting periods beginning on or after 1 January 2026 (earlier application is permitted).

The Bank received deferment of recording income and expense at EIR via letter from SBP till 31 December 2025. Consequently, these deferred requirements of IFRS 9 have not been considered in the preparation of these annual unconsolidated financial statements. Nevertheless, the Bank has performed a preliminary assessment of the potential impact of adoption of these deferred requirement based on its annual unconsolidated statement of financial position as at 31 December 2025. The impact of changes in accounting policy on adoption of EIR will be as follows:

Mark-up / return earned and Mark-up / return expensed

Mark-up / return earned and Mark-up / return expensed are recognised in the unconsolidated profit and loss account under the Effective Interest Rate (EIR). The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the EIR for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted EIR is calculated using estimated future cash flows including ECL.

The calculation of the EIR includes transaction costs and fees paid or received that are an integral part of the EIR. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

For financial assets that were credit-impaired on initial recognition, mark-up income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of mark-up income does not revert to a gross basis, even if the credit risk of the asset is improved.

The total estimated adjustment (net of tax) of the adoption of EIR on the opening balance of the Bank's equity at 1 January 2026 is immaterial.

2.6 Critical accounting estimates and judgments

The preparation of these unconsolidated financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires the use of certain accounting estimates. It also requires the management to exercise judgement in the process of applying the Bank's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These estimates affect the reported amounts of assets, liabilities, income, and expenses. The areas where various assumptions and estimates are significant to the Bank's unconsolidated financial statements or where judgement was exercised in the application of accounting policies are as follows:

- i) Expected credit loss allowance against financial assets as per IFRS 9 (note 4.5)
- ii) Classification and measurement of financial assets and financial liabilities (note 4.4)
- iii) Depreciation (note 4.8.2) and Amortisation (note 4.10)
- iv) Valuation of property and equipment (4.8.2) and Non-banking assets acquired in satisfaction of claims (note 4.11)
- v) Taxation (note 4.14)
- vi) Defined benefit plan (note 4.16.1)
- vii) Compensated absences (note 4.16.2)
- viii) Right-of-use assets and related lease liabilities (note 4.9)
- ix) Impairment of non-financial assets (excluding deferred tax asset) (note 4.24)

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 revision and future periods, if the revision affects both current and future periods.

3. BASIS OF MEASUREMENT

Accounting convention

These unconsolidated financial statements have been prepared under the historical cost convention except for certain property and equipment and non-banking assets acquired in satisfaction of claims which have been carried at revalued amounts, certain investments and derivative contracts which have been marked to market and are carried at fair value, obligations in respect of staff retirement benefits and lease liabilities which have been carried at present value and right-of-use assets which are initially measured at an amount equal to the corresponding lease liabilities (adjusted for any lease payments and costs) and depreciated over the respective lease terms.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies applied in preparation of these unconsolidated financial statements are consistent with those as applied in the preparation of unconsolidated annual financial statements of the Bank for the year ended 31 December 2024 except for requirements of IFRS 9 relating to unlisted equity instruments as explained in note 4.1.

4.1 Change in accounting policy

Unlisted Equity Securities

In accordance with BPRD Circular Letter No. 16 dated 29 July 2024, SBP has relaxed the banks for the application of IFRS 9 'Financial Instruments' to measure unlisted equity securities at fair value under IFRS 13 effective from 1 January 2025. Therefore, the Bank has taken the impact of fair value adjustment to equity at the beginning of the current accounting period with modified retrospective approach for restatement permitted under IFRS 9. The impact of application as at 1 January 2025 is shown below:

Financial Assets/ Liabilities	Balances as of 31 December 2024	Impact due to remeasurements	Taxation	Impact - net of tax	Balances as of 1 January 2025
Assets					
Investments - FVOCI	672,949,268	65,545	-	65,545	673,014,813
Liabilities					
Deferred tax liabilities	3,077,177	-	34,083	34,083	3,111,260
Equity					
Surplus on revaluation of assets - net of tax	14,333,684	65,545	(34,083)	31,462	14,365,146

There has been immaterial impact on Capital Adequacy Ratio due to adoption of above mentioned requirement of IFRS 9.

4.2 Cash and cash equivalents

For the purpose of the unconsolidated cash flow statement, cash and cash equivalents include cash and balances with treasury banks, balances with other banks and national prize bonds less overdrawn nostro balances.

4.3 Lendings to / borrowings from financial institutions

The Bank enters into transactions of borrowing (repo) from and lending (reverse repo) to financial institutions, at contracted rates for a specified period of time. These are recorded as under:

Purchase under resale agreement (reverse repo)

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised as investments in the unconsolidated statement of financial position and instead amounts paid under these arrangements are included in lendings to financial institutions. The difference between purchase and resale price is accrued as mark-up income on a pro-rata basis over the term of the agreement.

Sale under repurchase agreement (repo)

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the unconsolidated statement of financial position and are measured in accordance with accounting policies for investments and amount received under these agreements are recorded as repurchase agreement borrowings. The difference between sale and repurchase price is accrued as mark-up expense on a pro-rata basis over the term of the repo agreement.

Bai Muajjal

In Bai Muajjal, the Bank sells sukuk on credit to other financial institutions. The sale / purchase price is agreed at the time of sale and such proceeds are received at the end of the credit agreed period. The sukuk sold under Bai Muajjal transaction are derecognised on the date of disposal. Receivable against such sale is recognised at the agreed sale price. The difference between the sale price and the carrying value on the date of disposal is taken to income on straight line basis.

Musharaka / Modaraba

In Musharaka / Mudaraba, the Bank invests in the Shariah compliant business pools of the financial institutions at the agreed profit sharing ratio. Loss, if any will be shared between the parties as per the investment in musharaka and solely by the Rabb Ul Maal in Mudaraba, respectively.

Musharaka from the SBP under Islamic Export Refinance Scheme (IERS)

Under IERS, the Bank accepts funds from the SBP under Shirkat-ul-aqd to constitute a pool for investment in Islamic export refinance portfolio of the Bank under the guidelines issued by the SBP. The profit of the pool is shared as per the agreed weightages between the partners.

Modaraba investment from the SBP under various long term Islamic refinance schemes

Under various long term Islamic refinance schemes of the SBP, the Bank accepts funds from the SBP which are received on modaraba basis for investment in the pool of the Bank. The profit of the pool is shared as per the agreed profit sharing ratio of the pool and the weightages assigned to these investments.

4.4 Classification and measurement of financial assets and financial liabilities

Classification and measurement of financial assets depends on how these are managed based on business model and their contractual cash flow characteristics. Financial assets that do not meet the Solely Payment of Principal and Interest (SPPI) criteria are required to be measured at fair value through profit and loss (FVTPL) regardless of the business model in which they are held.

Financial liabilities are either classified as fair value through profit and loss account (FVTPL), when they are held for trading purposes, or at amortised cost. Financial liabilities classified as FVTPL are measured at fair value and all the fair value

changes are recognised in the unconsolidated profit and loss account. Financial liabilities classified at amortised cost are initially recorded at their fair value and subsequently measured using the effective interest rate method. Mark-up expense and foreign exchange gain and losses are recognised in the unconsolidated profit and loss account. Any gain or loss on derecognition is also recognised in the unconsolidated profit and loss account.

4.4.1 Recognition and initial measurement

On initial recognition, a financial asset is classified as either amortised cost, FVOCI, or FVTPL where as Advances except for staff financing, the Temporary Economic Refinance Facility (TERF), and modified financing, are carried at cost.

Debt securities issued are initially recorded when they are originated. All other financial assets and financial liabilities are initially recognised when the Bank becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at transaction price. The fair value of a financial asset on initial recognition is generally its transaction price. If the Bank determines that the fair value on initial recognition differs from the transaction price then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in the unconsolidated profit and loss account on an appropriate basis over the life of the asset but no later than when the valuation is wholly supported by observable market data, or the transaction is closed out. Advances other than Temporary Economic Refinance Facility (TERF), staff loans and modified loans are initially measured at transaction price, i.e., the amount of loan disbursed at disbursement date.

Staff loans and Temporary Economic Refinance Facility (TERF) loans are recognised at fair value at the time of disbursement. The fair value is determined by discounting the expected future cash flows using the prevailing market rates for instruments. The difference between the disbursed amount and the fair value at initial recognition is recorded as "Prepaid employment benefit" for Staff loans under other assets and "Deferred grant income" for TERF loans under other liabilities.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in FVOCI. This election is made on an investment-by-investment basis.

Advances are carried at cost, net of expected credit loss allowances, except for Temporary Economic Refinance Facility (TERF), staff loans and modified loans which are measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Bank changes its business models for managing financial assets, in which cases all affected financial assets are reclassified on the first day of the first reporting period following changes in the business model.

IFRS 9 allows entities to irrevocably designate, at initial recognition, a financial asset as measured at FVTPL if doing so eliminates or significantly reduces any 'accounting mismatch' that would otherwise arise from measuring assets or liabilities or recognising gains and losses on them on different basis. The SBP's instructions state that banks may apply the fair value option if, in addition to the IFRS 9 criterion, (a) it is consistent with a documented risk management strategy, and (b) fair values are reliable at inception and throughout life of the instrument. Nonetheless, banks should avoid this option for financial instruments that are categorised as Level 3 in terms of the IFRS 13 Fair Value Measurements hierarchy.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification.

4.4.2 Business model assessment

A financial asset is classified as either Held to collect, Held to collect and sale and Others based on Business model assessment. The Bank makes an assessment of the objective of a business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to the management. The assessment requires judgement based on facts and circumstances on the date of assessment. The assessment considers the policies and objectives for the portfolio of financial assets, risk affecting, performance evaluation, business manager's compensation and historical sales information.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held to collect contractual cash flows and to sell financial assets.

4.4.3 Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as interest margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

A prepayment feature aligns with SPPI if it mainly represents unpaid principal and profit, including reasonable compensation for early termination.

4.4.4 Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any mark-up or dividend income, are recognised in the unconsolidated profit and loss account.

Financial assets at amortised cost These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Mark-up, foreign exchange gains and losses and impairment are recognised in the unconsolidated profit and loss account.

Debt investments at FVOCI These assets are subsequently measured at fair value and is assessed for impairment under the new ECL model. Mark-up income is calculated using the effective interest method and includes amortisation of premiums and accretion of discount, foreign exchange gains and losses and impairment are recognised in the unconsolidated profit and loss account. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the unconsolidated profit and loss account.

Equity investments at FVOCI These assets are subsequently measured at fair value. Dividends are recognised as income in the unconsolidated profit and loss account unless the dividend clearly represents a recovery of part of the cost of the investment, in which case they are adjusted from the carrying value of investment. Other net gains and losses are recognised in OCI and are never reclassified to the unconsolidated profit and loss account.

Advances Advances are carried at cost, net of expected credit loss allowances, except for Temporary Economic Refinance Facility (TERF), staff financing and modified loans which are carried at amortised cost, net of expected credit loss allowances.

4.4.5 Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance. Income / mark-up / profit accrued on financial assets are classified under 'Other Assets' and mark-up / return / interest payable on financial liabilities are classified under 'Other Liabilities', wherever applicable, in accordance with the format prescribed by the SBP.

4.4.6 Calculation of mark-up income and expense

Income on financial assets, comprising performing advances and debt securities and other financial assets is recognised on a time proportion basis as per the terms of the contract. However, where debt securities, classified as investments in the unconsolidated financial statements, are purchased at premium or discount, such premium / discount including the transaction cost is amortised through the unconsolidated profit and loss account over the remaining maturity of the debt security using the effective interest rate method. Income recoverable on classified advances and investments (debt securities), is recognised on a receipt basis.

Income on rescheduled / restructured advances and investments is recognised as permitted by SBP regulations.

Mark-up expense on financial liabilities (comprising deposits and borrowings) is recognised on an accrual basis in the period in which it is incurred, based on their contractual rates.

Islamic Banking Institutions (IBIs) are allowed to follow Islamic Financial Accounting Standards (IFAS) 1 & 2 where applicable and continue the existing accounting methodology on other Islamic products until issuance of further instructions in this regard.

4.4.7 Derecognition

The Bank derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- 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 Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised), and the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in OCI is recognised in the consolidated profit and loss account, except that in case of the derecognition of equity securities held at FVOCI, cumulative gains or losses are transferred to unappropriated profit.

The Bank 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.

4.4.8 Write-offs

Financial assets are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in these consolidated profit and loss account and consolidated statement of comprehensive income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

4.4.9 Off-setting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

4.5 Expected credit loss allowance (ECL)

The Bank 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 guarantees and unutilized financing commitments hereinafter referred to as "Financial instruments". The Bank recognises a credit 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.

ECL is the probability weighted estimate of expected cash shortfalls which is determined by multiplying the probability of default (PD) with the loss given default (LGD) with the expected exposure at the time of default (EAD). Based on the requirements of IFRS 9 and Application Instructions, the Bank has performed an ECL assessment considering the following key elements:

– **Probability of default (PD):**

The Probability of Default represents the likelihood that a counterparty will default within a specific timeframe, such as 12 months (12-month ECL for Stage 1) or the lifetime of the financial instrument (lifetime ECL for Stage 2). The Bank calculates PD on its loans and advances, which is further bifurcated into retail and non retail portfolios. Following is the methodology through which non retail and retail PD are calculated:

(a) Non Retail PD:

The Bank utilises its internal risk rating system to assign Obligor Risk Ratings (ORR) to borrowers. The Bank has used a statistical method called Markov Chain, also known as Transition Matrices / Migration matrices, for the estimation of TTC PDs associated with each of its Obligor Risk Rating (ORR).

(b) Retail PD:

The Bank has used market benchmark PDs for retail segments. The Bank has recently started developing its retail portfolio and does not have sufficient data to develop PD and LGD Models. In the absence of required data and after discussing with consultants, management has decided to use the market benchmark PDs and BASEL prescribed 45% LGD for retail segment. Moreover, the Bank has used its internal data to develop the TTC- PD models using Pluto and Tasche technique for the calculation of Expected Credit Loss (ECL) on Investments, Balances with other banks (BWOB) and Lendings to Fls. TTC-PD were converted into PiT PDs by applying Macro Economic variable with Vasicek approach.

– **Incorporation of forward-looking information:**

Forward looking information is incorporated to convert TTC PD to Point in Time Probability of Default (PiT PD). The Bank has estimated the PiT PDs using the Vasicek framework in its PD Model. For this purpose, the Bank incorporated 5-year forecasts obtained from the Macro Economic Variable (MEV) database of the International Monetary Fund (IMF). The MEVs used in the Model are the Consumer Price Index (CPI) and Gross Domestic Product (GDP) etc.

– **Exposure at Default (EAD):**

The Bank has defined EAD for financial assets carried at an amortised cost equal to principal plus accrued mark-up at the default date for stage 1 and stage 2. For stage 3, EAD is principal outstanding at repayment date. Each repayment date is assumed to be a default point in the model, and the ECL is calculated on the EAD at each repayment date and discounted at the effective interest rate to arrive at the discounted ECL under three scenarios, i.e., base, worst, and best-case scenarios. The unutilised exposures are multiplied with Credit Conversion Factors (CCFs) to compute the EAD of revolving facilities. For non-revolving facilities, CCF is only applied to unutilised exposures when the Bank doesn't have unconditional right to revoke the undrawn portion. Additionally, cash and cash equivalent collateral the Bank holds against non-retail facilities are adjusted from the EAD, and ECL is calculated on the net amount. The Bank has developed CCF models for its revolving and non revolving facilities based on the historical utilisation of credit limits which are currently being applied to the revolving portfolio.

– **Loss Given Default:**

Loss Given Default (LGD) represents the forecasted economic loss in the event of default, calculated independently of credit quality and applied consistently across all stages. LGD is determined as the percentage of loss expected

in case of borrower default, incorporating historical data, cash recovery experience (including settlements), costs and time of recoveries, collateral realisations, and recovery projections. For non-collateralised portfolios, the Bank estimates LGD based on actual recoveries from defaulted accounts over a historical period of 10 years prior to the assessment date. Forward-looking information is incorporated into the LGD calculation to reflect the impact of macroeconomic factors on the expected recoveries. The Bank uses a statistical approach, specifically the Jacob Frye model, to estimate Point-in-Time (PiT) LGD. This model accounts for forward-looking information, including macroeconomic variables, to estimate LGD for all credit segments.

4.5.1 Presentation of allowance for Expected Credit Loss in the Statement of Financial Position

Loss allowances for ECL are presented in the Statement of Financial Position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: as a provision in Other Assets / Liabilities;
- where a financial instrument includes both a drawn and an undrawn component, and the Bank does not identify the ECL on the loan commitment component separately from those on the drawn component and instead presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in retained earnings.

4.5.2 Governance, ownership and responsibilities

The Bank has adopted a governance framework requiring the Risk, Finance, Operations, Internal Audit and IT functions to effectively work together to ensure input from all business lines. IFRS 9 requires robust credit risk models that can predict Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

The Bank's Risk Management Division has developed Models / methodologies for PD, LGD and Credit Conversion Factors (CCF). These models are validated on annual basis considering the following aspects:

- Quantitative Validation: Expected credit loss (ECL) model design validation, data quality validation and benchmarking with external best practices.
- Quantitative Validation: Calibration testing which ensures the accuracy of the observed PDs.

The Risk Department defines the staging criteria for the new impairment model and take ownership of all models, methodologies and the ECL calculation approach. Additionally, the Risk department also take the ownership of the impact of ECL on bank's capital.

Risk Management Division of the Bank is responsible for the implementation of IFRS 9. Risk Management Division calculates the ECL and submits the same to Finance Division for financial reporting requirements.

Finance Division then uses the financial information for preparing these unconsolidated financial statements and related financial ratios.

Risk Management Division prepares and submits the analysis to board risk and compliance committee on a quarterly basis. Further these unconsolidated financial statements are prepared on the basis of IFRS 9 is then submitted to the Board Audit Committee on a quarterly basis.

The IT Department provides support to all the stakeholders for preparing and extracting the data required for the risk parameters modelling. IT department also provides support to project owners for system development and upgrades.

4.6 Investments

Investments in subsidiaries are stated at cost less provision for impairment, if any. Other investments are classified into the following categories based on the Business Model Assessment and contractual cash flow characteristics.

- at Amortised Cost (AC)
- at Fair value through other comprehensive income (FVOCI)
- at Fair value through profit and loss (FVTPL)

4.6.1 Classification of Equity instruments

Equity securities held for trading purposes are classified as FVTPL. Equity securities that are not held for trading purposes are classified as FVOCI.

4.6.2 Classification of Debt securities

Debt securities are classified into the following categories based on their business model assessment and contractual cash flow characteristics:

- Amortised cost: Debt securities are classified at amortised cost where the business model is Held to Collect (HTC) and where contractual cash flows are SPPI.
- FVOCI: Debt securities are classified at FVOCI where the business model is Held to Collect & Sale (HTC&S) and where contractual cash flows are SPPI. Unrealised gains and losses are recorded in the unconsolidated statement of comprehensive income and are recycled through the unconsolidated profit and loss account on disposal.
- FVTPL: Debt securities are classified as FVTPL if they do not have a fixed maturity or they are not classified either at amortised cost or as FVOCI.

4.6.3 Initial Measurement

- Investments (other than FVTPL) include transaction costs associated with the investments. In case of FVTPL investments, transaction costs are charged to the unconsolidated profit and loss account when incurred.
- All “regular way” purchases and sales of investments are recognised on the trade date, i.e., the date that the Bank commits the purchase or sell the asset. Regular way purchases or sales are purchases or sales of investments that require delivery of assets within the time frame generally established by regulation or convention in the market place.

4.6.4 Subsequent Measurement

Amortised Cost

Where investments are carried at amortised cost, gains and losses on disposal are recognised in the unconsolidated profit and loss account.

FVOCI

Investments classified as FVOCI are subsequently measured at fair value with any changes in fair value recorded in the unconsolidated statement of comprehensive income. In case of debt securities, gains and losses on disposal arising on these securities is recycled from OCI to the unconsolidated profit and loss account. In case of equity securities, gains and losses on disposal is not recycled from OCI to the unconsolidated profit and loss account but directly credited to retained earnings.

FVTPL

Investments classified as FVTPL are subsequently measured at fair value. Any unrealized surplus / deficit arising on the revaluation of held for trading investment portfolio is taken to the unconsolidated profit and loss account.

4.7 Advances (including net investment in Finance Lease & Ijarah arrangements)

4.7.1 Loans and advances

Loans and advances including net investments in finance lease are stated net of credit loss allowance. Credit loss allowance against loans and advances have been made in accordance with the requirements of the Prudential regulations and IFRS 9 Application Instructions issued by the SBP and any charge / reversal is taken to the unconsolidated profit and loss account. Advances are written-off when there are no realistic prospects of recovery.

Advances other than Temporary Economic Refinance Facility (TERF), staff loans and modified loans are initially measured at transaction price, i.e., the amount of loan disbursed at disbursement date.

Temporary Economic Refinance Facility (TERF) and staff loans are recognised at fair value at the time of disbursement. The fair value is determined by discounting the expected future cash flows using the prevailing market rates at the date of disbursement of these loans. The difference between the fair value of TERF loans and fair value of TERF borrowings is recorded as "Deferred grant income" under other liabilities. For staff loans, the difference between the disbursed amount and the fair value at initial recognition is recorded as "Prepaid employment benefit" under other assets.

4.7.2 Finance lease receivables

Leases where the Bank transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance lease. A receivable is recognised at an amount equal to the present value of the minimum lease payments including guaranteed residual value, if any. Finance lease receivables are included in advances to the customers.

4.7.3 Islamic finance and related assets

Ijarah

Ijarah assets are stated at cost less accumulated depreciation and are disclosed as part of 'Islamic financing and related assets'. Rental received / receivable on Ijarah are recorded as income / revenue. The Bank charges depreciation from the date of recognition of Ijarah of respective assets to Lessee (mustajir). Ijarah assets are depreciated over the period of Ijarah using the straight line method. Ijarah rentals outstanding are disclosed in 'other assets' on the Statement of Financial Position at amortised cost.

Diminishing Musharaka

Under diminishing musharaka based financing, the Bank enters into a musharaka based on Shirkat-ul-milk for financing an agreed share of property and equipment (e.g. house, land, plant or machinery) with its customers and enters into periodic profit payment agreement for the utilisation of the Bank's musharaka share by the customer. The Bank receives periodic payments from its customers partly for renting its portion of the assets and partly for gradual transfer / sale of its ownership. The rental payments are recognised in the unconsolidated profit and loss account whereas transfer / sale payments are applied towards reducing the outstanding principal.

Working Capital Musharaka

Under Working Capital musharaka, the Bank enters into financing with the customer based on Shirkat-ul-Aqd in the customer's operating business. Under this mechanism the customer can withdraw and return funds to the Bank subject to consumer's working capital musharaka financing limit during the musharaka period. At the end of each quarter / half year the customer pays the provisional profit as per the desired profit rate which is subject to final settlement based on the relevant quarterly / half yearly / annual accounts of the customer.

Istisna

Under istisna financing, the Bank places an order to purchase some specific goods / commodities from its customers to be manufactured / delivered to the Bank within an agreed time. The goods are then sold and the amount financed along with profit is paid back to the Bank.

Al-Bai

The product is based on the Islamic mode "musawamah". Under this financing, the Bank purchases the goods from its customers on cash payment basis and after taking the possession by the Bank, the customer on behalf of the Bank sells them. Upon subsequent sale by the customer, the financed amount along with the profit is paid by the customer to the Bank.

Murabaha

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

Salam

In Salam, the seller undertakes to supply specific goods to the buyer at a future date in exchange of an advanced price fully paid at spot. The payment is at spot but the supply of purchased goods is deferred. The purchased goods by the Bank are then sold by the customer on behalf of the Bank and the financed amount along with profit is paid to the Bank.

4.8 Property and equipment

4.8.1 Capital work-in-progress

Capital work in progress is stated at cost less impairment loss, if any and consists of expenditures incurred and advances made in the course of their construction and installation. Transfers are made to relevant asset category as and when assets are available for intended use.

4.8.2 Property and equipment

Property and equipment are stated at cost, except for land and buildings which are carried at revalued amount, less any applicable accumulated depreciation and accumulated impairment losses, if any. Land and buildings are stated at revalued amount less accumulated depreciation (in case of buildings) and accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset at the rates specified in note 11.2 to these unconsolidated financial statements. Depreciation on additions during the year is calculated from the date of addition. In case of disposals during the year, the depreciation is charged till the date of disposal.

Subsequent cost are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the unconsolidated profit and loss account.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in the unconsolidated profit and loss account in the year the asset is derecognised.

The residual values, useful lives and depreciation methods are reviewed and changes, if any, are treated as change in accounting estimates, at each statement of financial position date.

Land and buildings are revalued by independent professionally qualified valuers with sufficient regularity to ensure that their net carrying amount does not differ materially from their fair value. If an asset's carrying value increases as a result of revaluation, such increase or surplus arising on revaluation is credited to the surplus on revaluation of property and equipment account. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in the unconsolidated profit or loss account. However, if the increase reverses a deficit on the same asset previously recognised in the unconsolidated profit and loss account, such an increase is also recognised in the unconsolidated profit and loss account to the extent of the previous deficit and thereafter in the surplus on the revaluation of property and equipment account.

In the case of revalued assets, any accumulated depreciation on the date of revaluation is eliminated against the gross carrying amount of the net asset and the net amount restated at the revalued amount of the asset.

Surplus on revaluation of property and equipment (net of any associated deferred tax) to the extent of the incremental depreciation charged on the related assets is transferred to unappropriated profit.

Surplus on revaluation (net of any deferred tax) realised on disposal of land and building is transferred directly to unappropriated profit.

4.9 Right-of-use assets and their related lease liabilities

The Bank recognises a right-of-use asset and lease liabilities (note 4.17) at the lease commencement date. The right-of-use asset is initially measured at amount equal to present value of lease liability, and subsequently at cost less any accumulated depreciation and impairment losses if any, 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.

4.10 Intangible assets

These are stated at cost less accumulated amortisation and impairment, if any. The cost of intangible assets are amortised from the month when the assets are available for intended use, using the straight line method, whereby the cost of the intangible asset is amortised over its estimated useful life over which economic benefits are expected to flow to the Bank. The useful life and amortisation method is reviewed and adjusted, if appropriate, at each statement of financial position date.

4.11 Non-banking assets acquired in satisfaction of claims

Non-banking assets acquired in satisfaction of claims are initially recorded at cost and subsequently carried at revalued amounts less accumulated depreciation and impairment, if any. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of property is credited to the 'surplus on revaluation of non-banking assets' account and any deficit arising on revaluation is taken to the unconsolidated profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to the unconsolidated profit and loss account.

Depreciation on assets (other than land) acquired in satisfaction of claims is charged to the unconsolidated profit and loss account on the same basis as depreciation charged on the Bank's property and equipment.

If the recognition of such assets results in a reduction in non-performing loans, such reductions and the corresponding reductions in ECL held against non-performing loans are disclosed separately.

These assets are generally intended for sale. Gains and losses realised on the sale of such assets are disclosed separately from gains and losses realised on the sale of property and equipment. Surplus on revaluation (net of deferred tax) realised on disposal of these assets is transferred directly to unappropriated profit.

If such an asset is subsequently used by the Bank for its own operations, the asset is transferred to property and equipment along with any related surplus.

4.12 Derivative financial instruments

Derivative financial instruments consist of Forward foreign exchange contracts, which are initially recognised at fair value at the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as asset when fair value is positive and liabilities when fair value is negative. Any change in the value of derivative financial instruments is taken to the unconsolidated profit and loss account.

4.13 Credit loss allowance / Provisions

Expected credit loss allowance against identified off-balance exposure is recognised when intimated and reasonable certainty exists for the Bank to settle the obligation. The loss is charged to the unconsolidated profit and loss account net of expected recovery and is classified under other liabilities.

Other provisions are recognised when the Bank has a legal or constructive obligation as a result of past events and 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 statement of financial position date and are adjusted to reflect the current best estimate.

4.14 Taxation

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

4.14.1 Current

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into consideration available tax credits and rebates. The charge for the current tax also includes adjustments where considered necessary, relating to prior years which arise from assessments framed / finalised during the year.

4.14.2 Deferred

Deferred tax is recognised using the balance sheet liability method on all major temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amount used for taxation purposes. Deferred tax is measured at the tax rate that are expected to be applied on the temporary differences when they reverse, based on the tax rates that have been enacted or substantially enacted at the reporting date.

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

The Bank also recognises deferred tax asset / liability on deficit / surplus on revaluation of assets and actuarial gains / losses recognised in the unconsolidated statement of other comprehensive income, which is adjusted against the related surplus / deficit.

4.15 Deposits / Borrowings

Deposits / Borrowings are recorded at the amount of proceeds received. The cost of deposits is recognised as an expense on an accrual basis in the period in which it is incurred.

4.16 Employees' benefits

4.16.1 Retirement benefits

Defined benefit plan

The Bank operates an approved funded gratuity scheme for all its permanent employees. Retirement benefits are payable to the members of the scheme on the completion of prescribed qualifying period of service under the scheme. Contribution is made in accordance with the actuarial recommendation. The actuarial valuation is carried out annually as at the statement of financial position date using the "Projected Unit Credit Actuarial Cost Method".

All actuarial gains and losses are recognised in the unconsolidated statement of other comprehensive income as they occur and are not reclassified to the unconsolidated profit and loss account in subsequent periods.

Past service cost resulting from changes to defined benefit plan is recognised in the unconsolidated profit and loss account in accordance with actuarial's valuation and their assessment.

Defined contribution plan

The Bank operates a recognised provident fund scheme for all its regular employees, which is administered by the Board of Trustees. Contributions are made by the Bank and its employees, to the fund at the rate of 10% of basic salary in accordance with the terms of the scheme.

4.16.2 Compensated absences

A provision is made for estimated liability for annual leaves as a result of services rendered by the employees against unavailed leaves, as per term of service contract, up to the statement of financial position date.

The actuarial valuation under the "Projected Unit Credit Actuarial Cost Method" has been carried out by the Bank for the determination of the liability for compensated absences. Liability so determined is fully recognised by the Bank.

4.17 Lease liability against right-of-use assets

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the Bank's incremental borrowing rate as the interest rate implicit in the lease cannot be readily determined. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made.

4.18 Revenue recognition

Revenue is recognised to the extent that the economic benefits will flow to the Bank and the revenue can be reliably measured. These are recognised as follows:

4.18.1 Advances and investments

- Mark-up / return / interest on regular loans / advances and debt securities investments is recognised on a time proportion basis that take into account the effective yield on the asset. Where debt securities are purchased at premium or discount, the same is amortised through the unconsolidated profit and loss account using the effective interest rate method.
- Mark-up / return / interest recoverable on classified loans and advances and investments is recognised on receipt basis. Mark-up / return / interest on classified rescheduled / restructured loans and advances and investments is recognised as permitted by the regulations of the SBP.
- Dividend income is recognised when the Bank's right to receive the dividend is established.
- Gains and losses on sale of investments are recognised in the unconsolidated profit and loss account.
- Income on bills discounted are recognised over the period of the bill.

4.18.2 Lease financing / Ijarah contracts

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Unrealised income on classified leases is recognised on receipt basis.

Rental income on these ijarah is recognised in the Bank's unconsolidated profit and loss account on a time proportion basis, while depreciation is calculated on Ijarah assets on a straight line basis over the period of ijarah.

Purchases and sales under Murabaha and the resultant profit should be accounted for on the culmination of Murabaha transaction. However, the profit on that portion of sales revenue not due for payment should be deferred by accounting for by a debit to "Unearned Murabaha Income" account with the corresponding credit to "Deferred Murabaha Income" account and shown in the unconsolidated statement of financial position as a liability.

Gains / losses on termination of lease contracts and other lease income are recognised when realised.

4.18.3 Fees, commission and brokerage

The Bank earns fee and commission income from the banking services to retail and corporate customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

The Bank recognises fees earned on transaction-based arrangements at a point in time when the Bank has provided the services to the customer. Unearned fee and commission are included under other liabilities.

The fee pertaining to banking services to retail and corporate customers are based on schedule of charges, reviewed periodically by the Bank.

4.19 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in these unconsolidated financial statements when there is a legally enforceable right to set off and the Bank intends to either settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

4.20 Foreign currencies

4.20.1 Foreign currency transactions and translations

Foreign currency transactions are translated into functional currency of the Bank at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the exchange rates prevailing at the statement of financial position date. Forward exchange contracts are revalued using forward exchange rates applicable to their respective remaining maturities. Gains or losses on above translation are included in the unconsolidated profit and loss account.

4.20.2 Offshore branch operations

The assets and liabilities of an offshore branch operations are translated into rupees at the exchange rates prevailing at the statement of financial position date. The income and expense are translated into rupees at average rate of exchange prevailing during the year. Exchange gain or loss on such translation is taken to equity through the unconsolidated statement of 'other comprehensive income' under 'Exchange Translation Reserve'.

4.20.3 Contingencies and commitments

Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the statement of financial position date. Commitments for outstanding forward foreign exchange contracts disclosed in these unconsolidated financial statements are translated at contracted rates.

4.21 Segment reporting

A segment is a distinguishable component of the Bank that is engaged 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's primary format of reporting is based on the following business segments.

4.21.1 Business segments

– Trading and sales

This segment undertakes the Bank's treasury, money market and capital market activities.

– Retail banking

Retail banking provides services to small borrowers i.e. consumers. It includes loans, deposits and other transactions with retail customers.

– Commercial banking

This includes loans, deposits and other transactions with corporate and SME customers.

– Islamic banking

This represents Islamic banking operations of the Bank.

4.21.2 Geographical segments

The Bank conducts all its operations in Pakistan including an offshore branch in Karachi Export Processing Zone.

4.22 Dividend distribution and appropriations

Bonus and cash dividend and other appropriations (except for the appropriations required by law), declared / approved subsequent to the statement of financial position date are considered as non-adjusting event and are not recorded in these unconsolidated financial statements of the current year. These are recognised in the period in which these are declared / approved.

4.23 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. Diluted earnings per share is not calculated separately, as the Bank does not have any convertible instruments in issue.

4.24 Impairment of non-financial assets (excluding deferred tax asset)

At each statement of financial position date, the Bank reviews the carrying amount of its assets (other than deferred tax asset) to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of relevant asset is estimated. Recoverable amount is the greater of the net selling price and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. The resulting impairment loss is recognised as an expense immediately in the unconsolidated profit and loss account. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

Details of the basis of determination of impairment against loans and advances and investments have been discussed in their respective notes.

4.25 Acceptances

Acceptances comprises undertakings by the Bank to pay bill of exchange due on customers. These are recognised as financial liability and the contractual right of reimbursement from the customer is recorded as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities in these unconsolidated financial statements.

5. FUNCTIONAL AND PRESENTATION CURRENCY

These unconsolidated financial statements are presented in Pakistani Rupees, which is the Bank's functional currency. Except as indicated, financial information presented in Pakistani Rupees has been rounded to the nearest thousand.

	Note	2025	2024
Rupees in'000			
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		13,125,548	15,321,375
Foreign currencies		1,290,906	1,393,358
		14,416,454	16,714,733
With State Bank of Pakistan in			
Local currency current accounts	6.1	45,336,035	46,256,955
Foreign currencies current accounts	6.2	3,192,545	2,321,162
Foreign currency deposit accounts			
– cash reserve account	6.3	8,015,602	6,731,041
– deposit account - special cash reserve	6.4	14,633,400	12,058,642
		71,177,582	67,367,800
With National Bank of Pakistan in			
Local currency current accounts		3,218,028	2,670,896
Local currency deposit accounts		67,225	47,103
National Prize Bonds			
		7,410	16,080
Less: Credit loss allowance held against cash and balances with treasury banks	6.5	(135,466)	(795)
Cash and balances with treasury banks - net of credit loss allowance		88,751,233	86,815,817

6.1 These accounts are maintained to comply with the statutory cash reserve requirement of the SBP.

6.2 These represent foreign currency collection / settlement accounts maintained with the SBP.

6.3 This represents accounts maintained with the SBP to comply with the cash reserve requirement against foreign currency deposits.

6.4 This represents account maintained with the SBP to comply with the special cash reserve requirement against foreign currency deposits. The return on this account is declared by the SBP on a monthly basis and, as at 31 December 2025, carries mark-up at the rate of 2.86% (2024: 3.53%) per annum.

6.5 Credit loss allowance against Cash and balances with treasury banks are all classified as Stage 1.

7. BALANCES WITH OTHER BANKS

	Note	2025	2024
Rupees in'000			
In Pakistan			
In current accounts		44,637	10,050
In deposit accounts	7.1	170	108
		44,807	10,158
Outside Pakistan			
In current accounts	7.2	13,497,853	6,425,438
Less: Credit loss allowance held against balances with other banks	7.3	(278)	(1,045)
Balances with other banks - net of credit loss allowance		13,542,382	6,434,551

7.1 This carries mark-up at the rate of 9.00% (2024: 11.50%) per annum.

7.2 These include balances in current accounts amounting to Rs. 65,299 thousand (2024: Rs. 322,178 thousand) with branches of the Holding Company.

7.3 Credit loss allowance against Balances with other banks are all classified as Stage 1.

	Note	2025	2024
		Rupees in '000	
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call / clean money lendings	8.2	2,801,231	5,571,000
Repurchase agreement lendings (reverse repo)		10,000,000	-
Musharaka placements		33,150,000	-
Less: Credit loss allowance held against lendings to financial institutions	8.4	(341)	(2)
Lendings to financial institutions - net of credit loss allowance		<u>45,950,890</u>	<u>5,570,998</u>

8.1 Particulars of lendings - Gross

In local currency - secured		43,150,000	-
In foreign currency - unsecured	8.2	2,801,231	5,571,000
		<u>45,951,231</u>	<u>5,571,000</u>

8.2 These foreign currency lendings carry mark-up rate ranging from 5.60% to 5.65% (2024: 7.00% to 7.85%) per annum and are due to mature latest by 16 February 2026 (2024: 18 February 2025).

8.3 Securities held as collateral against lendings to financial institutions

	2025			2024		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
Rupees in '000						
Market treasury bills	-	-	-	-	-	-
Pakistan investment bonds	10,884,720	-	10,884,720	-	-	-
	<u>10,884,720</u>	<u>-</u>	<u>10,884,720</u>	<u>-</u>	<u>-</u>	<u>-</u>

8.4 Lendings to FIs - Particulars of credit loss allowance

		2025		2024	
		Lendings	Credit loss allowance held	Lendings	Credit loss allowance held
Rupees in '000					
Domestic					
Performing	Stage 1	43,150,000	127	-	-
Under performing	Stage 2	-	-	-	-
Non-performing	Stage 3				
Substandard		-	-	-	-
Doubtful		-	-	-	-
Loss		-	-	-	-
Total Domestic		<u>43,150,000</u>	<u>127</u>	<u>-</u>	<u>-</u>

		2025		2024	
		Lendings	Credit loss allowance held	Lendings	Credit loss allowance held
		Rupees in '000			
Overseas					
Performing	Stage 1	2,801,231	214	5,571,000	2
Under performing	Stage 2	-	-	-	-
Non-performing	Stage 3				
Substandard		-	-	-	-
Doubtful		-	-	-	-
Loss		-	-	-	-
Total Overseas		2,801,231	214	5,571,000	2
Total		45,951,231	341	5,571,000	2

2025				
	Stage 1	Stage 2	Stage 3	Total
	Rupees in '000			
Balance at the start of the year	2	-	-	2
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Net remeasurement of credit loss allowance	2	-	-	2
New financial assets originated or purchased	127	-	-	127
Financial assets that have been derecognised	-	-	-	-
Written off / charged off	-	-	-	-
Unwind of discount	-	-	-	-
Changes in risk parameters	212	-	-	212
Balance at the end of the year	341	-	-	341

2024				
	Stage 1	Stage 2	Stage 3	Total
	Rupees in '000			
Balance at the start of the year	-	-	-	-
Impact of adoption of IFRS 9	87	-	-	87
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Net remeasurement of credit loss allowance	87	-	-	87
New financial assets originated or purchased	-	-	-	-
Financial assets that have been derecognised	-	-	-	-
Written off / charged off	-	-	-	-
Unwind of discount	-	-	-	-
Changes in risk parameters	(85)	-	-	(85)
Balance at the end of the year	2	-	-	2

9. INVESTMENTS

9.1 Investments by types

	2025				2024			
	Cost / amortised cost	Credit loss allowance	Surplus / (deficit)	Carrying value	Cost / amortised cost	Credit loss allowance	Surplus / (deficit)	Carrying value
Rupees in '000								
- Debt Instruments								
Classified / Measured at amortised cost								
Federal Government securities	127,611,990	-	-	127,611,990	83,208,565	-	-	83,208,565
Non Government debt securities	4,500,000	(75)	-	4,499,925	3,000,000	(52)	-	2,999,948
	132,111,990	(75)	-	132,111,915	86,208,565	(52)	-	86,208,513
Classified / Measured at FVOCI								
Federal Government securities	663,430,895	-	11,846,798	675,277,693	642,446,225	-	12,480,359	654,926,584
Non Government debt securities	3,414,446	(414,700)	-	2,999,746	9,767,355	(426,154)	(354,523)	8,986,678
	666,845,341	(414,700)	11,846,798	678,277,439	652,213,580	(426,154)	12,125,836	663,913,262
Classified / Measured at FVTPL								
Federal Government securities	32,219,761	-	105,026	32,324,787	42,055,433	-	(10,052)	42,045,381
Non Government debt securities	1,997,423	-	(5,346)	1,992,077	1,997,589	-	(9,249)	1,988,340
	34,217,184	-	99,680	34,316,864	44,053,022	-	(19,301)	44,033,721
Instruments mandatorily classified / measured at FVTPL								
Mutual funds	-	-	-	-	2,700,000	-	85,219	2,785,219
Real estate investment trust unit	1,770,486	-	1,984,463	3,754,949	1,814,314	-	1,254,365	3,068,679
	1,770,486	-	1,984,463	3,754,949	4,514,314	-	1,339,584	5,853,898
- Equity Instruments								
Classified / Measured at FVTPL								
Shares								
Listed companies	-	-	-	-	-	-	-	-
Unlisted companies	-	-	-	-	-	-	-	-
Mutual funds	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Classified / Measured at FVOCI (Non-Reclassifiable)								
Shares								
Listed companies	6,699,711	-	7,422,912	14,122,623	5,157,310	-	3,827,127	8,984,437
Unlisted companies	103,116	-	(7,646)	95,470	130,640	-	(79,071)	51,569
Mutual funds	171,829	-	3,771	175,600	-	-	-	-
	6,974,656	-	7,419,037	14,393,693	5,287,950	-	3,748,056	9,036,006

	2025				2024			
	Cost / amortised cost	Credit loss allowance	Surplus / (deficit)	Carrying value	Cost / amortised cost	Credit loss allowance	Surplus / (deficit)	Carrying value
	Rupees in '000							
- Subsidiaries								
Habib Metropolitan Modaraba Management Company (Private) Limited	350,000	-	-	350,000	350,000	-	-	350,000
Habib Metropolitan Financial Services Limited	300,000	-	-	300,000	300,000	-	-	300,000
HabibMetro Exchange Services Limited	1,000,000	-	-	1,000,000	1,000,000	-	-	1,000,000
First Habib Modaraba (FHM)	146,852	-	-	146,852	180,000	-	-	180,000
	1,796,852	-	-	1,796,852	830,000	-	-	830,000
Total investments	843,716,509	(414,775)	21,349,978	864,651,712	794,107,431	(426,206)	17,194,175	810,875,400

9.2 Investment in subsidiaries - incorporated in Pakistan

	Holding %	Assets	Liabilities	Revenue	Profit after tax	Total com- prehensive income
2025						
Habib Metropolitan Financial Services Limited	100%	873,939	503,339	149,610	6,527	36,730
Habib Metropolitan Modaraba Management Company (Private) Limited	100%	1,109,859	20,616	216,436	102,377	265,122
First Habib Modaraba (FHM)	4.43%	38,924,306	32,784,380	4,574,333	705,906	714,658
HabibMetro Exchange Services Limited	100%	934,784	41,559	115,199	(125,386)	(125,386)
2024						
Habib Metropolitan Financial Services Limited	100%	600,488	265,997	99,516	(4,200)	24,774
Habib Metropolitan Modaraba Management Company (Private) Limited	100%	843,479	17,956	168,034	128,620	184,084
First Habib Modaraba (FHM)	5.43%	30,500,563	24,773,681	5,430,581	972,084	1,001,161
HabibMetro Exchange Services Limited	100%	1,054,315	35,038	166,594	19,277	19,277

9.3 Investments by segments

	2025				2024			
	Cost / amortised cost	Credit loss allowance	Surplus / (deficit)	Carrying value	Cost / amortised cost	Credit loss allowance	Surplus / (deficit)	Carrying value
Rupees in '000								
Federal government securities								
Market treasury bills	101,150,393	-	271,115	101,421,508	130,988,178	-	842,314	131,830,492
Pakistan investment bonds	575,110,114	-	9,766,458	584,876,572	496,455,165	-	7,980,831	504,435,996
Ijarah sukuk	94,246,262	-	1,914,251	96,160,513	137,785,245	-	3,647,162	141,432,407
Bai Muajjal	51,937,179	-	-	51,937,179	-	-	-	-
Islamic Naya Pakistan certificate modaraba investment pool:								
- foreign currencies	509,574	-	-	509,574	1,709,911	-	-	1,709,911
- Pak rupees	309,124	-	-	309,124	771,724	-	-	771,724
	<u>823,262,646</u>	<u>-</u>	<u>11,951,824</u>	<u>835,214,470</u>	<u>767,710,223</u>	<u>-</u>	<u>12,470,307</u>	<u>780,180,530</u>
Shares								
Listed companies	6,699,711	-	7,422,912	14,122,623	5,157,310	-	3,827,127	8,984,437
Unlisted companies	103,116	-	(7,646)	95,470	130,640	-	(79,071)	51,569
	<u>6,802,827</u>	<u>-</u>	<u>7,415,266</u>	<u>14,218,093</u>	<u>5,287,950</u>	<u>-</u>	<u>3,748,056</u>	<u>9,036,006</u>
Non-government debt securities								
Listed								
Term finance certificates	1,387,369	(64,946)	(1,174)	1,321,249	957,621	(64,946)	2,478	895,153
Sukuk certificates / bonds	340,000	(340,000)	-	-	6,683,993	(340,000)	(235,423)	6,108,570
Unlisted								
Term finance certificates	3,295,000	(254)	-	3,294,746	3,724,914	(2,792)	(125,549)	3,596,573
Sukuk certificates / bonds	389,500	(9,500)	(4,172)	375,828	398,416	(18,416)	(5,278)	374,722
Certificates of investment	4,500,000	(75)	-	4,499,925	3,000,000	(52)	-	2,999,948
	<u>9,911,869</u>	<u>(414,775)</u>	<u>(5,346)</u>	<u>9,491,748</u>	<u>14,764,944</u>	<u>(426,206)</u>	<u>(363,772)</u>	<u>13,974,966</u>
Mutual funds								
Open end	-	-	-	-	2,700,000	-	85,219	2,785,219
Close end	171,829	-	3,771	175,600	-	-	-	-
	<u>171,829</u>	<u>-</u>	<u>3,771</u>	<u>175,600</u>	<u>2,700,000</u>	<u>-</u>	<u>85,219</u>	<u>2,785,219</u>
Real estate investment trust	<u>1,770,486</u>	<u>-</u>	<u>1,984,463</u>	<u>3,754,949</u>	<u>1,814,314</u>	<u>-</u>	<u>1,254,365</u>	<u>3,068,679</u>
Subsidiaries								
Habib Metropolitan Financial Services Limited	300,000	-	-	300,000	300,000	-	-	300,000
Habib Metropolitan Modaraba Management Company (Private) Limited	350,000	-	-	350,000	350,000	-	-	350,000
First Habib Modaraba (FHM)	146,852	-	-	146,852	180,000	-	-	180,000
HabibMetro Exchange Services Limited	1,000,000	-	-	1,000,000	1,000,000	-	-	1,000,000
	<u>1,796,852</u>	<u>-</u>	<u>-</u>	<u>1,796,852</u>	<u>1,830,000</u>	<u>-</u>	<u>-</u>	<u>1,830,000</u>
	<u>843,716,509</u>	<u>(414,775)</u>	<u>21,349,978</u>	<u>864,651,712</u>	<u>794,107,431</u>	<u>(426,206)</u>	<u>17,194,175</u>	<u>810,875,400</u>

	2025	2024
	Rupees in '000	
9.3.1 Investments given as collateral against repo borrowing		
The market value of investments given as collateral against borrowings is as follows:		
Federal government securities		
Market treasury bills	2,912,934	34,402,365
Pakistan investment bonds	181,798,076	191,534,393
	<u>184,711,010</u>	<u>225,936,758</u>

9.3.2 Investments include securities which are held by the Bank to comply with the statutory liquidity requirements as set out under section 29 of the Banking Companies Ordinance, 1962.

9.3.3 Investments include Rs. 132,000 thousand (2024: Rs. 132,000 thousand) pledged with State Bank of Pakistan against TT/DD discounting facilities and demand loan facilities.

	2025	2024
	Rupees in '000	
9.4 Credit loss allowance for diminution in value of investments		
Opening balance	426,206	307,290
Impact of remeasurement on adoption of IFRS 9	-	(219,607)
Impact of ECL recognised on adoption of IFRS 9	-	578
Charge for the year	-	337,945
Reversal for the year	(11,431)	-
Net (reversal) / charge for the year	(11,431)	337,945
Reversal on disposal	-	-
Investment written off	-	-
Closing balance	<u>414,775</u>	<u>426,206</u>

9.5 Particulars of credit loss allowance against debt securities

9.5.1 Investments - exposure

	2025			2024		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
	Rupees in '000					
Opening balance	6,000,000	-	423,362	7,700,000	-	427,683
New investments	1,500,000	-	-	-	-	-
Investments derecognised or repaid	-	-	(8,915)	(1,700,000)	-	(4,321)
Transfer to stage 1	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-
Amounts written off / charged off	-	-	-	-	-	-
Closing balance	<u>7,500,000</u>	<u>-</u>	<u>414,447</u>	<u>6,000,000</u>	<u>-</u>	<u>423,362</u>

9.5.2 Investments - Credit loss allowance

	2025			2024		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
	Rupees in '000					
Gross carrying amount	2,843	-	423,362	2,843	-	423,362
New investments	43	-	-	-	-	-
Investments derecognised or repaid	-	-	(8,915)	-	-	-
Transfer to stage 1	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-
Amounts written off / charged off	-	-	-	-	-	-
Changes in risk parameters	(2,558)	-	-	-	-	-
Closing balance	<u>328</u>	<u>-</u>	<u>414,447</u>	<u>2,843</u>	<u>-</u>	<u>423,362</u>

9.5.3 Investments - Credit loss allowance

	2025		2024	
	Outstanding amount	Credit loss allowance held	Outstanding amount	Credit loss allowance held
	Rupees in '000			
Performing Stage 1	7,500,000	328	6,000,000	2,843
Underperforming Stage 2	-	-	-	-
Non-Performing Stage 3				
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	414,447	414,447	423,362	423,362
	<u>414,447</u>	<u>414,447</u>	<u>423,362</u>	<u>423,362</u>
Total	<u>7,914,447</u>	<u>414,775</u>	<u>6,423,362</u>	<u>426,205</u>

2025 2024

Cost / amortised cost

Rupees in '000

9.6 Quality of securities

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

Federal Government Securities - Government guaranteed

Market treasury bills	84,696,415	110,428,094
Pakistan investment bonds	489,360,148	397,206,935
Ijarah sukuk	89,374,332	134,811,196
	<u>663,430,895</u>	<u>642,446,225</u>

Shares

Listed companies

Technology and communication	252,392	400,250
Cement	514,367	269,754
Engineering	-	181,569
Commercial banks	1,929,576	1,510,340
Fertilizer	531,326	305,587
Investment banks / investment companies / securities companies	459,044	278,410
Cable and electrical goods	-	57,674
Insurance	-	245,665
Oil and gas exploration, power generation and distribution	1,821,969	1,210,195
Pharmaceuticals	683,437	118,605
Textile	443,386	408,304
Transport	64,214	170,957
	<u>6,699,711</u>	<u>5,157,310</u>

	2025		2024	
	Cost/ amortised cost	Fair value	Cost/ amortised cost	Break-up value
Rupees in '000				
Unlisted companies				
Pakistan Export Finance Guarantee Limited	11,361	–	11,361	–
DHA Cogen Limited	50,000	–	50,000	–
Dawood Family Takaful Limited	35,000	–	35,000	25,387
Society for World Wide Inter Bank Financial Telecommunication (Swift)	6,755	95,470	6,755	83,900
Pakistan Corporate Restructuring Company Limited	–	–	27,524	25,817
	<u>103,116</u>	<u>95,470</u>	<u>130,640</u>	<u>135,104</u>
Non-government debt securities				
Rupees in '000				
Listed				
AAA			629,588	199,840
AA+			442,835	442,835
A+			–	340,000
AA-			200,000	200,000
A			50,000	50,000
Unrated *			404,946	6,408,939
			<u>1,727,369</u>	<u>7,641,614</u>
Unlisted				
AAA			3,250,000	3,974,914
AA+			425,000	130,000
Unrated			9,500	18,416
			<u>3,684,500</u>	<u>4,123,330</u>
Mutual funds				
Unrated			<u>171,829</u>	<u>2,700,000</u>
Real estate investment trust				
Listed				
AAA (rfr)			831,780	831,780
RM 3+			938,706	982,534
			<u>1,770,486</u>	<u>1,814,314</u>

	Note	2025	2024
		Cost / amortised cost	
		Rupees in '000	
9.7 Particulars relating to securities classified Under "Held to Collect" model			
Federal Government securities - Government guaranteed			
Pakistan investment bonds		72,690,248	80,234,516
Bai Muajjal		51,937,179	-
Ijarah sukuk		2,984,563	2,974,049
		<u>127,611,990</u>	<u>83,208,565</u>
Non-government debt securities - unlisted			
Certificates of investment - unrated	9.7.1	<u>4,500,000</u>	<u>3,000,000</u>
9.7.1	This represents certificates of investment (musharaka) carrying expected profit rates ranging from 10.50% to 11.10% (2024: 11.37% to 13.25%) per annum with maturity upto 30 March 2026 (2024: 05 March 2025).		
9.7.2	The market value of federal Government securities classified as held-to-maturity is Rs. 131,396,941 thousand (2024: Rs. 85,407,793 thousand).		

10. ADVANCES

	Note	Performing / Under Performing		Non-Performing		Total	
		2025	2024	2025	2024	2025	2024
		Rupees in '000					
Loans, cash credits, running finances, etc.	10.1	315,897,047	329,647,770	19,020,911	19,153,873	334,917,958	348,801,643
Islamic financing and related assets		146,232,761	92,867,464	2,028,444	3,139,699	148,261,205	96,007,163
Bills discounted and purchased		57,182,825	56,120,236	5,529,373	2,873,698	62,712,198	58,993,934
Advances - gross		519,312,633	478,635,470	26,578,728	25,167,270	545,891,361	503,802,740
Credit loss allowance against advances							
- Stage 1		(237,628)	(853,418)	-	-	(237,628)	(853,418)
- Stage 2		(4,568,401)	(4,527,310)	-	-	(4,568,401)	(4,527,310)
- Stage 3		-	-	(26,302,565)	(24,121,428)	(26,302,565)	(24,121,428)
		<u>(4,806,029)</u>	<u>(5,380,728)</u>	<u>(26,302,565)</u>	<u>(24,121,428)</u>	<u>(31,108,594)</u>	<u>(29,502,156)</u>
Advances - net of credit loss allowance		<u>514,506,604</u>	<u>473,254,742</u>	<u>276,163</u>	<u>1,045,842</u>	<u>514,782,767</u>	<u>474,300,584</u>

10.1 Includes net investment in finance lease as disclosed below:

	2025			2024		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
	Rupees in '000					
Lease rentals receivable	70,447	213,731	284,178	44,324	17,111	61,435
Residual value	99,799	7,627	107,426	87,720	6,704	94,424
Minimum lease payments	170,246	221,358	391,604	132,044	23,815	155,859
Financial charges for future periods	(24,426)	(40,949)	(65,375)	(8,709)	(1,163)	(9,872)
Present value of minimum lease payments	145,820	180,409	326,229	123,335	22,652	145,987

10.2 Particulars of advances - gross

	2025	2024
	Rupees in '000	
In local currency	449,351,243	386,583,391
In foreign currencies	96,540,118	117,219,349
	<u>545,891,361</u>	<u>503,802,740</u>

10.2.1 Advances to Women, Women-owned and Managed Enterprises

Women	2,044,785	1,817,641
Women Owned and Managed Enterprises	4,809,056	3,737,674
	<u>6,853,841</u>	<u>5,555,315</u>

10.2.2 Gross loans disbursed to women, women-owned and managed enterprises during the current year is Rs. 10,561,951 thousand (2024: Rs. 2,952,355 thousand).

10.3 Particulars of credit loss allowance

10.3.1 Advances - exposure

	2025			2024		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
	Rupees in '000					
Gross carrying amount	413,742,037	64,893,432	25,167,271	368,745,800	40,219,825	20,190,897
New advances	126,063,973	26,145,505	117,377	170,694,801	15,101,095	150,585
Advances derecognised or repaid	(85,173,851)	(22,742,877)	(2,322,113)	(101,964,864)	(10,933,556)	(1,595,464)
Transfer to stage 1	2,147,595	(2,147,595)	-	7,577,960	(7,577,960)	-
Transfer to stage 2	(50,283,166)	50,283,166	-	(30,818,928)	30,818,928	-
Transfer to stage 3	(113,091)	(3,502,494)	3,615,585	(492,732)	(5,270,443)	5,763,175
	(7,358,540)	48,035,705	1,410,849	44,996,237	22,138,064	4,318,296
Amounts written off / charged off	-	-	-	-	-	(24,838)
Changes in risk parameters	-	-	607	-	2,535,543	682,916
Closing balance	<u>406,383,497</u>	<u>112,929,137</u>	<u>26,578,727</u>	<u>413,742,037</u>	<u>64,893,432</u>	<u>25,167,271</u>

10.3.2 Advances - Credit loss allowance

	2025			2024		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
	Rupees in '000					
Opening balance	853,418	4,527,310	24,121,428	-	-	-
Impact of adoption of IFRS 9	-	-	-	2,227,772	2,054,740	19,768,274
New advances	112,993	2,673,930	905,091	236,843	3,037,877	271,322
Advances derecognised or repaid	(575,998)	(2,533,499)	(2,240,807)	(1,292,683)	(524,860)	(1,413,187)
Transfer to stage 1	1,628	(1,628)	-	10,281	(10,281)	-
Transfer to stage 2	(63,755)	63,755	-	(325,222)	351,186	(25,964)
Transfer to stage 3	(5,504)	(340,500)	346,004	(3,573)	(384,947)	388,520
	(530,636)	(137,942)	(989,712)	(1,374,354)	2,468,975	(779,309)
Amounts written off / charged off	-	-	-	-	-	(24,838)
Changes in risk parameters	(85,154)	179,033	3,170,849	-	3,595	5,157,301
Closing balance	237,628	4,568,401	26,302,565	853,418	4,527,310	24,121,428

10.3.3 Advances - Credit loss allowance details Internal / External rating / stage classification

	2025			2024		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
	Rupees in '000					
Outstanding gross exposure						
Performing - Stage 1						
ORR 1 to 9	392,858,322	-	-	384,717,046	-	-
Others	13,525,175	-	-	29,024,991	-	-
Under Performing - Stage 2						
ORR 1 to 9	-	112,491,790	-	-	64,246,900	-
Others	-	437,347	-	-	646,532	-
Non-performing - Stage 3						
OAEM	-	-	74,209	-	-	-
Substandard	-	-	87,887	-	-	475,602
Doubtful	-	-	30,105	-	-	1,901,249
Loss	-	-	26,386,527	-	-	22,790,419
	-	-	26,578,728	-	-	25,167,270
Total	406,383,497	112,929,137	26,578,728	413,742,037	64,893,432	25,167,270
Corresponding ECL						
Stage 1 and 2	(237,628)	(4,568,401)	-	(853,418)	(4,527,310)	-
Stage 3	-	-	(26,302,565)	-	-	(24,121,428)
	406,145,869	108,360,736	276,163	412,888,619	60,366,122	1,045,842

10.4 Advances include Rs. 26,578,728 thousand (31 December 2024: Rs.25,167,270 thousand) which have been placed under non-performing / Stage 3 status as detailed below:

Category of classification in Stage 3	2025		2024	
	Non-performing loans	Credit loss allowance	Non-performing loans	Provision
	Rupees in '000			
Domestic				
Other asset especially mentioned	74,209	34,681	-	-
Substandard	87,887	41,520	475,602	270,348
Doubtful	30,105	16,992	1,901,249	1,190,825
Loss	26,386,527	26,209,372	22,790,419	22,660,255
Total	<u>26,578,728</u>	<u>26,302,565</u>	<u>25,167,270</u>	<u>24,121,428</u>

10.5 Particulars of credit loss allowance against advances

Note	2025			2024				
	Stage 3	Stage 1 & 2	Total	Stage 3	Stage 1 & 2	Specific	General	Total
	Rupees in '000							
Opening balance	24,121,428	5,380,728	29,502,156	-	-	19,273,580	7,325,642	26,599,222
Impact of adoption of IFRS 9 as of 1 January 2024	-	-	-	19,768,274	4,282,512	(19,273,580)	(5,963,784)	(1,186,578)
Charge for the year	4,421,944	2,852,305	7,274,249	5,817,144	3,636,187	-	-	9,453,331
Reversals for the year	(2,240,807)	(3,427,004)	(5,667,811)	(1,439,152)	(2,537,971)	-	(1,361,858)	(5,338,981)
Net charge / (reversal)	2,181,137	(574,699)	1,606,438	4,377,992	1,098,216	-	(1,361,858)	4,114,350
Amount written off 10.6	-	-	-	(24,838)	-	-	-	(24,838)
Closing balance	<u>26,302,565</u>	<u>4,806,029</u>	<u>31,108,594</u>	<u>24,121,428</u>	<u>5,380,728</u>	<u>-</u>	<u>-</u>	<u>29,502,156</u>

10.5.1 Particulars of credit loss allowance against advances

	2025			2024		
	Stage 3	Stage 1 & 2	Total	Stage 3	Stage 1 & 2	Total
	Rupees in '000					
In local currency	25,556,534	4,504,503	30,061,037	23,366,736	5,051,168	28,417,904
In foreign currencies	746,031	301,526	1,047,557	754,692	329,560	1,084,252
	<u>26,302,565</u>	<u>4,806,029</u>	<u>31,108,594</u>	<u>24,121,428</u>	<u>5,380,728</u>	<u>29,502,156</u>

10.5.2 Consideration of forced sales value (FSV) for the purposes of provisioning against non-performing loans

During the current year, the Bank decided to not to avail the benefit of Forced Sales Value (FSV) against non-performing loans, as available under BSD Circular No. I of 21 October 2011 issued by the SBP.

	Note	2025	2024
		Rupees in '000	
10.6 Particulars of write offs			
10.6.1 Against credit loss allowance	10.5	-	24,838
Directly charged to profit and loss account		-	-
		<u>-</u>	<u>24,838</u>
10.6.2 Write offs of Rs. 500,000/- and above			
- Domestic		-	24,838
Write offs of below Rs. 500,000/		-	-
		<u>-</u>	<u>24,838</u>
11. PROPERTY AND EQUIPMENT			
Capital work-in-progress	11.1	917,133	457,063
Property and equipment	11.2	16,529,212	16,399,488
		<u>17,446,345</u>	<u>16,856,551</u>
11.1 Capital work-in-progress			
Civil works	11.1.1	448,002	265,241
Advance to suppliers		469,131	191,822
		<u>917,133</u>	<u>457,063</u>

11.1.1 This represents advances against renovation being carried out at various locations and to the vendors.

11.2 Property and equipment

	2025								
	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Lease hold improvements	Total
	Rupees in '000								
At 1 January 2025									
Cost / Revalued amount	3,126,605	4,180,590	703,066	3,408,574	1,493,247	8,915,171	468,999	6,787,279	29,083,531
Accumulated depreciation	-	-	(119,232)	(787,351)	(814,515)	(5,965,522)	(237,779)	(4,759,644)	(12,684,043)
Net book value	<u>3,126,605</u>	<u>4,180,590</u>	<u>583,834</u>	<u>2,621,223</u>	<u>678,732</u>	<u>2,949,649</u>	<u>231,220</u>	<u>2,027,635</u>	<u>16,399,488</u>
Year ended 31 December 2025									
Opening net book value	3,126,605	4,180,590	583,834	2,621,223	678,732	2,949,649	231,220	2,027,635	16,399,488
Additions	-	232,500	-	180,000	171,400	1,919,328	4,649	476,437	2,984,314
Disposals	-	-	-	-	(545)	(1,840)	(21,354)	-	(23,739)
Depreciation charge	-	-	(56,352)	(317,330)	(181,621)	(1,454,505)	(73,671)	(747,520)	(2,830,999)
Exchange rate adjustments	-	-	143	-	5	-	-	-	148
Closing net book value	<u>3,126,605</u>	<u>4,413,090</u>	<u>527,625</u>	<u>2,483,893</u>	<u>667,971</u>	<u>3,412,632</u>	<u>140,844</u>	<u>1,756,552</u>	<u>16,529,212</u>
At 31 December 2025									
Cost / Revalued amount	3,126,605	4,413,090	703,209	3,588,574	1,664,107	10,832,659	452,294	7,263,716	32,044,254
Accumulated depreciation	-	-	(175,584)	(1,104,681)	(996,136)	(7,420,027)	(311,450)	(5,507,164)	(15,515,042)
Net book value	<u>3,126,605</u>	<u>4,413,090</u>	<u>527,625</u>	<u>2,483,893</u>	<u>667,971</u>	<u>3,412,632</u>	<u>140,844</u>	<u>1,756,552</u>	<u>16,529,212</u>
Rate of depreciation (%)	<u>-</u>	<u>-</u>	<u>4</u>	<u>4</u>	<u>15</u>	<u>25</u>	<u>20</u>	<u>20</u>	

	2024								
	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Lease hold improvements	Total
	Rupees in '000								
At 1 January 2024									
Cost / Revalued amount	3,112,874	4,175,390	447,516	3,409,063	1,240,791	6,941,579	434,570	5,879,096	25,640,879
Accumulated depreciation	-	-	(69,385)	(472,342)	(654,047)	(4,781,436)	(157,945)	(4,083,810)	(10,218,965)
Net book value	<u>3,112,874</u>	<u>4,175,390</u>	<u>378,131</u>	<u>2,936,721</u>	<u>586,744</u>	<u>2,160,143</u>	<u>276,625</u>	<u>1,795,286</u>	<u>15,421,914</u>
Year ended 31 December 2024									
Opening net book value	3,112,874	4,175,390	378,131	2,936,721	586,744	2,160,143	276,625	1,795,286	15,421,914
Additions	13,731	5,200	255,550	-	252,997	1,974,225	47,597	908,183	3,457,483
Disposals	-	-	-	-	(526)	(633)	(13,168)	-	(14,327)
Depreciation charge	-	-	(49,847)	(315,009)	(160,468)	(1,184,086)	(79,834)	(675,834)	(2,465,078)
Exchange rate adjustments	-	-	-	(489)	(15)	-	-	-	(504)
Closing net book value	<u>3,126,605</u>	<u>4,180,590</u>	<u>583,834</u>	<u>2,621,223</u>	<u>678,732</u>	<u>2,949,649</u>	<u>231,220</u>	<u>2,027,635</u>	<u>16,399,488</u>
At 31 December 2024									
Cost / Revalued amount	3,126,605	4,180,590	703,066	3,408,574	1,493,247	8,915,171	468,999	6,787,279	29,083,531
Accumulated depreciation	-	-	(119,232)	(787,351)	(814,515)	(5,965,522)	(237,779)	(4,759,644)	(12,684,043)
Net book value	<u>3,126,605</u>	<u>4,180,590</u>	<u>583,834</u>	<u>2,621,223</u>	<u>678,732</u>	<u>2,949,649</u>	<u>231,220</u>	<u>2,027,635</u>	<u>16,399,488</u>
Rate of depreciation (%)	<u>-</u>	<u>-</u>	<u>4</u>	<u>4</u>	<u>15</u>	<u>25</u>	<u>20</u>	<u>20</u>	

11.3 Revaluation of properties

The Bank's land and buildings were revalued by an independent professional valuer, M/S Iqbal A. Nanjee & Co. (Private) Limited as at 30 June 2022. The valuation was performed by the valuer on the basis of an assessment of present market values. The revaluations had resulted in a surplus of Rs. 6,950,158 thousand over the book value. Details are as follows:

Revaluation surplus (gross amount without incremental depreciation):	Rupees in '000
Freehold land	1,070,460
Leasehold land	2,488,939
Buildings on Freehold land	404,431
Buildings on Leasehold land	<u>2,986,328</u>
	<u>6,950,158</u>

11.3.1 Surplus on revaluation of property and equipment (net of incremental depreciation) are as follows:

	2025	2024
	Rupees in '000	
Freehold land	1,070,460	1,070,460
Leasehold land	2,488,939	2,488,939
Buildings on Freehold land	260,811	301,797
Buildings on Leasehold land	<u>2,013,175</u>	<u>2,290,640</u>
	<u>5,833,385</u>	<u>6,151,836</u>

11.3.2 Had there been no revaluation the carrying amounts of revalued assets would have been as follows:

	2025	2024
	Rupees in '000	
Freehold land	2,042,414	1,975,330
Leasehold land	1,686,451	1,531,451
Buildings on freehold land	11,264	26,487
Buildings on leasehold land	<u>290,717</u>	<u>330,582</u>
	<u>4,030,846</u>	<u>3,863,850</u>

11.4 The cost of fully depreciated assets still in use includes:

Furniture and fixtures	<u>605,406</u>	<u>606,427</u>
Electrical, office and computer equipment	<u>4,011,327</u>	<u>3,632,624</u>
Vehicles	<u>58,772</u>	<u>50,881</u>
Lease hold improvements	<u>3,225,862</u>	<u>2,860,239</u>

11.5 Details of property and equipment disposed off to employees / ex employees during the year ended 31 December 2025

Particulars	Cost	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rupees in '000				
Vehicle	17	-	-	As per HR policy	Mr. Muhammad Zulfiqar (Employee)
Vehicle	4,512	2,287	3,600	As per HR policy	Mr. Khawaja Awais Pervaiz (Employee)
Vehicle	2,735	196	2,040	As per HR policy	Mr. Gohar Shakeel (Employee)
Vehicle	3,600	1,783	3,350	As per HR policy	Mr. Asad Bilal (Employee)
Vehicle	4,512	2,259	3,600	As per HR policy	Ms. Nazia Raza (Employee)
Vehicle	2,049	-	1,800	As per HR policy	Mr. Manzoor Ahmed Qureshi (Employee)
Vehicle	2,505	-	1,920	As per HR policy	Ms. Jaweria Khan (Employee)
Vehicle	2,525	-	1,860	As per HR policy	Mr. Farhan Ali Khan (Employee)
Vehicle	2,735	373	3,450	As per HR policy	Mr. Sahir Afif Khan (Employee)
Vehicle	2,619	1,009	3,450	As per HR policy	Mr. Rizwan Ahmad Siddiqui (Employee)
Vehicle	2,475	161	3,150	As per HR policy	Mr. Wasim Khalil (Ex-Employee)
Vehicle	4,512	2,433	3,600	As per HR policy	Mr. Shahzad Akhtar (Ex-Employee)
Vehicle	4,512	3,016	3,300	As per HR policy	Mr. Jauhar Shahab (Ex-Employee)
Vehicle	4,412	3,316	3,534	As per HR policy	Mr. Syed Noman Ahmed Zaidi (Ex-Employee)
Vehicle	2,520	666	3,050	As per HR policy	Mr. Aamir Ali Khan (Ex-Employee)
Vehicle	4,329	1,878	3,500	As per HR policy	Mr. Usman Javed (Ex-Employee)
Vehicle	2	-	15	As per HR policy	Mr. Rahim Gul (Ex-Employee)
Vehicle	2,619	1,069	3,500	As per HR policy	Mr. Masood Ahmed (Ex-Employee)
Vehicle	2,475	219	1,980	As per HR policy	Mr. Khalid Mahmood (Ex-Employee)
Vehicle	2,926	689	3,500	As per HR policy	Ms. Syeda Sarwat Zehra (Ex-Employee)

12. RIGHT-OF-USE ASSETS

	2025	2024
	Rupees in '000	
At 1 January		
Cost	13,419,612	12,452,599
Accumulated Depreciation	(4,811,230)	(4,851,146)
Net Carrying amount at 1 January	<u>8,608,382</u>	<u>7,601,453</u>
Opening carrying amount as at the start of the year	8,608,382	7,601,453
Additions during the year	2,014,226	2,625,820
Modification during the year	12,200	-
Termination / maturities during the year - Cost	(682,644)	(1,658,807)
Termination / maturities during the year - Accumulated Depreciation	649,502	1,582,770
Depreciation charge for the year	<u>(1,632,246)</u>	<u>(1,542,854)</u>
Closing carrying amount as at the end of the year	<u>8,969,420</u>	<u>8,608,382</u>
At 31 December		
Cost	14,763,394	13,419,612
Accumulated Depreciation	(5,793,974)	(4,811,230)
Net Carrying amount at 31 December	<u>8,969,420</u>	<u>8,608,382</u>

13. INTANGIBLE ASSETS

	Note	2025	2024
		Rupees in '000	
Capital work-in-progress - Computer Software		141,554	189,576
Computer Software	13.1	499,772	496,214
		<u>641,326</u>	<u>685,790</u>
13.1 Computer Software			
At 1 January			
Cost		1,495,486	1,066,641
Accumulated amortisation		(999,272)	(743,387)
Net Carrying amount at 1 January		<u>496,214</u>	<u>323,254</u>
Year ended 31 December			
Opening carrying amount as at the start of the year		496,214	323,254
Additions - directly purchased		301,816	428,845
Amortisation charge		(298,258)	(255,885)
Closing carrying amount as at the end of the year		<u>499,772</u>	<u>496,214</u>
At 31 December			
Cost		1,797,302	1,495,486
Accumulated Amortisation		(1,297,530)	(999,272)
Net Carrying amount at 31 December		<u>499,772</u>	<u>496,214</u>
Rate of Amortisation (percentage)		<u>33.3</u>	<u>33.3</u>
Useful life in years		<u>3</u>	<u>3</u>

13.2 The cost of fully amortised intangible assets (computer software) still in use is Rs. 709,531 thousand (2024: Rs. 648,996 thousand).

14. OTHER ASSETS

	Note	2025	2024
		Rupees in '000	
Income / mark-up / profit accrued in local currency - net		28,744,917	29,923,592
Income / mark-up / profit accrued in foreign currencies - net		266,740	397,849
Advances, deposits, advance rent and other prepayments		875,772	846,260
Advance taxation (payments less provision)		6,316,032	-
Non-banking assets acquired in satisfaction of claim	14.1	3,903,436	2,204,729
Mark-to-market gain on forward foreign exchange contracts	24.2	3,025,313	3,974,963
Mark-to-market gain on forward purchase of federal government security transactions		122,190	-
Acceptances		42,280,823	42,480,848
Receivable against rebate and remittances		4,386,735	337,728
Receivable from the SBP against encashment of government securities		10,317	23,182
Stationery and stamps on hand		393,740	339,127
Receivable from 1Link		4,846,526	2,183,238
Prepaid employment benefit		6,525,898	4,857,532
Others	14.2	780,476	734,530
		<u>102,478,915</u>	<u>88,303,578</u>
Credit loss allowance / provision held against other assets	14.3.1	(910,230)	(412,982)
Other Assets (Net of credit loss allowance / provision)		<u>101,568,685</u>	<u>87,890,596</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	14.1	2,572,871	2,095,111
Other assets - Total		<u>104,141,556</u>	<u>89,985,707</u>

	Note	2025	2024
Rupees in '000			
14.1			
Market value of non-banking assets acquired in satisfaction of claims			
Non-banking assets acquired in satisfaction of claim		3,903,436	2,204,729
Surplus on revaluation of non-banking assets acquired in satisfaction of claim		2,572,871	2,095,111
Market value of non-banking assets acquired in satisfaction of claims	14.1.1	<u>6,476,307</u>	<u>4,299,840</u>

14.1.1 Non-banking assets acquired in satisfaction of claims

Opening balance		4,299,840	4,299,840
Additions	14.1.2	1,700,000	–
Revaluations	14.1.3	477,760	–
Depreciation		(1,293)	–
Closing balance		<u>6,476,307</u>	<u>4,299,840</u>

14.1.2 During the year, the Bank has acquired properties of Rs. 1,700,000 thousands against debt swap transactions with borrowers resulting in reversal of credit loss allowance amounting to Rs. 1,700,000 thousands against reduction in non-performing loans of Rs. 1,700,000 thousands.

14.1.3 Non-banking assets acquired in satisfaction of claims have been revalued as at 30 June 2025 by M/s Akbani & Javed Associates. The valuation was performed by the independent professional valuer on the basis of assessment of present market values. The revaluation has resulted in an incremental surplus of Rs. 477,760 thousand over the existing revaluation surplus carried in the books. The total surplus arising on revaluation of Non-banking assets acquired in satisfaction of claims as at 31 December 2025 amounted to Rs. 2,572,871 thousand.

14.2 This includes Rs. 90,644 thousand (2024: Rs. 51,793 thousand) receivable on the sale of equity securities. This also includes fully provided balance of Rs. 559,075 thousand (2024: Rs. 394,816 thousand).

	2025	2024
Rupees in '000		
14.3 Credit loss allowance / provision held against other assets		
Claims receivable against fraud and forgeries	559,075	394,816
Acceptances	351,155	18,166
	<u>910,230</u>	<u>412,982</u>

14.3.1 Movement in Credit loss allowance / provision held against other assets

Opening balance	412,982	375,000
Impact of adoption of IFRS 9	–	88,854
Charge for the year	332,989	19,816
Reversal for the year	–	(70,688)
Net charge / (reversal) for the year	332,989	(50,872)
Transfer in / (out)	164,259	–
Closing balance	<u>910,230</u>	<u>412,982</u>

14.3.2 Particulars of credit loss allowance / provision against other assets

	2025		2024	
	Outstanding amount	Credit loss allowance held	Outstanding amount	Credit loss allowance held
	Rupees in '000			
Stage 1	30,873,112	1,014	36,245,581	12,518
Stage 2	10,803,503	6,170	6,235,267	5,648
Stage 3 / others	1,163,283	903,046	394,816	394,816
	<u>42,839,898</u>	<u>910,230</u>	<u>42,875,664</u>	<u>412,982</u>

	Note	2025	2024
		Rupees in '000	
15. BILLS PAYABLE			
In Pakistan		29,634,183	28,378,790
Outside Pakistan		101,959	100,032
		<u>29,736,142</u>	<u>28,478,822</u>

16. BORROWINGS

Secured

Borrowings from the State Bank of Pakistan under:

Export refinance scheme	16.2	42,610,243	59,242,166
Long term financing facility - renewable energy scheme	16.3	1,702,102	2,177,048
Long term financing facility	16.4	11,814,747	15,438,369
Temporary economic refinance facility	16.5	16,290,260	19,682,235
Long term financing facility - for storage of agricultural produce scheme	16.6	516,269	750,064
Refinance facility for modernization of SME	16.7	219,118	219,918
Refinance facility for combating COVID-19	16.8	2,590	18,881
Refinance and credit guarantee scheme for women entrepreneurs	16.9	50,398	59,816
	16.10	<u>73,205,727</u>	<u>97,588,497</u>
Repurchase agreement borrowings (Repo) - secured	16.11	182,762,717	225,809,401
Due against bills rediscounting - secured	16.12	2,066,279	-
Total secured		<u>258,034,723</u>	<u>323,397,898</u>

Unsecured

Call borrowing	16.13	5,602,462	100,000
Overdrawn nostro accounts		8,446,547	6,512,870
Overdrawn local bank account		-	-
Total unsecured		<u>14,049,009</u>	<u>6,612,870</u>
Total Borrowings		<u>272,083,732</u>	<u>330,010,768</u>

16.1 Particulars of borrowings with respect to currencies

In local currency	261,570,906	323,497,898
In foreign currencies	10,512,826	6,512,870
	<u>272,083,732</u>	<u>330,010,768</u>

- 16.2** These borrowings have been obtained from the SBP for extending export finance to customers. These carry mark-up at rates ranging from 5.50% to 7.00% per annum (2024: 8.00% to 16.50% per annum) and are due to mature latest by 23 June 2026.
- 16.3** These borrowings have been obtained from the SBP under a scheme for providing financing facilities to customers against renewable energy plants. These carry mark-up at rates ranging from 2.00% to 3.00% per annum (2024: 2.00% to 3.00% per annum) and are due to mature latest by 27 July 2035.
- 16.4** These borrowings have been obtained from the SBP under a scheme for providing concessionary financing facilities to the industry for purchase of new locally manufactured plant and machinery. These carry mark-up at rates ranging from 2.00% to 11.00% per annum (2024: 2.00% to 11.5% per annum) and are due to mature latest by 24 December 2029.
- 16.5** These borrowings have been obtained from the SBP under a scheme to provide concessionary refinance for setting up of new industrial units in the backdrop of challenges being faced by industries during the pandemic. These carry mark-up at rate of 1.00% per annum (2024: 1.00% per annum) and are due to mature latest by 07 March 2033.
- 16.6** These borrowings have been obtained from the SBP under a scheme for financing the storage of agricultural produce to encourage the private sector to establish silos, warehouses and cold storages. These carry mark-up at rate ranging from 2.00% to 3.25% per annum (2024: 2.00% per annum) and are due to mature latest by 21 February 2032.
- 16.7** These borrowings have been obtained from the SBP under a scheme to finance modernization of Small and Medium Enterprises (SME). These carry mark-up at rates of 2.00% per annum (2024: 2.00% per annum) and are due to mature latest by 20 May 2030.
- 16.8** These borrowings have been obtained from the SBP under a scheme to provide combat the emergency refinance facility to hospitals & medical centre. These carry mark-up at rates of 0% per annum (2024: 0% per annum) and are due to mature latest by 30 June 2026.
- 16.9** These borrowings have been obtained from the SBP under a scheme to provide finance for women entrepreneurs across the country. These carry mark-up at rate of 0% per annum (2024: 0% per annum) and are due to mature latest by 23 October 2030.
- 16.10** As per the terms of the agreement, the Bank has granted the SBP the right to recover the outstanding amounts from the Bank at the date of maturity of the finances by directly debiting the Bank's current account maintained with the SBP.
- 16.11** These carry mark-up rates ranging between 10.45% to 11.50% per annum (2024: 12.90% to 13.90% per annum) having maturity upto 27 Jan 2026 (2024: 14 Jan 2025) and are secured against investments mentioned in note 9.3.1.
- 16.12** This represents the obligation to the corresponding Banks on the discounting of foreign documentary bills purchased by the Bank on discount. The balance carries discount rate of Nil (2024: Nil) per annum having maturity upto Nil (2024: Nil).
- 16.13** These carry mark-up rate of 5.11% per annum having maturity upto 09 Jan 2026.

17. 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 accounts	343,056,005	68,835,626	411,891,631	335,607,455	64,648,144	400,255,599
Savings deposits	364,627,202	14,914,346	379,541,548	293,241,677	16,914,294	310,155,971
Term deposits	98,912,194	92,354,106	191,266,300	120,938,951	47,383,383	168,322,334
Others	31,094,342	7,461	31,101,803	29,656,415	240,192	29,896,607
	<u>837,689,743</u>	<u>176,111,539</u>	<u>1,013,801,282</u>	<u>779,444,498</u>	<u>129,186,013</u>	<u>908,630,511</u>
Financial institutions						
Current deposits	2,284,174	173,906	2,458,080	3,150,604	1,510,900	4,661,504
Savings deposits	103,077,540	-	103,077,540	12,587,401	-	12,587,401
Term deposits	265,666	22,597	288,263	1,230,888	22,473	1,253,361
Others	-	-	-	-	-	-
	<u>105,627,380</u>	<u>196,503</u>	<u>105,823,883</u>	<u>16,968,893</u>	<u>1,533,373</u>	<u>18,502,266</u>
	<u>943,317,123</u>	<u>176,308,042</u>	<u>1,119,625,165</u>	<u>796,413,391</u>	<u>130,719,386</u>	<u>927,132,777</u>

	2025	2024
	Rupees in '000	
17.1 Composition of deposits		
Individuals	478,667,345	482,699,275
Government (Federal and Provincial)	13,904,165	13,990,533
Public Sector Entities	51,214,536	20,261,531
Banking Companies	257,223	180,752
Non-Banking Financial Institutions	105,566,660	16,293,881
Private Sector	<u>470,015,236</u>	<u>393,706,805</u>
	<u>1,119,625,165</u>	<u>927,132,777</u>

17.2 This includes eligible deposits of Rs. 673,910,233 thousand (2024: Rs. 661,697,591 thousand) which are covered under deposit protection mechanism as required by the Deposit Protection Corporation circular no. 4 of 2018.

	2025	2024
	Rupees in '000	
18. LEASE LIABILITIES		
Opening balance	10,463,713	9,051,378
Addition during the year	2,014,226	2,625,820
Modification during the year	12,200	-
Deletion during the year	(39,180)	(97,017)
Lease payments including interest	(2,512,852)	(2,315,877)
Interest expense	<u>1,315,750</u>	<u>1,199,409</u>
Closing balance	<u>11,253,857</u>	<u>10,463,713</u>
18.1 Contractual maturities of lease liabilities		
Short-term lease liabilities - within one year	1,258,819	1,045,765
Long-term lease liabilities		
- 1 to 5 years	5,921,896	5,172,701
- 5 to 10 years	3,711,424	3,909,899
- More than 10 years	361,718	335,348
	<u>9,995,038</u>	<u>9,417,948</u>
Total lease liabilities	<u>11,253,857</u>	<u>10,463,713</u>

Aggregate 12.35% (31 December 2024: 12.38%) is used as discounting factor for the calculation of lease liability.

19. DEFERRED TAX LIABILITIES / (ASSETS)

	2025				
	Balance as at January 01, 2025	Impact of Adoption of IFRS 9	Recognised in profit and loss account	Recognised in OCI	Balance as at December 31, 2025
	Rupees in '000				
Deductible temporary differences on					
- Credit loss allowance for diminution in value of investments	(225,889)	-	10,206	-	(215,683)
- Credit loss allowance against:					
- advances	(5,629,063)	-	1,716,061	-	(3,913,002)
- off-balance sheet obligations	(275,224)	-	48,198	-	(227,026)
- Credit loss allowance - Others	(144,095)	-	(325,658)	-	(469,753)
- Right-of-use assets and related lease liabilities	-	-	(667,145)	-	(667,145)
- Accelerated tax depreciation	(404,683)	-	(169,198)	-	(573,881)
- Deferred liability on defined benefit plan	(31,024)	-	-	(8,163)	(39,187)
- Surplus on revaluation of investments	8,413,163	-	-	1,605,071	10,018,234
	1,703,185	-	612,464	1,596,908	3,912,557
Taxable temporary differences on					
- Surplus on revaluation of:					
- Property and equipment	1,373,992	-	(165,595)	(25,924)	1,182,473
- Non-banking assets	-	-	-	-	-
	1,373,992	-	(165,595)	(25,924)	1,182,473
	<u>3,077,177</u>	<u>-</u>	<u>446,869</u>	<u>1,570,984</u>	<u>5,095,030</u>

	2024				Balance as at December 31, 2024
	Balance as at January 01, 2024	Impact of Adoption of IFRS 9	Recognised in profit and loss account	Recognised in OCI	
Rupees in '000					
Deductable temporary differences on					
- Credit loss allowance for diminution in value of investments	(150,572)	107,324	(182,641)	-	(225,889)
- Credit loss allowance against advances	(5,419,310)	566,232	(775,985)	-	(5,629,063)
- Credit loss allowance - Others	-	(230,594)	(188,725)	-	(419,319)
- Accelerated tax depreciation	(315,883)	-	(88,800)	-	(404,683)
- Deferred liability on defined benefit plan	14,810	-	-	(45,834)	(31,024)
- (Deficit) / surplus on revaluation of investments	(1,489,949)	(177,649)	-	10,080,761	8,413,163
	(7,360,904)	265,313	(1,236,151)	10,034,927	1,703,185
Taxable temporary differences on					
- Surplus on revaluation of:					
- Property and equipment	1,426,787	-	(154,722)	101,927	1,373,992
- Non-banking assets	769,953	-	-	(769,953)	-
	2,196,740	-	(154,722)	(668,026)	1,373,992
	(5,164,164)	265,313	(1,390,873)	9,366,901	3,077,177

20. OTHER LIABILITIES

	Note	2025	2024
Rupees in '000			
Mark-up / return / interest payable in local currency		12,568,370	15,426,508
Mark-up / return / interest payable in foreign currencies		1,482,978	973,600
Unearned commission and income		1,071,473	1,016,338
Accrued expenses		2,977,005	2,743,998
Current taxation (provision less payments)		-	6,221,510
Acceptances		42,280,823	42,480,848
Unclaimed dividend		187,714	184,922
Branch adjustment account		9,330	8,944
Mark to market loss on forward foreign exchange contracts	24.2	4,428,601	3,275,493
Provision for compensated absences	39.2	413,478	356,893
Payable to defined benefit plan	38.4	150,719	117,071
Credit loss allowance against off-balance sheet obligations	20.1	436,587	353,883
Workers' welfare fund	20.2	5,895,464	4,895,001
Charity fund balance		126	458
Excise duty payable		2,676	2,920
Locker deposits		1,205,428	965,722
Clearing and settlement account		14,832,413	812,976
Advance against diminishing musharaka		152,755	7,693
Advance rental for ijarah		20,354	19,695
Security deposits against leases / ijarah		75,860	197,598
Sundry creditors		3,413,334	4,011,907
Deferred grant income		99,269	147,275
Withholding tax / duties		1,199,912	1,496,718
Others		369,552	220,737
		<u>93,274,221</u>	<u>85,938,708</u>

20.1 Credit loss allowance against off-balance sheet obligations

Opening balance	353,883	32,583
Impact of adoption of IFRS 9	-	519,290
Charge for the year	82,704	-
Reversal for the year	-	(197,990)
Net charge / (reversal) for the year	82,704	(197,990)
Closing balance	<u>436,587</u>	<u>353,883</u>

20.1.1 The above represents credit loss allowance held against certain letters of credit and guarantees.

20.1.2 Particulars of credit loss allowance against off balance sheet obligations

	2025		2024	
	Outstanding amount	Credit loss allowance held	Outstanding amount	Credit loss allowance held
Rupees in '000				
Stage 1	289,582,395	17,307	324,128,851	40,098
Stage 2	84,546,454	88,713	57,805,966	127,985
Stage 3 / specific	422,007	330,567	381,981	185,800
	<u>374,550,856</u>	<u>436,587</u>	<u>382,316,798</u>	<u>353,883</u>

20.2 Under the Workers' Welfare Ordinance 1971, the Bank is liable to pay workers' welfare fund (WWF) @ 2% of accounting profit before tax or taxable income, whichever is higher. The Bank has made full provision for WWF based on profit for the respective years.

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 this order which are currently pending.

Legal advice obtained on the matter indicates that consequent to filing of these review petitions the judgement may not currently be treated as conclusive. Accordingly the Bank maintains its provision in respect of WWF.

21. SHARE CAPITAL

21.1 Authorised capital

2025	2024		2025	2024
(Number of shares)			Rupees in '000	
<u>1,200,000,000</u>	<u>1,200,000,000</u>	Ordinary shares of Rs. 10/- each	<u>12,000,000</u>	<u>12,000,000</u>

21.2 Issued, subscribed and paid-up capital

		Ordinary shares of Rs. 10/- each		
30,000,000	30,000,000	- Fully paid in cash	300,000	300,000
92,500,000	92,500,000	- Issued upon amalgamation	925,000	925,000
<u>925,331,480</u>	<u>925,331,480</u>	- Issued as bonus shares	<u>9,253,315</u>	<u>9,253,315</u>
<u>1,047,831,480</u>	<u>1,047,831,480</u>		<u>10,478,315</u>	<u>10,478,315</u>

21.3 As of the date of statement of financial position, the Holding Company held 534,394 thousand (2024: 534,394 thousand) ordinary shares of Rs. 10/- each (51% holding) and Habib Insurance Company Limited (the associated company) held 5,963 thousand (2024: 4,000 thousand) ordinary shares of Rs. 10/- each.

22. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS	Note	2025	2024
		Rupees in '000	
Surplus / (deficit) on revaluation of			
- Securities measured at FVOCI-Debt	9.1	11,846,798	12,125,836
- Securities measured at FVOCI-Equity	9.1	7,419,037	3,748,056
- Property and equipment	22.1	5,833,385	6,151,836
- Non-banking assets acquired in satisfaction of claims	22.2	2,572,871	2,095,111
		<u>27,672,091</u>	24,120,839
Less: Deferred tax on surplus / (deficit) on revaluation of			
- Securities measured at FVOCI-Debt	9.1	6,160,335	6,426,693
- Securities measured at FVOCI-Equity	9.1	3,857,899	1,986,470
- Property and equipment	22.1	1,182,473	1,373,992
- Non-banking assets acquired in satisfaction of claims	22.2	-	-
		<u>(11,200,707)</u>	(9,787,155)
		<u>16,471,384</u>	<u>14,333,684</u>
22.1 Surplus on revaluation of property and equipment			
Surplus on revaluation as at 1 January		6,151,836	6,471,163
Revaluation of property and equipment during the year		-	-
Transferred from non banking asset		-	-
Transferred to unappropriated profit in respect incremental depreciation during the year - net of deferred tax		(152,856)	(164,605)
Related deferred tax liability on incremental depreciation		(165,595)	(154,722)
		<u>(318,451)</u>	(319,327)
Surplus on revaluation as at 31 December		5,833,385	6,151,836
Less: Related deferred tax liability on:			
Revaluation as at 1 January		1,373,992	1,426,787
Revaluation of property and equipment during the year		-	-
Transferred to property and equipments		-	-
Impact of change in tax rate		(25,924)	101,927
Incremental depreciation charged during the year		(165,595)	(154,722)
		<u>(191,519)</u>	(52,795)
Related deferred tax liability		1,182,473	1,373,992
		<u>4,650,912</u>	<u>4,777,844</u>
22.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims			
Surplus on revaluation as at 1 January		2,095,111	2,095,111
Revaluation of non-banking assets during the year		477,760	-
Transferred to property and equipment		-	-
Transferred to unappropriated profit in respect incremental depreciation during the year - net of deferred tax		-	-
Related deferred tax liability on incremental depreciation		-	-
		<u>477,760</u>	-
Surplus on revaluation as at 31 December		2,572,871	2,095,111
Less: Related deferred tax liability on:			
Revaluation as at 1 January		-	769,953
Revaluation of non-banking assets during the year		-	-
Transferred to property and equipment		-	-
Impact of change in tax rate		-	(769,953)
Incremental depreciation during the year		-	-
		<u>-</u>	(769,953)
Related deferred tax liability		-	-
		<u>2,572,871</u>	<u>2,095,111</u>

	Note	2025	2024 (Restated)
		Rupees in '000	
23. CONTINGENCIES AND COMMITMENTS			
Guarantees	23.1	166,456,804	152,625,779
Commitments	23.2	842,389,120	794,758,394
Other contingent liabilities	23.3	2,880,338	2,986,394
		<u>1,011,726,262</u>	<u>950,370,567</u>
23.1 Guarantees			
Financial guarantees		35,104,991	33,303,405
Performance guarantees		45,403,766	55,070,186
Other guarantees		85,948,047	64,252,188
		<u>166,456,804</u>	<u>152,625,779</u>
23.2 Commitments			
Documentary credits and short-term trade-related transactions:			
Letters of credit		208,094,052	229,691,020
Commitments in respect of:			
Forward foreign exchange contracts	23.2.1	607,256,815	547,663,058
Forward Government security transactions	23.2.2	26,408,764	16,393,540
Forward lendings	23.2.3	74,976	388,000
Commitments for:			
Acquisition of property and equipment		554,513	622,776
		<u>842,389,120</u>	<u>794,758,394</u>
23.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		332,412,173	260,615,930
Sale		274,844,642	287,047,128
		<u>607,256,815</u>	<u>547,663,058</u>
23.2.2 Commitments in respect of forward Government security transactions			
Purchase		26,408,764	16,393,540
Sale		—	—
		<u>26,408,764</u>	<u>16,393,540</u>
23.2.3 Commitments in respect of forward lendings			
The Bank has made commitments to extend credit in the normal course of its business, but none of these commitments are irrevocable and do not attract any penalty if the facility is unilaterally withdrawn, except for the following:			
	Note	2025	2024
		Rupees in '000	
Commitments in respect of syndicate financing		<u>74,976</u>	<u>388,000</u>
23.3 Other contingent liabilities			
Claims against bank not acknowledged as debt	23.3.1	2,880,338	2,880,338
Foreign Exchange repatriation case		—	106,056
		<u>2,880,338</u>	<u>2,986,394</u>

23.3.1 These mainly represent counter claims by borrowers for damages and other claims against the Bank. Management is confident that the matters will be decided in the Bank's favour. Accordingly, no provision has been made in these unconsolidated financial statements.

24. DERIVATIVE FINANCIAL INSTRUMENTS

The Bank deals in derivative financial instruments namely forward foreign exchange contracts and foreign currency swaps with the principal view of hedging the risks arising from its trade business.

As per the Bank's policy, these contracts are reported on their fair value at the statement of financial position date. The gains and losses from revaluation of these contracts are included under "Foreign exchange income". Mark to market gains and losses on these contracts are recorded on the statement of financial position under "other assets / other liabilities".

These products are offered to the Bank's customers to protect from unfavorable movements in foreign currencies. The Bank hedges such exposures in the inter-bank foreign exchange market.

These positions are reviewed on a regular basis by the Bank's Asset and Liability Committee (ALCO).

24.1 Product Analysis

Counter Parties	Forward foreign exchange contracts			
	2025		2024	
	Notional Principal	Mark to Market Gain / (Loss)	Notional Principal	Mark to Market Gain / (Loss)
	Rupees in '000			
Banks				
Hedging	448,643,639	412,051	435,802,474	2,193,620
Other Entities				
Hedging	158,613,176	(1,815,339)	111,860,584	(1,494,150)
Total				
Hedging	<u>607,256,815</u>	<u>(1,403,288)</u>	<u>547,663,058</u>	<u>699,470</u>

24.2 Maturity Analysis

	Number of Contracts	Notional Principal	2025		
			Mark to Market		
			Gain	Loss	Net
			Rupees in '000		
Upto 1 month	823	226,767,541	910,555	(1,686,611)	(776,056)
1 to 3 months	568	231,805,251	1,202,960	(2,021,360)	(818,400)
3 to 6 months	348	131,574,462	699,623	(652,392)	47,231
6 months to 1 year	23	17,109,561	212,175	(68,238)	143,937
	<u>1762</u>	<u>607,256,815</u>	<u>3,025,313</u>	<u>(4,428,601)</u>	<u>(1,403,288)</u>

	2024				
	Number of Contracts	Notional Principal	Mark to Market		
			Gain	Loss	Net
Rupees in '000					
Upto 1 month	773	293,149,627	2,245,700	(1,725,098)	520,602
1 to 3 months	403	165,046,042	1,282,014	(1,235,839)	46,176
3 to 6 months	182	88,144,692	444,192	(308,435)	135,757
6 months to 1 year	7	1,322,697	3,057	(6,122)	(3,065)
	<u>1,365</u>	<u>547,663,058</u>	<u>3,974,963</u>	<u>(3,275,494)</u>	<u>699,470</u>

	Note	2025	2024
Rupees in '000			
25. MARK-UP / RETURN / INTEREST EARNED			
Loans and advances		52,484,473	69,050,079
Investments	25.1	103,029,828	161,266,854
Lending with financial institutions		3,745,670	3,427,965
Balance with banks		1,748	493,770
		<u>159,261,719</u>	<u>234,238,668</u>
25.1 Interest income recognised on:			
Financial assets measured at amortised cost;		11,707,602	14,175,285
Financial assets measured at FVTPL		5,950,446	7,007,028
Financial assets measured at FVOCI		85,371,780	140,084,541
		<u>103,029,828</u>	<u>161,266,854</u>
26. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		54,649,258	111,590,768
Borrowings		32,366,980	43,713,739
Cost of foreign currency swaps against foreign currency deposits / borrowings		4,472,110	7,420,864
Lease liability against right-of-use assets		1,315,750	1,199,409
		<u>92,804,098</u>	<u>163,924,780</u>
27. FEE & COMMISSION INCOME			
Branch banking customer fees		1,527,693	1,310,692
Card related fees (debit cards)		1,386,065	1,018,402
Credit related fees		55,831	40,840
Investment Banking Fee		116,882	100,627
Commission on trade		6,348,857	6,588,189
Commission on guarantees		1,372,942	1,206,113
Commission on cash management		222,095	191,647
Commission on remittances including home remittances		44,384	87,524
Commission on bancassurance		172,640	171,804
Others		45,955	36,746
		<u>11,293,344</u>	<u>10,752,584</u>

	Note	2025	2024
		Rupees in '000	
28. GAIN / (LOSS) ON SECURITIES - NET			
Realised	28.1	3,088,630	1,274,027
Unrealised - Measured at FVTPL		753,881	1,176,593
Unrealised - forward purchase of federal Government security transactions		122,190	-
		<u>3,964,701</u>	<u>2,450,620</u>
28.1 Realised gain / (loss) on:			
Federal government securities - net		3,386,209	1,268,398
Non-government debt securities		(406,030)	-
Shares		5,576	-
Mutual funds - net		97,975	(3,694)
Real estate investment trust - net		4,900	9,323
		<u>3,088,630</u>	<u>1,274,027</u>
28.2 Net gain / (loss) on financial assets / liabilities measured at FVTPL:			
Designated upon initial recognition		-	-
Mandatorily measured at FVTPL		1,211,233	2,359,793
		<u>1,211,233</u>	<u>2,359,793</u>
Net gain on financial assets measured at FVOCI - Debt		2,753,468	90,827
		<u>3,964,701</u>	<u>2,450,620</u>
29. Net gain / (loss) on financial assets / liabilities measured at amortised cost:			
Loss on derecognition of financial assets		-	(3,602)
30. OTHER INCOME			
Rent on properties		32,185	31,082
Recoveries against insurance claims		-	90,000
Gain on sale of property and equipment - net		50,233	41,338
Gain on sale of ijarah assets - net		51,260	71,725
Gain on sale of non-banking assets		-	-
Gain on termination of right-of-use-assets - net		6,039	20,980
Staff notice period and other recoveries		217	1,023
		<u>139,934</u>	<u>256,148</u>

	Note	2025	2024
Rupees in '000			
31. OPERATING EXPENSES			
Total compensation expense	31.1	15,612,725	13,509,395
Property expense			
Rent & taxes		172,750	75,031
Insurance		14,393	12,644
Utilities cost		1,480,470	1,650,162
Security (including guards)		1,386,969	1,136,795
Repair & maintenance (including janitorial charges)		1,184,890	1,080,356
Depreciation on property and equipment		1,121,205	1,040,687
Depreciation on right-of-use assets		1,632,246	1,542,854
Depreciation on non-banking assets		1,293	–
		<u>6,994,216</u>	<u>6,538,529</u>
Information technology expenses			
Software maintenance		1,336,866	841,723
Hardware maintenance		467,009	456,524
Depreciation		723,007	545,513
Amortisation		298,258	255,885
Network charges		569,584	380,190
		<u>3,394,724</u>	<u>2,479,835</u>
Other operating expenses			
Directors' fees and allowances		32,242	28,842
Fees and allowances to Shariah Board	40.3	34,641	27,246
Legal & professional charges		322,579	322,957
Outsourced services costs	37.1	432,556	372,313
Travelling & conveyance		1,442,972	856,772
NIFT clearing charges		161,249	123,534
Depreciation		986,787	878,878
Training & development		68,217	62,992
Postage & courier charges		205,166	203,627
Communication		844,129	778,750
Subscription		923,912	816,996
Entertainment		287,902	296,381
Repair & maintenance		350,822	408,081
Brokerage & commission		198,107	180,231
Stationery & printing		476,104	570,669
Marketing, advertisement & publicity		501,212	802,075
Management fee		2,285,352	1,479,989
Insurance		1,556,641	1,471,784
Donations	31.3	526,600	519,952
Auditors' Remuneration	31.4	38,637	28,080
Security		485,448	414,470
Others		640,703	311,266
	31.2	<u>12,801,978</u>	<u>10,955,885</u>
		<u>38,803,643</u>	<u>33,483,644</u>

	2025	2024
	Rupees in '000	
31.1 Total compensation expense		
Managerial Remuneration		
i) Fixed	12,582,645	10,930,079
ii) Variable - Cash Bonus / Awards etc.	1,354,454	995,704
Charge for defined benefit plan	322,010	310,200
Contribution to defined contribution plan	427,266	373,060
Charge for compensated absences	182,332	149,026
Rent & house maintenance	47,147	44,400
Conveyance	666,320	677,524
Employee Old Age Benefits Contribution	30,551	29,402
	<u>15,612,725</u>	<u>13,509,395</u>

31.2 Total cost for the year included in other operating expenses (other than in outsourced services cost) relating to outsourced activities is Rs. 285,935 thousand (2024: Rs. 192,765 thousand) pertaining to payments made to companies incorporated in Pakistan.

31.3 Donations paid in excess of Rs. 500,000 to a single party during the year are as follows:

DONEE

	2025	2024
	Rupees in '000	
Memon Health and Education Foundation (Memon Medical Institute)	120,000	150,500
Sindh Institute of Urology & Transplantation (SIUT)	56,800	58,693
Habib University Foundation	30,000	30,000
Khoja (Pirhai) Shia Isna Asheri Jamat (KPSIAJ)	25,000	36,200
Patients' Aid Foundation	23,700	1,000
The Indus Hospital	9,350	57,430
The Citizens Foundation	8,700	8,000
The Layton Rehmatulla Benevolent Trust	8,640	4,000
Lahore University of Management Sciences	7,362	-
Health and Nutrition Development Society	7,000	-
Comprehensive Disaster Response Services (CDRS)	5,600	-
Karachi Relief Trust	5,000	-
Family Educational Services Foundation	4,700	4,200
Network of Organizations Working with Persons with Disabilities, Pakistan (NOWPDP)	2,600	-
The Patients Behbud Society for AKUH	2,500	2,000
Pakistan Blind Cricket Council	2,500	1,000
Special Olympics Pakistan	2,500	-
Publican Alumni Trust	2,500	-
Al-Sayyeda Benevolent Trust	2,400	2,500
Habib Medical Trust	2,400	960
Ida Rieu Welfare Association	2,298	1,300
The Hunar Foundation	2,250	3,250
The Kidney Centre Post Graduate Training Institute	2,250	1,000
Karwan-e-Hayat (Institute For Mental Health)	2,000	2,500
Shaukat Khanum Memorial Trust	2,000	1,000
Zehra Homes	2,000	1,000

	2025	2024
	Rupees in '000	
Habib Girls School Trust	2,000	–
Idara-i-Talim-o-Aagahi Public Trust	1,800	1,560
Women Empowerment Group (Pink Ribbon)	1,800	1,200
Orange Tree Foundation	1,760	1,475
School Of Leadership Foundation	1,550	–
The Health Foundation	1,500	2,000
Karachi Down Syndrome Program	1,500	1,500
Rehnuma Public School (Path Education Society)	1,500	–
Islamic Relief	1,500	–
Al-Umeed Rehabilitation Association	1,250	1,000
Pakistan Hindu Council	1,250	–
Institute of Management Sciences	1,227	–
Safaid Posh Dastarkhwan	1,200	51,200
Saylani Welfare International	1,200	5,236
Ghulaman-e-Abbas Educational & Medical Trust	1,050	–
Abdul Sattar Edhi Foundation	1,000	1,000
Alleviate Addiction Suffering Trust (AAS Trust)	1,000	1,000
Mohamedali Habib Welfare Trust	1,000	1,000
Al Madad Welfare Society	1,000	965
World Wide Fund For Nature Pakistan	1,000	700
Ayesha Chundrigar Foundation	1,000	500
GOREAD.PK	1,000	–
Afzaal Memorial Thalassemia Foundation	1,000	–
Al Mustafa Trust	1,000	–
Haseen Habib Foundation Trust	1,000	–
Pakistan Eye Bank Society	1,000	–
Pak Medical and Welfare Trust (Paknight Clinic)	750	750
Pakistan Memon Educational & Welfare Society	600	600
Bantva Memon Jamat	550	–
Panah Trust	500	1,000
Developments in Literacy	500	660
Depilex Smileagain Foundation	500	500
Habib Public School	500	500
Health Oriented Preventive Education	500	500
Healthcare and Social welfare Association	500	500
Memon Educational Board	500	500
Pakistan Memon Women Educational Society	500	500
Poor Patients Aid Society Civil Hospital Karachi	500	500
Transformation International Society	500	500
Marie Adelaide Leprosy Centre	500	–
AL-Mustafa Welfare Society Trust	500	–
The Dawood Foundation	500	–
ChildLife Foundation	–	16,000
Dawat-e-Islami Trust	–	14,500
Institute of Business Administration	–	10,000
Lady Dufferin Hospital	–	3,000

	2025	2024
	Rupees in '000	
Bait-ul-Sukoon	-	2,500
Zubaida Machiyara Trust	-	1,500
Abbas-e-Alamdar Hostel	-	1,050
Anjuman Behbood-e-Samat-e-Atfal	-	1,000
NJ Welfare Trust	-	1,000
Jafaria Disaster Cell Welfare Organization	-	825
Make-A-WISH FOUNDATION PAKISTAN	-	750
Vocational Welfare Society for Mentally Retarded Markaz-e-Umeed	-	500

None of the directors, executives and their spouses had interest in the donations disbursed during the year 2025, except for donations paid to:

Name of Donee	Directors	Interest in Donee as
Habib University Foundation	Mr. Mohomed Bashir Mr. Mohamedali R. Habib Mr. Muhammad H. Habib	Member of the Board of Directors Member of the Board of Directors Member of the Board of Directors

31.4 Auditors' remuneration	Note	2025	2024
		Rupees in '000	
Statutory Audit fee		13,500	12,500
Fee for the consolidated financial statements		2,500	2,000
Review of the half yearly financial statements		2,500	2,500
Fee for other statutory certifications		8,300	1,667
Fee for Group Reporting		5,000	3,000
Out of pocket expenses		3,975	4,333
Sales tax on above services		2,862	2,080
		<u>38,637</u>	<u>28,080</u>

32. OTHER CHARGES

Penalties imposed by the SBP	<u>292,953</u>	<u>187,804</u>
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33. CREDIT LOSS ALLOWANCE & WRITE OFFS - NET

Credit loss allowance:			
- against cash and balances with banks		133,904	(3,473)
- against lendings to financial institutions	8.4	339	(85)
- for diminution in value of investments	9.4	(11,431)	337,945
- against loans & advances	10.5	1,606,438	4,114,350
- against other assets	14.3.1	332,989	(50,872)
- against off balance sheet obligations	20.1	82,704	(197,990)
Recovery of written off / charged off bad debts		<u>(315,807)</u>	<u>(70,000)</u>
		<u>1,829,136</u>	<u>4,129,875</u>

	Note	2025	2024
		Rupees in '000	
34. TAXATION			
Current			
- current year		26,139,155	29,377,346
- prior year	34.2	(148,017)	-
		25,991,138	29,377,346
Deferred			
- current year		134,909	(928,643)
- prior year (due to change in tax rate)		142,429	(462,230)
- prior year	19	169,531	-
		446,869	(1,390,873)
		26,438,007	27,986,473

34.1 Income tax assessments of the Bank have been finalised up to the tax year 2025 (corresponding to the accounting year ended 31 December 2024). Certain appeals are pending with the Appellate Tribunal Inland Revenue (ATIR) and Sindh High Court. However, adequate provisions are being held by the Bank

34.2 During the year, amendments introduced through the Finance Act, 2025 resulted in changes to the tax treatment of certain items recognised under IFRS 16 – Leases and IFRS 9 – Financial Instruments. Under the amended provisions of the Income Tax Ordinance, 2001, depreciation and finance cost recognised on right-of-use assets under IFRS 16 are required to be added back for tax purposes, while the actual rental expense is allowable as a deduction. In addition, deduction for impairment of advances under the Seventh Schedule has been restricted to non-performing loans classified under the "Loss" category" in accordance with Prudential Regulations No. 8 issued by the State Bank of Pakistan.

The amendments have been made retrospectively applicable, resulting in tax adjustments relating to prior periods. Accordingly, the Bank has recognised in the current year the cumulative tax impact of these retrospective changes amounting to Rs. 148,017 thousands as a 'prior year tax charge'. The adjustment arises from changes in tax legislation and does not represent the correction of an error; therefore, comparative information has not been restated.

	2025	2024
	Rupees in '000	
34.3 Relationship between tax expense and accounting profit		
Profit before tax	49,022,690	52,659,981
Tax at the applicable tax rate of 53% (2024:54%)	25,982,026	28,436,390
Deferred tax impact of IFRS Adoption	-	(106,915)
Prior year tax charge	(197,125)	-
Deferred tax - prior year (due to change in tax rate)	142,429	(462,230)
Permanent differences	337,452	131,455
Others	173,225	(12,227)
Tax charge for the year	26,438,007	27,986,473

35. BASIC AND DILUTED EARNINGS PER SHARE

Profit after taxation	22,584,683	24,673,508
	Number in '000	
Weighted average number of ordinary shares	1,047,831	1,047,831
	Rupees	
Basic and diluted earnings per share	21.55	23.55

37. STAFF STRENGTH	2025	Number	2024
Permanent	6,088		5,846
On bank contract	434		500
Bank's own staff strength at end of the year	<u>6,522</u>		<u>6,346</u>

37.1 In addition to the above, 881 (2024: 899) employees of outsourcing services companies were assigned to the Bank as at 31 December 2025 to perform services other than guarding and janitorial services.

38. DEFINED BENEFIT PLAN

38.1 General description

The benefits under the funded gratuity scheme are payable on retirement age or earlier cessation of service. The benefit is equal to one month's last basic salary drawn for each year of eligible service. The minimum qualifying period for eligibility under the plan is five years of continuous service.

38.2 Number of employees under the scheme	2025	Number	2024
Gratuity fund	<u>6,087</u>		<u>5,814</u>

38.3 Principal actuarial assumptions

The latest actuarial valuation was carried out on 31 December 2025 using "Projected Unit Credit Actuarial Cost Method". The main assumptions used for the actuarial valuation were as follows:

	2025	2024
Discount rate - percent per annum	11.25	12.00
Expected rate of return on plan assets - percent per annum	12.00	16.00
Expected long term rate of salary increase - percent per annum	10.75	11.50
Mortality rates (for death in service)	Adjusted SLIC 2001- 2005	Adjusted SLIC 2001- 2005

38.4 Reconciliation of payable to defined benefit plan	Note	2025	2024
		Rupees in '000	
Fair value of plan assets	38.6	2,853,190	2,491,699
Present value of defined benefit obligation	38.5	<u>(3,003,909)</u>	<u>(2,608,770)</u>
Payable to defined benefit plan		<u>(150,719)</u>	<u>(117,071)</u>

38.5 Movement in defined benefit plan

Obligations at the beginning of the year	2,608,770	2,273,119
Current service cost	327,634	319,872
Past service cost	-	-
Interest cost	295,728	344,948
Benefits due but not paid (payable)	(1,308)	-
Benefits paid by the Bank	(287,438)	(234,391)
Re-measurement loss / (gain)	60,523	(94,778)
Obligations at the end of the year	<u>3,003,909</u>	<u>2,608,770</u>

	Note	2025	2024
Rupees in '000			
38.6 Movement in fair value of plan assets			
Fair value at the beginning of the year		2,491,699	2,333,569
Interest income on plan assets		301,352	354,620
Contribution by the Bank		326,925	60,000
Benefits paid		(287,438)	(234,391)
Benefits due but not paid		(1,308)	-
Re-measurements: net return on plan assets over interest income loss	38.8.2	21,960	(22,099)
Fair value at the end of the year		<u>2,853,190</u>	<u>2,491,699</u>
38.7 Movement in payable under defined benefit schemes			
Opening balance		117,071	(60,450)
Charge for the year	38.8.1	322,010	310,200
Contribution by the Bank		(326,925)	(60,000)
Re-measurement loss / (gain) recognised in OCI during the year	38.8.2	38,563	(72,679)
Closing balance		<u>150,719</u>	<u>117,071</u>
38.8 Charge for defined benefit plans			
38.8.1 Cost recognised in profit and loss			
Past service cost		-	-
Current service cost		327,634	319,872
Net interest on defined benefit asset		(5,624)	(9,672)
		<u>322,010</u>	<u>310,200</u>
38.8.2 Re-measurements recognised in OCI during the year			
(Gain) / loss on obligation			
- Financial assumptions		-	(19,089)
- Demographic assumptions		(4,145)	4,749
- Experience adjustment		64,668	(80,438)
		<u>60,523</u>	<u>(94,778)</u>
Return on plan assets over interest income		(21,960)	22,099
Total re-measurements recognised in OCI		<u>38,563</u>	<u>(72,679)</u>
38.9 Components of plan assets			
PLS Saving Account	38.9.1	77,528	77,528
Cash and cash equivalents - net		85,668	86,644
Term Deposit Certificates		-	238,485
Federal Government Securities			
Defense Saving Certificates		1,543,400	1,369,700
Market treasury bills		759,808	406,312
Pakistan Investment Bonds		388,094	313,030
Benefits due but not paid (payables)		(1,308)	-
		<u>2,853,190</u>	<u>2,491,699</u>

38.9.1 The amount represents balance which is deposited with the branches of the Bank. Further, the funds primarily invested in Government securities which do not carry any credit risk, however, these are subject to interest rate risk based on interest rate movements and are regularly monitored by the Trustees of the employee funds.

38.10 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:

	2025 Gratuity Fund Rupees in '000
1% increase in discount rate	2,792,801
1% decrease in discount rate	3,243,688
1% increase in expected future increment in salary	3,247,300
1% decrease in expected future increment in salary	2,785,780
10% increase in expected withdrawal rate	3,003,148
10% decrease in expected withdrawal rate	3,004,496
1% increase in expected mortality rate	3,005,042
1% decrease in expected mortality rate	3,002,861

Although the analysis does not take account of the full distribution of expected cash flows, it does provide an approximation of the sensitivity of the assumptions shown.

38.11 Expected contributions to be paid to the funds in the next financial year

246,949

38.12 Expected charge for the next financial year

246,949

38.13 Maturity profile

The weighted average duration of the obligation is 7.5 years.

38.14 Funding Policy

The Bank has the policy to make annual contributions to the fund based on actuarial report.

38.15 Significant risk associated with the staff retirement benefit schemes include:

Asset volatility	The risk of the investment underperforming and being not sufficient to meet the liabilities.
Changes in bond yields	The duration of the liabilities is 7.5 Years. Based on the weighted average duration of this plan and guidance from Pakistan Society of Actuaries ("PSOA"), the discount rate used for the calculations is 12.00% per annum.
Inflation risk	The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.
Mortality rate	The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.
Withdrawal rate	The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

39. DEFINED CONTRIBUTION PLAN AND COMPENSATED ABSENCES

39.1 Provident fund

The Bank operates a contributory provident fund scheme for permanent employees. The employer and employee each contribute 10% of the basic salary to the funded scheme every month.

Number of the members participating in the fund at the end of the year 30 June 2025 as per accounts are 5,310 (30 June 2024: 5,221).

39.2 Compensated absences

The Bank maintains a non-funded scheme for compensated absences. These can be accumulated up to 60 days. Liability as of the year-end was Rs. 413,478 thousand (2024: Rs. 356,536 thousand) and was determined through an actuarial valuation carried out under the 'Projected Unit Credit Method'. Valuation was carried out by a qualified actuary. Charge for the year amounting to Rs. 182,332 thousand (2024: Rs. 149,266 thousand) has been recognised to the profit and loss account.

40. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

40.1 Total compensation expense

	2025					
	Directors		Members	President &	Key	Other material
	Chairman	Non-executives	Shari'ah Board	Chief Executive Officer	management personnel	risk taker / controller
	Rupees in '000					
Fees	-	20,800	-	-	-	-
Managerial remuneration						
Fixed	-	-	33,847	93,150	460,423	795,918
Charge for defined benefit plan	-	-	361	3,450	16,584	30,664
Contribution to defined contribution plan	-	-	433	4,140	17,674	28,798
Security charges and vehicle maintenance	11,045	-	-	-	-	-
Utilities	397	-	-	-	-	-
	<u>11,442</u>	<u>20,800</u>	<u>34,641</u>	<u>100,740</u>	<u>494,681</u>	<u>855,380</u>
Number of persons	<u>1</u>	<u>4</u>	<u>3</u>	<u>1</u>	<u>21</u>	<u>86</u>
	2024					
	Directors		Members	President &	Key	Other material
	Chairman	Non-executives	Shari'ah Board	Chief Executive Officer	management personnel	risk taker / controller
	Rupees in '000					
Fees	-	21,300	-	-	-	-
Managerial remuneration fixed	-	-	26,540	85,433	420,658	972,638
Charge for defined benefit plan	-	-	321	2,400	14,961	41,434
Contribution to defined contribution plan	-	-	385	2,880	15,641	34,149
Security charges and vehicle maintenance	7,155	-	-	-	-	-
Utilities	387	-	-	-	-	-
	<u>7,542</u>	<u>21,300</u>	<u>27,246</u>	<u>90,713</u>	<u>451,260</u>	<u>1,048,221</u>
Number of persons	<u>1</u>	<u>4</u>	<u>3</u>	<u>1</u>	<u>19</u>	<u>134</u>

40.1.1 The Chief Executive and certain executives are provided with free use of car and leave fare assistance in accordance with their terms of employment.

40.1.2 In addition to above, bonus paid to the chief executive, members of Shari'ah board, Key management personnel and other material risk taker / controller of the Bank amounted to Rs. 40,850 thousand (2024: Rs. 22,400 thousand), Rs. 2,432 thousand (2024: Rs. 1,821 thousand), Rs. 148,261 thousand (2024: Rs. 101,278 thousand) and Rs. 191,171 thousand (2024: Rs. 174,054 thousand) respectively.

40.1.3 The total amount of deferred bonus as at 31 December 2025 for the President / CEO, members of Shari'ah board, key management personnel and other material risk takers / material risk controllers is Rs.194,493 thousand (31 December 2024: Rs. 128,894 thousand). The deferred bonus is held in a trust fund.

40.2 Remuneration paid to the Directors for participation in the Board and Committee Meetings

		2025						
		Meeting fees and allowances paid						
		For Board committees						Total amount paid
Sr. No.	Name of director	For Board meetings	Audit	Information technology	Human resource & remuneration	Risk & compliance	Credit	
		Rupees in '000						
1	Mohamedali R. Habib	-	-	-	-	-	-	-
2	Mohsin A. Nathani	-	-	-	-	-	-	-
3	Ali Abbas Sikandar	2,500	-	1,000	900	-	-	4,400
4	Hamza Habib	-	-	-	-	-	-	-
5	Mohomed Bashir	2,500	-	-	1,600	-	-	4,100
6	Muhammed H. Habib	-	-	-	-	-	-	-
7	Rashid Ahmad Jafer	2,500	2,000	-	800	800	1,600	7,700
8	Tahira Raza *	1,000	800	-	1,000	800	-	3,600
9	Sima Kamil **	500	-	-	500	-	-	1,000
		<u>9,000</u>	<u>2,800</u>	<u>1,000</u>	<u>4,800</u>	<u>1,600</u>	<u>1,600</u>	<u>20,800</u>
		2024						
		Meeting fees and allowances paid						
		For Board committees						Total amount paid
Sr. No.	Name of director	For Board meetings	Audit	Information technology	Human resource & remuneration	Risk & compliance	Credit	
		Rupees in '000						
1	Mohamedali R. Habib	-	-	-	-	-	-	-
2	Mohsin A. Nathani	-	-	-	-	-	-	-
3	Ali Abbas Sikandar	2,500	-	1,500	-	-	-	4,000
4	Hamza Habib	-	-	-	-	-	-	-
5	Mohomed Bashir	2,500	-	-	400	-	-	2,900
6	Muhammed H. Habib	-	-	-	-	-	-	-
7	Rashid Ahmad Jafer	2,500	2,000	-	-	1,600	1,600	7,700
8	Tahira Raza	2,500	1,600	-	1,000	1,600	-	6,700
		<u>10,000</u>	<u>3,600</u>	<u>1,500</u>	<u>1,400</u>	<u>3,200</u>	<u>1,600</u>	<u>21,300</u>

* Ms. Tahira Raza resigned from Board dated 23 May 2025

** Ms. Sima Kamil joined the Bank dated 19 August 2025 and resigned from Board dated 30 December 2025

40.3 Remuneration paid to the Shariah Board Members

Items	2025			2024		
	Chairman	Resident member	Non-resident members	Chairman	Resident member	Non-resident members
	Rupees in '000					
Managerial remuneration						
Fixed	9,243	12,904	11,700	8,199	9,207	9,134
Variable	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	-	-
Contribution to defined contribution plan	-	794	-	-	706	-
	<u>9,243</u>	<u>13,698</u>	<u>11,700</u>	<u>8,199</u>	<u>9,913</u>	<u>9,134</u>
Total number of person	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

41. FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than investment in subsidiaries and those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at amortised cost. The fair value of unquoted equity securities, other than investments in subsidiaries, is measured using replacement price determined by the investee company on which shares can be surrendered.

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.

The fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since they are either short-term in nature or, in the case of customer advances, deposits and certain long term borrowings are frequently repriced.

41.1 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 liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

The table below analyses 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 categorized:

On balance sheet financial instruments	2025			
	Fair value			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
Financial assets measured at fair value				
- Investments				
Federal Government securities	46,580,000	661,022,480	-	707,602,480
Non Government debt securities	-	4,991,823	-	4,991,823
Shares - Listed companies	14,122,623	-	-	14,122,623
Mutual funds	175,600	-	-	175,600
Real estate investment trust	3,754,949	-	-	3,754,949
Financial assets - disclosed but not measured at fair value				
- Investments				
Federal Government securities	-	131,396,941	-	131,396,941
Non Government debt securities	-	-	4,499,925	4,499,925
Shares - Unlisted companies	-	-	95,470	95,470
	<u>64,633,172</u>	<u>797,411,244</u>	<u>4,595,395</u>	<u>866,639,811</u>
Off-balance sheet financial instruments measured at fair value				
- Forward purchase of foreign exchange contracts	-	328,217,866	-	328,217,866
- Forward sale of foreign exchange contracts	-	277,635,661	-	277,635,661
- Forward purchase of Government security transactions	-	26,530,954	-	26,530,954
	<u>-</u>	<u>631,384,481</u>	<u>-</u>	<u>631,384,481</u>
On balance sheet financial instruments	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
Financial assets measured at fair value				
- Investments				
Federal Government securities	74,378,500	622,593,465	-	696,971,965
Non Government debt securities	-	10,975,018	-	10,975,018
Shares - Listed companies	8,984,437	-	-	8,984,437
Mutual funds	2,785,219	-	-	2,785,219
Real estate investment trust	992,625	-	1,000,000	1,992,625
Financial assets - disclosed but not measured at fair value				
- Investments				
Federal Government securities	-	85,407,793	-	85,407,793
Non Government debt securities	-	-	2,999,948	2,999,948
Shares - Unlisted companies	-	-	51,569	51,569
	<u>87,140,781</u>	<u>718,976,276</u>	<u>4,051,517</u>	<u>810,168,574</u>
Off-balance sheet financial instruments measured at fair value				
- Forward purchase of foreign exchange contracts	-	257,959,904	-	257,959,904
- Forward sale of foreign exchange contracts	-	290,402,624	-	290,402,624
- Forward purchase of Government security transactions	-	16,393,540	-	16,393,540
	<u>-</u>	<u>564,756,068</u>	<u>-</u>	<u>564,756,068</u>

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

41.2 Fair value of non-financial assets

	2025			
	Fair value			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
Non-financial assets measured at fair value				
- Property and equipment	-	9,864,231	-	9,864,231
- Non-banking assets acquired in satisfaction of claim	-	6,476,307	-	6,476,307
	<u>-</u>	<u>16,340,538</u>	<u>-</u>	<u>16,340,538</u>
	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
Non-financial assets measured at fair value				
- Property and equipment	-	10,015,686	-	10,015,686
- Non-banking assets acquired in satisfaction of claim	-	4,299,840	-	4,299,840
	<u>-</u>	<u>14,315,526</u>	<u>-</u>	<u>14,315,526</u>

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

Federal government debt securities	The fair value of government securities are valued using PKRV, PKFRV, PKISRV and PSX rates.
Debt securities other than federal government securities	The fair value is determined using the prices / rates available on Mutual Funds Association of Pakistan (MUFAP) / Reuters website and PSX.
Unquoted equity securities	The fair value is determined using replacement price determined by the investee company on which the shares can be surrendered.
Forward contracts	The fair values are derived using forward exchange rates applicable to their respective remaining maturities.
Mutual funds	The fair value is determined based on the net asset values published at the close of each business day.

Valuation techniques used in determination of fair values of non-financial assets within level 2

Property and equipment and non-banking assets acquired in satisfaction of claim	<p>Property and equipment and non-banking assets are valued by professionally qualified valutors. The valuation is based on their assessment of the market value of the assets. In determining the valuation for land and building the valuer refers to numerous independent market inquiries from local estate agents / realtors in the vicinity to establish the present market value. The fair valuation of land and building are considered to represent a level 2 valuation based on significant non-observable inputs being the location and condition of the assets.</p> <p>The fair value is subject to change owing to changes in input. However, management does not expect there to be a material sensitivity to the fair value arising from the non-observable inputs.</p>
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42. SEGMENT INFORMATION

42.1 Segment details with respect to business activities

	31 December 2025				
	Trade & sales	Retail banking	Commercial banking	Islamic banking	Total
	Rupees in '000				
Profit and Loss					
Net mark-up / return / profit	56,988,678	(21,604,280)	14,964,478	16,108,745	66,457,621
Inter segment revenue - net	(39,786,220)	38,245,378	1,540,842	-	-
Non mark-up / return / interest income	5,090,009	4,280,434	13,886,668	1,234,153	24,491,264
Total Income	22,292,467	20,921,532	30,391,988	17,342,898	90,948,885
Segment direct expenses	(5,122,417)	(5,168,883)	(6,983,545)	-	(17,274,845)
Inter segment expense allocation	-	(5,028,668)	(7,304,972)	(10,488,574)	(22,822,214)
Total expenses	(5,122,417)	(10,197,551)	(14,288,517)	(10,488,574)	(40,097,059)
Credit loss allowance	11,431	(16,894)	(3,992,924)	2,169,251	(1,829,136)
Profit before tax	<u>17,181,481</u>	<u>10,707,087</u>	<u>12,110,547</u>	<u>9,023,575</u>	<u>49,022,690</u>
Balance Sheet					
Cash and bank balances	18,538,338	19,021,823	44,163,518	20,569,936	102,293,615
Investments	712,758,519	-	-	151,893,193	864,651,712
Net inter segment lending	-	361,185,084	120,582,648	-	481,767,732
Lendings to financial institutions	12,801,016	-	-	33,149,874	45,950,890
Advances - performing	-	11,594,844	361,485,028	146,232,761	519,312,633
Advances - non-performing	-	623,207	23,927,077	2,028,444	26,578,728
Credit loss allowance against advances	-	(606,497)	(27,009,854)	(3,492,243)	(31,108,594)
Others	16,388,307	7,254,819	87,085,370	20,470,151	131,198,647
Total Assets	<u>760,486,180</u>	<u>399,073,280</u>	<u>610,233,787</u>	<u>370,852,116</u>	<u>2,140,645,363</u>
Borrowings	198,878,005	-	48,959,011	24,246,716	272,083,732
Deposits and other accounts	-	352,604,651	461,607,325	305,413,189	1,119,625,165
Net inter segment borrowing	481,767,732	-	-	-	481,767,732
Others	17,759,697	9,305,727	87,260,512	25,033,314	139,359,250
Total liabilities	<u>698,405,434</u>	<u>361,910,378</u>	<u>597,826,848</u>	<u>354,693,219</u>	<u>2,012,835,879</u>
Net Assets	<u>62,080,746</u>	<u>37,162,902</u>	<u>12,406,939</u>	<u>16,158,897</u>	<u>127,809,484</u>
Equity					<u>127,809,484</u>
Contingencies and Commitments	<u>633,665,579</u>	-	<u>338,611,533</u>	<u>39,449,150</u>	<u>1,011,726,262</u>

31 December 2024

	Trade & sales	Retail banking	Commercial banking	Islamic banking	Total
	Rupees in '000				
Profit and Loss					
Net mark-up / return / profit	116,234,114	(45,453,824)	(16,413,089)	15,946,687	70,313,888
Inter segment revenue - net	(119,877,870)	78,195,110	41,682,760	-	-
Non mark-up / return / interest income	10,340,233	1,094,752	8,537,897	1,314,004	21,286,886
Total Income	6,696,477	33,836,038	33,807,568	17,260,691	91,600,774
Segment direct expenses	(355,239)	-	-	-	(355,239)
Inter segment expense allocation	-	(9,385,105)	(17,420,633)	(7,649,941)	(34,455,679)
Total expenses	(355,239)	(9,385,105)	(17,420,633)	(7,649,941)	(34,810,918)
Credit loss allowance	2,055	(505,023)	(264,626)	(3,362,281)	(4,129,875)
Profit before tax	6,343,293	23,945,910	16,112,309	6,248,469	52,659,981
Balance Sheet					
Cash and bank balances	6,435,596	25,145,136	46,698,111	14,971,525	93,250,368
Investments	663,854,898	-	-	147,020,502	810,875,400
Net inter segment lending	-	379,807,962	27,488,264	-	407,296,226
Lendings to financial institutions	5,570,998	-	-	-	5,570,998
Advances - performing	-	15,855,835	369,912,171	92,867,464	478,635,470
Advances - non-performing	-	336,133	21,691,438	3,139,699	25,167,270
Credit loss allowance against advances	-	(603,370)	(23,237,144)	(5,661,642)	(29,502,156)
Others	21,655,600	11,816,263	64,547,414	18,117,153	116,136,430
Total Assets	697,517,092	432,357,959	507,100,254	270,454,701	1,907,430,006
Borrowings	232,422,271	-	68,693,948	28,894,549	330,010,768
Deposits and other accounts	-	374,480,521	347,257,208	205,395,048	927,132,777
Net inter segment borrowing	407,296,226	-	-	-	407,296,226
Others	3,687,896	18,151,910	87,224,985	18,893,629	127,958,420
Total liabilities	643,406,393	392,632,431	503,176,141	253,183,226	1,792,398,191
Net Assets	54,110,699	39,725,528	3,924,113	17,271,475	115,031,815
Equity					115,031,815
Contingencies and Commitments	547,663,058	-	341,670,958	44,643,011	933,977,027

43. TRUST ACTIVITIES

The Bank undertakes trustee and other fiduciary activities that result in the holding or placing of assets on behalf of individuals and other organisations. These are not assets of the Bank and, therefore, are not included as such in these unconsolidated financial statements. Assets held under trust are shown in table below:

Category	No. of IPS accounts	2025			
		Securities held (Face value)			
		Pakistan investment bonds	GoP ijarah sukuku	Market treasury bills	Total
Rupees in '000					
Assets management companies	98	50,098,000	690,000	44,658,000	95,446,000
Corporates	229	93,155,300	102,000	100,765,325	194,022,625
Individual	1667	1,123,000	71,400	19,772,520	20,966,920
Insurance companies	5	120,000	–	–	120,000
NGO / Charitable organisation	19	1,921,200	5,000	1,753,100	3,679,300
Employee funds	90	4,554,000	657,800	14,442,880	19,654,680
Others	1	–	275,000	–	275,000
		<u>150,971,500</u>	<u>1,801,200</u>	<u>181,391,825</u>	<u>334,164,525</u>
2024					
Category	No. of IPS accounts	Securities held (Face value)			
		Pakistan investment bonds	GoP ijarah sukuku	Market treasury bills	Total
		Rupees in '000			
Assets management companies	81	57,953,000	2,025,000	197,487,625	257,465,625
Corporates	151	53,146,000	102,000	124,066,185	177,314,185
Individual	701	2,013,641	384,050	14,909,345	17,307,036
Insurance companies	5	120,000	–	–	120,000
NGO / Charitable organisation	20	2,081,100	5,000	1,899,150	3,985,250
Employee funds	92	4,713,900	399,600	14,628,240	19,741,740
Others	3	12,700	275,000	–	287,700
		<u>120,040,341</u>	<u>3,190,650</u>	<u>352,990,545</u>	<u>476,221,536</u>

44. TRANSACTIONS WITH RELATED PARTIES

The Bank has related party relationships with its holding company, subsidiaries, associates, companies with common directorship, key management personnel, directors and employees' retirement benefit plans.

The Banks enters into transactions with related parties in the ordinary course of business. Contributions / charge for employees' retirement benefits are made in accordance with actuarial valuation / terms of contribution plan. Salaries and allowances of the key management personnel are in accordance with terms of their employment. Other transactions are at agreed terms.

Details of transactions and balances with related parties are as follows:

	2025						Total
	Holding company	Directors	Key management personnel	Subsidiary companies	Associates	Retirement benefit plans	
	Rupees in '000						
Balances with other banks							
In current accounts	65,299	-	-	-	112,618	-	177,917
Investments							
Opening balance	-	-	-	4,830,000	-	-	4,830,000
Investment made during the year	-	-	-	13,599,927	-	-	13,599,927
Investment redeemed / disposed off during the year	-	-	-	(12,133,148)	-	-	(12,133,148)
Closing balance	-	-	-	6,296,779	-	-	6,296,779
Advances							
Opening balance	-	-	331,041	56,689	6,504,983	-	6,892,713
Addition during the year	-	-	47,302	7,464,526	86,787,944	-	94,299,772
Repaid during the year	-	-	(57,332)	(7,521,215)	(83,779,411)	-	(91,357,958)
Closing balance	-	-	321,011	-	9,513,516	-	9,834,527
Other Assets							
Mark-up / return / interest receivable	-	-	-	66,420	41,867	-	108,287
Prepayments / advance deposits / other receivable	936	-	-	-	13,354	-	14,290
	936	-	-	66,420	55,221	-	122,577
Deposits							
Opening balance	231,356	967,344	224,702	2,304,739	5,567,651	2,168,691	11,464,483
Received during the year	10,777,547	3,691,691	1,605,130	386,377,712	3,434,844,892	5,870,299	3,843,167,271
Withdrawn during the year	(10,807,115)	(3,504,198)	(1,466,001)	(386,807,259)	(3,430,760,393)	(6,746,253)	(3,840,091,219)
Closing balance	201,788	1,154,837	363,831	1,875,192	9,652,150	1,292,737	14,540,535
Other liabilities							
Mark-up / return / interest payable	-	15,333	6,868	10,418	69,287	56,662	158,568
Other payable	-	955	-	-	802	150,719	152,476
	-	16,288	6,868	10,418	70,089	207,381	311,044
Contingencies and commitments							
Transaction-related contingent liabilities	-	-	-	-	17,838,094	-	17,838,094
Trade-related contingent liabilities	-	-	-	-	6,410,580	-	6,410,580
	-	-	-	-	24,248,674	-	24,248,674

* Management fee is as per the agreement with the holding company.

	2024						
	Holding company	Directors	Key management personnel	Subsidiary companies	Associates	Retirement benefit plans	Total
	Rupees in '000						
Balances with other banks							
In current accounts	322,178	-	-	-	277,533	-	599,711
Investments							
Opening balance	-	-	-	5,530,000	-	-	5,530,000
Investment made during the year	-	-	-	20,400,000	-	-	20,400,000
Investment redeemed / disposed off during the year	-	-	-	(21,100,000)	-	-	(21,100,000)
Closing balance	-	-	-	4,830,000	-	-	4,830,000
Advances							
Opening balance	-	-	283,415	-	5,709,339	-	5,992,754
Addition during the year	-	-	124,870	3,865,202	134,111,594	-	138,101,666
Repaid during the year	-	-	(77,244)	(3,808,513)	(133,315,950)	-	(137,201,707)
Closing balance	-	-	331,041	56,689	6,504,983	-	6,892,713
Other Assets							
Mark-up / return / interest receivable	-	-	-	48,484	31,360	-	79,844
Prepayments / advance deposits / other receivable	468	-	-	-	67,006	-	67,474
	468	-	-	48,484	98,366	-	147,318
Deposits							
Opening balance	242,044	822,094	319,529	1,522,026	25,278,888	1,421,701	29,606,282
Received during the year	19,784,319	3,140,332	1,534,947	234,317,102	2,786,954,112	6,790,530	3,052,521,342
Withdrawn during the year	(19,795,007)	(2,995,082)	(1,629,774)	(233,534,389)	(2,806,665,349)	(6,043,540)	(3,070,663,141)
Closing balance	231,356	967,344	224,702	2,304,739	5,567,651	2,168,691	11,464,483
Other liabilities							
Mark-up / return / interest payable	-	8,566	10,616	14,866	105,119	217,415	356,582
Other payable	-	995	-	-	900	117,071	118,966
	-	9,561	10,616	14,866	106,019	334,486	475,548
Contingencies and commitments							
Transaction-related contingent liabilities	-	-	-	-	13,955,479	-	13,955,479
Trade-related contingent liabilities	-	-	-	-	6,073,667	-	6,073,667
	-	-	-	-	20,029,146	-	20,029,146

* Management fee is as per the agreement with the holding company.

Transactions during the period

	2025						Total
	Holding company	Directors	Key management personnel	Subsidiary companies	Associates	Retirement benefit plans	
	Rupees in '000						
Income							
Mark-up / return / interest earned	-	-	16,855	373,504	126,488	-	516,847
Fee and commission income	-	150	-	1,461	740,268	25	741,904
Dividend income	-	-	-	13,541	-	-	13,541
Gain on sale of securities	-	-	-	5,576	-	-	5,576
Rent income	5,615	-	-	12,736	10,340	-	28,691
Expense							
Mark-up / return / interest expensed	-	61,660	20,445	117,389	482,652	402,234	1,084,380
Commission / brokerage / bank charges	820	-	-	2,696	3,015	-	6,531
Salaries and allowances	-	-	770,240	-	-	-	770,240
Directors' fees	-	32,242	-	-	-	-	32,242
Charge to defined benefit plan	-	-	-	-	-	322,010	322,010
Contribution to defined contribution plan	-	-	-	-	-	427,266	427,266
Insurance premium expenses	-	-	-	-	47,734	-	47,734
Management fee expense for technical and consultancy services *	2,285,352	-	-	-	-	-	2,285,352
Donation	-	-	-	-	30,000	-	30,000

* Management fee is as per the agreement with the holding company.

Transactions during the period

	2024						
	Holding company	Directors	Key management personnel	Subsidiary companies	Associates	Retirement benefit plans	Total
	Rupees in '000						
Income							
Mark-up / return / interest earned	-	-	15,602	1,090,433	90,295	-	1,196,330
Fee and commission income	142	377	-	1,794	941,211	16	943,540
Dividend income	-	-	-	12,638	-	-	12,638
Rent income	5,615	-	-	12,533	10,340	-	28,488
Expense							
Mark-up / return / interest expensed	-	88,785	43,919	258,070	2,062,238	302,094	2,755,106
Commission / brokerage / bank charges expense	7,026	-	-	3,194	11,196	-	21,416
Salaries and allowances	-	-	674,466	-	-	-	674,466
Directors' fees	-	28,841	-	-	-	-	28,841
Charge to defined benefit plan	-	-	-	-	-	310,200	310,200
Contribution to defined contribution plan	-	-	-	-	-	373,060	373,060
Insurance premium expenses	-	-	-	-	48,548	-	48,548
Management fee expense for technical and consultancy services *	1,479,989	-	-	-	-	-	1,479,989
Donation	-	-	-	-	30,960	-	30,960

* Management fee is as per the agreement with the holding company.

45. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2025	2024
	Rupees in '000	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>10,478,315</u>	<u>10,478,315</u>
Capital Adequacy Ratio (CAR):		
Eligible common equity tier 1 (CET 1) Capital	<u>110,471,729</u>	<u>99,689,869</u>
Eligible additional tier 1 (ADT 1) Capital	<u>–</u>	<u>–</u>
Total eligible tier 1 capital	<u>110,471,729</u>	<u>99,689,869</u>
Eligible tier 2 capital	<u>18,704,542</u>	<u>17,619,301</u>
Total eligible capital (Tier 1 + Tier 2)	<u>129,176,271</u>	<u>117,309,170</u>
Risk Weighted Assets (RWAs):		
Credit risk	<u>557,389,893</u>	<u>455,454,722</u>
Market risk	<u>36,987,205</u>	<u>8,395,647</u>
Operational risk	<u>165,565,281</u>	<u>144,429,169</u>
Total	<u>759,942,379</u>	<u>608,279,538</u>
Common equity tier 1 capital adequacy ratio	<u>14.54%</u>	<u>16.39%</u>
Tier 1 capital adequacy ratio	<u>14.54%</u>	<u>16.39%</u>
Total capital adequacy ratio	<u>17.00%</u>	<u>19.29%</u>
Minimum capital requirements prescribed by SBP		
Common equity tier 1 capital adequacy ratio	6.00%	6.00%
Tier 1 capital adequacy ratio	7.50%	7.50%
Total capital adequacy ratio	11.50%	11.50%

Banks uses simple, maturity method and basic indicator approach for credit risk, market risk and operational risk exposures respectively in the capital adequacy calculation.

	2025	2024
	Rupees in '000	
Leverage Ratio (LR):		
Eligible tier-1 capital	110,471,729	99,689,869
Total exposures	2,086,326,023	1,943,057,316
Leverage ratio	<u>5.30%</u>	<u>5.13%</u>
Liquidity Coverage Ratio (LCR):		
Total high quality liquid assets	608,412,975	719,857,270
Total net cash outflow	372,377,011	330,851,160
Liquidity coverage ratio	<u>163%</u>	<u>218%</u>
Net Stable Funding Ratio (NSFR):		
Total available stable funding	1,041,062,944	955,276,822
Total required stable funding	544,608,155	538,749,940
Net stable funding ratio	<u>191%</u>	<u>177%</u>

45.1 The full disclosures on the capital adequacy, leverage ratio & liquidity requirements as per SBP instructions issued from time to time are placed on the bank's website. The link to the full disclosures is available at <https://www.habibmetro.com/financials/#basel-statements>.

46. RISK MANAGEMENT

Risk management aspects are embedded in the Bank's strategy, organization structure and processes. The Bank has adopted a cohesive risk management structure for credit, market, liquidity and operational risk with an integrated approach to strengthen the process and system as controls are more effective and valuable when built into the process. Effective risk management is considered essential in the preservation of the assets and long-term profitability of the Bank. Clear guidelines and limits, which are under regular review, are backed by a system of internal controls and independent audit inspections. Internal reporting / MIS are additional tools for measuring and controlling risks. Separation of duties is also embedded in the Bank's system and organization.

46.1 Credit Risk

Credit risk arises from the possibility that the counterparty in a transaction may default. It arises principally in relation to the lending and trade finance business carried out by the Bank.

As per Basel II methodology the gross credit risk weighted exposure incorporating relevant credit conversion factor is Rs. 557,389,893 thousand (2024:Rs. 455,454,722 thousand) as depicted in note 45.

The Bank's strategy is to minimize credit risk through a strong pre-disbursement credit analysis, approval and risk measurement process added with product, geography and customer diversification. The Bank, as its strategic preference, extends trade and working capital financing, so as to keep the major portion of exposure (funded and non-funded) on a short-term, self-liquidating basis. Major portion of the Bank's credit portfolio is priced on flexible basis with pricing reviewed on periodic basis.

With the expansion of the Consumer lending portfolio, the Credit Review & Administration efforts have been accordingly enhanced by inducting specialized consumer credit risk analysts and processing specialists.

Centralized Credit and Trade processing centre staffed with experienced resource provide strength to post-disbursement aspect of credit risk management.

The Bank's credit policy / manual defines the credit extension criteria, the credit approval and monitoring process, the loan classification system and provisioning policy.

The Bank continually assesses and monitors credit exposures. The Bank follows both objective and subjective criteria of SBP regarding loans classification. The subjective assessment process is based on management's judgement with respect to the borrower's character, activity, cash flow, capital structure, security, quality of management and delinquency.

The Bank uses the 'Standardised Approach' in calculation of credit risk and capital requirements.

The Bank uses reputable and SBP approved rating agencies for deriving risk weight to specific credit exposures. These are applied consistently across the Bank credit portfolio for both on-balance sheet and off-balance sheet exposures. The methodology applied for using External Credit Assessment Institutions (ECAI's) inclusive of the alignment of alpha numeric scale of each agency used with risk bucket is as per SBP guidelines as is given below:

Types of exposures and ECAI's used

Exposures	2025				
	JCR-VIS	PACRA	S & P	Fitch	Moody's
Corporate	✓	✓	-	-	-
Banks	✓	✓	✓	✓	✓
Sovereigns	-	-	-	-	-
SME's	✓	✓	-	-	-

Credit exposures subject to Standardised Approach

Exposures	Rating category	2025			2024		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
Rupees in '000							
Corporate	1	161,920,668	65,593,097	96,327,571	202,144,398	68,569,368	133,575,030
	2	99,170,412	5,161,218	94,009,194	136,934,620	3,893,584	133,041,036
	3,4	13,451,655	-	13,451,655	20,005,906	-	20,005,906
	5,6	391	-	391	110	-	110
Claims on banks with original maturity of 3 months or less		47,667,353	8,000,000	39,667,353	5,671,094	-	5,671,094
Retail		52,243,647	9,465,333	42,778,314	23,960,764	5,895,875	18,064,889
Public sector entities	1	23,347,016	15,568,422	7,778,594	21,053,910	12,649,658	8,404,252
Others		870,002,564	20,000,000	850,002,564	938,236,048	6,963,750	931,272,298
Unrated		362,237,164	52,576,546	309,660,618	274,872,634	51,545,290	223,327,344

The forms of collateral that are deemed eligible under the 'Simple Approach' to credit risk mitigation as per SBP guidelines are used by the Bank and primarily includes cash, government, equity investment in blue chip companies and rated debt securities.

The Bank applies SBP specified haircut to collateral for credit risk mitigation. Collateral management is embedded in the Bank's risk taking and risk management policy and procedures. A standard credit granting procedure exists which has been well-disseminated down the line, ensuring proper pre-sanction evaluation, adequacy of security, pre-examination of charge / control documents and monitoring of each exposure on an ongoing basis.

Collateral information is recorded diligently in the Bank's main processing systems by type of collateral, amount of collateral against relevant credit exposures. A cohesive accounting / risk management system facilitates effective collateral management for Basel II reporting.

Particulars of bank's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

46.1.1 Lendings to financial institutions

Credit risk by public / private sector	Gross lendings		Non-performing lendings		Credit loss allowance held	
	2025	2024	2025	2024	2025	2024
	Rupees in '000					
Public / Government	10,000,000	-	-	-	-	-
Private	35,951,231	5,571,000	-	-	341	2
	<u>45,951,231</u>	<u>5,571,000</u>	<u>-</u>	<u>-</u>	<u>341</u>	<u>2</u>

46.1.2 Investment in debt securities

Credit risk by industry sector	Gross investments		Non-performing investments		Credit loss allowance held	
	2025	2024	2025	2024	2025	2024
	Rupees in '000					
Chemical and Pharmaceuticals	-	8,916	-	8,916	-	8,916
Engineering	340,000	340,000	340,000	340,000	340,000	340,000
Electronics and electrical appliances	-	-	-	-	-	-
Financial	9,497,423	7,869,240	-	-	329	-
Power (electricity), gas, water, sanitary	-	6,108,570	-	-	-	2,792
Textile	9,500	9,500	9,500	9,500	9,500	9,500
Transport, storage and communication	64,946	64,946	64,946	64,946	64,946	64,946
Others	835,209,124	780,180,530	-	-	-	52
	<u>845,120,993</u>	<u>794,581,702</u>	<u>414,446</u>	<u>423,362</u>	<u>414,775</u>	<u>426,206</u>
Credit risk by public / private sector						
Public / Government	835,209,124	907,772,516	-	-	-	2,792
Private	9,911,869	10,216,230	414,446	423,362	414,775	423,414
	<u>845,120,993</u>	<u>917,988,746</u>	<u>414,446</u>	<u>423,362</u>	<u>414,775</u>	<u>426,206</u>

46.1.3 Advances

Credit risk by industry sector	Gross advances		Non-performing advances		Credit loss allowance held	
	2025	2024	2025	2024	2025	2024
	Rupees in '000					
Agriculture, forestry, hunting and fishing	4,954,839	3,961,147	19,648	21,850	22,781	49,994
Automobile and transportation equipment	4,143,107	1,635,115	92,000	92,000	98,447	67,804
Basic metals & metal products	9,753,405	7,517,923	2,648,562	2,674,952	2,897,517	2,630,164
Cement	4,121,424	6,010,106	-	-	908	2,544
Chemicals and pharmaceuticals	26,422,616	29,359,169	519,903	365,412	598,093	449,006
Commercial trade	17,412,300	15,680,763	806,842	829,158	914,224	909,557
Commodity finance	29,720,551	-	-	-	926	973
Construction and real estate	8,367,432	12,892,658	72,424	82,474	233,727	1,229,646
Edibles	43,953,191	45,445,820	2,075,077	2,200,983	2,567,538	2,942,120
Electronics and electrical appliances	15,101,801	16,935,452	208,847	213,489	240,075	410,844
Financial	82,282,868	80,024,493	-	-	25,164	35,203
Footwear and leather garments	4,959,493	4,230,290	-	3,163	28,849	10,057
Individuals	15,192,671	19,495,040	646,429	507,863	734,122	602,776
Mining and quarrying	24,811	21,244	-	-	17	3
Power (electricity), gas, water, sanitary	46,362,743	29,086,792	3,794,681	927,905	4,006,126	1,214,647
Services	19,935,621	23,344,985	349,715	484,671	522,082	727,903
Sugar	2,700,204	5,046,442	81,865	87,505	86,793	147,295
Textile	197,527,845	190,253,406	15,032,666	16,238,181	17,881,049	17,588,096
Transport, storage and communication	1,914,512	3,848,021	26,484	26,484	34,706	43,010
Others	11,039,927	9,013,874	203,585	411,180	215,450	440,514
	<u>545,891,361</u>	<u>503,802,740</u>	<u>26,578,728</u>	<u>25,167,270</u>	<u>31,108,594</u>	<u>29,502,156</u>
Credit risk by public / private sector						
Public / Government	63,878,861	23,324,353	-	-	-	-
Private	482,012,500	480,478,387	26,578,728	25,167,270	31,108,594	29,502,156
	<u>545,891,361</u>	<u>503,802,740</u>	<u>26,578,728</u>	<u>25,167,270</u>	<u>31,108,594</u>	<u>29,502,156</u>

	2025	2024
	Rupees in '000	
46.1.4 Contingencies and commitments		
Credit risk by industry sector		
Agriculture, forestry, hunting and fishing	854,855	409,198
Automobile and transportation equipment	42,430,704	29,991,502
Basic metals & metal products	11,156,946	8,825,954
Cement	9,155,299	9,361,727
Chemicals and pharmaceuticals	55,597,382	64,950,855
Commercial trade	53,743,455	59,149,546
Construction & real estate	3,017,542	3,048,006
Edibles	64,273,646	56,316,536
Electronics and electrical appliances	13,148,340	12,071,950
Financial	595,627,283	439,604,970
Footwear and leather garments	1,802,757	1,057,512
Mining and quarrying	471,023	649,575
Power (electricity), gas, water, sanitary	23,958,432	26,102,461
Services	18,318,899	18,608,639
Sugar	4,099,959	4,622,686
Textile	78,493,232	179,743,912
Transport, storage and communication	3,951,809	1,762,541
Others	31,624,699	17,699,457
	<u>1,011,726,262</u>	<u>933,977,027</u>
Credit risk by public / private sector		
Public / Government	102,856,707	133,340,243
Private	908,869,555	800,636,784
	<u>1,011,726,262</u>	<u>933,977,027</u>

46.1.5 Concentration of advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 151,200,344 thousand (2024: Rs. 122,440,148 thousand) are as following:

Funded	120,696,651	94,207,487
Non-funded	30,503,693	28,232,661
Total exposure	<u>151,200,344</u>	<u>122,440,148</u>

The sanctioned limits against these top 10 exposures aggregated to Rs. 199,217,491 thousand (2024: Rs. 166,265,332 thousand).

46.1.6 Advances - province / region-wise disbursement & utilization

Province / region	2025						
	Disburse-ments	Utilisation					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gligit-Baltistan
	Rupees in '000						
Punjab	275,372,251	266,893,428	8,035,829	-	-	442,994	-
Sindh	513,347,655	65,705,943	428,965,498	566,626	18,109,588	-	-
KPK including FATA	8,115,809	-	-	8,115,809	-	-	-
Balochistan	93,321	-	-	-	93,321	-	-
Islamabad	27,701,610	-	483,284	-	-	27,218,326	-
AJK including Gilgit-Baltistan	153,844	-	-	-	-	-	153,844
	<u>824,784,490</u>	<u>332,599,371</u>	<u>437,484,611</u>	<u>8,682,435</u>	<u>18,202,909</u>	<u>27,661,320</u>	<u>153,844</u>

Province / region	2024						
	Disburse-ments	Utilisation					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gligit-Baltistan
	Rupees in '000						
Punjab	253,702,189	243,972,959	9,511,488	-	-	217,742	-
Sindh	554,933,662	65,604,069	468,700,640	3,603,245	17,025,708	-	-
KPK including FATA	4,636,221	-	-	4,636,221	-	-	-
Balochistan	98,399	-	-	-	98,399	-	-
Islamabad	23,137,174	-	-	-	-	23,137,174	-
AJK including Gilgit-Baltistan	217,571	-	-	-	-	-	217,571
	<u>836,725,216</u>	<u>309,577,028</u>	<u>478,212,128</u>	<u>8,239,466</u>	<u>17,124,107</u>	<u>23,354,916</u>	<u>217,571</u>

46.1.7 Incorporation of forward-looking information in ECL

The assessment of Expected Credit Loss (ECL) calculation incorporates forward looking information. Forward-looking aspect introduces an extra dimension, which is often captured by relating expected losses to the macro-economic variables. The incorporation of macroeconomic factors increases the accuracy of the results produced and makes it more reliable to predict estimate future results more accurately.

The Bank uses historic and forecasted data to determine the impact of macroeconomic factors to estimate Probability of Default (PD) and Loss Given Default (LGD) etc. Further, statistical models based on historical correlation is performed to identify most significant macro-economic variable(s) that have been recognised as contributors to the default performance of the portfolio. The macro-economic variables (including KSE 100 Index, Consumer Price Index and Crude Oil Price) used in the ECL calculation are fetched from the World Bank, International Monetary Fund (IMF) and State Bank of Pakistan (SBP) database and the relevant macro-economic variables are selected based on sensitivity of each of the portfolios to specific macro-economic variables. Three macroeconomic scenarios have been developed base, best, and worst with assigned scenario probability weightings of 70%, 15%, and 15% respectively.

The Bank conducted a sensitivity analysis on macro-economic indicators which are utilized for forward-looking calculations. As of December 31, 2025, when the macro-economic indicators in the base scenario was adjusted upwards or downwards by 10%, the ECL showed the following variation:

Segment	Upwards	Downwards
Corporate	-7.32%	10.27%
SME	-12.05%	22.94%
Retail	-25.30%	43.10%

46.1.8 Sensitivity of ECL to future economic conditions

The ECL are sensitive to judgements and assumption made regarding formulation of forward-looking scenarios and how much such scenarios are incorporated into calculations. The Bank performs sensitivity analysis on the ECL recognised on each of its segments.

The table below shows the loss allowance on each segment assuming each forward-looking scenario (e.g. Base, worst and best) were weighted 100% instead of applying scenario probability across the three scenarios.

Segment	2025					
	Base		Worst		Best	
	Total ECL as per FS	Total ECL after sensitivity analysis	Increase / decrease in %	Total ECL after sensitivity analysis	Increase / decrease in %	Total ECL after sensitivity analysis
	Rupees in '000					
Corporate	23,136,995	23,116,158	-0.09%	22,339,937	-3.44%	24,031,297
SME	7,215,111	7,215,224	0.00%	7,190,640	-0.34%	7,239,057
Agriculture	22,490	22,438	-0.23%	21,484	-4.47%	23,738
	<u>30,374,597</u>	<u>30,353,820</u>	<u>-0.07%</u>	<u>29,552,061</u>	<u>-2.71%</u>	<u>31,294,092</u>

46.2 Market risk

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, and equity prices as well as their correlations and volatilities. Market Risk performs risk measurement, monitoring, and control functions through the use of various risk procedures and tools.

The Bank has a comprehensive Board approved market risk management policy wherein the governance structure for managing market risk, methods to control market risk, measurement tools used, the market risk exposure limits and the tolerance levels have been addressed. The Bank's strategy for managing market risk is to relate the level of risk exposures to their risk appetite and the capital base. This structure is reviewed, adjusted and approved periodically.

The Board of Directors oversees the Bank's strategy for market risk exposures. The Bank's Market Risk Management governance structure consists of the Risk & Compliance Committee (BR&CC) of the Board, Investment Committee and Asset & Liability Committee (ALCO) and is assisted by the independent Market Risk function with reporting line to the Risk Management Division.

The asset and Liability Committee (ALCO) which comprises senior management oversees the financial position of the Bank, assesses the impact of the interest rate change on the Bank's investment portfolio through sensitivity analysis, duration and performs an oversight function to ensure sound asset quality, liquidity and pricing considering the current interest rate environment. The investment policy amongst other aspects covers the Bank asset allocation guidelines.

Market Risk function seeks to facilitate efficient risk/return management decisions, reduce volatility in operating performance and provide transparency into the Bank's market risk profile for senior management, the Board of Directors, and regulators.

In line with the regulatory requirements, Bank performs the impact of changes in the market factors on the Bank's earnings through regular stress testing and Internal Capital Adequacy Assessment Processes.

46.2.1 Balance sheet split by trading and banking books

	2025			2024		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	Rupees in '000					
Cash and balances with treasury banks	88,751,233	–	88,751,233	86,815,817	–	86,815,817
Balances with other banks	13,542,382	–	13,542,382	6,434,551	–	6,434,551
Lendings to financial institutions	45,950,890	–	45,950,890	5,570,998	–	5,570,998
Investments	828,571,976	36,079,736	864,651,712	762,976,121	47,899,279	810,875,400
Advances	514,782,767	–	514,782,767	474,300,584	–	474,300,584
Property and equipment	17,446,345	–	17,446,345	16,856,551	–	16,856,551
Right-of-use assets	8,969,420	–	8,969,420	8,608,382	–	8,608,382
Intangible assets	641,326	–	641,326	685,790	–	685,790
Other assets	104,141,556	–	104,141,556	89,985,707	–	89,985,707
	<u>1,622,797,895</u>	<u>36,079,736</u>	<u>1,658,877,631</u>	<u>1,452,234,501</u>	<u>47,899,279</u>	<u>1,500,133,780</u>

46.2.2 Foreign exchange risk

Foreign exchange risk is the probability of loss resulting from adverse movement in exchange rates.

The Bank's business model for foreign exchange risk is to serve trading activities of its clients in an efficient and cost effective manner. The Bank is not in the business of actively trading and market making activities and all FX exposures are backed by customers' trade transaction. A conservative risk approach backed by Bank's business strategy to work with export oriented clients gives the ability to meet its foreign exchange needs.

	2025			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
United States Dollar	113,736,217	(183,828,623)	67,604,214	(2,488,192)
Euro	12,664,857	(4,956,998)	(7,647,521)	60,338
Great Britain Pound	1,722,515	(8,007,605)	6,350,630	65,540
Asian Currency unit	552,918	(969,149)	–	(416,231)
Japanese Yen	3,001	(257,991)	277,326	22,336
Arab Emirates Dirham	16,214	(4,566)	3,814	15,462
Canadian Dollar	18,913	–	–	18,913
Australian Dollar	6,591	–	–	6,591
Saudi Riyal	3,556	–	–	3,556
Chinese Yuan	241,481	–	(188,342)	53,139
Other Currencies	12,346	–	–	12,346
	<u>128,978,609</u>	<u>(198,024,932)</u>	<u>66,400,121</u>	<u>(2,646,202)</u>

	2024			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
United States Dollar	136,921,311	(122,609,572)	(11,289,035)	3,022,704
Euro	12,020,766	(4,644,785)	(7,351,225)	24,756
Great Britain Pound	1,922,115	(8,299,995)	6,376,288	(1,592)
Asian Currency unit	531,184	(1,437,247)	-	(906,063)
Japanese Yen	196,785	(255,145)	80,253	21,892
Arab Emirates Dirham	202,432	(50,186)	15,167	167,413
Canadian Dollar	12,676	-	-	12,676
Australian Dollar	17,980	-	(8,662)	9,317
Saudi Riyal	7,786	-	-	7,786
Chinese Yuan	73,467	(125,013)	55,984	4,437
Other Currencies	176,760	-	(154,092)	22,668
	<u>152,083,262</u>	<u>(137,421,945)</u>	<u>(12,275,322)</u>	<u>2,385,994</u>

	2025		2024	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	(13,496)	-	12,169	-
- Other comprehensive income	-	-	-	-

46.2.3 Equity position risk

Equity position risk arises due to adverse movements in equity prices. The Bank's policy is to take equity position in high dividend yield scrips. The bank as a policy does not enter into any kind of speculative equity trades. Equity position risk of the Bank is mitigated through portfolio and scrip limits advised by the Board of Directors and are reviewed by the ALCO. The investment in equities and mutual funds is also managed within the statutory limits as prescribed by the State Bank of Pakistan.

	2025		2024	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 5% change in equity prices on:				
- Profit and loss account	(88,241)	-	(71,023)	-
- Other comprehensive income	(336,167)	-	(222,575)	-

46.3 Operational Risk

The Bank operates in a controlled manner and operational risk is managed effectively. With the evolution of operational risk management (ORM) into a separate distinct discipline, the Bank's strategy is to further strengthen operational risk management system along new industry standards.

The Bank's ORM strategy takes guidance from Basel - II, the SBP guidelines and best industry practices.

The Bank's ORM framework includes Risk Control Self-Assessment (RCSA), Key Risk Indicators (KRIs), Operational Risk Events Management, Change Risk Assessment and Risk Assessment of Outsourcing arrangement. The ORM unit engages with Bank's business/support units and regularly collaborates in determining and reviewing the inherent operational risks, and assessment of residual risk leading to improved quality of control infrastructure and further strengthening of the processes & management information. Moreover, Bank wide policies, procedures, frameworks and product programs are also being evaluated from operational risk perspective aiming to beef up control environment.

The Bank's business continuity plan includes risk management strategies to mitigate inherent risk and prevent interruption of mission critical services caused by disaster event. The Business Continuity Management function with the support of the senior management remained extremely active during the pandemic to ensure that stakeholders remained safe, all critical services and processes of the bank remain operational and any contingency arising is dealt appropriately. The Bank's operational risk management governance has been further strengthened through the establishment of a separate operational risk and control committee.

The Bank uses Basic Indicator Approach (BIA) for regulatory capital at risk calculation for operational risk. Under BIA the capital charge for operational risk is a fixed percentage of average positive annual gross income of the Bank over the past three years. Figures of capital charge of operation risk for the year is Rs. 13,245,223 thousand (2024: Rs. 11,554,334 thousand).

46.4 Liquidity Risk

Liquidity risk is the risk that the Bank will not be able to raise funds to meet its commitments.

Governance of Liquidity risk management

The ALCO continuously monitors the liquidity position and the Bank is confident that the current liquidity buffer is sufficient to cater to any adverse movement in the maturity profile.

Liquidity and related risks are managed through standardized processes established in the Bank. The management of liquidity risk within the Bank is undertaken within limits and other parameters set by the BoD. The Bank's treasury function has the primary responsibility for assessing, monitoring and managing the Bank's liquidity and funding strategy while overall compliance is monitored and coordinated by the ALCO. Board and senior management are apprised of the Bank's liquidity profile to ensure proactive liquidity management. Treasury Middle Office being part of the risk management division is responsible for the independent identification, monitoring and analysis of intrinsic risks of treasury business. The Bank has in place duly approved Treasury investment policy and strategy along with liquidity risk tolerance / appetite levels. These are communicated at various levels so as to ensure effective liquidity management for the Bank.

Habib Metro's strong deposit base backed by continued customer confidence and holding of government securities has enabled the bank to maintain a robust liquidity profile, also depicted through a strong LCR ratio.

Funding Strategy

The Bank's liquidity model is based on "self-reliance" with an extensive branch network to diversify the Bank deposit base. Further, the Bank can also generate liquidity from Interbank market against government securities to fund its short term requirement, if any. The Bank as a policy invests significantly in highly liquid government securities that can be readily converted into cash to meet unforeseen liquidity requirements, besides yielding attractive returns.

Liquidity Risk Mitigation techniques

Various tools and techniques are used to measure and evaluate the possible liquidity risk. These include regular monitoring of different liquidity ratios against approved triggers and communication to senior management and the ALCO. Further, Bank also prepares the maturity profile of assets and liabilities to keep track of liquidity gaps over different time buckets. The Bank also ensures that statutory cash and liquidity requirements are maintained at all times.

Liquidity Stress Testing

As per the SBP BSD Circular No. 1 of 2012, Liquidity stress testing is being conducted under well-defined stress scenarios. Results of same are escalated at the senior level so as to enable the senior management to take proactive actions to avoid liquidity crunch for the Bank.

Contingency Funding Plan

Contingency Funding Plan (CFP) is a part of liquidity management framework of the Bank which defines and identifies the factors that can instigate a liquidity crisis and the actions to be taken to manage the crisis. The Bank has a comprehensive liquidity contingency funding plan in place, which highlights liquidity management strategy to be followed under stress conditions. Contingency Event Management parameters and responsibilities are also incorporated in order to tackle the liquidity crisis. Moreover, CFP highlights possible funding sources focusing on self-reliance, in case of a liquidity crisis.

2024

	Upto 1 day	Over 1 day to 7 days	Over 7 days to 14 days	Over 14 days to 1 month	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 9 months	Over 9 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years
Rupees in '000													
Assets													
Cash and balances with treasury banks	86,815,817	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	6,434,551	-	-	-	3,342,600	-	-	-	-	-	-	-	-
Lendings to financial institutions	5,570,998	-	-	-	32,501,480	-	47,710,525	155,933,291	-	140,656,596	94,713,364	252,617,189	15,778,284
Investments	70,964,671	-	-	-	103,025,207	-	112,612,331	34,264,787	-	54,161,508	5,437,936	24,370,364	54,807,719
Advances	85,620,732	-	-	1,048,081	802,609	-	1,187,032	2,375,761	-	2,404,069	500,144	286,820	8,441,611
Property and equipment	17,046,127	-	-	-	275	2,365	17,294	32,891	23,684	130,474	327,077	1,241,068	6,833,254
Right-of-use assets	8,608,382	-	-	-	83,000	-	124,500	-	247,214	-	-	-	-
Intangible assets	496,214	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	89,985,707	14,985,072	17,482,584	42,457,703	1,204,632	1,206,997	1,277,888	2,384,939	2,384,939	88,438	45,486	32,772	3,939,110
	1,500,133,780	254,561,681	17,482,584	43,547,284	140,959,803	1,206,997	162,929,570	194,991,669	2,655,837	197,441,085	101,024,007	278,548,213	89,799,978
Liabilities													
Bills payable	28,478,822	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	330,010,768	48,821,203	56,958,070	138,326,739	7,740,797	7,740,797	23,283,638	234,033	234,033	1,590,271	1,906,565	8,004,951	27,032,804
Deposits and other accounts	927,132,777	8,565,759	2,346,126	4,207,891	6,399,859	10,589,788	31,911,110	14,870,683	3,834,973	4,020,090	6,745,016	7,452,880	1,989,972
Lease Liabilities	10,463,713	-	-	-	-	-	22,269	43,782	29,501	182,916	388,361	1,777,294	8,019,590
Sub-ordinated debts	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	3,077,177	(89,874)	(104,853)	(254,641)	(429,198)	(429,198)	(888,998)	469,397	469,397	945,980	960,257	2,382,754	61,133
Other liabilities	85,938,708	1,753,554	12,274,878	29,810,414	1,711,287	1,711,287	2,951,942	6,205,532	6,205,532	178,160	107,45,439	1,318,286	551,073
	1,385,101,965	67,818,412	71,474,221	172,090,403	15,422,745	19,612,674	57,279,961	21,823,427	10,773,436	6,917,417	20,745,638	20,936,165	37,654,572
Net assets													
	115,031,815	(607,991,217)	(53,991,637)	(128,543,119)	125,537,058	(18,405,677)	105,649,609	173,166,242	(8,117,599)	190,523,668	80,278,369	257,612,048	52,145,406
Share capital	10,478,315												
Reserves	35,352,814												
Surplus/(Deficit) on revaluation of assets	14,333,684												
Unappropriated profit	54,867,002												
	115,031,815												

2024

	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
Rupees in '000										
Assets										
Cash and balances with treasury banks	86,815,817	86,815,817	-	-	-	-	-	-	-	-
Balances with other banks	6,434,551	6,434,551	-	-	-	-	-	-	-	-
Lendings to financial institutions	5,570,998	2,228,398	3,342,600	-	-	-	-	-	-	-
Investments	810,875,400	51,872,859	63,701,266	46,219,917	152,952,078	139,165,989	93,222,757	251,282,855	12,457,678	-
Advances	474,300,584	98,984,682	79,198,871	128,311,951	29,487,648	53,973,913	5,437,936	24,523,157	46,332,225	8,050,201
Property and equipment	17,046,127	1,048,081	800,244	1,187,032	2,352,077	2,404,069	500,144	286,820	6,036,757	2,430,903
Right-of-use assets	8,608,382	-	2,640	17,294	56,575	130,474	327,077	1,239,399	6,446,705	388,218
Intangible assets	496,214	41,500	83,000	124,500	247,214	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	89,985,707	77,422,872	2,409,263	1,277,888	4,769,878	88,438	45,486	32,772	3,939,110	-
	1,500,133,780	324,848,760	149,537,884	177,138,582	189,865,470	195,762,883	99,533,400	277,365,003	75,212,475	108,693,322
Liabilities										
Bills payable	28,478,822	28,478,822	-	-	-	-	-	-	-	-
Borrowings	330,010,768	252,242,883	15,481,593	23,283,638	468,065	1,590,271	1,906,565	8,004,951	27,032,802	-
Deposits and other accounts	927,132,777	204,215,819	203,949,446	148,366,221	97,004,764	76,534,046	79,033,521	79,972,968	38,055,992	-
Lease Liabilities	10,463,713	-	-	22,269	73,283	182,916	388,361	1,777,294	7,596,597	422,993
Sub-ordinated debts	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	3,077,177	(464,347)	(858,396)	(888,998)	938,794	945,980	960,257	2,382,754	(125,882)	187,015
Other liabilities	85,938,708	54,360,172	3,422,573	2,951,942	12,411,063	178,160	10,745,439	1,318,286	551,073	-
	1,385,101,965	538,833,349	221,995,216	173,735,072	110,895,969	79,431,373	93,034,143	93,456,253	73,110,582	610,008
Net assets	115,031,815	(213,984,589)	(72,457,332)	3,403,510	78,969,501	116,331,510	6,499,257	183,908,750	2,101,893	10,259,314
Share capital	10,478,315									
Reserves	35,352,814									
Surplus/(Deficit) on revaluation of assets	14,333,684									
Unappropriated profit	54,867,002									
	115,031,815									

47. GENERAL

47.1 Captions, as prescribed by BPRD Circular No.2 of 2018 issued by the SBP, in respect of which there are no amounts, have not been reproduced in these unconsolidated financial statements, except for captions of the statement of financial position and profit and loss account.

47.2 Comparative information has been re-classified, re-arranged or additionally incorporated in these unconsolidated condensed interim financial statements wherever necessary to facilitate comparison and better presentation.

47.3 Non adjusting event after statement of financial position date

The Board of Directors in its meeting held on 12 February 2026 has proposed a final cash dividend of Rs.4.50 per share amounting to Rs. 4,715,242 thousand (2024: final cash dividend of Rs. 4.50 per share amounting to Rs. 4,715,242 thousand) in addition to interim dividend of Rs. 7.50 per share amounting to Rs. 7,858,737 thousand (2024: Rs. 7,858,737 thousand) for approval by the members of the Bank in the forthcoming Annual General Meeting.

48. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue on 12 February 2026 by the Board of Directors of the Bank.

FUZAIL ABBAS
Chief Financial Officer

KHURRAM SHAHZAD KHAN
President &
Chief Executive Officer

MOHOMED BASHIR
Director

RASHID AHMED JAFER
Director

MOHAMEDALI R. HABIB
Chairman

Annexure - I

ISLAMIC BANKING BUSINESS

The bank is operating 243 (2024: 223) Islamic banking branches and 311 (2024: 190) Islamic banking windows at the end of the year.

	Note	2025	2024
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks		20,514,058	14,936,606
Balances with other banks		55,878	34,919
Due from financial institutions	1	33,149,874	-
Investments	2	151,893,193	147,020,502
Islamic financing and related assets - net	3	144,768,962	90,345,521
Property and equipment		859,544	800,502
Right-of-use assets		3,797,340	3,055,711
Intangible assets		-	-
Due from Head Office	4	6,274,499	5,167,862
Other assets		9,538,768	9,093,078
Total Assets		<u>370,852,116</u>	<u>270,454,701</u>
LIABILITIES			
Bills payable		7,862,011	6,374,863
Due to financial institutions		24,246,716	28,894,549
Deposits and other accounts	5	305,413,189	205,395,048
Due to Head Office		-	-
Lease liabilities		4,666,814	3,696,838
Subordinated debt		-	-
Deferred Tax Liabilities		989,235	1,754,446
Other liabilities		11,515,254	8,821,928
		<u>354,693,219</u>	<u>254,937,672</u>
NET ASSETS		<u>16,158,897</u>	<u>15,517,029</u>
REPRESENTED BY			
Islamic Banking Fund		11,007,003	11,006,964
Reserves		-	-
Deficit on revaluation of assets		913,140	1,635,769
Unappropriated profit	7	4,238,754	2,874,296
		<u>16,158,897</u>	<u>15,517,029</u>
CONTINGENCIES AND COMMITMENTS	8		

The profit and loss account of the Bank's Islamic banking branches for the year ended 31 December 2025 is as follows:

	Note	2025	2024
Rupees in '000			
Profit / return earned	9	32,129,779	35,533,890
Profit / return expensed	10	(16,021,034)	(19,587,203)
Net Profit / return		16,108,745	15,946,687
Other income			
Fee and commission income		1,380,764	1,164,766
Dividend income		–	–
Foreign exchange income		185,486	155,610
Income / (loss) from derivatives		–	–
Loss on sale of securities		(387,717)	(82,943)
Other income		55,620	76,571
Total other income		1,234,153	1,314,004
Total income		17,342,898	17,260,691
Other expenses			
Operating expenses		10,300,029	7,649,652
Workers' welfare fund		184,155	–
Other charges		4,390	289
Total other expenses		10,488,574	7,649,941
Profit before credit loss allowance		6,854,324	9,610,750
Credit loss allowance and write offs - net		2,169,251	(3,362,281)
Profit before taxation		9,023,575	6,248,469
Taxation		(4,784,821)	(3,374,173)
Profit after taxation		4,238,754	2,874,296

1. DUE FROM FINANCIAL INSTITUTIONS

	2025			2024		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
Rupees in '000						
Unsecured						
– Musharaka placements	33,150,000	–	33,150,000	–	–	–
Less: Credit loss allowance						
Stage 1	(126)	–	(126)	–	–	–
Stage 2	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–
	(126)	–	(126)	–	–	–
	33,149,874	–	33,149,874	–	–	–

2. INVESTMENTS BY SEGMENTS:

	2025			
	Cost / amortised cost	Credit loss allowance held	Surplus / (deficit)	Carrying value
	Rupees in '000			
Debt Instruments				
Measured at amortised cost				
Federal Government securities				
- Bai Muajjal	51,937,179	-	-	51,937,179
- Ijarah Sukuk	2,984,563	-	-	2,984,563
	54,921,742	-	-	54,921,742
Certificate of investment	4,500,000	(75)	-	4,499,925
	59,421,742	(75)	-	59,421,667
Measured at FVOCI				
Federal Government securities				
- Ijarah Sukuk	89,374,624	-	1,902,375	91,276,999
Non government debt securities	340,000	(340,000)	-	-
	89,714,624	(340,000)	1,902,375	91,276,999
Instruments mandatory classified / measured at FVTPL				
	1,198,698	-	(4,171)	1,194,527
Total Investments	150,335,064	(340,075)	1,898,204	151,893,193
	2024			
	Cost / amortised cost	Credit loss allowance held	Surplus / (deficit)	Carrying value
	Rupees in '000			
Debt Instruments				
Measured at amortised cost				
Federal Government securities				
- Ijarah Sukuk	2,974,049	-	-	2,974,049
Certificate of investment	3,000,000	(51)	-	2,999,949
	5,974,049	(51)	-	5,973,998
Measured at FVOCI				
Federal Government securities				
- Ijarah Sukuk	125,750,660	-	3,545,698	129,296,358
Non government debt securities	6,683,993	(340,000)	(235,423)	6,108,570
	132,434,653	(340,000)	3,310,275	135,404,928
Instruments mandatory classified / measured at FVTPL				
	5,561,635	-	79,941	5,641,576
Total Investments	143,970,337	(340,051)	3,390,216	147,020,502

3. ISLAMIC FINANCING AND RELATED ASSETS - NET

	2025				2024			
	Financing	Advances	Inventory	Total	Financing	Advances	Inventory	Total
	Rupees in '000							
Ijarah	1,108,225	7,553,007	-	8,661,232	540,947	17,607	-	558,554
Ijarah - islamic long term financing facility	4,885	-	-	4,885	12,306	-	-	12,306
Murabaha	1,999,743	12,393,946	-	14,393,689	5,111,120	674,294	-	5,785,414
Working capital musharaka	33,803,189	-	-	33,803,189	13,745,539	-	-	13,745,539
Diminishing musharaka	23,005,880	9,158,861	-	32,164,741	20,926,138	2,060,716	-	22,986,854
Istisna	2,053,496	5,052,247	3,837,993	10,943,736	2,962,798	10,917,577	587,823	14,468,198
Al-bai	4,810,457	-	3,653,715	8,464,172	1,639,352	-	1,684,955	3,324,307
Diminishing musharaka:								
Islamic long term financing facility	2,420,220	1,227,100	-	3,647,320	3,293,757	-	-	3,293,757
Islamic refinance scheme for payment of wages and salaries	-	-	-	-	-	93,534	-	93,534
Islamic financing facility for storage of agricultural produce	276,710	-	-	276,710	522,889	-	-	522,889
Islamic temporary economic refinance facility	7,577,657	-	-	7,577,657	8,306,821	-	-	8,306,821
Islamic financing facility for renewable energy	376,236	-	-	376,236	506,756	-	-	506,756
Islamic export refinance								
Working capital musharaka	20,916,761	-	-	20,916,761	18,146,877	-	-	18,146,877
Istisna	980,928	3,507,686	1,169,132	5,657,746	498,545	1,798,242	153,100	2,449,887
Al-bai	90,604	-	1,282,527	1,373,131	1,129,747	-	675,723	1,805,470
Gross islamic financing and related assets	99,424,991	38,892,847	9,943,367	148,261,205	77,343,592	15,561,970	3,101,601	96,007,163
Provision against non-performing islamic financings								
-Stage 1	(52,825)	(7,703)	(3,359)	(63,887)	(103,977)	(18,873)	(6,466)	(129,316)
-Stage 2	(931,571)	(145,337)	(332,667)	(1,409,575)	(2,314,517)	(63,235)	(49,959)	(2,427,711)
-Stage 3	(1,740,518)	(278,263)	-	(2,018,781)	(3,104,615)	-	-	(3,104,615)
	(2,724,914)	(431,303)	(336,026)	(3,492,243)	(5,523,109)	(82,108)	(56,425)	(5,661,642)
Islamic financing and related assets - net of provision	96,700,077	38,461,544	9,607,341	144,768,962	71,820,483	15,479,862	3,045,176	90,345,521

3.1 Ijarah

	2025						
	Cost			Depreciation			Book value as at 31 Dec 2025
	As at 1 Jan 2025	Additions / (deletions)	As at 31 Dec 2025	As at 1 Jan 2025	Charge for the year	As at 31 Dec 2025	
	Rupees in '000						
Plant & Machinery	105,501	635,261 (17,912)	722,850	84,003	42,506 (12,673)	113,836	609,014
Vehicles	776,014	155,538 (240,762)	690,790	212,208	46,453 (71,967)	186,694	504,096
Total	881,515	532,125	1,413,640	296,211	4,319	300,530	1,113,110

	2024						
	Cost			Accumulated Depreciation			Book value as at 31 Dec 2024
	As at 1 Jan 2024	Additions / (deletions)	As at 31 Dec 2024	As at 1 Jan 2024	Charge for the year	As at 31 Dec 2024	
	Rupees in '000						
Plant & Machinery	292,539	– (187,038)	105,501	155,055	9,371 (80,423)	84,003	21,498
Vehicles	788,548	98,343 (110,877)	776,014	152,798	82,690 (23,280)	212,208	563,806
Total	1,081,087	(199,572)	881,515	307,853	(11,642)	296,211	585,304

Future ijarah payments receivable

	2025				2024			
	Not later than 1 year	Later than 1 year & less than 5 years	Over 5 years	Total	Not later than 1 year	Later than 1 year & less than 5 years	Over 5 years	Total
	Rupees in '000							
Ijarah rental receivables	<u>211,292</u>	<u>753,330</u>	<u>15,904</u>	<u>980,526</u>	<u>68,006</u>	<u>153,666</u>	<u>6,982</u>	<u>228,654</u>

	Note	2025	2024
Rupees in '000			
3.2 Murabaha			
Murabaha financing	3.2.1	1,999,743	5,111,120
Advances for Murabaha		<u>12,393,946</u>	<u>674,294</u>
		<u>14,393,689</u>	<u>5,785,414</u>
3.2.1 Murabaha receivable - gross	3.2.2	2,107,099	5,436,765
Less: Deferred murabaha income	3.2.4	(57,168)	(117,493)
Profit receivable shown in other assets		<u>(50,188)</u>	<u>(208,152)</u>
Murabaha financings		<u>1,999,743</u>	<u>5,111,120</u>
3.2.2 The movement in murabaha financing during the year is as follows:			
Opening balance		5,436,765	4,472,147
Sales during the year		14,240,078	13,415,198
Adjusted during the year		<u>(17,569,744)</u>	<u>(12,450,580)</u>
Closing balance		<u>2,107,099</u>	<u>5,436,765</u>
3.2.3 Murabaha sale price		14,240,078	13,415,198
Murabaha purchase price		<u>(13,781,778)</u>	<u>(12,509,752)</u>
		<u>458,300</u>	<u>905,446</u>
3.2.4 Deferred murabaha income			
Opening balance		117,493	149,821
Arising during the year		458,300	905,446
Less: recognised during the year		<u>(518,625)</u>	<u>(937,774)</u>
Closing balance		<u>57,168</u>	<u>117,493</u>

4. DUE FROM HEAD OFFICE

Inter-branch transactions are made on Qard basis.

5. DEPOSITS

	2025			2024		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
Rupees in '000						
Customers						
Current deposits	98,513,134	15,779,080	114,292,214	91,654,193	11,668,758	103,322,951
Savings deposits	96,079,646	934,265	97,013,911	56,772,727	789,356	57,562,083
Term deposits	25,444,133	6,105,300	31,549,433	30,371,707	6,228,168	36,599,875
Others	3,402,462	-	3,402,462	3,108,749	-	3,108,749
	<u>223,439,375</u>	<u>22,818,645</u>	<u>246,258,020</u>	<u>181,907,376</u>	<u>18,686,282</u>	<u>200,593,658</u>
Financial Institutions						
Current deposits	463,673	-	463,673	337,087	222	337,309
Savings deposits	58,528,651	-	58,528,651	4,329,081	-	4,329,081
Term deposits	162,845	-	162,845	135,000	-	135,000
	<u>59,155,169</u>	<u>-</u>	<u>59,155,169</u>	<u>4,801,168</u>	<u>222</u>	<u>4,801,390</u>
	<u>282,594,544</u>	<u>22,818,645</u>	<u>305,413,189</u>	<u>186,708,544</u>	<u>18,686,504</u>	<u>205,395,048</u>

	2025	2024
	Rupees in '000	
5.1 Composition of deposits		
- Individuals	116,428,104	80,291,166
- Government / Public Sector Entities	9,891,742	6,544,454
- Banking Companies	1,996	1,922
- Non-Banking Financial Institutions	59,153,173	4,799,468
- Private Sector	<u>119,938,174</u>	<u>113,758,038</u>
	<u>305,413,189</u>	<u>205,395,048</u>
5.2 Particulars of deposits and other accounts		
- In local currency	282,594,544	186,708,544
- In foreign currencies	<u>22,818,645</u>	<u>18,686,504</u>
	<u>305,413,189</u>	<u>205,395,048</u>
5.3 This includes eligible deposits of Rs. 159,548,167 thousand which are covered under sharia compliant deposit protection mechanism as required by the Deposit Protection Corporation circular no 5 of 2018.		
	2025	2024
	Rupees in '000	
6. OTHER LIABILITIES		
These include charity fund, details of which are given below:		
Charity fund		
Opening balance	458	402
Received from customers on account of delayed payment	1,987	357
	1,987	357
Payments / utilisation during the period		
Education	(463)	-
Health	(1,856)	(301)
	<u>(2,319)</u>	<u>(301)</u>
Closing balance	<u>126</u>	<u>458</u>
Charity paid to any single entity does not exceeds Rs 500,000.		
7. ISLAMIC BANKING BUSINESS UNAPPROPRIATED PROFIT		
Opening balance	2,874,296	4,720,817
Add: Islamic banking profit for the year	9,023,575	6,248,469
Less: Taxation	(4,784,821)	(3,374,173)
Less: Reserves	-	-
Less: Transferred to head office	<u>(2,874,296)</u>	<u>(4,720,817)</u>
Closing balance	<u>4,238,754</u>	<u>2,874,296</u>

	2025	2024
	Rupees in '000	
8. Contingencies and commitments		
Guarantees	18,572,365	18,073,842
Commitments	<u>20,876,785</u>	<u>26,569,169</u>
	<u>39,449,150</u>	<u>44,643,011</u>
9. Profit / return earned		
Profit earned on:		
Financing	13,037,058	18,133,033
Investments	18,019,827	15,659,083
Placements	<u>1,072,894</u>	<u>1,741,774</u>
	<u>32,129,779</u>	<u>35,533,890</u>
10. Profit / return expensed		
Deposits and other accounts	13,137,338	16,267,819
Due to financial institutions	2,351,777	2,892,956
Lease liability against right-of-use assets	<u>531,919</u>	<u>426,428</u>
	<u>16,021,034</u>	<u>19,587,203</u>
11. Pool management		

Pools maintained by the Bank's Islamic Banking Division (IBD), their key features and risk and reward characteristics

The Bank operates general and special pools for deposits and inter-bank funds accepted / acquired under Modaraba and musharaka modes. Under the general deposits pools, the Bank accepts funds on Modaraba basis from depositors (Rabb-ul-Maal) where the Bank acts as Manager (Mudarib) and invests the funds in Shariah Compliant modes of financing, investments and placements. IERS and other pools (special pools) are operated for funds acquired / accepted from the State Bank of Pakistan and other banks for Islamic Export Refinance to the Bank's customers and liquidity management respectively under the musharaka / Modaraba modes. Further, the Bank also contributes its equity and becomes the capital provider, wherein required.

Following pools are being managed by IBD:

- General pool for local and foreign currencies for depositors
- Islamic export refinance scheme musharaka pool
- Special pool

All the Modaraba based remunerative deposits shall be considered as an investment from Rabbul Maal in the pool, along with IBD's own share of equity, which is also commingled in the pool. The applications of these funds are on Islamic financing and related assets, Investments, and Placements for generating profits to be shared among the depositors as per the Weightage system.

The IERS Pool caters the 'Islamic Export Refinance' requirements based on the guidelines issued by the SBP.

Profits are calculated on the basis of weightages assigned to different tiers and tenors. These weightages are announced at the beginning of the period, while considering weightages emphasis shall be given to the quantum, type and the period of risk assessed by applying following factors:

- Contracted period, nature and type of deposit / fund.
- Payment cycle of profit on such deposit / fund, i.e. monthly, quarterly or on maturity
- Magnitude of risk

Any change in profit sharing weightages of any category of deposit / fund providers shall be applicable from the next month (where applicable).

Avenues/sectors of economy/business where modaraba based deposits have been deployed.

- Agriculture, forestry, hunting and fishing
- Automobile and transportation equipment
- Chemicals and pharmaceuticals
- Electronic and electrical appliances
- Financial
- Production and transmission of energy
- Footwear and leather garments
- Textile
- Cement
- Others

Parameters used for allocation of profit, charging expenses and provisions etc.

The direct expenditure shall be charged to respective pool, while indirect expenses including the establishment cost shall be borne by Habib Metro IBD as Mudarib. The direct expenses to be charged to the pool may include depreciation of ijarah assets, insurance / takaful expenses of pool assets, stamp fee or documentation charges, brokerage fee for purchase of securities, impairment / losses due to physical damages to specific assets in pools etc. Provisions for non-performing accounts are borne by the mudarib, while write-off of non-performing accounts is charged to the respective pool. However, this is not an exhaustive list; Habib Metro IBD pool management framework and the respective pool creation memorandum may identify and specify these and other similar expenses to be charged to the pool.

The Bank managed the following general and specific pools during the year:

General Remunerative / Specific Depositor's Pools	Profit rate and weightage announcement period	Profit rate return earned	Profit sharing ratio Mudarib Share / Fee	Profit sharing ratio Rabbul Maal Share	Mudarib share	Profit rate return distributed to remunerative deposits (savings)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
General pool								
Islamic Export Refinance (IERS) Pool								
PKR Pool	Monthly	10.77%	50.00%	50.00%	4,365,454	6.49%	11.91%	519,818
USD Pool	Monthly	10.80%	80.00%	20.00%	15,804	0.68%	43.05%	7,088
Specific pools								
Islamic Export Refinance (IERS) Pool								
Special Pool (Saving)	Quarterly	11.78%	62.86%	37.14%	1,601,413	8.63%	0.00%	-
Special Pool (TDR)	Monthly	14.11%	55.00%	45.00%	600,526	16.23%	33.09%	2,395,211
Treasury F.I. Pool	Monthly	13.71%	14.51%	85.49%	123,507	9.21%	0.00%	-
	PSR Deal Basis	14.16%	4.99%	95.01%	48,583	11.59%	0.00%	-

PATTERN OF SHAREHOLDINGS

AS ON 31 DECEMBER 2025

Number of shareholders	Size of shareholding Rs. 10 each			Total shares held
908	1	to	100	26,307
604	101	to	500	189,301
357	501	to	1000	304,589
795	1001	to	5000	2,111,617
297	5001	to	10000	2,332,037
310	10001	to	15000	3,808,372
81	15001	to	20000	1,469,759
82	20001	to	25000	1,913,090
34	25001	to	30000	934,520
40	30001	to	35000	1,322,645
36	35001	to	40000	1,349,892
21	40001	to	45000	902,926
52	45001	to	50000	2,545,852
41	50001	to	60000	2,256,449
49	60001	to	80000	3,452,988
45	80001	to	100000	4,175,781
53	100001	to	150000	6,618,546
27	150001	to	200000	4,951,881
21	200001	to	250000	4,834,647
58	250001	to	500000	21,834,322
45	500001	to	1000000	32,427,976
18	1000001	to	1500000	20,974,192
15	1500001	to	2000000	25,004,690
23	2000001	to	3000000	52,774,654
5	3000001	to	4000000	16,479,807
18	4000001	to	10000000	116,836,388
7	10000001	to	52050000	181,604,198
1	534390001	to	534395000	534,394,054
4,043				1,047,831,480

COMBINED PATTERN OF SHAREHOLDINGS

AS ON 31 DECEMBER 2025

Categories of Shareholders	Number of Shareholders	Number of Shares held	(%)
Directors and their spouse(s) and minor children			
Mohamedali R. Habib	2	3,227,480	0.31
Ali Abbas Sikander	1	500	0.00
Hamza Habib	1	1,000	0.00
Mohomed Bashir	1	16,340,985	1.56
Mohsin Ali Nathani	1	4,026,000	0.38
Muhammad H. Habib	1	2,069,454	0.20
Rashid Ahmed Jafer	1	500	0.00
Sayed Mohamedali Habib	1	805,065	0.08
Farah Faima Habib	1	1,037,136	0.10
Associated Companies, undertakings and related parties			
Habib Bank AG Zurich	1	534,394,054	51.00
Habib Insurance Company Limited	1	5,963,000	0.57
Trustee Gul Ahamed Textile Mills LTD Emp P.F	1	40,000	0.00
Trustees of UBL Fund Mngrs Ltd and Associated Coys E.G.Fund	1	21,406	0.00
Trustees of UBL Fund Mngrs Ltd and Associated Coys E.P.Fund	1	2,200	0.00
Askari Bank Limited	1	2,068,320	0.20
CDC - Trustee UBL Stock Advantage Fund	1	2,454,051	0.23
CDC - Trustee UBL Asset Allocation Fund	1	458,089	0.04
CDC - Trustee UBL Retirement Savings Fund - Equity Sub Fund	1	433,816	0.04
CDC - Trustee UBL Financial Sector Fund	1	3,394,273	0.32
Executives	4	376,750	0.04
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	27,432,327	2.62
Banks Development Financial Institutions, Non Banking Financial Institutions.	5	9,497,564	0.91
Insurance Companies	6	13,794,071	1.32
Modarabas and Mutual Funds			
First Al-Noor Modaraba	1	125	0.00
CDC - Trustee Atlas Stock Market Fund	1	6,974,578	0.67
CDC - Trustee Faysal Stock Fund	1	1	0.00
CDC - Trustee Alfalah Ghp Value Fund	1	37,000	0.00
CDC - Trustee Akd Index Tracker Fund	1	171,028	0.02

Categories of Shareholders	Number of Shareholders	Number of Shares held	(%)
CDC - Trustee NBP Stock Fund	1	1,573,427	0.15
CDC - Trustee APF-Equity Sub Fund	1	397,100	0.04
CDC - Trustee NIT-Equity Market Opportunity Fund	1	656,000	0.06
CDC - Trustee Al Habib Stock Fund	1	1,500,000	0.14
Aba Ali Habib Securities (Pvt) Limited - MF	1	25,000	0.00
CDC - Trustee NBP Financial Sector Fund	1	628,362	0.06
CDC - Trustee Alfalah Financial Value Fund-II	1	51,323	0.00
CDC - Trustee Alfalah Ghp Dedicated Equity Fund	1	48,584	0.00
General Public			
a. Local	3,519	198,325,153	18.93
b. Foreign	278	2,983,397	0.28
Foreign Companies	17	102,519,880	9.78
Others	180	104,102,481	9.94
Totals	4,043	1,047,831,480	100.00

Share holders holding 10% or more	Shares Held	Percentage
Habib Bank AG Zurich	534,394,054	51.00

TRADE IN THE SHARES BY DIRECTOR & EXECUTIVE * (INCLUDING THEIR SPOUSE & MINOR CHILDREN)

Name of Director & Executive	Designation	Purchase	Sale
Mohamedali R. Habib	Non-Executive Director	1,614,956 **	-

* The Expression "Executive" means as key management and includes all executives in direct reporting to CEO

** The above transmission of 1,614,956 shares of the Bank is by way of inheritance.