



MASHREQ BANK PAKISTAN LIMITED
FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025

Directors' Review

To the shareholders,

On behalf of the Board of Directors, we are pleased to present the Financial Statements of Mashreq Bank Pakistan Limited ("MBPL" or "the Bank") for the period ended 30-Sep-2025.

Company's Profile and Performance

MBPL is a wholly owned subsidiary of Mashreq Bank PSC (the Parent Company) incorporated in the United Arab Emirates. MBPL was incorporated in Pakistan on July 5, 2023, as an Unlisted Public Limited Company. On January 13, 2023, the State Bank of Pakistan (SBP) granted a 'No Objection Certificate' (NOC), followed by the issuance of an in-principle approval (IPA) on September 20, 2023, under the framework for Digital Banks.

The primary objective of MBPL is to engage in banking activities and focus on establishing a Digital Retail Bank in accordance with the framework issued by SBP. On September 15, 2025, the State Bank of Pakistan (SBP), in exercise of its powers under Section 27 of the Banking Companies Ordinance, 1962 and the licensing and Regulatory framework for Digital Banks, granted the Bank a banking license to operate as a Digital Retail Bank (DRB). In accordance with the terms and conditions of the license, the Bank commenced operations on September 16, 2025.

During the period, MBPL incurred a loss before taxation of Rs. 3,212.07 million (30 September 2024: Rs. 1,765.67 million), primarily attributed to the initial essential costs incurred to set up the business. However, MBPL anticipates a robust launch of its operations.

The Bank has formally commenced its commercial operations in accordance with the Licensing and Regulatory Framework for Digital Banks issued by the State Bank of Pakistan (SBP). This milestone marks a significant transition from the preparatory phase to full-scale operations.

During the preceding period, the Bank focused on validating its digital banking systems, optimizing operational workflows, and fortifying its IT and cybersecurity infrastructure. These foundational efforts have enabled a seamless launch and positioned the Bank to deliver secure and efficient digital financial services.

In parallel, substantial progress was made in the development and rollout of innovative digital products, enhancement of customer onboarding journeys, and streamlining of service delivery channels. These initiatives reflect our commitment to delivering a best-in-class digital banking experience.

MBPL remains steadfast in its dedication to regulatory compliance, operational excellence, and customer-centric innovation as it embarks on this new chapter of commercial operations.

Macroeconomic Overview and Future Outlook

Pakistan's economy demonstrated resilience through the third quarter of 2025, balancing recovery with emerging challenges. Despite flood-related damage to crops and infrastructure, subdued inflation, stable remittance inflows, and improved investor confidence supported macroeconomic stability. GDP grew by 3.04% in FY25, reflecting steady progress after years of volatility.

Inflation averaged 4.5% in FY25 versus 23.4% a year earlier — one of the sharpest disinflations in recent history. The decline in price pressures provided space for policy flexibility, allowing authorities to balance growth with external stability.

Investor sentiment strengthened, with the PSX-100 Index rising over 30% in Q3'25 to an all-time high of 165,493 points, largely driven by local institutional participation offsetting foreign outflows.

The external account also showed improvement, posting a \$2.1 billion current account surplus in FY25, supported by robust remittances and modest export growth. Remittance inflows remained a critical stabilizing factor, emphasizing the value of formal channels.

During the year, S&P upgraded Pakistan's sovereign rating to "B-" with a stable outlook, reflecting improved stability and reform momentum. The SBP maintained its policy rate at 11% in October 2025, striking a balance between supporting recovery and preserving external buffers. In FY25, Pakistan's banking industry exhibited strong profitability and balance sheet growth, driven by improved macroeconomic stability. The after-tax profit of the sector grew by 27.1% in H1CY25, while deposits grew at 17.7% during the same period.

Looking ahead, sustaining momentum will require consistent policies, timely external inflows, and structural reforms to broaden the growth base. Anchoring inflation, diversifying exports, and advancing financial inclusion and agricultural modernization will be vital to strengthening resilience. The quarter's performance indicates that the economic activity has gained momentum, with the key objective to ensure ongoing progress towards sustainable economic growth.

Board of Directors

During the current period, the following individuals served as directors of MBPL and attended Board meetings held during the year:

Name of Director	Position
Fernando Morillo	Chairman / Non-Executive Director
Salman Hadi	Non-Executive Director
Iqbal Hassan Khanyari	Non-Executive Director
Mohamad Salah Abdel Hamid Abdel Razek	Non-Executive Director
Muhammad Hamayun Sajjad	Chief Executive Officer
Rania Nerhal	Non-Executive Director
Shazad Dada	Independent Director
Rashid Ali Khan	Independent Director
Syed Naseer ul Hasan	Independent Director

*Salman Hadi was appointed as a Director by the Board of MBPL to fill in the casual vacancy created by the resignation of Hammad Naqvi.

Board Committee	Name of Director
Digital, IT, and Information Security Committee	Mohamed Salah Abdel Hamid Razek
	Fernando Morillo
	Muhammad Hamayun Sajjad
	Shazad Dada
	Syed Naseer ul Hasan
Risk Management & Credit Committee	Salman Hadi
	Shazad Dada
	Rania Nerhal
	Muhammad Hamayun Sajjad
	Iqbal Hassan Kanyari
Audit Committee	Syed Naseer ul Hasan
	Iqbal Hassan Kanyari
	Rashid Ali Khan
	Mohamed Salah Abdel Hamid Razek
	Salman Hadi
Human Resource & Remuneration Committee	Syed Naseer ul Hasan
	Fernando Morillo
	Shazad Dada
	Rania Nerhal
	Rashid Ali Khan

Appreciation and Acknowledgement

On behalf of the Board of Directors, we would like to place on record our appreciation to the regulators and the Government of Pakistan, particularly the State Bank of Pakistan, the Ministry of Finance and the Securities and Exchange Commission of Pakistan for their continuous support and guidance. Further, we acknowledge the efforts and commitment of our people being the greatest strength of the Bank.

For and behalf of

Muhammad Hamayun Sajjad
Chief Executive Officer

Fernando Morillo
Chairman

October 28, 2025

MASHREQ BANK PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2025

		September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
	Note	(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	8	25,496	375,000
Balances with other banks	9	73,206	765,192
Lendings to financial institutions	10	255,000	-
Investments	11	6,486,091	3,601,245
Advances	12	11,376	11,424
Property and equipment	13	267,227	249,826
Right-of-use assets	14	471,610	-
Intangible assets	15	304,727	267,294
Deferred tax assets	16	-	-
Other assets	17	161,167	89,710
Total assets		8,055,900	5,359,691
LIABILITIES			
Bills payable		-	-
Borrowings	18	1,969,221	1,949,850
Deposits and other accounts	19	238,741	-
Lease liabilities	20	489,245	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	21	2,906,408	1,709,982
Total liabilities		5,603,615	3,659,832
NET ASSETS		2,452,285	1,699,859
REPRESENTED BY			
Share capital		9,435,143	5,454,417
Surplus / (deficit) on revaluation of assets - net of tax	22	4,899	17,975
Accumulated losses		(6,987,757)	(3,772,533)
		2,452,285	1,699,859
CONTINGENCIES AND COMMITMENTS			
	23		

The annexed notes 1 to 38 form an integral part of these condensed interim financial statements.

Atif Saeed Dar
Chief Financial Officer

Muhammad Hamayun Sajjad
Chief Executive Officer

Fernando Morillo
Director

Naseer ul Hasan
Director

Salman Hadi
Director

MASHREQ BANK PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS ACCOUNT (Un-audited)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025

		Quarter ended		Nine Months ended	
		July- September 2025	July- September 2024	January September 2025	January September 2024
Note		----- (Rupees in '000) -----			
Mark-up / return / interest earned	24	195,458	881	527,907	2,977
Mark-up / return / interest expensed	25	(17,004)	-	(41,383)	-
Net mark-up / return / interest income		178,454	881	486,524	2,977
NON MARK-UP / INTEREST / INCOME					
Fee and commission income	26	82	-	222	-
Dividend income		-	-	-	-
Foreign exchange (loss) / income		17,131	3,361	(19,371)	12,041
Income / (loss) from derivatives		-	-	-	-
Gain / (loss) on securities		-	-	-	-
Net gains / (loss) on derecognition of financial assets measured at amortised cost		-	-	-	-
Other income / (loss)		-	-	-	-
Total non mark-up / interest (expense) / income		17,213	3,361	(19,149)	12,041
Total Income / (expense)		195,667	4,242	467,375	15,018
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	27	1,464,589	760,013	3,679,546	1,780,692
Workers' welfare fund		-	-	-	-
Other charges		-	-	-	-
Total non mark-up / interest expenses		(1,464,589)	(760,013)	(3,679,546)	(1,780,692)
Loss before credit loss allowance		(1,268,922)	(755,771)	(3,212,171)	(1,765,674)
Credit loss allowance and reversals - net	28	13	-	100	-
LOSS BEFORE TAXATION		(1,268,909)	(755,771)	(3,212,071)	(1,765,674)
Taxation	29	(2,482)	(46)	(3,046)	(181)
LOSS AFTER TAXATION		(1,271,391)	(755,817)	(3,215,117)	(1,765,855)
		----- (Rupees) -----		----- (Rupees) -----	
Basic and diluted loss per share	30	(1.43)	(9.10)	(4.26)	(62.92)

The annexed notes 1 to 38 form an integral part of these condensed interim financial statements.

Atif Saeed Dar
Chief Financial Officer

Muhammad Hamayun Sajjad
Chief Executive Officer

Fernando Morillo
Director

Naseer ul Hasan
Director

Salman Hadi
Director

MASHREQ BANK PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025

	Quarter ended		Nine Months ended	
	July- September 2025	July- September 2024	January September 2025	January September 2024
	----- (Rupees in '000) -----			
Loss after taxation for the period	(1,271,391)	(755,817)	(3,215,117)	(1,765,855)
Other comprehensive income				
Items that may be reclassified to the statement of profit and loss account in subsequent periods:				
Movement in surplus on revaluation of debt securities classified at FVOCI - net of tax	(2,982)	-	(13,076)	-
	(2,982)	-	(13,076)	-
Total comprehensive loss for the period	<u>(1,274,373)</u>	<u>(755,817)</u>	<u>(3,228,193)</u>	<u>(1,765,855)</u>

The annexed notes 1 to 38 form an integral part of these condensed interim financial statements.

Atif Saeed Dar
Chief Financial Officer

Muhammad Hamayun Sajjad
Chief Executive Officer

Fernando Morillo
Director

Naseer ul Hasan
Director

Salman Hadi
Director

MASHREQ BANK PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025

	Share capital	Share premium	Surplus / (deficit) on revaluation of Investments	Accumulated losses	Total
	(Rupees in '000)				
Opening balance as at January 1, 2024 (Audited)	1,000	-	-	(496,180)	(495,180)
Loss after taxation for the nine months ended September 30, 2024	-	-	-	(1,765,855)	(1,765,855)
Other comprehensive income - net of tax	-	-	-	-	-
Total comprehensive income for the nine months ended September 30, 2025	-	-	-	(1,765,855)	(1,765,855)
Balance as at September 30, 2024 (Unaudited)	1,000	-	-	(2,262,035)	(2,261,035)
Loss after taxation for the three months ended December 31, 2024	-	-	-	(1,510,498)	(1,510,498)
Other comprehensive income - net of tax	-	-	-	-	-
Movement in surplus / (deficit) on revaluation of investments - net of tax	-	-	17,975	-	17,975
Total comprehensive income / (loss) - net of tax	-	-	17,975	(1,510,498)	(1,492,523)
<i>Transactions with owners, recorded directly in equity</i>					
Issuance of ordinary shares	5,453,417	-	-	-	5,453,417
Balance as at December 31, 2024 (audited)	5,454,417	-	17,975	(3,772,533)	1,699,859
Impact of transition to IFRS - net of tax (Refer note 7.1.3)	-	-	-	(107)	(107)
Balance as at January 1, 2025 after transition to IFRS	5,454,417	-	17,975	(3,772,640)	1,699,752
Loss after taxation for the nine months ended September 30, 2025	-	-	-	(3,215,117)	(3,215,117)
Other comprehensive income - net of tax	-	-	-	-	-
Movement in surplus / (deficit) on revaluation of investments - net of tax	-	-	(13,076)	-	(13,076)
Total comprehensive income / (loss) - net of tax	-	-	(13,076)	(3,215,117)	(3,228,193)
<i>Transactions with owners, recorded directly in equity</i>					
Issuance of ordinary shares	3,980,726	-	-	-	3,980,726
Balance as at September 30, 2025	9,435,143	-	4,899	(6,987,757)	2,452,285

The annexed notes 1 to 38 form an integral part of these condensed interim financial statements.

Atif Saeed Dar
Chief Financial Officer

Muhammad Hamayun Sajjad
Chief Executive Officer

Fernando Morillo
Director

Naseer ul Hasan
Director

Salman Hadi
Director

MASHREQ BANK PAKISTAN LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (Un-audited)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025

Nine Months ended
January- January-
September September
2025 2024
Note ----- (Rupees in '000) -----

CASH FLOWS FROM OPERATING ACTIVITIES

Loss before taxation for the period (3,212,071) (1,765,674)

Adjustments

Net mark-up / return / interest income		(486,524)	-
Depreciation on property and equipment	27	51,971	7,862
Depreciation on right-of-use assets	27	66,574	-
Amortisation	27	17,751	-
Loss / (gain) on revaluation of foreign currency borrowings		19,371	(12,041)
Credit loss allowance and write offs - net	28	(100)	-
Finance cost against right-of-use assets	25	38,816	-
Charge for defined contribution plan		40,867	33,335
Charge for defined benefit plan		46,535	48,088
		(204,739)	77,244
		(3,416,810)	(1,688,430)

(Increase) / decrease in operating assets

Advances		44	907
Other assets (excluding advance taxation)		(85,827)	26,016
		(85,783)	26,923

Increase / (decrease) in operating liabilities

Borrowings		-	1,394,051
Deposits and other accounts		238,741	-
Other liabilities (excluding current taxation)		1,141,391	333,389
		1,380,132	1,727,440
		(2,122,461)	65,933

Mark-up / return / interest received

527,836 -

Mark-up / return / interest paid

(41,383) -

Payments of final settlements to employees

(32,367) -

Income tax paid

(2,175) (171)

Net cash (used in) / generated from operating activities

(1,670,550) 65,762

CASH FLOWS FROM INVESTING ACTIVITIES

Net investments in securities classified as FVOCI		(2,902,297)	-
Net investments in amortised cost securities		7,923	-
Investments in property and equipment		(69,372)	(22,148)
Investments in intangible assets		(55,184)	(450,514)
Net cash used in investing activities		(3,018,930)	(472,662)

CASH FLOWS FROM FINANCING ACTIVITIES

Issuance of ordinary shares		3,980,726	5,453,417
Payments of lease obligations against right-of-use assets		(77,733)	-
Net cash generated from financing activities		3,902,993	5,453,417

(Decrease) / increase in cash and cash equivalents

(786,487) 5,046,517

Cash and cash equivalents at the beginning of the period

1,140,192 155,099

Impact of expected credit loss allowance on cash and cash equivalents during the period

(3) -

Cash and cash equivalents at the end of the period

31 353,702 5,201,616

The annexed notes 1 to 38 form an integral part of these condensed interim financial statements.

Chief Financial Officer

Chief Executive Officer

Director

Director

Director

1 STATUS AND NATURE OF BUSINESS

- 1.1 Mashreq Bank Pakistan Limited (the Bank) was incorporated in Pakistan on July 5, 2023 as an unlisted public limited company under the Companies Act, 2017. The principal line of business of the Bank is to carry on the business of banking as a Digital Bank and undertake financial transactions as permitted under the applicable laws of Pakistan including, but not limited to the Banking Companies Ordinance, 1962, the Companies Act 2017, Licensing and Regulatory Framework for Digital Banks issued by SBP, and all other applicable laws, rules and regulations and the rules, directions and circulars of the State Bank of Pakistan (SBP) as in force from time to time.

On January 13, 2023, the SBP granted the Bank a 'No Objection Certificate' (NOC), followed by the issuance of an In-principle approval (IPA) on September 20, 2023 under the Licensing and Regulatory Framework for Digital Banks. The Bank successfully met all stipulated terms and conditions outlined in the IPA, including the requisite Minimum Capital Requirement, and submitted its application for a restricted license within the IPA's validity period.

On September 16, 2025, the State Bank of Pakistan (SBP), in exercise of its powers under Section 27 of the Banking Companies Ordinance, 1962 and the licensing and Regulatory framework for Digital Banks, granted the Bank a banking license to operate as a Digital Retail Bank (DRB). In accordance with the terms and conditions of the license, the Bank commenced operations on September 16, 2025.

- 1.2 The Bank is operating through the head office and its three other offices in Karachi, Islamabad and Lahore as at September 30, 2025. The registered office of the Bank is situated at 22-C, Ittehad Lane - 8, Ittehad Commercial, Phase VI, DHA, Karachi, Pakistan.
- 1.3 The Bank is a wholly-owned subsidiary of Mashreq Bank P.S.C. (the Parent Company) incorporated in the United Arab Emirates. The address of the Bank's registered office is P.O. Box 1250, Dubai, United Arab Emirates.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard - 34 "Interim Financial Reporting", International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of 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 Exchange Commission of Pakistan (SECP).

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 IAS 34, IFRS or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives, shall prevail.

The disclosures made in these condensed interim financial statements have been limited based on the format prescribed by the SBP through BPRD Circular Letter No. 02 dated February 09, 2023 and the requirements of International Accounting Standard 34, "Interim Financial Reporting". These condensed interim financial statements do not include all the information and disclosures required for annual financial statements, and therefore should be read in conjunction with the annual audited financial statements of the Bank for the Nine months ended September 30, 2025. Further, the impact of transition to IFRS is disclosed in the note 7.1.3.

3 TRANSITION TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS AS APPLICABLE IN PAKISTAN

3.1 Basis of the transition

3.1.1 Application

As per the criteria given in the third schedule to the Companies Act, 2017, the applicable financial reporting framework for the Bank is International Financial Reporting Standards (IFRS) as applicable in Pakistan. Previously, the Bank's applicable financial reporting framework was IFRS for Small and Medium-sized Entities (SMEs). During the current period, the Bank has transitioned to IFRS as applicable in Pakistan in accordance with the criteria given in the third schedule to the Companies Act, 2017.

3.1.1.2 Upon transition to IFRS as applicable in Pakistan, since IFRS 1 is not applicable in Pakistan, the Bank has adopted modified retrospective approach for adoption of IFRS 9 and IFRS 16 as allowed under transition provisions of these standards.

- IFRS 9 'Financial Instruments' (IFRS 9)

The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'expected credit losses' (ECL) approach. The accounting policy and adjustments to the amounts recognised in the condensed interim financial statements on adoption of IFRS 9 'Financial Instruments' are set out in note 7.1.1.1.

- IFRS 16 'Leases' (IFRS 16)

The standard introduces a single, on balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The accounting policy and adjustments to the amounts recognised in the condensed interim financial statements on adoption of IFRS 16 'Leases' are set out in note 7.1.1.2.

MASHREQ BANK PAKISTAN LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025

3.1.3 Comparison

The following amounts show the effect on the Bank's accumulated losses as a result of transition from the revised International and Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs) to the International Financial Reporting Standards (IFRS Standards) as applicable in Pakistan.

	January 1, 2025 Rupees in '000
Accumulated losses under revised International and Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs)	(3,772,533)
Impact of transition to IFRS as applicable in Pakistan	(107)
Revised accumulated losses under International Financial Reporting Standards (IFRS Standards) as applicable in Pakistan	<u><u>(3,772,640)</u></u>

3.2 Upon transition to IFRS as applicable in Pakistan, there are no impacts on measurement, classification and recognition on the assets and liabilities and income and expenses other than those disclosed in notes 7.1.1.1 and 7.1.1.2 to the condensed interim financial statements.

4 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO ACCOUNTING AND REPORTING STANDARDS THAT ARE EFFECTIVE IN THE CURRENT PERIOD

4.1 There are certain new and amended standards, interpretations and amendments that have become applicable for the Bank's accounting periods beginning on January 1, 2025 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these condensed interim financial statements except for the effects of transition to IFRS as applicable in Pakistan as disclosed in note 7.1.

5 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO ACCOUNTING AND REPORTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations with respect to accounting and reporting standards would be effective from the date mentioned below against the respective standards, amendments or interpretations:

Standards, interpretations or amendments	Effective date (annual periods beginning on or after)
- IFRS 1- 'First-time Adoption of International Financial Reporting Standards' (amendments)	January 1, 2026
- IFRS 9 - 'Financial Instruments' (amendments)	January 1, 2026
- IAS 7 - 'Statement of Cash Flows' (amendments)	January 1, 2026
- IFRS 18 - 'Presentation and Disclosure in Financial Statements'	January 1, 2027

The management is in the process of assessing the impact of these standards and amendments on the condensed interim financial statements of the Bank.

6 BASIS OF MEASUREMENT

6.1 Accounting convention

These condensed interim financial statements have been prepared under the historical cost convention except for investment classified at fair value through other comprehensive income, defined benefit obligations which are carried at present value and right of use of assets and related lease liability measured at present value on initial recognition.

6.2 Functional and presentation currency

Items included in these condensed interim financial statements are measured using the currency of the primary economic environment in which the Bank operates. These condensed interim financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

6.3 Rounding off

Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

6.4 Critical accounting estimates and judgments

The basis for accounting estimates adopted in the preparation of these condensed interim financial statements are the same as that applied in the preparation of the annual audited financial statements of the Bank for the Nine months ended September 30, 2025 except for changes mentioned in note 7.1.

7 MATERIAL ACCOUNTING POLICY INFORMATION AND FINANCIAL RISK MANAGEMENT POLICIES

The material accounting policies applied in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the annual audited financial statements of the Bank for the Nine months ended September 30, 2025 except for changes mentioned in note 7.1.

7.1 Changes in accounting policies and transition disclosures

7.1.1 As stated in note 3.1.2, IFRS 9 and IFRS 16 became effective on the Bank during the current period. The Bank has used the modified retrospective approach and has not restated comparatives for the 2024 reporting period, as permitted under the specific transitional provisions of IFRS 9 and IFRS 16.

The disclosures relating to impact as a result of application of IFRS 9 and IFRS 16 on the Bank are set out below. Further details of the specific IFRS 9 and IFRS 16 accounting policies applied in the current period are described in notes 7.1.1.1 and 7.1.1.2.

7.1.1.1 Impact of IFRS 9

The measurement category and the carrying amount of financial assets and liabilities in accordance with IFRS for SMEs and IFRS 9 at January 1, 2025 are compared as follows:

MASHREQ BANK PAKISTAN LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025

Financial assets	Before adoption of IFRS 9		After adoption of IFRS 9	
	Measurement category	Carrying amount as at December 31, 2024	Measurement category	Carrying amount as at January 01, 2025
		Rupees in '000		Rupees in '000
Cash and balances with treasury banks	Loans and receivables	375,000	Amortised cost	375,000
Balances with other banks	Loans and receivables	765,192	Amortised cost	765,089
Lendings to financial institutions	Loans and receivables	-	Amortised cost	-
Investments - net	Available for sale	2,220,256	Fair value through other comprehensive income	2,220,256
	Held to maturity	1,380,989	Amortised cost	1,380,989
Advances - net	Loans and receivables	11,424	Amortised cost	11,420
Other assets	Loans and receivables	31,273	Amortised cost	31,273
		<u>4,784,134</u>		<u>4,784,027</u>

The difference in the carrying amount above has arisen due to implementation of expected credit loss model over the financial assets. The impact of adoption of IFRS 9 on the financial statement line items are disclosed in the note 7.1.3 to the condensed interim financial statements.

7.1.1.2 Impact of IFRS 16

As stated in note 3.1.2, IFRS 16 as issued by the IASB in January 2016 became effective on the Bank during the current period. In accordance with transition provisions of accounting and reporting standards as applicable in Pakistan, the Bank has recognised liabilities in respect of leases except for certain short term leases in accordance with IFRS 16. These liabilities were initially measured at the present value of the remaining lease payments, discounted using the appropriate discount rates at inception of respective lease. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

The right-of-use asset recognised subsequent to the transition are measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the nine months start date, plus any initial direct costs incurred. The right-of-use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

The impacts of adoption of IFRS 16 on the condensed interim financial statement line items are disclosed in note 7.1.3 to the condensed interim financial statements.

- 7.1.3 The Bank has adopted IFRS 9 and IFRS 16 with modified retrospective approach for restatement permitted under IFRS 9 and IFRS 16. The cumulative impact of initial application has been recorded as an adjustment to equity at the beginning of the current accounting period. The details of the impacts of initial application are tabulated below:

MASHREQ BANK PAKISTAN LIMITED

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025

Balances as at December 31, 2024 (Audited)	Impact due to:		Total impact - gross of tax	Balances as at January 01, 2025	Measurement category as per IFRS 9 / IFRS16
	Recognition of expected credit losses (ECL) / remeasurement	Adoption of IFRS16			

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

ASSETS

Cash and balances with treasury banks	375,000	-	-	-	375,000	Amortised cost
Balances with other banks	765,192	(103)	-	(103)	765,089	Amortised cost
Lendings to financial institutions	-	-	-	-	-	Amortised cost
Investments	3,601,245	-	-	-	3,601,245	Amortised cost
Advances	11,424	(4)	-	(4)	11,420	Amortised cost
Property and equipment	249,826	-	-	-	249,826	Outside the scope of IFRS 9
Right-of-use assets	-	-	335,424	335,424	335,424	Right-of-use asset
Intangible assets	267,294	-	-	-	267,294	Outside the scope of IFRS 9
Deferred tax assets	-	-	-	-	-	Outside the scope of IFRS 9
Other assets - financial assets	31,273	-	-	-	31,273	Amortised cost
Other assets - non financial assets	58,437	-	(6,862)	(6,862)	51,575	Outside the scope of IFRS 9
	5,359,691	(107)	328,562	328,455	5,688,146	

LIABILITIES

Bills payable	-	-	-	-	-	Amortised cost
Borrowings	1,949,850	-	-	-	1,949,850	Amortised cost
Deposits and other accounts	-	-	-	-	-	Amortised cost
Lease liabilities	-	-	328,562	328,562	328,562	Lease liability
Subordinated debt	-	-	-	-	-	Amortised cost
Deferred tax liabilities	-	-	-	-	-	Outside the scope of IFRS 9
Other liabilities	1,709,982	-	-	-	1,709,982	Amortised cost
	3,659,832	-	328,562	328,562	3,988,394	

NET ASSETS

	1,699,859	(107)	-	(107)	1,699,752	
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REPRESENTED BY

Share capital	5,454,417	-	-	-	5,454,417	
Surplus / (deficit) on revaluation of assets - net of tax	17,975	-	-	-	17,975	
Accumulated losses	(3,772,533)	(107)	-	(107)	(3,772,640)	
	1,699,859	(107)	-	(107)	1,699,752	

As disclosed in note 16, since the Bank has restricted the recognition of deferred tax asset, there is no tax impact of these adjustments.

7.2 IFRS 9 - 'Financial Instruments'

IFRS 9 brings fundamental changes to the accounting for financial assets and to certain aspects of accounting for financial liabilities. To determine appropriate classification and measurement category, IFRS 9 requires all financial assets, except equity instruments, to be assessed based on combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The adoption of IFRS 9 has also fundamentally changed the impairment method of financial assets with a forward-looking Expected Credit Losses (ECL) approach.

7.2.1 Classification

Financial assets

Under IFRS 9, existing categories of financial assets: Held for Trading (HFT), Available for Sale (AFS) and Held to Maturity (HTM) and loans and receivables have been replaced by:

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

Financial liabilities

Under IFRS 9, the accounting for financial liabilities remains largely the same as before adoption of IFRS 9 and thus all financial liabilities are being carried at amortised cost. Financial liabilities can also be designated at FVTPL where gains or losses arising from entity's own credit rating risk relating to, are required to be presented in other comprehensive income with no reclassification to profit or loss account. The Bank does not have any financial liability measured at FVTPL.

7.2.2 Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- The objectives for the portfolio, in particular, whether management's strategy focuses on earning contractual revenue, maintaining a particular yield profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Reclassification is allowed only when the business model for managing securities is changed. Reclassification of securities will only be made in exceptional cases as it will only occur when there is significant change in the business model.

Eventually, the financial assets fall under either of the following three business models:

- i) Hold to Collect (HTC) Business Model: Holding assets in order to collect contractual cash flows.
- ii) Hold to Collect and Sell (HTC&S) Business Model: Collecting contractual cash flows and selling financial assets.
- iii) Other Business Models: Resulting in classification of financial assets as FVTPL.

7.2.3 Assessments whether contractual cash flows are solely payments of principal and profit (SPPI)

As a second step of its classification process the Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium / discount). The most significant elements of profit within a financing arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with basic financing arrangement, the related financial asset is classified and measured at FVTPL.

7.2.4 Application to the Bank's financial assets

Debt based financial assets

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

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

- the assets are held within a business model whose objective is to hold assets to collect contractual cash
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

The Bank's business model for these financial assets can still be HTC even when sales of these financial assets occur. However, if more than an infrequent number of sale of significant value are made, the Bank assess whether and how the sales are consistent with the HTC objective. This assessment include the reasons for the sales, the expected frequency of sales, and whether the assets that are sold are held for an extended period of time relative to their contractual maturities.

b) Aforementioned financial assets are measured at FVOCI only if these meet both of the following conditions and are not designated as FVTPL:

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

c) Aforementioned financial assets if these are held for trading purposes are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

7.2.5 Initial recognition and subsequent measurement

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

a) Amortised Cost (AC)

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

b) Fair Value through Other Comprehensive Income (FVOCI)

Financial assets under FVOCI category are initially recognised at fair value adjusted for directly attributable transaction cost. These assets are subsequently measured at fair value with changes recorded in Other Comprehensive Income (OCI). An expected credit loss allowance (ECL) is recognised for these financial assets in condensed interim statement of profit and loss account. Interest / return / dividend income on these assets are recognised in condensed interim statement of profit and loss account. On derecognition of these financial assets, capital gain / loss is recognised in condensed interim statement of profit and loss account only in case of debt instruments. For equity based financial assets classified as FVOCI, capital gain / loss is transferred from surplus / deficit on revaluation of assets to unappropriated profit.

c) Fair Value Through Profit or Loss (FVTPL)

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

7.2.6 Derecognition

Financial assets

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Bank transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

The Bank enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Bank:

- (i) has no obligation to make payments unless it collects equivalent amounts from the assets;
- (ii) is prohibited from selling or pledging the assets; and
- (iii) has an obligation to remit any cash it collects from the assets without material delay.

Financial liabilities

Financial liabilities are derecognised when these are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Bank and its original participants of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 % different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of profit rate, new conversion features attached to the instrument and change in covenants are also taken into consideration.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

7.2.7 Modification

The Bank can renegotiate or otherwise modify the contractual cash flows of financing to its customers. When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with IFRS 9, the Bank will recalculate the gross carrying amount of the financial asset and shall recognise a modification gain or loss in condensed interim statement of profit and loss account. The gross carrying amount of the financial asset will be recalculated as the present value of the renegotiated or modified contractual cash flows that will be discounted at the financial asset's original effective profit rate (or credit-adjusted effective profit rate for purchased or originated credit-impaired financial assets). Any costs or fees incurred will adjust the carrying amount of the modified financial asset and will be amortised over the remaining term of the modified financial asset.

7.2.8 Overview of the expected credit loss (ECL) principles

The Bank assesses on a forward-looking basis the expected credit losses ('ECL') associated with advances and other debt financial assets not held at FVTPL, hereinafter referred to as "Financial Instruments". The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined below.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated at facility level.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Bank considers an exposure to have significantly increased in credit risk when there is considerable deterioration in the internal rating grade for subject customer. Regardless of the change in credit grades, generally, the Bank considers that there has been a significant increase in credit risk when contractual payments are past due 30 days. When estimating ECLs on a collective basis for a group of similar assets, the Bank applies the similar principles for assessing whether there has been a significant increase in credit risk since initial recognition.

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- | | |
|----------|---|
| Stage 1: | When financial instruments are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 financial instruments also include facilities where the credit risk has improved and they have been reclassified from Stage 2. The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast Exposure at default (EAD) and multiplied by the expected Loss given default (LGD) and discounted by an approximation to the original effective profit rate (EIR). This calculation is made for all the scenarios. |
| Stage 2: | When a financial instrument has shown a significant increase in credit risk (SICR) since origination, the Bank records an allowance for the LTECLs. Stage 2 also include facilities, where the credit risk has improved and the instrument has been reclassified from Stage 3. The mechanics are similar to those explained above, including the use of multiple scenarios, but probability of default (PD) are applied over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR. |
| Stage 3: | For financial instruments considered credit-impaired, the Bank recognises the lifetime expected credit losses for these instruments. The Bank uses a PD of 100 % and LGD as computed for each portfolio or as prescribed by the SBP under the prudential regulations which ever is higher. |

The calculation of ECLs

The Bank calculates ECLs based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD	The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. PD is estimated based on transitioning among credit states. Credit states are defined by rating classes and are based on the Bank's internal risk ratings (i.e. from 1 to 25). The Bank's internal risk ratings model is currently under development. Where practical, they also build on information from External Rating Agencies. PDs are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information. Where both internal and external ratings are available for a given financial asset, the Bank shall exercise due caution and choose the more conservative risk rating.
EAD	The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and profit, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued profit from missed payments. The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.
LGD	The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

Due to the unavailability of historical information for the modeling of PD, EAD and Loss Given Default LGD, the Bank is using alternative approach for the calculation of ECL. The Bank is using proxy PDs from as external sources based on external credit rating matrices. BPRD Circular No. 03 of 2022 allows the use of a standard LGD as prescribed under Basel Foundation – Internal Rating Based (F-IRB) approach to determine ECL which is 45%.

Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liabilities to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

The Bank considers only those collaterals as eligible collaterals in the EAD calculation which have the following characteristics:

- History of legal certainty and enforceability
- History of enforceability and recovery.

The credit exposure (in local currency) that have been guaranteed by the Government and Government Securities are exempted from the application of ECL calculation.

The SBP has issued FAQs in its BPRD Circular Letter No. 16 dated July 29, 2024 with regard to certain interpretation of the SBP application instructions. In respect of Stage 3 provision, the SBP has clarified that the banks, while assessing the higher of IFRS 9 ECL and provision under the SBP Prudential Regulations, shall take into account the ECL against SME loan portfolios at the borrower / facility level, and for the retail borrowers at segment / product basis.

Definition of default

The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, when it meets one or more of the following criteria:

The customer is more than 90 days past due on its contractual payments, except in case of agriculture, project infrastructure and housing financing. This implies that if one facility of a counterparty is defaulted as per the definition; all other facilities would deem to be classified as stage 3.

Write-offs

The Bank's accounting policy under IFRS 9 remains the same as it was under SBP regulations / existing reporting framework.

7.3 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Bank commits to purchase or sell the asset. Regular way purchases / sales of equity securities require delivery of securities within two days from the transaction date as per the stock exchange regulations.

7.4 Right-of-use assets and their related lease liability

7.4.1 Right-of-use assets

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or the site on which it is located.

Right-of-use assets are subsequently stated at cost less any accumulated depreciation / accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenure.

Right-of-use assets are depreciated over their expected useful lives using the straight-line method. Depreciation on additions (new leases) is charged from the month in which leases are entered into. No depreciation is charged in month in which the leases mature or are terminated.

7.4.2 Lease liability against right-of-use assets

The lease liabilities are initially measured as the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Bank's incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also measured to reflect any remeasurement or change in lease terms. These remeasurement of lease liabilities are recognised as an adjustment to the carrying amount of related right-of-use assets after the date of initial recognition.

Each lease payment is allocated between a reduction of the liability and a finance cost. The finance cost is charged to the statement of profit or loss account as financial charges over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

MASHREQ BANK PAKISTAN LIMITED

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025

The Bank has elected to apply the practical expedient not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognised as an expense on a straight line basis over the lease term.

7.5 Employee benefits

7.5.1 Defined benefit plan

The Bank operates a funded gratuity plan for its permanent employees. The benefits under the gratuity plan are payable on death, resignation or at retirement. The liability recognised in respect of gratuity plan is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated periodically by an independent actuary using the projected unit credit method.

7.5.2 Defined contribution plan

The Bank operates an funded provident fund for its permanent employees. Equal monthly contributions are made to the fund by the Bank and the employees in accordance with the rules of the fund. The Bank has no further payment obligation once the contributions have been paid. The contributions made by the Bank are recognised as employee benefit expense when they are due.

	Note	September 30 2025 (Unaudited) (Rupees in '000)	December 31, 2024 (Audited)																																																
8	CASH AND BALANCES WITH TREASURY BANKS																																																		
With State Bank of Pakistan in																																																			
Local currency current accounts		25,496	375,000																																																
Less: Credit loss allowance held against cash and balances with treasury bank		-	-																																																
Cash and balances with treasury banks - net of credit loss allowance		25,496	375,000																																																
9	BALANCES WITH OTHER BANKS																																																		
In Pakistan																																																			
In current accounts		1,929	3,244																																																
In deposit accounts		71,280	761,948																																																
		73,209	765,192																																																
Less: Credit loss allowance held against balances with other banks		(3)	-																																																
Balances with other banks - net of credit loss allowance		73,206	765,192																																																
10	LENDINGS TO FINANCIAL INSTITUTIONS																																																		
Call / clean money lendings	10.1	255,000	-																																																
Less: Credit loss allowance held against lending to financial institutions	10.2	-	-																																																
Lendings to financial institutions - net of credit loss allowance		255,000	-																																																
10.1	The effective average return on the placement is 10.10 % (December 31, 2024: 11.35 %) per annum. The balance has been maintained with Meezan Bank Limited and is due to mature on Oct 01, 2025.																																																		
10.2	Lendings to financial institutions - particulars of credit loss allowance / provision held	<table border="1"> <thead> <tr> <th colspan="2">September 30, 2025 (Unaudited)</th><th colspan="2">December 31, 2024 (Audited)</th></tr> <tr> <th>Lendings to financial institutions</th><th>Credit loss allowance held</th><th>Lendings to financial institutions</th><th>Credit loss allowance held</th></tr> </thead> <tbody> <tr> <td colspan="4">----- (Rupees in '000) -----</td></tr> <tr> <td>Domestic</td><td></td><td></td><td></td></tr> <tr> <td>Stage 1 / Performing</td><td>255,000</td><td>-</td><td>-</td></tr> <tr> <td>Stage 2 / Under performing</td><td>-</td><td>-</td><td>-</td></tr> <tr> <td>Stage 3 / Non-performing</td><td>-</td><td>-</td><td>-</td></tr> <tr> <td>- Substandard</td><td>-</td><td>-</td><td>-</td></tr> <tr> <td>- Doubtful</td><td>-</td><td>-</td><td>-</td></tr> <tr> <td>- Loss</td><td>-</td><td>-</td><td>-</td></tr> <tr> <td></td><td>-</td><td>-</td><td>-</td></tr> <tr> <td></td><td>255,000</td><td>-</td><td>-</td></tr> </tbody> </table>		September 30, 2025 (Unaudited)		December 31, 2024 (Audited)		Lendings to financial institutions	Credit loss allowance held	Lendings to financial institutions	Credit loss allowance held	----- (Rupees in '000) -----				Domestic				Stage 1 / Performing	255,000	-	-	Stage 2 / Under performing	-	-	-	Stage 3 / Non-performing	-	-	-	- Substandard	-	-	-	- Doubtful	-	-	-	- Loss	-	-	-		-	-	-		255,000	-	-
September 30, 2025 (Unaudited)		December 31, 2024 (Audited)																																																	
Lendings to financial institutions	Credit loss allowance held	Lendings to financial institutions	Credit loss allowance held																																																
----- (Rupees in '000) -----																																																			
Domestic																																																			
Stage 1 / Performing	255,000	-	-																																																
Stage 2 / Under performing	-	-	-																																																
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- Substandard	-	-	-																																																
- Doubtful	-	-	-																																																
- Loss	-	-	-																																																
	-	-	-																																																
	255,000	-	-																																																

11 INVESTMENTS

11.1 Investments by types

	September 30, 2025 (Unaudited)				December 31, 2024 (Audited)			
	Cost / amortised Cost /	Credit loss allowance	Surplus / (deficit)	Carrying value	Cost / amortised Cost /	Credit loss allowance	Surplus / (deficit)	Carrying value
	(Rupees in '000)							
Fair value through other comprehensive income								
Federal government securities	5,104,578	-	8,447	5,113,025	-	-	-	-
Non-government debt securities	-	-	-	-	-	-	-	-
	5,104,578	-	8,447	5,113,025	-	-	-	-
Amortised Cost								
Federal government securities	1,373,066	-	-	1,373,066	-	-	-	-
Non-government debt securities	-	-	-	-	-	-	-	-
	1,373,066	-	-	1,373,066	-	-	-	-
Available-for-sale								
Federal government securities	-	-	-	-	2,202,281	-	17,975	2,220,256
Shares	-	-	-	-	-	-	-	-
	-	-	-	-	2,202,281	-	17,975	2,220,256
Held-to-maturity								
Federal government securities	-	-	-	-	1,380,989	-	-	1,380,989
Non-government debt securities	-	-	-	-	-	-	-	-
	-	-	-	-	1,380,989	-	-	1,380,989
Total Investments	6,477,644	-	8,447	6,486,091	3,583,270	-	17,975	3,601,245

11.2 The market value of federal government securities carried at amortised cost is Rs. 1,371.939 million (December 31, 2024: Nil).

11.3 The carrying value include securities amounting to Rs. 534.047 million (December 31, 2024: Nil) pledged with the SBP in accordance with the requirements of regulation 6(5) of the Regulatory Framework for Digital Banks issued under section 41 of the Banking Companies Ordinance, 1962.

12 ADVANCES

	Performing		Non-Performing		Total	
	September 30, 2025 (Unaudited)	December 31, 31, 2024 (Audited)	September 30, 2025 (Unaudited)	December 31, 31, 2024 (Audited)	September 30, 2025 (Unaudited)	December 31, 31, 2024 (Audited)
	(Rupees in '000)					
Loans, cash credits, running finances, etc.	11,380	11,424	-	-	11,380	11,424
Advances - gross	11,380	11,424	-	-	11,380	11,424
Credit loss allowance against advances Stage 1	(4)	-	-	-	(4)	-
	11,376	11,424	-	-	11,376	11,424

12.1 Particulars of advances (gross)

	September 30, 2025 (Unaudited)	December 31, 31, 2024 (Audited)
	(Rupees in '000)	
In local currency	11,380	11,424
In foreign currencies	-	-
	11,380	11,424

	September 30, 2025 (Unaudited)	December 31, 31, 2024 (Audited)
	----- (Rupees in '000) -----	
15 INTANGIBLE ASSETS		
Computer software	185,961	-
Advance payment to suppliers	118,766	267,294
	<u>304,727</u>	<u>267,294</u>
	Nine Months ended	
	September 30, 2025 (Unaudited)	September 30, 2024 (Unaudited)
	----- (Rupees in '000) -----	
15.1 Additions to intangible assets		
The following additions have been made to intangible assets during the period.		
Directly purchased	193,345	-
Advance payment to suppliers - net of transferred out for capitalisation	(138,161)	450,514
	<u>55,184</u>	<u>450,514</u>
15.2 There were no disposals of intangible assets during the period ended September 30, 2025 and September 30, 2024.		
	September 30, 2025 (Unaudited)	December 31, 31, 2024 (Audited)
	----- (Rupees in '000) -----	
16 DEFERRED TAX ASSETS		
16.1 Deductible temporary differences on		
- Business losses	(11,906)	(20,177)
- Lease liability against right-of-use assets	(205,483)	-
	<u>(217,389)</u>	<u>(20,177)</u>
Taxable temporary differences on		
- Accelerated tax depreciation	15,765	20,177
- Surplus on revaluation of FVOCI investments	3,548	-
- Right-of-use assets	198,076	-
	<u>217,389</u>	<u>20,177</u>
	<u>-</u>	<u>-</u>
16.2 As at September 30, 2025, the Bank has an aggregate deferred tax asset amounting to Rs. 2,878.97 million (2024: Rs. 1,439.131 million) in respect of unused business losses and Rs. 6.945 million (2024: Rs. 2.595 million) in respect of minimum tax credits. The Bank has opted for recognising deferred tax asset on deductible temporary differences only to the extent of taxable temporary differences.		
	September 30, 2025 (Unaudited)	December 31, 31, 2024 (Audited)
	----- (Rupees in '000) -----	
17 OTHER ASSETS		
Income / mark-up / return accrued in local currency - net of provision	71	-
Advances, deposits, advance rent and other prepayments	139,358	73,630
Advance taxation (payments less provision)	11,661	16,080
Others	10,077	-
	<u>161,167</u>	<u>89,710</u>
Credit loss allowance / provision against other assets	-	-
Other assets (net of credit loss allowance)	<u>161,167</u>	<u>89,710</u>

September 30, December 31,
2025 31, 2024
(Unaudited) (Audited)
----- (Rupees in '000) -----

18 BORROWINGS

Unsecured

Borrowing from Mashreq Bank P.S.C

1,969,221	1,949,850
<u>1,969,221</u>	<u>1,949,850</u>

18.1 The Bank has borrowed an aggregate amount of USD 7 million (2024: USD 7 million) from the Parent Company to meet its working capital requirements. This borrowing does not carry any interest and is repayable on demand.

19 DEPOSITS AND OTHER ACCOUNTS

	September 30, 2025			December 31, 2024		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
----- (Rupees in '000) -----						
Customers						
Current deposits	91,843	-	91,843	-	-	-
Savings deposits	146,898	-	146,898	-	-	-
Term deposits	-	-	-	-	-	-
	238,741	-	238,741	-	-	-
Financial institutions						
Current deposits	-	-	-	-	-	-
Savings deposits	-	-	-	-	-	-
Term deposits	-	-	-	-	-	-
Others	-	-	-	-	-	-
	238,741	-	238,741	-	-	-

September 30, December 31,
2025 31, 2024
(Unaudited) (Audited)
----- (Rupees in '000) -----

20 LEASE LIABILITIES

Opening balance as at January 1

Impact of adoption of IFRS16

Addition during the period / year

Lease payments including interest

Interest expense

Closing balance

-	-
328,562	-
199,600	-
(77,733)	-
38,816	-
<u>489,245</u>	<u>-</u>

20.1 Liabilities Outstanding

Not later than one year

Later than one year and upto five years

Over five years

Total at the period / year end

83,657	-
405,588	-
-	-
<u>489,245</u>	<u>-</u>

20.2 Discount rates ranging from 13.69% to 14.85% have been used as the discounting factor for the leased assets.

	Note	September 30, 2025 (Unaudited) ----- (Rupees in '000) -----	December 31, 31, 2024 (Audited)
21	OTHER LIABILITIES		
	Mark-up / return / interest payable in local currency	49	-
	Accrued expenses	2,591,042	1,532,151
	Payable to defined benefit plan	98,260	60,008
	Payable to defined contribution plan	153,208	95,558
	Sundry creditors	19,206	20,343
	Withholding tax / duties	40,451	1,922
	Others	4,192	-
		<u>2,906,408</u>	<u>1,709,982</u>
22	SURPLUS ON REVALUATION OF ASSETS - NET OF TAX		
	Surplus on revaluation of		
	- Securities measured at FVOCI - Debt	11.1	
		<u>8,447</u>	<u>17,975</u>
		8,447	17,975
	Less: Deferred tax on surplus on revaluation of		
	- Securities measured at FVOCI - Debt		
		<u>3,548</u>	<u>-</u>
		(3,548)	-
		<u>4,899</u>	<u>17,975</u>
23	CONTINGENCIES AND COMMITMENTS		
	- Commitments	23.1	
		<u>160,638</u>	<u>229,035</u>
23.1	Commitments:		
	Commitments for acquisition of:		
	- Intangible assets		
		<u>160,638</u>	<u>229,035</u>
23.2	Other contingent liabilities		
	There were no other contingent liabilities as at September 30, 2025 and December 31, 2024.		
	Note	Nine Months ended	
		September 2025 (Unaudited)	September 2024
		----- (Rupees in '000) -----	
24	MARK-UP / RETURN / INTEREST EARNED		
	Loans and advances	1,427	1,434
	Investments	463,466	-
	Lending with financial institutions	39,867	-
	Balances with banks	23,147	1,543
		<u>527,907</u>	<u>2,977</u>
24.1	Interest income (calculated using effective interest rate method) recognised on:		
	Financial assets measured at amortised cost	198,699	2,977
	Financial assets measured at FVOCI	329,208	-
		<u>527,907</u>	<u>2,977</u>

		Nine Months ended	
		September 2025	September 2024
		(Unaudited)	
		----- (Rupees in '000) -----	
25	MARK-UP / RETURN / INTEREST EXPENSED		
	Deposits	2,567	-
	Finance cost against right-of-use assets	38,816	-
		<u>41,383</u>	<u>-</u>
26	FEE & COMMISSION INCOME		
	Retail banking customer fees	222	-
		<u>222</u>	<u>-</u>
27	OPERATING EXPENSES		
	Total compensation expense	2,448,855	1,399,792
	Property expense		
	Rent & taxes	20,291	57,307
	Security	3,287	197
	Repair & maintenance	9,756	1,401
	Depreciation on owned fixed assets	891	-
	Depreciation on right-of-use assets	66,574	-
		100,799	58,905
	Information technology expenses		
	Software maintenance	612,219	9,577
	Hardware maintenance	2,466	15,597
	Depreciation	39,928	4,722
	Amortisation	17,751	-
	Network charges	31,166	49,561
		703,530	79,457
	Other operating expenses		
	Directors' fees and allowances	15,500	11,500
	Fees and allowances to Shariah Board	21,974	2,400
	Legal & professional charges	33,479	62,239
	Outsourced services costs	15,757	11,767
	Travelling & conveyance	70,129	33,058
	Depreciation	11,152	3,140
	Training & development	2,700	1,060
	Communication	9,081	1,187
	Subscription	7,866	230
	Stationery & printing	7,860	90
	Marketing, advertisement & publicity	162,652	288
	Insurance	24,375	8,554
	Auditors' remuneration	37,285	96,811
	Others	6,552	10,214
		426,362	242,538
		<u>3,679,546</u>	<u>1,780,692</u>

	Note	Nine Months ended	
		September 2025	September 2024
		(Unaudited)	
		----- (Rupees in '000) -----	
28	CREDIT LOSS ALLOWANCE AND WRITE OFFS - NET		
	Net reversal of credit loss allowance against balances with other banks	(100)	-
	Credit loss allowance against lending to financial institutions	-	-
	Credit loss allowance against loans & advances	-	-
	12.2	(100)	-
29	TAXATION		
	Current	6,594	181
	Prior year	-	-
	Deferred	(3,548)	-
		3,046	181
29.1	The tax being charged is minimum tax under section 113 of Income Tax Ordinance, 2001.		
30	BASIC AND DILUTED LOSS PER SHARE		
	Loss for the period	(3,215,117)	(1,765,855)
		----- (Number in '000) -----	
	Weighted average number of ordinary shares	754,487	28,066
		----- (Rupees) -----	
	Basic and diluted loss per share	(4.26)	(62.92)
30	Diluted loss per share has not been presented separately as the Bank does not have any convertible instruments in issue.		

	Note	September 30, 2025 (Unaudited)	December 31, 2024 (Unaudited)
		----- (Rupees) -----	
31	CASH AND CASHEQUIVALENTS		
	Cash and balances with treasury banks	25,496	-
	Balances with other banks	73,206	5,201,616
	Call / clean money lendings	255,000	-
		353,702	5,201,616

32 FAIR VALUE MEASUREMENTS

Fair value measurement defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of quoted securities other than those classified as amortised cost / held to maturity, is based on quoted market price. Quoted debt securities classified as amortised cost / held to maturity are carried at cost.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short-term in nature or, in the case of customer loans and deposits, are frequently repriced.

32.1 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 categorised:

September 30, 2025 (Unaudited)				
Fair value				
Level1	Level2	Level3	Total	
----- (Rupees in '000) -----				
On balance sheet financial instruments				
Financial assets measured at fair value				
Investments				
- Federal government securities	-	5,113,025	-	5,113,025
Financial assets - disclosed but not measured at fair value				
Investments				
- Federal government securities	-	1,371,933	-	1,371,933
On balance sheet financial instruments				
December 31, 2024 (Audited)				
Fair value				
Level1	Level2	Level3	Total	
----- (Rupees in '000) -----				
Financial assets measured at fair value				
Investments				
- Federal government securities	-	2,220,256	-	2,220,256
Financial assets - disclosed but not measured at fair value				
Investments				
- Federal government securities	-	1,361,422	-	1,361,422

Valuation techniques used in determination of fair valuation of financial instruments within level 2.

Market Treasury Bills (MTB)	The fair value of Market Treasury Bills is valued using PKRV rates.
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33 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

September 30, 2025 (Unaudited)				
Retail Banking	Treasury	Head Office	Elimination	Total

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

Condensed interim profit and loss account

Net mark-up / return / interest / profit	(2,567)	526,480	(37,389)	-	486,524
Inter segment revenue - net	6,765	(509,666)	502,901	-	-
Non mark-up / return / interest income	222	1,586	(20,957)	-	(19,149)
Total Income	4,420	18,400	444,555	-	467,375

Segment direct expenses	(406,576)	(19,429)	(3,253,541)	-	(3,679,546)
Inter segment expense allocation	(3,105,156)	(17,179)	3,122,336	-	-
Total expenses	(3,511,733)	(36,608)	(131,205)	-	(3,679,546)
Credit loss allowance	-	100	-	-	100
Profit before tax	(3,507,313)	(18,108)	313,350	-	(3,212,071)

September 30, 2025 (Unaudited)				
Retail Banking	Treasury	Head Office	Elimination	Total

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

Condensed interim statement of financial position

Cash and bank balances	-	98,702	-	-	98,702
Investments - net	-	6,486,091	-	-	6,486,091
Net inter segment lending	-	-	10,100,258	(10,100,258)	-
Lendings to financial institutions	-	255,000	-	-	255,000
Advances - performing	-	-	11,380	-	11,380
Credit loss allowance against advances	-	-	(4)	-	(4)
Others	-	-	1,204,731	-	1,204,731
Total assets	-	6,839,793	11,316,365	(10,100,258)	8,055,900
Borrowings	-	-	1,969,221	-	1,969,221
Subordinated debt	-	-	-	-	-
Deposits and other accounts	238,741	-	-	-	238,741
Net inter segment borrowing	3,242,357	6,857,901	-	(10,100,258)	-
Others	26,215	-	3,369,438	-	3,395,653
Total liabilities	3,507,313	6,857,901	5,338,659	(10,100,258)	5,603,615
Equity	(3,507,313)	(18,108)	5,977,706	-	2,452,285
Total equity and liabilities	-	6,839,793	11,316,365	(10,100,258)	8,055,900
Contingencies and commitments	-	-	160,638	-	160,638

September 30, 2024 (Audited)				
Retail Banking	Treasury	Head Office	Elimination	Total

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

Condensed interim profit and loss account

Net mark-up / return / interest / profit	-	-	2,977	-	2,977
Inter segment revenue - net	-	-	-	-	-
Non mark-up / return / interest income	-	-	12,041	-	12,041
Total Income	-	-	15,018	-	15,018

Segment direct expenses	-	-	(1,780,692)	-	(1,780,692)
Inter segment expense allocation	-	-	-	-	-
Total expenses	-	-	(1,780,692)	-	(1,780,692)
Credit loss allowance	-	-	-	-	-
Profit before tax	-	-	(1,765,674)	-	(1,765,674)

December 31, 2024 (Audited)				
Retail Banking	Treasury	Head Office	Elimination	Total

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

Condensed interim statement of financial position

Cash and bank balances	-	375,000	765,192	-	1,140,192
Investments - net	-	3,601,245	-	-	3,601,245
Net inter segment lending	-	-	2,968,249	(2,968,249)	-
Lendings to financial institutions	-	-	-	-	-
Advances - performing	-	-	11,424	-	11,424
Advances - non-performing	-	-	-	-	-
Credit loss allowance against advances	-	-	-	-	-
Others	-	-	606,830	-	606,830
Total assets	-	3,976,245	4,351,695	(2,968,249)	5,359,691
Borrowings	-	-	1,949,850	-	1,949,850
Deposits and other accounts	-	-	-	-	-
Net inter segment borrowing	-	2,968,249	-	(2,968,249)	-
Others	-	-	1,709,982	-	1,709,982
Total liabilities	-	2,968,249	3,659,832	(2,968,249)	3,659,832
Equity	-	7,996	1,691,863	-	1,699,859
Total equity and liabilities	-	2,976,245	5,351,695	(2,968,249)	5,359,691
Contingencies and commitments	-	-	229,035	-	229,035

34 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and includes a subsidiary companies, associated companies, retirement benefit funds, directors, and key management personnel and their close family members.

The Bank has related party transactions with its holding company, employee benefit plans and its directors and Key Management Personnel.

The Bank enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of balances and transactions with related parties during the period, other than those which have been disclosed elsewhere in these financial statements are as follows:

September 30, 2025 (Unaudited)				
Holding company	Associates	Key management personnel	Directors	Total
(Rupees in '000)				
Borrowings				
Opening balance	1,949,850	-	-	1,949,850
Borrowings during the period	-	-	-	-
Loss on revaluation	19,371	-	-	19,371
Repaid during the period	-	-	-	-
Closing balance	1,969,221	-	-	1,969,221
Deposits and other accounts				
Opening balance	-	-	-	-
Received during the period	-	315,849	-	315,849
Withdrawn during the period	-	(295,807)	-	(295,807)
Closing balance	-	20,042	-	20,042
Other Liabilities				
Mark-up / return / interest payable in local currency	-	4	-	4
Accrued expenses and other liabilities	1,875,678	-	-	1,875,678
December 31, 2024 (Audited)				
Borrowings				
Opening balance	563,721	-	-	563,721
Borrowings during the year	1,394,050	-	-	1,394,050
Gain on revaluation	(7,921)	-	-	(7,921)
Repaid during the period	-	-	-	-
Closing balance	1,949,850	-	-	1,949,850
Deposits and other accounts				
Opening balance	-	-	-	-
Received during the year	-	-	-	-
Withdrawn during the year	-	-	-	-
Closing balance	-	-	-	-
Other Liabilities				
Accrued expenses and other liabilities	906,618	5,257	-	911,875
Transactions during the period	For the nine months ended September 30, 2025 (Unaudited)			
Expense				
Mark-up / return / interest expensed	-	695	-	695
Salaries and allowances	-	4,305	378,294	382,599
Directors' fees and allowances	-	-	15,500	15,500
Information technology expenses	969,060	19,790	-	988,850
Expenses	For the nine months ended September 30, 2024 (Unaudited)			
Mark-up / return / interest expensed	-	-	-	-
Salaries and allowances	-	275,605	-	275,605
Directors' fees and allowances	-	-	11,500	11,500
Information technology expenses	-	23,564	-	23,564

35 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

September 30,
2025
(Un-Audited)
(Rupees in '000)

Minimum Capital Requirement (MCR):	
Paid-up capital (net of losses)	2,447,386
Capital Adequacy Ratio (CAR):	
Eligible common Equity Tier 1 (CET 1) Capital	2,142,659
Eligible Additional Tier 1 (ADT 1) Capital	-
Total Eligible Tier 1 capital	2,142,659
Eligible Tier 2 Capital	4,899
Total Eligible Capital (Tier 1 + Tier 2)	2,147,558
Risk Weighted Assets (RWAs):	
Credit risk	1,090,082
Market risk	2,394,344
Operational risk	217,964
Total	3,702,390
Common Equity Tier-1 capital adequacy ratio	57.87 %
Tier 1 capital adequacy ratio	57.87 %
Total capital adequacy ratio	58.00 %
Minimum capital requirements prescribed by SBP	
CET 1 capital adequacy ratio	9.50 %
Tier 1 capital adequacy ratio	12.50 %
Total capital adequacy ratio	15.00 %
The Bank uses Standardized approach for credit risk, market risk and basic indicator approach for operational risk exposures in the capital adequacy calculation.	
Leverage Ratio (LR):	
Eligible tier-1 capital	2,142,659
Total exposures	7,100,228
Leverage ratio	30.18 %
Liquidity Coverage Ratio (LCR):	
Total high quality liquid assets	3,584,841
Total net cash out flow	1,767,051
Liquidity coverage ratio	203 %
Net Stable Funding Ratio (NSFR):	
Total available stable funding	2,667,049
Total required stable funding	1,832,262
Net stable funding ratio	146 %

35.1 Comparative figures have not been presented as the Bank commenced operations during the current period following the grant of a restricted banking license by the SBP.

36 ISLAMIC BANKING BUSINESS

The Bank has commenced Islamic Banking window operations on September 15, 2025.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2025

	Note	September 30, 2025 (Unaudited)	December 31 2024 (Audited)
----- (Rupees in '000) -----			
ASSETS			
Cash and balances with treasury banks		6,000	-
Balances with other banks		533	-
Lendings to financial institutions		-	-
Investments	36.1	1,008,253	-
Advances		-	-
Property and equipment		-	-
Right-of-use assets		-	-
Intangible assets		-	-
Deferred tax assets		-	-
Other assets	36.3	8	-
Total assets		<u>1,014,794</u>	<u>-</u>
LIABILITIES			
Bills payable		-	-
Borrowings		-	-
Deposits and other accounts	36.2	33,375	-
Lease liabilities		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	36.4	94,014	-
Total liabilities		<u>127,389</u>	<u>-</u>
NET ASSETS		<u><u>887,405</u></u>	<u><u>-</u></u>
REPRESENTED BY			
Share capital		1,000,000	-
Surplus / (deficit) on revaluation of assets - net of tax		4,112	-
Accumulated losses		(116,706)	-
		<u><u>887,405</u></u>	<u><u>-</u></u>
CONTINGENCIES AND COMMITMENTS			
		<u><u>-</u></u>	<u><u>-</u></u>

CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS ACCOUNT (Un-audited)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025



	Note	Nine Months ended	
		January- September	January- September
		2025	2024
		----- (Rupees in '000) -----	
Mark-up / return / interest earned	36.5	10,674	-
Mark-up / return / interest expensed	36.6	(49)	-
Net mark-up / return / interest income		<u>10,625</u>	<u>-</u>
NON MARK-UP / INTEREST / INCOME			
Total non mark-up / interest (expense) / income		-	-
Total Income / (expense)		<u>10,625</u>	<u>-</u>
NON MARK-UP / INTEREST EXPENSES			
Operating expenses		127,198	-
Workers' welfare fund		-	-
Other charges		-	-
Total non-mark-up / interest expenses		<u>(127,198)</u>	<u>-</u>
Loss before credit loss allowance		<u>(116,573)</u>	<u>-</u>
Credit loss allowance and reversals - net		-	-
LOSS BEFORE TAXATION		<u>(116,573)</u>	<u>-</u>
Taxation		(133)	-
LOSS AFTER TAXATION		<u><u>(116,706)</u></u>	<u><u>-</u></u>

36.1 Investments by Segments

	September 30, 2025 (Unaudited)				December 31, 2024 (Audited)			
	Cost / amortised cost	Credit loss allowance	Surplus / (deficit)	Carrying value	Cost / amortised cost	Credit loss allowance	Surplus / (deficit)	Carrying value
	----- (Rupees in '000) -----							
Fair value through other comprehensive income								
Federal government securities	1,004,141	-	4,112	1,008,253	-	-	-	-
Shares	-	-	-	-	-	-	-	-
Non-government debt securities	-	-	-	-	-	-	-	-
Mutual funds	-	-	-	-	-	-	-	-
Non-government debt securities	-	-	-	-	-	-	-	-
Total Investments	1,004,141	-	4,112	1,008,253	-	-	-	-

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
	----- (Rupees in '000) -----	
36.2 Deposits and other accounts		
Customers		
Current deposits	2,580	-
Savings deposits	30,795	-
	<u>33,375</u>	<u>-</u>
36.3 OTHER ASSETS		
Branch adjustment account	-	-
Others	8	-
	<u>8</u>	<u>-</u>
Credit loss allowance / provision against other assets	-	-
Other assets (net of credit loss allowance)	<u>8</u>	<u>-</u>
36.4 OTHER LIABILITIES		
Mark-up / return / interest payable in local currency	49	-
Payable to head office	93,832	-
Current taxation (provision less payments)	133	-
	<u>94,014</u>	<u>-</u>

Nine Months ended	
July- September 2025	July- September 2024
----- (Rupees in '000) -----	

36.5 Profit or return earned

On:

Financing
Investments
Lending to financial institutions

-	-
10,674	-
-	-
10,674	-

36.6 Profit or return expensed

On:

Deposits and other accounts
Amounts due to Financial institutions
Foreign currency deposits
lease liability against Right of use assets

49	-
-	-
-	-
-	-
49	-

37 CORRESPONDING FIGURES

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

38 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on October 28, 2025 by the Board of Directors of the Bank.

Atif Saeed Dar
Chief Financial Officer

Muhammad Hamayun Sajjad
Chief Executive Officer

Fernando Morillo
Director

Naseer ul Hasan
Director

Salman Hadi
Director