

DIRECTORS' REVIEW REPORT

For the quarter and nine months ended 30 September 2025



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

The Board of Directors is pleased to present the condensed Interim unaudited financial statements for Raqami Islamic Digital Bank Limited (“RIDBL”) for the quarter and nine months ended 30 September 2025.

Economic Review

The first quarter of FY26 has been marked with country-wide floods and the resultant head winds for Pakistan’s economy. The announcement of FY25 GDP growth at 3.04% has reaffirmed the resilience of the country’s economic recovery.

The full economic impact of the 2025 monsoon floods is expected to unfold in the coming months. The floods, triggered by heavy rains and glacial melt, primarily affected Punjab and Khyber Pakhtunkhwa, Pakistan’s key agricultural regions.

Despite challenges, Pakistan’s financial markets and external position have shown encouraging signs of stability. The KSE-100 Index gained 11.4% in September 2025, driven by a landmark Saudi-Pakistan defence agreement, strong corporate earnings, and improving macroeconomic sentiment. The positive momentum was reinforced by a steady buildup in foreign exchange reserves, which rose to a 43-month high of USD 19.8 billion by end-September 2025, supported by inflows from multilateral and bilateral partners. The IMF’s second review under the Extended Fund Facility (EFF) remains underway, focusing on tax mobilization, flood-related fiscal adjustments, and critical reforms in the energy and circular debt sectors. Looking ahead, GDP growth for FY26 is expected to remain around 3%.

Pakistan’s Digital Banking Landscape

Pakistan’s payment and digital landscape continues to evolve, supported by rapid technological adoption, enabling regulations, and financial inclusion initiatives. According to the Asian Development Bank (ADB), the digital economy now contributes approximately 1.5% of GDP, driven by strong mobile and broadband penetration.

The State Bank of Pakistan (SBP) has reported steady growth in digital banking adoption during Q3-FY25, with 22.6 million mobile banking users, 5.3 million e-Money users, 68.5 million branchless banking wallet users, and 14.1 million internet banking users. These trends reflect the effectiveness of regulatory measures such as the licensing of Digital Retail Banks, Electronic Money Institutions, and the expansion of RAAST, the national instant payment system.

Despite this progress, cash remains dominant, with only 24% of the population holding a payment card and PKR 10.5 trillion in cash in circulation as of September 30, 2025, underscoring the need for continued efforts to promote digital payments and reduce reliance on cash.

Operational and Financial Review.

Pilot operations successfully commenced after securing a restricted license from SBP on 13 May 2025, RIDBL’s core banking system was operationalized, onboarding for employees, their family members and friends, along with employees of group companies commenced and critical integrations were completed. During this period, RIDBL continued its journey working towards operational readiness for

DIRECTORS' REVIEW REPORT

For the quarter and nine months ended 30 September 2025



full-scale commercial operations. The key developments include validating the core banking infrastructure, integrating finance module and treasury system, improving IT security infrastructure, enhancing customer onboarding journey and user experience.

RIDBL reported revenue of PKR 89 million for the nine months ended 30 September 2025 (30 Sept 2024: 137.40 million), primarily treasury income. The Bank posted a loss after tax of PKR 1,225 million (30 Sept 2024: 691 million), driven by operating expenses of PKR 1,313 million. These expenses largely relate to human resources, technology costs, professional charges and other costs, incurred to set up and operate the digital bank, as RIDBL moves towards full commercial launch in alignment with SBP's digital banking framework. As per the business plan, the Bank is expected to follow the path to sustainability, through the use of technology, while achieving growth after commercial launch.

| | (Rs in 000) | |
|--|--------------------|------------------|
| | Nine Month Ended | |
| | Sept 30, 2025 | Sept 30, 2024 |
| INCOME | | |
| Net Profit / return | 88,420 | 137,314 |
| Total other income | 1,140 | 86 |
| Total Income | 89,560 | 137,400 |
| Total other expenses | 1,313,749 | 827,562 |
| Loss before provisions | (1,224,189) | (690,162) |
| Credit loss allowance and reversals - net | (10) | - |
| LOSS BEFORE TAXATION | (1,224,179) | (690,162) |
| Taxation | (1,291) | (1,700) |
| LOSS AFTER TAXATION | (1,225,470) | (691,862) |
| Basic and diluted loss per share (Rupees) | (3.75) | (6.19) |

As a Digital Bank, RIDBL operates in a dynamic and rapidly evolving risk environment. During the Pilot Phase, the Risk Function has already developed a robust Enterprise Risk Management framework including Risk Type Frameworks/Policies for all Principal Risk Types in terms of the Bank's business

The base technology setup was operationalized including Core Banking, banking application and ancillary systems including Treasury, AML / Transaction Monitoring, Payment Systems and Finance (GL) module. The Bank continues to leverage its cloud infrastructure, providing the flexibility and resilience required to support its growth.

Being a digital bank, world class information security architecture is being built at RIDBL. Some key initiatives include deployment of SOC (Security Operations Centre), implementation of Mobile App Security Solution, Privileged Access Management (PAM), Security Information & Event Management (SIEM), Vulnerability Scanning Tools and Endpoint Detection and Response (EDR) Solution

DIRECTORS' REVIEW REPORT

For the quarter and nine months ended 30 September 2025



Outlook

RIDBL has made significant progress in its journey toward becoming Pakistan's first fully Shariah-compliant digital bank. The pilot phase has been running smoothly, offering Shariah-compliant digital banking services such as account opening for employees, family, and other SBP approved individuals, along with fund transfers, current accounts, and bill payments. Building on the strong start, Raqami is now gearing up for its commercial launch, focusing on ensuring the robustness of its mobile banking application and finalizing its initial suite of products, which will include savings accounts, term deposit receipts, and digital supply chain financing.

RIDBL operating model is anchored in a digital-first, Shariah-compliant, and customer-centric strategy, aligned with the SBP's Digital Bank Framework. By relying on advanced digital infrastructure rather than a traditional branch network, the Bank has designed an agile and cost-efficient structure that enhances scalability, operational efficiency, and customer experience. This lean model minimizes the need for extensive physical infrastructure and large workforces, positioning digital operations as the core driver of profitability and financial sustainability.

With our digital-first infrastructure, ecosystem-driven growth model, and customer-focused innovation, RIDBL is well-positioned to become a leading Islamic digital bank in Pakistan driving financial inclusion, operational excellence, and sustainable profitability in the evolving digital banking landscape.

Acknowledgement

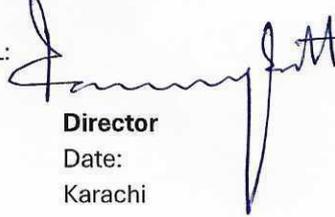
The Board of Directors of RIDBL would like to take this opportunity to express their gratitude to the shareholders of RIDBL, for their continued support and trust and the regulators, the State Bank of Pakistan (SBP) and the Securities & Exchange Commission of Pakistan for the provision of an enabling and forward-looking regulatory environment. The Board would also like to acknowledge the efforts and commitment of the management and staff of RIDBL, who have contributed toward RIDBL's journey.

For and on behalf of the Board of Directors of RIDBL:


Chief Executive Officer

Date:

Karachi


Director

Date:

Karachi

RAQAMI ISLAMIC DIGITAL BANK LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (Unaudited)
AS AT SEPTEMBER 30, 2025

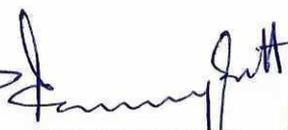
| | Note | September 30, 2025 (Unaudited) | December 31, 2024 (Audited) |
|---|------|--------------------------------------|-----------------------------------|
| ------(Rupees in '000)----- | | | |
| ASSETS | | | |
| Cash and balances with treasury banks | 8 | 58,092 | 14 |
| Balances with other banks | 9 | 32,648 | 170,081 |
| Due from financial institutions | 10 | 544,926 | 250,000 |
| Investments | 11 | 444,679 | 1,008 |
| Islamic financing and related assets | 12 | 19,965 | 20,249 |
| Property and equipment | 13 | 191,854 | 190,029 |
| Right-of-use assets | 14 | 91,388 | - |
| Intangible assets | 15 | 600,644 | 388,035 |
| Deferred tax assets | 16 | - | - |
| Other assets | 17 | 292,549 | 125,425 |
| Total Assets | | 2,276,745 | 1,144,841 |
| LIABILITIES | | | |
| Bills payable | | - | - |
| Due to financial institutions | | - | - |
| Deposits and other accounts | 18 | 24,704 | - |
| Lease liability against right-of-use assets | 19 | 97,649 | - |
| Subordinated sukuk | | - | - |
| Deferred tax liabilities | | - | - |
| Other liabilities | 20 | 175,284 | 252,484 |
| Total liabilities | | 297,636 | 252,484 |
| NET ASSETS | | 1,979,109 | 892,357 |
| REPRESENTED BY | | | |
| Share capital | 21 | 4,812,500 | 2,500,000 |
| Accumulated losses | | (2,833,391) | (1,607,643) |
| | | 1,979,109 | 892,357 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 22 | | |

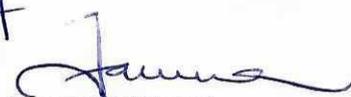
The annexed notes 1 to 37 form an integral part of these financial statements.


Chief Executive Officer


Chief Financial Officer


Director


Director


Director

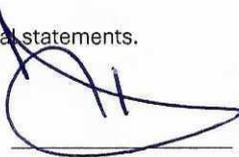
RAQAMI ISLAMIC DIGITAL BANK LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2025

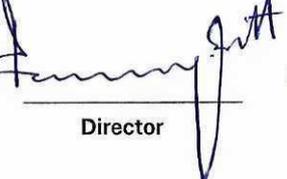
| Note | Quarter ended | | Nine month ended | | |
|--|--------------------|--------------------|--------------------|--------------------|------------------|
| | September 30, 2025 | September 30, 2024 | September 30, 2025 | September 30, 2024 | |
| ----- (Rupees in '000) ----- | | | | | |
| INCOME | | | | | |
| Profit / return earned on Islamic financing and related assets, investments and placements | 23 | 29,036 | 47,663 | 103,246 | 137,314 |
| Profit / return on deposits and other dues expensed | 24 | (4,061) | - | (14,826) | - |
| Net Profit / return | | 24,975 | 47,663 | 88,420 | 137,314 |
| OTHER INCOME | | | | | |
| Fee and commission income | 25 | 16 | - | 16 | - |
| Dividend income | | - | - | - | - |
| Foreign exchange income | | - | - | - | - |
| Income from shariah compliant forward and future contracts | | - | - | - | - |
| Gain on securities | | - | - | - | - |
| Net gains/(loss) on derecognition of financial assets measured at amortised cost | | - | - | - | - |
| Other income | 26 | - | 86 | 1,124 | 86 |
| Total other income | | 16 | 86 | 1,140 | 86 |
| Total Income | | 24,991 | 47,749 | 89,560 | 137,400 |
| OTHER EXPENSES | | | | | |
| Operating expenses | 27 | 438,246 | 382,675 | 1,313,749 | 827,562 |
| Workers' Welfare Fund | | - | - | - | - |
| Other charges | | - | - | - | - |
| Total other expenses | | 438,246 | 382,675 | 1,313,749 | 827,562 |
| Loss before provisions | | (413,255) | (334,927) | (1,224,189) | (690,162) |
| Credit loss allowance and reversals - net | 28 | (28) | - | (10) | - |
| Extra ordinary / unusual items | | - | - | - | - |
| LOSS BEFORE TAXATION | | (413,226) | (334,927) | (1,224,179) | (690,162) |
| Taxation | 29 | (363) | (590) | (1,291) | (1,700) |
| LOSS AFTER TAXATION | | (413,589) | (335,517) | (1,225,470) | (691,862) |
| ----- Rupees ----- | | | | | |
| Basic and diluted loss per share | 30 | (1.27) | (3.22) | (3.75) | (6.19) |

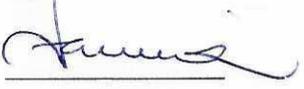
The annexed notes 1 to 37 form an integral part of these financial statements.


Chief Executive Officer


Chief Financial Officer


Director


Director


Director

RAQAMI ISLAMIC DIGITAL BANK LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2025

| | Quarter ended | | Nine month ended | |
|--|-------------------------------------|--------------------|--------------------|--------------------|
| | September 30, 2025 | September 30, 2024 | September 30, 2025 | September 30, 2024 |
| | ----- (Rupees in '000) ----- | | | |
| Loss after taxation for the period | (413,589) | (335,517) | (1,225,470) | (691,862) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive loss for the period | (413,589) | (335,517) | (1,225,470) | (691,862) |

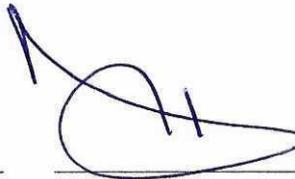
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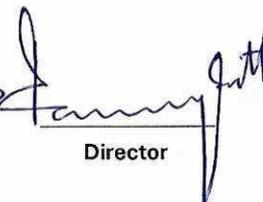
Chief Executive Officer



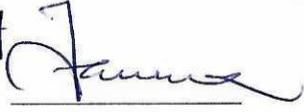
Chief Financial Officer



Director



Director



Director

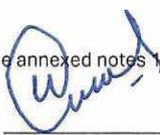
RAQAMI ISLAMIC DIGITAL BANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2025

| Share capital | Advance against issue of shares | Capital reserves | | | Revenue reserves | Surplus / (deficit) on revaluation of | | Accumulated losses | Total |
|---------------|---------------------------------|------------------|-------------------|-----------------------------|------------------|---------------------------------------|--------------------|--------------------|-------|
| | | Share premium | Statutory reserve | Share based payment reserve | General reserve | Investments | Non-banking assets | | |

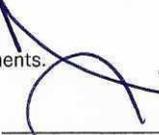
(Rupees in '000)

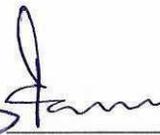
| | | | | | | | | | | |
|---|-----------|-------------|---|---|-----------|---|---|---|-------------|-------------|
| Balance as at January 01, 2024 (audited) | 10,000 | 1,500,000 | - | - | 154,272 | - | - | - | (539,654) | 1,124,618 |
| Loss after taxation for Nine month ended September 30, 2024 | - | - | - | - | - | - | - | - | (691,683) | (691,683) |
| Other comprehensive income | - | - | - | - | - | - | - | - | - | - |
| Transactions with owners directly recorded in equity | | | | | | | | | | |
| Issuance of ordinary shares | 1,500,000 | (1,500,000) | - | - | - | - | - | - | - | - |
| Advance against issuance of shares | - | 803,250 | - | - | - | - | - | - | - | 803,250 |
| Balance as at September 30, 2024 (unaudited) | 1,510,000 | 803,250 | - | - | 154,272 | - | - | - | (1,231,337) | 1,236,185 |
| Loss after taxation for the period from October 01, 2024 to December 31, 2024 | - | - | - | - | - | - | - | - | (376,306) | (376,306) |
| Transactions with owners directly recorded in equity | | | | | | | | | | |
| Issuance of ordinary shares | 803,250 | (803,250) | - | - | - | - | - | - | - | - |
| Charge for share based payment against services | - | - | - | - | 32,478 | - | - | - | - | 32,478 |
| Issuance of ordinary shares against share based payment reserve | 186,750 | - | - | - | (186,750) | - | - | - | - | - |
| Balance as at December 31, 2024 (audited) | 2,500,000 | - | - | - | - | - | - | - | (1,607,643) | 892,357 |
| Impact of transition to IFRS (note 7.1.3) | - | - | - | - | - | - | - | - | (278) | (278) |
| Loss after taxation for nine month ended September 30, 2025 | - | - | - | - | - | - | - | - | (1,225,470) | (1,225,470) |
| Other comprehensive income | - | - | - | - | - | - | - | - | - | - |
| Transactions with owners directly recorded in equity | | | | | | | | | | |
| Advance against issuance of shares | - | - | - | - | - | - | - | - | - | - |
| Issuance of ordinary shares | 2,312,500 | - | - | - | - | - | - | - | - | 2,312,500 |
| Balance as at Sept 30, 2025 (unaudited) | 4,812,500 | - | - | - | - | - | - | - | (2,833,391) | 1,979,109 |

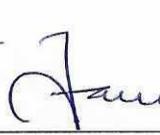
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Chief Executive Officer


Chief Financial Officer


Director

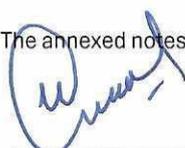

Director


Director

RAQAMI ISLAMIC DIGITAL BANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2025

| | Note | Nine month ended | |
|--|------|--------------------------------------|--------------------------------------|
| | | September 30, 2025 (Unaudited) | September 30, 2024 (Unaudited) |
| ------(Rupees in '000)----- | | | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Loss before taxation | | (1,224,179) | (690,162) |
| | | (1,224,179) | (690,162) |
| Adjustments: | | | |
| Net profit / return | | (88,420) | (137,314) |
| Depreciation on property and equipment | | 36,203 | 26,197 |
| Depreciation on right-of-use assets | 26 | 38,904 | - |
| Amortisation | 26 | 1,452 | 509 |
| Credit loss allowance and write offs - net | 27 | (10) | - |
| Charge for defined contribution plan | | 32,950 | 19,154 |
| Charge for defined benefit plan | | 4,092 | 3,825 |
| Loss on sale of Fixed Asset | | (28) | (86) |
| Gain on termination of lease | 25 | (1,096) | - |
| | | 24,046 | (87,715) |
| | | (1,200,133) | (777,877) |
| (Increase) / decrease in operating assets | | | |
| Due from financial institutions | | (295,000) | 194,685 |
| Islamic financing and related assets | | 232 | 1,333 |
| Other assets (excluding advance taxation) | | (145,692) | (36,801) |
| | | (440,460) | 159,218 |
| (Decrease) / increase in operating liabilities | | | |
| Deposits | | 24,704 | - |
| Other liabilities | | (114,390) | 133,659 |
| | | (89,686) | 133,659 |
| | | (1,730,279) | (485,000) |
| Profit / return received | | 84,514 | 140,349 |
| Payments of final settlements to employees | | - | - |
| Income tax paid | | (8,251) | (21,217) |
| Net cash used in operating activities | | (1,654,016) | (365,868) |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Net investments in amortised cost securities | | (445,774) | - |
| Additions in property and equipment | 13.1 | (75,740) | (433,599) |
| Additions in intangible assets | 15.1 | (214,060) | (7,653) |
| Proceeds from sale of property and equipment | | 37,740 | 360 |
| Net cash used in investing activities | | (697,834) | (440,892) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Payment of lease liability against right-of-use assets | 19 | (40,001) | - |
| Issuance of ordinary shares | | 2,312,500 | 803,250 |
| Net cash generated from financing activities | | 2,272,499 | 803,250 |
| (Decrease) / increase in cash and cash equivalents | | | |
| Cash and cash equivalents at the beginning of the period | | (79,350) | (3,510) |
| Impact of net credit loss allowance on cash and cash equivalents during the period | | 170,095 | 28,407 |
| | | (4) | - |
| Cash and cash equivalents at the end of the period | 31 | 90,740 | 24,896 |

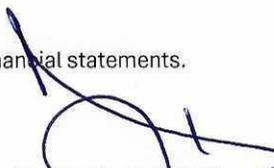
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Chief Executive Officer



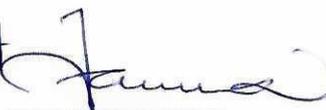
Chief Financial Officer



Director



Director



Director

RAQAMI ISLAMIC DIGITAL BANK LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025

1 STATUS AND NATURE OF BUSINESS

Raqami Islamic Digital Bank Limited (the Bank) was incorporated in Pakistan on July 10, 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 Shariah Compliant 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, 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 an issuance of an in-principle approval (IPA) on September 20, 2023 under the Licensing and Regulatory Framework for Digital Banks. Upon ensuring compliance with all the stipulated terms and conditions outlined in the IPA, including meeting the requisite minimum capital requirement, the Bank submitted an application to the SBP on December 30, 2024, to obtain a restricted license, enabling the Bank to commence pilot operations. The SBP granted the restricted license to commence pilot operations as Islamic Digital Retail Bank under the Licensing and Regulatory Framework for Digital Banks on May 13, 2025.

The Bank is a subsidiary of Pakistan Kuwait Investment Company (Private) Limited (the Holding Company), a 50:50 joint venture between the Government of Pakistan and Kuwait, which holds 70.13% shareholding (2024: 67.5%) in the Bank.

The Bank is operating through the head office and its two other offices in Islamabad and Lahore as at September 30, 2025. The Bank's registered head office is at 4th Floor, Bahria Complex I, MT Khan Road, Lalazar, Karachi, Pakistan.

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, 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". They 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 year ended December 31, 2024.

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 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.

3.1.2 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 recognized in the financial statements on adoption of IFRS 9 'Financial Instruments' from 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 recognizes 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 recognized in the financial statements on adoption of IFRS 16 'Leases' from January 1, 2025 are set out in note 7.1.1.2.

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) | (1,607,643) |
| Impact of transition to IFRS as applicable in Pakistan | (278) |
| Revised accumulated losses under International Financial Reporting Standards (IFRS Standards) as applicable in Pakistan | <u><u>(1,607,921)</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 in 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 3.1.

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.

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6 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except otherwise mentioned in the relevant accounting policies.

6.1 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.

6.2 Rounding off

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

6.3 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 year ended December 31, 2024 except for changes mentioned in notes 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 year ended December 31, 2024 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:

| | IFRS for SMEs | | IFRS 9 | |
|---------------------------------------|--------------------------------------|--------------------|----------------------|--------------------|
| | Measurement category | Carrying amount | Measurement category | Carrying amount |
| Financial assets | | --Rupees in '000-- | | --Rupees in '000-- |
| Cash and balances with treasury banks | Loans and receivables | 14 | Amortised cost | 14 |
| Balances with other banks | Loans and receivables | 170,081 | Amortised cost | 170,058 |
| Due from financial institutions | Loans and receivables | 250,000 | Amortised cost | 249,966 |
| Investments | At fair value through profit or loss | 1,008 | Amortised cost | 1,009 |
| Islamic financing and related assets | Loans and receivables | 20,249 | Amortised cost | 20,195 |
| Security deposits | Loans and receivables | 15,390 | Amortised cost | 15,222 |
| | | <u>456,742</u> | | <u>456,464</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 provision in IFRS 1, 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.

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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 commencement 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 financial statement line items 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:

| | 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 / IFRS 16 |
|---|--|---|---------------------|-----------------------------|---------------------------------|--|
| | | Recognition of expected credit losses (ECL) / remeasurement | Adoption of IFRS 16 | | | |
| (Rupees in '000) | | | | | | |
| ASSETS | | | | | | |
| Cash and balances with treasury banks | 14 | - | - | - | 14 | Amortised cost |
| Balances with other banks | 170,081 | (23) | - | (23) | 170,058 | Amortised cost |
| Due from financial institutions | 250,000 | (34) | - | (34) | 249,966 | Amortised cost |
| Investments | 1,008 | 1 | - | 1 | 1,009 | Amortised cost |
| Islamic financing and related assets | 20,249 | (54) | - | (54) | 20,195 | Amortised cost |
| Property and equipment | 190,029 | - | - | - | 190,029 | Outside the scope of IFRS 9 |
| Right-of-use assets | - | - | 137,461 | 137,461 | 137,461 | Right-of-use asset |
| Intangible assets | 388,035 | - | - | - | 388,035 | Outside the scope of IFRS 9 |
| Deferred tax asset | - | - | - | - | - | Outside the scope of IFRS 9 |
| Other assets - financial assets | 15,786 | (168) | - | (168) | 15,618 | Amortised cost |
| Other assets - non financial assets | 109,639 | - | (6,370) | (6,370) | 103,269 | Outside the scope of IFRS 9 |
| | <u>1,144,841</u> | <u>(278)</u> | <u>131,091</u> | <u>130,813</u> | <u>1,275,654</u> | |
| LIABILITIES | | | | | | |
| Bills payable | - | - | - | - | - | Amortised cost |
| Due to financial institutions | - | - | - | - | - | Amortised cost |
| Deposits and other accounts | - | - | - | - | - | Amortised cost |
| Lease liability against right-of-use assets | - | - | 131,091 | 131,091 | 131,091 | Lease liability |
| Sub-ordinated sukus | - | - | - | - | - | Amortised cost |
| Deferred tax liabilities | - | - | - | - | - | Outside the scope of IFRS 9 |
| Other liabilities | 252,484 | - | - | - | 252,484 | Amortised cost |
| | <u>252,484</u> | <u>-</u> | <u>131,091</u> | <u>131,091</u> | <u>383,575</u> | |
| NET ASSETS | <u>892,357</u> | <u>(278)</u> | <u>-</u> | <u>(278)</u> | <u>892,079</u> | |
| REPRESENTED BY | | | | | | |
| Share capital | 2,500,000 | - | - | - | 2,500,000 | |
| Accumulated losses | (1,607,643) | (278) | - | (278) | (1,607,921) | |
| | <u>892,357</u> | <u>(278)</u> | <u>-</u> | <u>(278)</u> | <u>892,079</u> | |

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 amortised cost

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

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.

Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVTPL.

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

- Hold to Collect (HTC) Business Model: Holding assets in order to collect contractual cash flows.
- Hold to Collect and Sell (HTC&S) Business Model: Collecting contractual cash flows and selling financial assets.
- 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.

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7.2.4 Application to the Bank's financial assets

Debt based financial assets

Debt based financial assets held by the Bank includes: Islamic financing and related assets, investment in federal government securities, due from financial institutions, cash and balances with treasury banks; balances with other banks; and other financial assets.

- a) These are measured at amortised cost if they meet both of the following conditions and is not designated as at FVTPL:
- the assets are held within a business model whose objective is to hold assets to collect contractual cash flows; and
 - the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and 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 it meets both of the following conditions and are not designated as at 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 held for trading purposes are 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 Islamic financing and related assets, due from financial institutions, deposits etc. are recognised when funds are transferred to the customers' account or financial institutions or as per underlying Shariah mode. However, for cases, where funds are transferred on deferred payment basis, recognition is done when underlying asset is purchased. The Bank will recognise due to customer and financial institution balances when these funds reach the Bank.

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. They are subsequently measured at amortised cost. An expected credit loss allowance (ECL) is recognised for financial assets in condensed interim statement of profit and loss account. Rental / profit income / expense on these assets / liabilities are recognised in condensed interim statement of profit and loss account. On derecognition of these financial assets and liabilities, capital gain / loss will be recognised in 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. Rental / profit / 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 will be 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 (FVPTL)

Financial assets under FVPTL 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. Rental / profit / 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 will be 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 Islamic financing and related assets and other debt financial assets not held at FVPTL, 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;

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- 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 more than 60 days past due. 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 0 to 4). 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.

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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 profit 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.

When estimating the ECLs, the Bank considers three scenarios (base case, best case, worst case). Each of these is associated with different PDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted financing are expected to be recovered, including the probability that the financing will cure and the value of collateral or the amount that might be received for selling the asset.

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 corporate / commercial / SME loan/ financing portfolios at the borrower /customer 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.

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The Bank has elected to apply the practical expedient not to recognize right to use asset 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 lease term

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 as financial charges over the lease period so as to produce a constant periodic rate of profit on the remaining balance of the liability for each period.

The Bank has elected to apply the practical expedient not to recognize right to use asset 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 lease term.

7.5 Employee benefits

7.5.1 Defined contribution plan

The Bank operates a recognised 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) | December 31, 2024 (Audited) |
|--|------|--------------------------------------|-----------------------------------|
| ------(Rupees in '000)----- | | | |
| 8 CASH AND BALANCES WITH TREASURY BANKS | | | |
| In hand | | | |
| - Local currency | | 15 | 14 |
| With the State Bank of Pakistan in | | | |
| - Local currency current account | 8.1 | 58,077 | - |
| Less: Credit loss allowance held against cash and balances with treasury banks | | - | - |
| | | <u>58,092</u> | <u>14</u> |

8.1 This represents amounts required to be maintained by the Bank with the SBP under the Banking Companies Ordinance, 1962 and / or stipulated by the SBP. This account is non-remunerative in nature.

| | September 30, 2025 (Unaudited) | December 31, 2024 (Unaudited) |
|---|--------------------------------------|-------------------------------------|
| ----- (Rupees in '000) ----- | | |
| 11.1 Credit loss allowance / provision for diminution in value of investments | | |
| Opening balance | - | - |
| Charge / (reversal) | - | - |
| Charge for the period / year | - | - |
| Reversals for the period / year | - | - |
| Reversal on disposals | - | - |
| Closing Balance | - | - |

| 11.2 Particulars of credit loss allowance / provision against debt securities | September 30, 2025 (Unaudited) | | December 31, 2024 (Audited) | |
|---|--------------------------------|----------------------------|-----------------------------|----------------|
| | Outstanding amount | Credit loss allowance held | Outstanding amount | Provision held |
| ----- (Rupees in '000) ----- | | | | |
| Domestic | | | | |
| Performing - Stage 1 | 444,679 | - | 1,008 | - |
| Under performing - Stage 2 | - | - | - | - |
| Non-performing - Stage 3 | | | | |
| Substandard | - | - | - | - |
| Doubtful | - | - | - | - |
| Loss | - | - | - | - |
| | 444,679 | - | 1,008 | - |

11.3 The market value of securities classified as amortised cost as at September 30, 2025 amounted to Rs 440.45 million (December 31, 2024: Rs 1.008 million).

12 ISLAMIC FINANCING AND RELATED ASSETS

| | Performing | | Non-Performing | | Total | |
|--|--------------------|-------------------|--------------------|-------------------|--------------------|-------------------|
| | (Unaudited) | (Audited) | (Unaudited) | (Audited) | (Unaudited) | (Audited) |
| | September 30, 2025 | December 31, 2024 | September 30, 2025 | December 31, 2024 | September 30, 2025 | December 31, 2024 |
| ----- (Rupees in '000) ----- | | | | | | |
| Diminishing Musharakah | 20,017 | 20,249 | - | - | 20,017 | 20,249 |
| Islamic financing and related assets - gross | 20,017 | 20,249 | - | - | 20,017 | 20,249 |
| Credit loss allowance / provision against islamic financing and related assets | | | | | | |
| Stage 1 | (52) | - | - | - | (52) | - |
| Stage 2 | - | - | - | - | - | - |
| Stage 3 | - | - | - | - | - | - |
| Specific provision | - | - | - | - | - | - |
| General provision | - | - | - | - | - | - |
| | (52) | - | - | - | (52) | - |
| Islamic financing and related assets - net of credit loss allowance | 19,965 | 20,249 | - | - | 19,965 | 20,249 |

| | September 30, 2025 (Unaudited) | December 31, 2024 (Audited) |
|---|--------------------------------------|-----------------------------------|
| | ----- (Rupees in '000) ----- | |
| 12.1 Particulars of advances (gross) | | |
| In local currency | 20,017 | 20,249 |
| | <u>20,017</u> | <u>20,249</u> |

12.2 Particulars of credit loss allowance against Islamic financing and related assets

| | (Unaudited) | | | | (Audited) | | | |
|------------------------------|------------------------------|---------|---------|-------|-------------------|---------|---------|-------|
| | September 30, 2025 | | | | December 31, 2024 | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| | ----- (Rupees in '000) ----- | | | | | | | |
| Opening balance | - | - | | | | | | |
| Impact of adoption of IFRS 9 | 54 | - | | 54 | | | | |
| Exchange adjustments | - | - | | | | | | |
| Charge for the period / year | - | - | | | | | | |
| Reversals | (2) | - | | (2) | | | | |
| | (2) | - | | (2) | | | | |
| Amounts written off | - | - | | | | | | |
| Closing balance | 52 | - | - | 52 | - | - | - | - |

12.3 Islamic financing and related assets - Particulars of credit loss allowance

| | September 30, 2025 (Unaudited) | | | December 31, 2024 (Audited) | | |
|--|--------------------------------|---------|---------|-----------------------------|---------|---------|
| | Expected Credit Loss | | | Expected Credit Loss | | |
| | Stage 1 | Stage 2 | Stage 3 | Stage 1 | Stage 2 | Stage 3 |
| | ----- (Rupees in '000) ----- | | | | | |

| | | | | | | |
|--|-----|---|---|---|---|---|
| 12.3.1 Opening balance | - | - | - | - | - | - |
| Impact of adoption of IFRS 9 | 54 | - | - | - | - | - |
| Fresh disbursements | - | - | - | - | - | - |
| Amount derecognised / repaid | (2) | - | - | - | - | - |
| Transfer to stage 1 | - | - | - | - | - | - |
| Transfer to stage 2 | - | - | - | - | - | - |
| Transfer to stage 3 | - | - | - | - | - | - |
| Charge for the year - specific and general | - | - | - | - | - | - |
| Reversal for the year | - | - | - | - | - | - |
| | (2) | - | - | - | - | - |
| Amounts written off / charged off | - | - | - | - | - | - |
| Changes in risk parameters | - | - | - | - | - | - |
| Closing balance | 52 | - | - | - | - | - |

12.3.2 Islamic financing and related assets - Category of classification

| | | September 30, 2025 | | December 31, 2024 | |
|-----------------|---------|------------------------------|--------------------|--------------------|--------------------|
| | | Outstanding amount | Credit loss amount | Outstanding amount | Credit loss amount |
| | | ----- (Rupees in '000) ----- | | | |
| Domestic | | | | | |
| Performing | Stage 1 | 20,017 | (52) | 20,249 | - |
| Underperforming | Stage 2 | - | - | - | - |
| Non-Performing | Stage 3 | | | | |
| Substandard | | - | - | - | - |
| Doubtful | | - | - | - | - |
| Loss | | - | - | - | - |
| | | <u>20,017</u> | <u>(52)</u> | <u>20,249</u> | <u>-</u> |

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| | September 30, 2025 (Unaudited) | December 31, 2024 (Audited) |
|--|--------------------------------------|-----------------------------------|
|--|--------------------------------------|-----------------------------------|

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

13 PROPERTY AND EQUIPMENT

| | | |
|------------------------|-----------------------|-----------------------|
| Property and equipment | <u>191,854</u> | <u>190,029</u> |
| | <u>191,854</u> | <u>190,029</u> |

13.1 Additions to property and equipment

The following additions have been made to property and equipment during the period:

Property and equipment

| | | |
|---|----------------------|----------------------|
| Furniture and fixture | <u>3,114</u> | <u>-</u> |
| Leasehold improvement | <u>25,402</u> | <u>-</u> |
| Electrical, office and computer equipment | <u>40,520</u> | <u>40,518</u> |
| Vehicles | <u>6,703</u> | <u>29,573</u> |
| | <u>75,740</u> | <u>70,091</u> |

13.2 Disposal of property and equipment

The net book value of Property and Equipment disposed off during the period is as follows:

| | | |
|---|----------------------|-----------------|
| Electrical, office and computer equipment | <u>20</u> | <u>-</u> |
| Vehicles | <u>37,693</u> | <u>-</u> |
| | <u>37,713</u> | <u>-</u> |

14 RIGHT OF USE ASSET

| | September 30, 2025 (Un-Audited) | | | December 31, 2024 (Audited) | | |
|---|---------------------------------|---------------------|----------------------|-----------------------------|-----------------|-----------------|
| | Office Premises | Infrastructure | Total | Office Premises | Infrastructure | Total |
| | ------(Rupees in '000)----- | | | | | |
| Opening balance | | | | | | |
| Impact of adoption of IFRS 16 | 128,872 | 8,589 | 137,461 | - | - | - |
| Accumulated depreciation | - | - | - | - | - | - |
| Net carrying amount | <u>128,872</u> | <u>8,589</u> | <u>137,461</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Additions during the period / year | 22,920 | - | 22,920 | - | - | - |
| Deletions during the period / year | (30,089) | - | (30,089) | - | - | - |
| Depreciation charge for the period / year | (37,852) | (1,052) | (38,904) | - | - | - |
| Net carrying amount | <u>83,851</u> | <u>7,537</u> | <u>91,388</u> | <u>-</u> | <u>-</u> | <u>-</u> |

15 INTANGIBLE ASSETS

| | September 30, 2025 (Unaudited) | December 31, 2024 (Audited) |
|--|--------------------------------------|-----------------------------------|
|--|--------------------------------------|-----------------------------------|

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

| | | |
|---|-----------------------|-----------------------|
| Computer software | <u>14,142</u> | <u>11,292</u> |
| Advance for purchase of computer software | <u>586,502</u> | <u>376,743</u> |
| | <u>600,644</u> | <u>388,035</u> |

| 15.1 | Additions to intangible assets | | September 30, 2025 (Unaudited) | December 31, 2024 (Audited) |
|---------------|---|---------------|--------------------------------------|-----------------------------------|
| | The following additions have been made to intangible assets during the period / year: | Note | ------(Rupees in '000)----- | |
| | Computer software | | 4,301 | 5,226 |
| | Advance for purchase of computer software | | <u>209,759</u> | <u>209,607</u> |
| | | | <u>214,060</u> | <u>214,833</u> |
| 16 | DEFERRED TAX ASSETS | | | |
| | Deductible temporary differences on | | | |
| | - Accelerated tax depreciation | | 34,421 | 19,351 |
| | Taxable temporary differences on | | | |
| | - Business losses | | <u>(34,421)</u> | <u>(19,351)</u> |
| | | | - | - |
| 16.1 | As at September 30, 2025, the Bank has an aggregate deferred tax asset arising on business losses amounting to Rs. 522.243 million (2024: Rs 302.057 million). 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, 2024 (Audited) |
| 17 | OTHER ASSETS | Note | ------(Rupees in '000)----- | |
| | Profit / return accrued in local currency | | 19,128 | 396 |
| | Advances and prepayments | | 202,745 | 61,226 |
| | Security deposits | | 16,598 | 15,390 |
| | Advance taxation | | 35,079 | 28,119 |
| | Prepaid staff benefit | | <u>19,138</u> | <u>20,294</u> |
| | | | 292,688 | 125,425 |
| | Less: Credit loss allowance held against other assets | 17.1 & 17.1.1 | <u>(139)</u> | - |
| | Other Assets (Net of credit loss allowance) | | <u>292,549</u> | 125,425 |
| | Other assets - total | | <u>292,549</u> | <u>125,425</u> |
| 17.1 | Credit loss allowance held against other assets | | | |
| | Profit / return accrued in local currency | | 1 | - |
| | Security deposits | | <u>138</u> | - |
| | | | <u>139</u> | - |
| 17.1.1 | Opening balance | | - | - |
| | Impact of adoption of IFRS 9 | | 168 | - |
| | Charge for the period / year | | - | - |
| | Reversals for the period / year | | <u>(29)</u> | - |
| | Amount written off | | - | - |
| | Closing balance | | <u>139</u> | <u>-</u> |

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18 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 | 24,704 | | 24,704 | | | |
| Savings deposits | | | | | | |
| Term deposits | | | | | | |
| Margin deposits | | | | | | |
| | 24,704 | - | 24,704 | - | - | - |
| Financial Institutions | | | | | | |
| Current deposits | | | | | | |
| Savings deposits | | | | | | |
| Term deposits | | | | | | |
| Margin deposits | | | | | | |
| | 24,704 | - | 24,704 | - | - | - |

| | Note | September 30, | December 31, |
|---|------|---------------|--------------|
| | | 2025 | 2024 |
| | | (Unaudited) | (Audited) |
| ----- (Rupees in '000) ----- | | | |
| 19 LEASE LIABILITY AGAINST RIGHT-OF-USE ASSETS | | | |
| Opening balance | | - | - |
| Impact of adoption of IFRS 16 | | 131,091 | - |
| Additions during the period / year | | 22,920 | - |
| Amortisation of lease liability against right-of-use assets | | 14,826 | - |
| Derecognition during the period / year | | (31,187) | - |
| Payments made during the period / year | | (40,001) | - |
| Closing balance | | 97,649 | - |

19.1 Contractual maturity of lease liabilities

| | | | |
|-----------------------------|--|--------|---|
| Not later than one year | | 30,899 | - |
| Long-term lease liabilities | | | |
| - 1 to 5 years | | 66,750 | - |
| - 5 to 10 years | | - | - |
| - More than 10 years | | - | - |
| | | 66,750 | - |
| | | 97,649 | - |

19.2 Discount rates ranging from 12.25% to 16.80% (12.25% to 17.66%) have been used as the discounting factor for the leased assets.

| | Note | September 30, | December 31, |
|--------------------------------------|------|---------------|--------------|
| | | 2025 | 2024 |
| | | (Unaudited) | (Audited) |
| ----- (Rupees in '000) ----- | | | |
| 20 OTHER LIABILITIES | | | |
| Accrued expenses | | 35,895 | 32,407 |
| Current Taxation | | - | - |
| Withholding taxes payable | | 23,123 | 31,298 |
| Payable to defined benefit plan | | 9,411 | 5,319 |
| Payable to defined contribution plan | | 21,514 | 69,434 |
| Others | | 85,341 | 114,026 |
| | | 175,284 | 252,484 |

21 SHARE CAPITAL

21.1 Auhtorised share capital

| | Sept 30, 2025 (Unaudited) | December 31, 2024 (Audited) | Note | Sept 30, 2025 (Unaudited) | December 31, 2024 (Audited) |
|--|---------------------------------|-----------------------------------|-------------------------------|---------------------------------|-----------------------------------|
| | -----No fo Shares----- | | | -----Rs in 000----- | |
| | <u>1,000,000,000</u> | <u>1,000,000,000</u> | Ordinary shares of Rs 10 each | <u>10,000,000</u> | <u>10,000,000</u> |

21.2 Issued Subscribed and paid up capital

| | | | | | |
|------------------------|--|--|--------|-----------|-----------|
| Ordinary share capital | | | 21.2.1 | 4,812,500 | 2,500,000 |
|------------------------|--|--|--------|-----------|-----------|

21.2.1 The breakup of ordianry share capital is as follows

| | Sept 30, 2025 (Unaudited) | December 31, 2024 (Audited) | | Sept 30, 2025 (Unaudited) | December 31, 2024 (Audited) |
|--|---------------------------------|-----------------------------------|---|---------------------------------|-----------------------------------|
| | -----No fo Shares----- | | | -----Rs in 000----- | |
| | | | Fully paid up ordinary shares of Rs 10 each | | |
| | <u>462,575,000</u> | <u>231,325,000</u> | Ordinary shares of Rs 10 each paid in | <u>4,625,750</u> | <u>2,313,250</u> |
| | <u>18,675,000</u> | <u>18,675,000</u> | Ordinary share of Rs 10 each issued as fully paid for consideration other than cash | <u>186,750</u> | <u>186,750</u> |
| | <u><u>481,250,000</u></u> | <u><u>250,000,000</u></u> | | <u><u>4,812,500</u></u> | <u><u>2,500,000</u></u> |

21.3 Pattern of shareholding

| | Sept 30, 2025 (Unaudited) | December 31, 2024 (Audited) | | Sept 30, 2025 (Unaudited) | December 31, 2024 (Audited) |
|--|---------------------------------|-----------------------------------|--|---------------------------------|-----------------------------------|
| | -----%'----- | | | -----No of Shares----- | |
| | | | -Pakistan Kuwait Investment Company Private Limited | <u>337,499,998</u> | <u>168,749,999</u> |
| | <u>70.13%</u> | <u>67.50%</u> | - Enertech Holding Company, KSC | <u>125,000,002</u> | <u>62,500,001</u> |
| | <u>25.97%</u> | <u>25.00%</u> | - Planet - N (Private) Limited | <u>12,500,000</u> | <u>12,500,000</u> |
| | <u>2.60%</u> | <u>5.00%</u> | - Mr. Nadeem Hussain | <u>6,250,000</u> | <u>6,250,000</u> |
| | <u>1.30%</u> | <u>2.50%</u> | | <u><u>481,250,000</u></u> | <u><u>250,000,000</u></u> |
| | <u>100.00%</u> | <u>100.00%</u> | | | |

| Note | September 30, 2025 (Unaudited) | December 31, 2024 (Audited) |
|------|--------------------------------------|-----------------------------------|
|------|--------------------------------------|-----------------------------------|

22 CONTINGENCIES AND COMMITMENTS

| | | | |
|---------------|------|----------------|----------------|
| - Commitments | 20.1 | <u>612,283</u> | <u>613,136</u> |
|---------------|------|----------------|----------------|

22.1 Commitments:

Commitments for acquisition of:

- Property and equipment
- Intangible assets

| | | |
|--|----------------|----------------|
| | <u>612,283</u> | <u>613,136</u> |
|--|----------------|----------------|

22.2 Other contingent liabilities

There were no other contingent liabilities as at September 30, 2025 (December 31, 2024 :Nil)

| | | September 30, 2025 (Unaudited) | September 30, 2024 (Unaudited) |
|-------------|---|--------------------------------------|--------------------------------------|
| | Note | ----- (Rupees in '000) ----- | |
| 23 | PROFIT / RETURN EARNED ON ISLAMIC FINANCING AND RELATED ASSETS, INVESTMENTS AND PLACEMENTS | | |
| | Profit earned on: | | |
| | - Financing | 1,198 | 1,253 |
| | - Investments | 34,384 | - |
| | - Placements | 64,984 | 134,228 |
| | - Balances with banks | 2,680 | 1,833 |
| | | <u>103,246</u> | <u>137,314</u> |
| 23.1 | Profit income (calculated using effective profit rate method) recognised on: | | |
| | Financial assets measured at amortised cost | <u>103,246</u> | <u>137,314</u> |
| 24 | PROFIT / RETURN ON DEPOSITS AND OTHER DUES EXPENSED | | |
| | Amortisation of lease liability against right-of-use of assets | <u>14,826</u> | - |
| 25 | FEE AND COMMISSION INCOME | | |
| | Banking customer fees | <u>16</u> | - |
| 26 | OTHER INCOME | | |
| | Loss on sale of property and equipment | - | - |
| | Gain/Loss on Sales of Fixed Asset | 28 | 86 |
| | Gain on termination of lease | 1,096 | - |
| | | <u>1,124</u> | <u>86</u> |
| 27 | OPERATING EXPENSES | | |
| | Total compensation expense | 885,817 | 558,255 |
| | Property expense | | |
| | Rent and taxes | 5,996 | 45,475 |
| | Utilities cost | 10,047 | 3,598 |
| | Security charges | 866 | 238 |
| | Repair & maintenance | 2,089 | 7 |
| | Depreciation | 9,270 | 1,656 |
| | Depreciation on right-of-use assets | 38,904 | - |
| | | 67,172 | 50,973 |
| | Information technology expenses | | |
| | Software maintenance | 45,118 | 8,523 |
| | Depreciation | 15,245 | 8,193 |
| | Amortisation | 1,452 | 509 |
| | Network charges | 15,939 | 1,895 |
| | | 77,753 | 19,120 |
| | Other operating expenses | | |
| | Directors' fees and allowances | 14,694 | 4,080 |
| | Fees and allowances to Shariah Board | 149 | 178 |
| | Legal and professional charges | 136,128 | 87,859 |
| | Travelling & conveyance | 9,335 | 4,954 |
| | Depreciation on vehicle, equipment etc. | 11,688 | 16,348 |
| | Office Groceries, Entertainment, HR Events and Others | 7,060 | 2,447 |
| | Training & development | 3,793 | 708 |
| | Postage & courier charges | 1,656 | 91 |
| | Stationery & printing | 839 | 313 |
| | Marketing, advertisement & publicity | 31,222 | 29,998 |
| | Takaful expense | 2,343 | 1,250 |
| | Fee and subscription | 43,058 | 39,337 |
| | Vehicle running and maintenance | 223 | 38 |
| | Auditors' remuneration | 10,974 | 324 |
| | CDC and share registrar services | 6,364 | 3,470 |
| | Others | 3,482 | 7,819 |
| | | 283,007 | 199,214 |
| | | <u>1,313,749</u> | <u>827,562</u> |

| | September 30, 2025 (Unaudited) | September 30, 2024 (Unaudited) |
|------------------------------|--------------------------------------|--------------------------------------|
| ----- (Rupees in '000) ----- | | |

28 CREDIT LOSS ALLOWANCE & REVERSALS - NET

| | | | |
|---|--------|------|---|
| Credit loss allowance against due from financial institutions | | 40 | - |
| Credit loss allowance for diminution in value of investments | | - | - |
| Net reversal of credit loss allowance against balances with other banks | | (19) | - |
| Net reversal of credit loss allowance against financing & advances | 12.3.1 | (2) | - |
| Credit loss allowance against other assets | 17.1.1 | (29) | - |
| | | - | - |
| | | (10) | - |

| | | |
|--------|------|---|
| | 40 | - |
| | - | - |
| | (19) | - |
| 12.3.1 | (2) | - |
| 17.1.1 | (29) | - |
| | - | - |
| | (10) | - |

29 TAXATION

| | | | |
|---------------|------|-------|-------|
| Current | 29.1 | 1,291 | 1,700 |
| Prior years | | - | - |
| Prior periods | | - | - |
| Deferred | | - | - |
| | | 1,291 | 1,700 |

| | | |
|--|-------|-------|
| | 1,291 | 1,700 |
| | - | - |
| | - | - |
| | - | - |
| | 1,291 | 1,700 |

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

| | | |
|--|-------------|-----------|
| | (1,225,470) | (691,862) |
|--|-------------|-----------|

----- Number of shares -----

Weighted average number of ordinary shares

| | | |
|--|-------------|-------------|
| | 326,424,630 | 111,739,430 |
|--|-------------|-------------|

----- (Rupees) -----

Basic and diluted loss per share

| | | |
|--|--------|--------|
| | (3.75) | (6.19) |
|--|--------|--------|

30.1 Diluted loss per share has not been presented separately as the Bank does not have any convertible instruments in issue.

31 CASH AND CASH EQUIVALENTS

| | | | |
|---------------------------------------|--|--------|--------|
| Cash and balances with treasury banks | | 58,092 | 8 |
| Balances with other banks | | 32,648 | 24,888 |
| | | 90,740 | 24,896 |

| | | |
|--|--------|--------|
| | 58,092 | 8 |
| | 32,648 | 24,888 |
| | 90,740 | 24,896 |

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NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025

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 amortized cost / held to maturity, is based on quoted market price. Quoted debt securities classified as amortized 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 financing 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 asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

The table below analyses financial instruments measured as at September 30, 2025 and December 31, 2024 by the level in the fair value hierarchy into which the fair value measurement is categorized.

| Carrying Value | September 30, 2025 (Unaudited) | | | |
|----------------|--------------------------------|---------|---------|-------|
| | Fair Value | | | |
| | Level 1 | Level 2 | Level 3 | Total |

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

On balance sheet financial instruments

Financial assets - measured at fair value

Financial assets - disclosed but not measured at fair value

Investments

| | | | | | |
|---------------------------------|----------------|----------|----------------|----------|----------------|
| - Federal Government securities | 444,679 | - | 440,452 | - | 440,452 |
| | 444,679 | - | 440,452 | - | 440,452 |

| Carrying Value | December 31, 2024 | | | |
|----------------|-------------------|---------|---------|-------|
| | Fair Value | | | |
| | Level 1 | Level 2 | Level 3 | Total |

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

On balance sheet financial instruments

Financial assets - measured at fair value

Financial assets - measured at fair value

Investments

| | | | | | |
|---------------------------------|--------------|---------|--------------|----------|--------------|
| - Federal Government securities | 1,009 | | 1,009 | - | 1,009 |
| | 1,009 | | 1,009 | - | 1,009 |

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

| Item | Valuation |
|-------------------|---|
| GoP Ijarah sukuks | The fair value of other GoP Ijarah sukuks quoted are derived using PKISRV rates. The PKISRV rates are announced by FMA (Financial Market Association) through Reuters. The rates announced are simple average of quotes received from eight different pre-defined / approved dealers / brokers. |

There were no transfers between levels 1 and 2 during the period / year.

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33 SEGMENT INFORMATION

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 | | | | |
| Profit / Return earned on Islamic Financing | - | 102,049 | (13,628) | 88,420 |
| Related assets, Investments and Placements-net | - | - | - | - |
| Inter segment revenue - net | - | - | - | - |
| Total other income | 16 | - | 1,124 | 1,140 |
| Total income | 16 | 102,049 | (12,505) | 89,560 |
| Segment direct expenses | (296,289) | (40,403) | (977,057) | (1,313,749) |
| Segment Indirect expenses | - | - | - | - |
| Inter segment expense allocation | - | - | - | - |
| Total expenses | (296,289) | (40,403) | (977,057) | (1,313,749) |
| Credit loss allowance | - | 21 | (31) | (10) |
| Profit / (loss) before tax | (296,273) | 61,624 | (989,531) | (1,224,179) |
| Condensed Interim Financial Information | | | | |
| Cash & Bank balances | - | 58,092 | - | 58,092 |
| Balances with other banks | - | - | 32,648 | 32,648 |
| Due from financial institutions | - | 544,926 | - | 544,926 |
| Investments | - | 444,679 | - | 444,679 |
| Net inter segment placements | - | - | - | - |
| Islamic financing and related assets - performing | - | - | 19,965 | 19,965 |
| - non-performing - net | - | - | - | - |
| Others | - | - | 1,176,435 | 1,176,435 |
| Total Assets | - | 1,047,697 | 1,229,048 | 2,276,745 |

| September 30, 2025 (unaudited) | | | | |
|--|---------------|-------------|------------------|------------------|
| Retail Banking | Treasury | Head Office | Elimination | Total |
| ----- Rupees in '000 ----- | | | | |
| Bills Payable | - | - | - | - |
| Due to financial Institutions | - | - | - | - |
| Deposits & other accounts | 24,704 | - | - | 24,704 |
| Net inter segment acceptance | - | - | - | - |
| Others | - | 272,932 | - | 272,932 |
| Total liabilities | 24,704 | - | 272,932 | 297,636 |
| Equity | - | - | 1,979,109 | 1,979,109 |
| Total Equity & liabilities | 24,704 | - | 2,252,041 | 2,276,745 |
| Contingencies & Commitments | - | - | 612,282 | - |

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

Profit & Loss

| ----- Rupees in '000 ----- | | | | | |
|--|------------------|---------------|------------------|----------|------------------|
| Profit / Return earned on Islamic Financing | | | | | |
| Related assets, Investments and Placements-net | - | 136,061 | 1,253 | - | 137,314 |
| Inter segment revenue - net | - | - | - | - | - |
| Total other income | - | - | 86 | - | 86 |
| Total Income | - | 136,061 | 1,339 | - | 137,400 |
| Segment direct expenses | (183,903) | (25,078) | (618,582) | - | (827,562) |
| Inter segment expense allocation | (236,990) | (32,317) | 269,307 | - | - |
| Total expenses | (420,893) | (57,394) | (349,275) | - | (827,562) |
| Credit loss allowance | - | - | - | - | - |
| Profit / (loss) before tax | (420,893) | 78,667 | (347,936) | - | (690,162) |

(Audited)

| December 31, 2024 | | | | |
|-------------------|----------|-------------|-------------|-------|
| Retail Banking | Treasury | Head Office | Elimination | Total |

Balance Sheet

Assets

| ----- Rupees in '000 ----- | | | | | |
|---|---|----------------|----------------|---|------------------|
| Cash & Bank balances | - | 14 | - | - | 14 |
| Balances with other banks | - | - | 170,081 | - | 170,081 |
| Due from financial institutions | - | 250,000 | - | - | 250,000 |
| Investments | - | 1,008 | - | - | 1,008 |
| Net inter segment placements | - | - | - | - | - |
| Islamic financing and related assets - performing | - | - | 20,249 | - | 20,249 |
| Others | - | - | 703,489 | - | 703,489 |
| Total Assets | - | 251,022 | 893,819 | - | 1,144,841 |

Liabilities

| | | | | | |
|---------------------------------------|---|---|------------------|---|------------------|
| Bills Payable | - | - | - | - | - |
| Due to financial Institutions | - | - | - | - | - |
| Deposits & other accounts | - | - | - | - | - |
| Net inter segment acceptance | - | - | - | - | - |
| Others | - | - | 252,484 | - | 252,484 |
| Total liabilities | - | - | 252,484 | - | 252,484 |
| Equity | - | - | 892,357 | - | 892,357 |
| Total Equity & liabilities | - | - | 1,144,841 | - | 1,144,841 |

Contingencies & Commitments

613,136

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34 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

| | (Un-audited) |
|--|----------------------------|
| | Sep 30, 2025 |
| | ----- Rupees in '000 ----- |
| Minimum Capital Requirement (MCR): | |
| Paid-up capital (net of losses) | <u>1,979,109</u> |
| Capital Adequacy Ratio (CAR): | |
| Eligible Common Equity Tier 1 (CET 1) Capital | 1,672,230 |
| Eligible Additional Tier 1 (ADT 1) Capital | |
| Total Eligible Tier 1 Capital | <u>1,672,230</u> |
| Eligible Tier 2 Capital | |
| Total Eligible Capital (Tier 1 + Tier 2) | <u>1,672,230</u> |
| Risk Weighted Assets (RWAs): | |
| Credit Risk | 1,791,092 |
| Market Risk | |
| Operational Risk | 173,957 |
| Total | <u>1,965,049</u> |
| Common Equity Tier 1 Capital Adequacy ratio | <u>85.10%</u> |
| Tier 1 Capital Adequacy Ratio | <u>85.10%</u> |
| Total Capital Adequacy Ratio | <u>85.10%</u> |
| National minimum capital requirements prescribed by SBP | |
| CET1 minimum ratio | 6.00% |
| Tier 1 minimum ratio | 7.50% |
| Total capital minimum ratio | 10.00% |
| Capital Conservation Buffer (CCB) (Consisting of CET 1 only) | 1.50% |
| Total Capital plus CCB | 11.50% |
| | (Un-audited) |
| | September 30, 2025 |
| | ----- Rupees in '000 ----- |
| Leverage Ratio (LR): | |
| Eligible Tier-1 Capital | 1,672,230 |
| Total Exposures | 2,889,028 |
| Leverage Ratio | <u>57.88%</u> |
| Liquidity Coverage Ratio (LCR): | |
| Total High Quality Liquid Assets | 46,533 |
| Total Net Cash Outflow | 20,902 |
| Liquidity Coverage Ratio | <u>222.62%</u> |
| Net Stable Funding Ratio (NSFR): | |
| Total Available Stable Funding | 2,115,544 |
| Total Required Stable Funding | 1,516,445 |
| Net Stable Funding Ratio | <u>139.51%</u> |

| | September 30, 2025 (Unaudited) | | | | December 31, 2024 (Audited) | | | | | |
|--|--------------------------------|-----------|--------------------------|------------|-----------------------------|--------|-----------|--------------------------|------------|-----------------------|
| | Parent | Directors | Key management personnel | Associates | Other related parties | Parent | Directors | Key management personnel | Associates | Other related parties |
| Other Assets | | | | | | | | | | |
| Profit receivable | - | - | - | 3,964 | - | - | - | - | - | - |
| Credit loss allowance against other assets | - | - | - | (1) | - | - | - | - | - | - |

(Rupees in '000)

RELATED PARTY TRANSACTIONS

| | September 30, 2025 (Unaudited) | | | | December 31, 2024 (Audited) | | | | | |
|--|--------------------------------|-----------|--------------------------|------------|-----------------------------|--------|-----------|--------------------------|------------|-----------------------|
| | Parent | Directors | Key management personnel | Associates | Other related parties | Parent | Directors | Key management personnel | Associates | Other related parties |
| Income | | | | | | | | | | |
| Profit earned | - | 1,198 | - | 66,162 | - | - | 1,252 | - | 136,031 | - |
| Expense | | | | | | | | | | |
| Meeting fee / remuneration | - | 64,194 | 521,306 | - | - | - | 92,700 | 430,633 | - | - |
| Rent and taxes | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| Contribution to employees provident fund | - | 4,950 | 22,946 | - | - | - | 4,590 | 9,476 | - | - |
| Charge for employees gratuity fund | - | 4,092 | - | - | - | - | 3,825 | - | - | - |
| Sales proceeds from the sale of vehicle | - | 37,740 | - | - | - | - | - | - | - | - |

(Rupees in '000)

35.1 The term 'related party' has the same meaning as specified under IAS 24 - Related party disclosures.

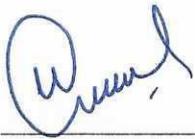
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36 CORRESPONDING FIGURES

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

37 DATE OF AUTHORISATION

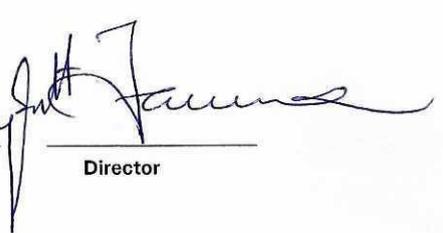
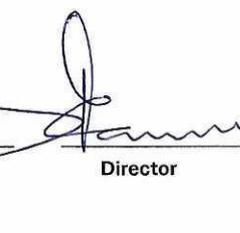
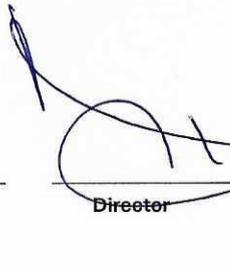
These condensed interim financial statements were authorised for issue on October _____, 2025 by the Board of Directors of the Bank.



Chief Executive Officer



Chief Financial Officer



Director

Director

Director