The Pakistan Credit Rating Agency Limited

Rating Report

The Bank of Punjab | Tier 2 | TFC-III | Apr-23

Report Contents

Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
03-Jul-2025	AA	-	Stable	Maintain	-
14-Jan-2025	AA	-	Stable	Maintain	-
28-Jun-2024	AA	-	Stable	Maintain	-
29-Dec-2023	AA	-	Stable	Maintain	-
26-Jun-2023	AA	-	Stable	Initial	-
21-Jun-2022	AA	-	Stable	Preliminary	-

Rating Rationale and Key Rating Drivers

The Bank of Punjab ("BOP" or the "Bank") has established a strong franchise, underscored by the strategic backing of its principal shareholder, the Government of Punjab (GoPb). This public-sector parentage has consistently provided institutional strength, policy alignment, and credibility, enabling the Bank to access high-impact and underserved market segments. The GoPb's involvement not only reinforces public trust in the Bank but also facilitates its participation in development-focused initiatives across agriculture, SMEs, and financial inclusion. Over the years, BOP has made exceptional strides in the SME and agriculture sectors, positioning itself as a market leader. Its SME market share has doubled from 6% to 15.6% in less than three years. The Bank has further distinguished itself through targeted initiatives supporting small businesses, women entrepreneurs, and rural communities. Climate-related financing is another area of highlight. In line with this, the Bank has embraced digital transformation as a core strategic priority. It has achieved a 95.3% surge in digital transaction volumes since 2022, with 75% of all transactions now routed through digital channels. Innovative offerings such as SME e-Qarza, freelancer accounts, and government-backed initiatives like the Kissan and Livestock Cards underscore its commitment to financial inclusion and modern service delivery. The Bank has won a number of rewards and accolades. To sustain its momentum, BOP is actively exploring foreign funding opportunities while continuing to benefit from a stable and growing deposit base. During CY24, the deposit base of the Bank increased by 12.5% to stand at PKR 1,710.3bln (CY23: PKR 1,520.8bln). A significant contributor to this growth was 24.3% increase in current account deposits, which rose to PKR 354.1bln and now constitute 20.7% of total deposits (CY23: 18.7%). These deposits have more than doubled over the past three years. The ADR declined to 45.4% (CY23: 53%), indicating a more conservative lending approach. The PAT increased by 17.9% to stand at PKR 13.4bln (CY23: PKR 11.3bln), attributable to enhanced non-markup income, which increased by 50.6% YoY and stood at PKR 26.7bln (CY23: PKR 17.7bln) with major contributions from FCY income, which increased by 188.6% YoY and fee & commission income by 53.1% YoY. In CY24, the Bank's equity base increased to PKR 92.5bln (CY23: PKR 80.8bln), while the CAR stood at 17.93 % (CY23: 18.37%).

.

Disclosure

Name of Rated Entity	The Bank of Punjab	Tier 2	TFC-III	Apr-23
Type of Relationship	Solicited
Purpose of the Rating	Debt Instrument Rating
Applicable Criteria	Methodology	Debt Instrument Rating(Oct-24),Methodology	Financial Institution Rating(Oct-24),Methodology	Rating Modifiers(Apr-25)
Related Research	Sector Study	Commercial Banks(Jun-25)
Rating Analysts	Madiha Sohail	madiha.sohail@pacra.com	+92-42-35869504

Issuer Profile

Profile The Bank of Punjab ("BoP" or the "Bank") was established under the BoP Act 1989 (the Act), as a non-scheduled bank, and was subsequently converted into a scheduled bank in 1994. The Bank has its registered office at BOP Tower, 10-B, Block E-II, Main Boulevard, Gulberg III, Lahore. As of end-Dec24, the Bank operates with a network of 900 branches (end-Dec23: 815 branches) and employs 14,656 employees at end-Dec24 (end-Dec23: 13,659). The Bank of Punjab (BoP) offers a wide range of services across retail, corporate, SME, agriculture, and Islamic banking. Its retail products include deposit accounts, loans, and card services, while corporate and SME clients benefit from various financing and advisory solutions. BoP began Islamic banking in 2013 under the brand name "Taqwa Islamic Banking". At end-Dec24, there are 210 (end-Dec23: 160) fully functional Islamic Banking Branches and 258 (end-Dec23: 73) Islamic banking windows, offering Shariah-compliant products like Murabaha and Ijarah. The Bank also supports agriculture finance and has enhanced customer convenience through robust digital banking platforms.

Ownership The Government of Punjab (GoPb) holds a controlling stake of 57.5% in the Bank of Punjab. The rest of the shareholding is by individuals at 25.56% and institutions at 16.94%. The ownership structure of the Bank is seen as stable, as no ownership changes are expected in the future. The majority stake will rest with the Government of Punjab. Sponsor's business acumen is considered good, as BoP has been achieving milestones by successfully making the right business decisions. Over the last few years, it has sustained being a profitable institution. BoP, being one of the flagship entities under the umbrella of the Government of Punjab, willingness to support the Bank in case the need arises is considered high; also supplemented by access to the capital markets.

Governance The control of the Bank vests with a four-member Board of Directors (Board) comprising three non-executive directors and one executive director, the Chief Executive Officer (CEO). All four members are representing the Government of Punjab. However, this composition of the Board does not comply with the requirements of the Code of Corporate Governance of Pakistan, which mandates a minimum of seven board members, at least two or one-third (whichever is higher) independent directors, and at least one female director. **Mr. Syed Ghazanfar Abbas Jilani**, Chairperson of the Board, is a retired Federal Secretary with extensive experience in finance, international cooperation, and public service since 1984. He holds an MBA and an Economics degree, and currently serves as a director at Jilani Organic (Pvt) Limited. The Board exercises close monitoring of the management's policies and the Bank's operations via six sub-committees. M/s. A.F. Ferguson & Co, Chartered Accountants, classified in category 'A' by SBP and having a satisfactory QCR rating, are the external auditors for BOP. They expressed an unqualified opinion on the financial statement for the year ended 31st December 2024.

Management The Bank operates with a streamlined organizational framework, where experienced senior management leads each functional area and/or unit. This structure incorporates essential segregation of duties, ensuring a robust control environment. The Bank's operations are further specialized across various groups, each dedicated to distinct banking functions and support services. **Mr. Zafar Masud**, President and CEO of the Bank, is a seasoned banker with 27 years of leadership experience in both public and private sectors. He has held key roles in the Ministry of Finance and serves on multiple high-profile boards, including the State Bank of Pakistan and major corporations. The senior management consists of seasoned bankers having diversified experience. The Bank has various committees in place at the management level to oversee its day-to-day operational matters and make decisions to implement the strategy outlined for it by the Board. A comprehensive IT security policy has been put in place along with risk mitigation protocols. The Bank has been using the internationally renowned Oracle-based Core Banking System (CBS) 'Flexcube,' with all branches migrated to the new system. The Bank follows a disciplined and comprehensive risk management approach, using self-assessments, stress testing, and early warning indicators to monitor and mitigate risks. Led by CRO - **Mr. Arsalan Muhammad Iqbal**, the Risk Management Division oversees various risk areas, with specialized units handling credit, market, operational, and other risks.

Business Risk BOP, a medium-sized Bank, holds a customer deposit base of PKR 1,693.4bln other than financial institutions at end-Dec24 (end-Dec23: PKR 1457.8bln). On such basis, the market share of deposits of the Bank inclined to 5.8% (end-Dec23: 5.5%). During CY24, BOP's NIMR witnessed an incline of 7.8% on a YoY basis to stand at PKR 44.2bln (CY23: PKR 40.9bln), primarily attributable to increased mark-up earnings amounting to PKR 343.8bln (CY23: PKR 327.2bln), up by 5.1% on a YoY basis. The majority of the markup earned is primarily derived from investments, debt instruments, and other earning assets, clocking in at PKR 226.3bln (CY23: PKR 171.9bln), whilst markup earned from advances clocked in at PKR 117.5bln (CY23: PKR 155.2bln). Whereas, the markup expenses increased to stand at PKR 299.6bln (CY23: PKR 286.2bln). The Bank's asset yield was reported at 17.3% (CY23: 20.7%). The cost of funds decreased to 14.4% (CY23: 17.2%). Consequently, Spread declined to 2.9% (CY23: 3.5%). During CY24, the non-markup income inclined by 50.6% YoY to stand at PKR 26.7bln (CY23: PKR 17.7bln), with major contributions from FCY income, which increased by 188.6% YoY and fee & commission income by 53.1% YoY. Subsequently, Non-markup income to total income improved to 37.7% (CY23: 30.2%). The non-markup expenses grew by 34.4% to stand at PKR 50.4bln (CY23: PKR 37.5bln). The total provisioning reversals of the Bank have significantly inclined to PKR 4.1bln (CY23: PKR 53mln), which is mainly due to the adoption of IFRS-9. The net profitability increased by 17.9% to stand at PKR 13.4bln (CY23: PKR 11.3bln). The management envisages growth in the deposit base while bringing granularity to the customer base through further private-sector deposits, which will optimize the cost of funding. Growth in advances is also the focus of the management, wherein the criteria are higher margins and a sustainable risk profile. Implementation of modern technological tools would help in improving the control regime and bringing efficiency to the operation.

Financial Risk At end-Dec24, the Bank's net advances have declined by 3.6% YoY to stand at PKR 777.4bln (end-Dec23: PKR 806.4bln). Consequently, the Advance-toDeposit Ratio (ADR) also declined to 45.4% (end-Dec23: 53%), indicating a more conservative lending approach. Subsequent to the implementation of IFRS-9, NonPerforming Loans (NPLs) have increased to stand at PKR ~54bln (end-Dec23: ~51bln). At end-Dec24, the investment portfolio of the Bank has increased by 44.6% to stand at PKR 1,320.9bln (end-Dec23: PKR 913.2bln). Government securities constitute 98.3% of total investments (end-Dec23: 97.7%). Government securities are mainly comprised of Pakistan Investment Bonds (PIBs), which have inclined to PKR 936.3bln (CY23: PKR 830.1bln), followed by Market treasury bills (T-Bills), which have increased to PKR 314.6bln (CY23: PKR 27.2bln), while the Ijarah Sukuk concentration increased and stood at PKR 44.4bln (CY23: PKR 29.7bln). The sharp rise in overall investments, particularly in long-term PIBs and short-term T-Bills, reflects a dual approach to optimize returns while maintaining liquidity. The consistent concentration in government-backed instruments highlights the Bank's conservative and stability-focused investment strategy, aiming to balance yield enhancement with capital preservation in a changing interest rate environment. At end-Dec24, total deposits increased by 12.5% to stand at PKR 1,710.3bln (end-Dec23: PKR 1,520.8bln). A significant contributor to this growth was 24.3% increase in current account deposits, which rose to PKR 354.1bln and now constitute 20.7% of total deposits (CY23: 18.7%). These deposits have more than doubled over the past three years. Meanwhile, Savings Account (SA) deposits moderated to 41% (end-Dec23: 45%), suggesting a strategic rebalancing. Additionally, the Bank's liquidity position strengthened notably, as the Liquid Assets-to-Deposits and Borrowings Ratio rose to 59.3% (end-Dec23: 38.8%). The Bank remains well-capitalized, maintaining strong buffers above regulatory requirements. As of end-Dec24, the Capital Adequacy Ratio (CAR) stood at 17.93% (CY23: 18.37%), with a Tier I CAR of 14.26% (CY23: 15.42%), in full compliance with SBP's minimum thresholds. The Bank is committed to sustaining capital ratios significantly above the regulatory benchmarks to ensure robust risk absorption capacity. The Bank has issued five Term Finance Certificates (TFCs) to raise capital.

Instrument Rating Considerations

About The Instrument The Bank of Punjab issued a rated, privately placed, unsecured and subordinated term finance certificate-II ("TFC"or the "Issue" or "Instruments") The issue amount is PKR 7bln. The tenor of the instrument is 10 years. The profit is being paid at the rate of 6MK+1.25p.a semiannually in arrears on the outstanding principal amount. The amount raised through this Issue, contribute towards BOP's TFC III Capital for minimum capital requirements as per guidelines set by SBP. Furthermore, the amount raised is being utilized in the BOP's normal business operations as permitted by the BOP Act and Bye-laws. The TFC is structure to redeem 0.36% of the issued amount, per semi-annual period, in the first 09 years and the remaining issue amount in two equal semi-annual instalments of 49.82% each, in the 10th year. The BOP may call the TFC, with the prior written approval of the SBP, on any profit payment date starting from and including the fifth anniversary of the issue date.

Relative Seniority/Subordination Of Instrument The TFC Issue is subordinated as to payment of principal and profit to all other indebtedness of the bank, including deposits and is not redeemable before maturity without prior approval of the SBP. Moreover, the investors shall have no right to accelerate the repayment of future scheduled payments (interest or principal) except in bankruptcy and/or liquidation. The lock-in clause states that neither profit nor principal may be paid (even at maturity) if such payments would result in a shortfall in the Bank's MCR or CAR or increase any existing shortfall in MCR or CAR. The TFCs is also subject to loss absorbency clause as stipulated in terms of the Basel III Guidelines wherein upon the occurrence of a Point of Non-Viability ("PONV") event as defined in the Basel III Guidelines, the SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and/or have them immediately written off (either partially or in full).

Credit Enhancement The instrument is unsecured.

The Pakistan Credit Rating Agency Limited PKR Mln

The Bank of Punjab Listed Public Company	Dec-24 12M	Dec-23 12M	Dec-22 12M
A BALANCE SHEET			
1 Stage I | Advances - net	743,552	797,934	582,199
2 Stage II | Advances - net	24,743	-	-
3 Stage III | Non-Performing Advances	53,720	50,880	51,561
4 Stage III | Impairment Provision	(44,616)	(42,427)	(44,180)
5 Investments in Government Securities	1,297,860	892,512	615,001
6 Other Investments	23,055	20,680	23,257
7 Other Earning Assets	21,954	155,983	76,065
8 Non-Earning Assets	259,712	340,619	177,985
Total Assets	2,379,979	2,216,180	1,481,890
6 Deposits	1,710,288	1,520,854	1,227,339
7 Borrowings	439,826	484,171	98,024
8 Other Liabilities (Non-Interest Bearing)	137,334	130,401	91,475
Total Liabilities	2,287,448	2,135,425	1,416,838
Equity	92,531	80,755	65,052
B INCOME STATEMENT			
1 Mark Up Earned	343,791	327,194	137,168
2 Mark Up Expensed	(299,634)	(286,248)	(106,410)
3 Non Mark Up Income	26,689	17,718	10,576
Total Income	70,846	58,663	41,335
4 Non-Mark Up Expenses	(50,398)	(37,498)	(27,705)
5 Provisions/Write offs/Reversals	4,117	53	4,878
Pre-Tax Profit	24,565	21,218	18,508
6 Taxes	(11,189)	(9,879)	(7,673)
Profit After Tax	13,375	11,339	10,834
C RATIO ANALYSIS			
1 Performance			
Net Mark Up Income / Avg. Assets	1.9%	2.2%	2.3%
Non-Mark Up Expenses / Total Income	71.1%	63.9%	67.0%
ROE	15.4%	15.6%	18.1%
2 Capital Adequacy			
Equity / Total Assets (D+E+F)	3.9%	3.6%	4.4%
Capital Adequacy Ratio	17.9%	18.4%	13.1%
3 Funding & Liquidity			
Liquid Assets / (Deposits + Borrowings Net of Repo)	59.3%	38.8%	53.1%
Net Financial Assets to Deposits Ratio [(Total Finances - net + Non-Performing Finances - net) / Deposits]	45.45%	53.02%	48.04%
Current Deposits / Deposits	21.2%	19.3%	19.6%
Saving Deposits / Deposits	40.6%	45.1%	47.1%
4 Credit Risk			
Impaired Loan Ratio | [Stage III | Non-Performing Advances / Gross Advances]	6.5%	6.0%	8.1%

Debt Instrument Rating

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

Scale	Long-Term Rating
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+ AA AA-	Very high credit quality. Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A+ A A-	High credit quality. Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.
BBB+ BBB BBB-	Good credit quality. Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.
BB+ BB BB-	Moderate risk. Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.
B+ B B-	High credit risk. A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.
CCC CC C	Very high credit risk. Substantial credit risk "CCC" Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. "CC" Rating indicates that default of some kind appears probable. "C" Ratings signal imminent default.
D	Obligations are currently in default.

Scale	Short-Term Rating
A1+	The highest capacity for timely repayment.
A1	A strong capacity for timely repayment.
A2	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
A3	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
A4	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient.

Rating Modifiers | Rating Actions

Outlook (Stable, Positive, Negative, Developing)
Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business / financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.

Rating Watch
Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.

Suspension
It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.

Withdrawn
A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) PACRA finds it impractical to surveil the opinion due to lack of requisite information.

Harmonization
A change in rating due to revision in applicable methodology or underlying scale.

Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening. Rating actions may include "maintain", "upgrade", or "downgrade".

Note: This scale is applicable to the following methodology(s):

a) Broker Entity Rating
b) Corporate Rating
c) Debt Instrument Rating
d) Financial Institution Rating
e) Holding Company Rating
f) Independent Power Producer Rating
g) Microfinance Institution Rating
h) Non-Banking Finance Company

Regulatory and Supplementary Disclosure
(Credit Rating Companies Regulations,2016)

Rating Team Statements
(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) **Conflict of Interest**
i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term “family members” shall include only those family members who are dependent on the analyst and members of the rating committee

Restrictions
(3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)
(4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)
(5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

Conduct of Business
(6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
(7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).
(8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)
(9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)
(10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
(11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

Independence & Conflict of interest
(12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA´s opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity
(13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers’ associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
(14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)
(15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)
(16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst’s area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)
(17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

Monitoring and review
(18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 17-(a)
(19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(b)
(20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 17-(c)
(21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument;| Chapter III | 17-(d)
Probability of Default
(22) PACRA´s Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e., probability). PACRA´s transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA´s Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past; | Chapter III | 14-3(f)(vii)
Proprietary Information

Nature of Instrument	Size of Issue (PKR Bln)	Tenor	Security	Quantum of Security	Nature of Assets	Trustee
TFC III (Tier-II)	7bln	Upto 10 Yrs	Instrument will be unsecured and subordinated as to payment of principal and profit to other indebtedness of the bank, including deposits, but will rank pari passu with other Tier 2 instruments and superior to Addional Tier 1 instruments. The instrument will not be redeemable before maturity without prior approval of SBP.	N/A	N/A	Pak Brunei Investment Company Limited

The Bank of Punjab |TFC III | Apr-23

Name of Issuer	The Bank of Punjab
Issue size	PKR 7bln
Issue Date	April 17, 2023
Maturity	Upto 10 years
Profit Rate	6 MK + 1.25%
Call Option	Execisable on any profit payment date on or after 5 years from the date of issue.
Principal Repayment	The TFC is structured to redeem 0.02% of the issue amount, per semi-annual period, in the first 09 years and the remaining issue amount in two equal semi-annual installments of 49.82% each, in the 10th year.
Security	Instrument will be unsecured and subordinated as to payment of principal and profit to other indebtedness of the bank, including deposits, but will rank pari passu with other Tier 2 instruments and superior to Addional Tier 1 instruments. The instrument will not be redeemable before maturity without prior approval of SBP.

The Bank of Punjab | TFC III | Redemption Schedule

Due Date Principle	Opening Principal	Principal Repayment	Due Date Markup/ Profit	Markup/Profit Rate	Markup/Profit Payment	Installment Payable	Principal Outstanding
		PKR in mln					*PKR in mln*
							7,000.00
6 months from issuance	7,000.00	1.40	6 months from issuance	6 Month Kibor + 1.25%	Paid		6,998.60
12 months from issuance	6,998.60	1.40	12 months from issuance	6 Month Kibor + 1.25%			6,997.20
18 months from issuance	6,997.20	1.40	18 months from issuance	6 Month Kibor + 1.25%			6,995.80
24 months from issuance	6,995.80	1.40	24 months from issuance	6 Month Kibor + 1.25%			6,994.40
30 months from issuance	6,994.40	1.40	30 months from issuance	6 Month Kibor + 1.25%			6,993.00
36 months from issuance	6,993.00	1.40	36 months from issuance	6 Month Kibor + 1.25%			6,991.60
42 months from issuance	6,991.60	1.40	42 months from issuance	6 Month Kibor + 1.25%			6,990.20
48 months from issuance	6,990.20	1.40	48 months from issuance	6 Month Kibor + 1.25%			6,988.80
54 months from issuance	6,988.80	1.40	54 months from issuance	6 Month Kibor + 1.25%			6,987.40
60 months from issuance	6,987.40	1.40	60 months from issuance	6 Month Kibor + 1.25%			6,986.00
66 months from issuance	6,986.00	1.40	66 months from issuance	6 Month Kibor + 1.25%			6,984.60
72 months from issuance	6,984.60	1.40	72 months from issuance	6 Month Kibor + 1.25%			6,983.20
78 months from issuance	6,983.20	1.40	78 months from issuance	6 Month Kibor + 1.25%			6,981.80
84 months from issuance	6,981.80	1.40	84 months from issuance	6 Month Kibor + 1.25%			6,980.40
90 months from issuance	6,980.40	1.40	90 months from issuance	6 Month Kibor + 1.25%			6,979.00
96 months from issuance	6,979.00	1.40	96 months from issuance	6 Month Kibor + 1.25%			6,977.60
102 months from issuance	6,977.60	1.40	102 months from issuance	6 Month Kibor + 1.25%			6,976.20
108 months from issuance	6,976.20	1.40	108 months from issuance	6 Month Kibor + 1.25%			6,974.80
114 months from issuance	6,974.80	3,487.40	114 months from issuance	6 Month Kibor + 1.25%			3,487.40
120 months from issuance	3,487.40	3,487.40	120 months from issuance	6 Month Kibor + 1.25%			0.00