ABHI

Annual Financial Statements

For the year ended 31 December 2025

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Independent Auditor's Report

To the members of ABHI Microfinance Bank Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **ABHI Microfinance Bank Limited** ("the Bank"), which comprise the statement of financial position as at **December 31, 2025**, and the statement of profit and loss account, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended and notes to the financial statements, including material accounting policy information and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion, and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), Microfinance Institutions Ordinance, 2001 and the directives issued by the State Bank of Pakistan in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2025 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty relating to Going Concern

We draw attention to Note 1.1 in the financial statements, which indicates that the Bank reported a net profit of Rs. 1,019.12 million during the year ended December 31, 2025 and, as of that date, the Bank's accumulated losses stood at Rs. 6,931.95 million resulting in negative capital of Rs. 397.35 million. Consequently, the Bank was in breach of the minimum capital requirements prescribed under the State Bank of Pakistan's Prudential Regulations for Microfinance Banks. As stated in Note 1.1, these events or conditions, along with other matters as set forth in the note, indicate that a material uncertainty exists that may cast significant doubt on the Bank's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter

We draw attention to Note 15.1 to the financial statements, which describes that the Bank has recognized a deferred tax asset of Rs. 4,268.02 million based on the business plan and financial projections approved by the Board of Directors of the Bank. The realization of this deferred tax asset is dependent on the Bank generating sufficient taxable profits in future periods. The preparation of these projections involves the use of management assumptions and judgments about future profitability. A significant change in these assumptions may affect the recoverability of the deferred tax asset. Our opinion is not modified in respect of this matter.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the directors' report but does not include the financial statements and our auditor's report thereon.

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of the Companies Act, 2017 (XIX of 2017), Microfinance Institutions Ordinance, 2001 and the directives issued by the State Bank of Pakistan and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017), Microfinance Institutions Ordinance, 2001 and the directives issued by the State Bank of Pakistan and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Bank’s business; and

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor’s report is **Nouman Razaq Khan**

PKF F.R.A.N.T.S.
Chartered Accountants
Lahore

Date: April 23, 2026
UDIN: AR202510205mzSoRVGtv

ABHI MICROFINANCE BANK LIMITED

Statement of Financial Position
As at 31 December 2025

	Note	2025	2024
		--------Rupees--------	
ASSETS			
Cash and balances with treasury banks	***7***	***9,863,364,956***	3,409,587,839
Balances with other MFBs / banks / NBFs	***8***	***7,547,109,841***	5,452,594,698
Lending to financial institutions	***9***	***2,762,889,000***	-
Investments	***10***	***6,443,102,790***	4,562,000,100
Advances	***11***	***37,555,584,192***	18,386,926,694
Property and equipment	***12***	***992,016,487***	416,654,081
Right-of-use assets	***13***	***1,029,461,547***	646,806,802
Intangible assets	***14***	***190,715,341***	118,086,431
Deferred tax asset	***15***	***4,268,015,321***	4,602,670,938
Other assets	***16***	***6,413,522,434***	2,757,248,926
Total assets		***77,065,781,909***	40,352,576,509
LIABILITIES			
Bills Payable	***17***	***114,006,111***	116,212,293
Borrowings	***18***	***3,000,000,000***	3,000,000,000
Deposits and other accounts	***19***	***69,088,284,013***	36,226,184,701
Lease liabilities	***20***	***1,255,333,543***	898,106,035
Subordinated debt	***21***	***672,286,612***	800,000,000
Other liabilities	***22***	***3,333,219,925***	3,341,947,500
Total liabilities		***77,463,130,204***	44,382,450,529
NET ASSETS		***(397,348,295)***	(4,029,874,020)
REPRESENTED BY:			
Share capital	***23***	***4 ,259,846,817***	2,259,846,817
Capital Contribution Reserve	***24***	***6 00,000,000***	-
Reserves		***1 ,072,706,246***	868,881,433
Depositors' protection fund		***5 92,756,810***	482,045,565
Surplus on revaluation of assets - net of tax	***25***	***9 ,289,802***	3,933,767
Accumulated losses		***(6,931,947,970)***	(7,644,581,602)
		(397,348,295)	(4,029,874,020)
		(397,348,295)	(4,029,874,020)
CONTINGENCIES AND COMMITMENTS	***26***		

The annexed notes 1 to 51 and Annexure I form an integral part of these financial statements.

Chief Executive Officer	Chairman	Chief Financial Officer	Director	Director

ABHI microfinance bank

ABHI MICROFINANCE BANK LIMITED

Statement Profit and Loss Account
For the year ended 31 December 2025

	Note	2025	2024
		--------Rupees--------	
Mark-up / return / interest earned	27	11,687,285,546	7,385,402,542
Mark-up / return / interest expensed	28	(6,617,939,878)	(6,382,028,345)
Net mark-up / interest income		5,069,345,668	1,003,374,197
NON MARK-UP / INTEREST INCOME			
Fee and commission income	29	1,395,573,053	1,027,849,086
Gain on securities	30	192,564,998	129,310,801
Other income	31	629,283,563	391,612,258
Total non mark-up / interest income		2,217,421,614	1,548,772,145
Total Income		7,286,767,282	2,552,146,342
NON MARK-UP / NON INTEREST EXPENSES			
Operating expenses	32	(5,724,104,402)	(4,349,381,604)
Workers welfare fund		-	-
Other charges	33	(133,883,658)	(50,666,366)
Total non mark-up / non interest expenses		(5,857,988,060)	(4,400,047,970)
Profit / (Loss) before credit loss allowance		1,428,779,222	(1,847,901,628)
Credit loss allowance and write offs - net	34	242,496,454	555,990,568
PROFIT / (LOSS) BEFORE TAXATION		1,671,275,676	(1,291,911,060)
Taxation	35	(652,151,613)	(461,609,744)
PROFIT / (LOSS) AFTER TAXATION		1,019,124,063	(1,753,520,804)
Basic and diluted earnings/(loss) per share	36	1.33	(2.76)

The annexed notes 1 to 51 and Annexure I form an integral part of these financial statements.

Chief Executive Officer	***Chairman***	***Chief Financial Officer***	***Director***	***Director***

ABHI MICROFINANCE BANK LIMITED

Statement of Comprehensive Income
For the year ended 31 December 2025

	2025	2024
	--------Rupees--------	
Profit/(Loss) after taxation for the year	***1,019,124,063***	(1,753,520,804)
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss account in subsequent periods		
Movement in surplus on revaluation of investments in debt instruments	***8,780,386***	2,887,050
Related tax impact	***(3,424,351)***	(1,125,950)
	5,356,035	1,761,100
Items that will not be reclassified to profit and loss account in subsequent periods		
Remeasurment (loss)/gain on defined benefit	***(84,769,533)***	29,405,221
Related tax impact	***33,060,118***	(11,468,036)
	(51,709,415)	17,937,185
Total comprehensive income /(loss)	***972,770,683***	(1,733,822,519)

The annexed notes 1 to 51 and Annexure I form an integral part of these financial statements.

Chief Executive Officer	***Chairman***	***Chief Financial Officer***	***Director***	***Director***

ABHI MICROFINANCE BANK LIMITED
Statement of Changes In Equity
For the year ended 31 December 2025

			Capital reserves			Revenue reserves		
	Share capital	Discount on issue of shares	Capital contribution reserve	Statutory reserve	Depositors' protection fund	Accumulated losses	Surplus on revaluation of assets - net of tax	Total
	-------------------------------------Rupees -							
Balance as at 01 January 2024	6,348,887,110	(4,089,040,293)	-	868,881,433	390,823,377	(5,908,997,983)	2,172,667	(2,387,273,689)
Loss for the year	-	-	-	-	-	(1,753,520,804)	-	(1,753,520,804)
Other comprehensive income-net of tax	-	-		-	-	17,937,185	1,761,100	19,698,285
	-	-	-	-	-	(1,735,583,619)	1,761,100	(1,733,822,519)
Transfer to statutory reserve	-	-	-	-	-	-	-	-
Return on depositors' protection fund's investments	-	-	-	-	91,222,188	-	-	91,222,188
Balance as at January 01, 2025	***6,348,887,110***	***(4,089,040,293)***	***-***	***868,881,433***	***482,045,565***	***(7,644,581,602)***	***3,933,767***	***(4,029,874,020)***
Profit for the year	***-***	***-***	***-***	***-***	***-***	***1,019,124,063***	***-***	***1,019,124,063***
Other comprehensive loss-net of tax	***-***	***-***	***-***	***-***	***-***	***(51,709,415)***	***5,356,035***	***(46,353,380)***
	-	***-***	***-***	***-***	***-***	***967,414,648***	***5,356,035***	***972,770,683***
Transaction with owners								
Issue of share capital	***2,000,000,000***	***-***	***-***	***-***	***-***	***-***	***-***	***2,000,000,000***
Capital Contribution Reserves	***-***	***-***	***600,000,000***	***-***	***-***	***-***	***-***	***600,000,000***
	2,000,000,000	***-***	***600,000,000***	***-***	***-***	***-***	***-***	***2,600,000,000***
Transfer to statutory reserve	***-***	***-***	***-***	***203,824,813***	***-***	***(203,824,813)***	***-***	***-***
Transfer to depositors' protection fund	***-***	***-***	***-***	***-***	***50,956,203***	***(50,956,203)***	***-***	***-***
Return on depositors' protection fund's investments	***-***	***-***	***-***	***-***	***59,755,042***	***-***	***-***	***59,755,042***
Balance as at 31 December 2025	***8,348,887,110***	***(4,089,040,293)***	***600,000,000***	***1,072,706,246***	***592,756,810***	***(6,931,947,970)***	***9,289,802***	***(397,348,295)***

The annexed notes 1 to 51 and Annexure I form an integral part of these financial statements.

Chief Executive Officer ***Chairman*** ***Chief Financial Officer*** ***Director*** ***Director***

ABHI MICROFINANCE BANK LIMITED
Cash Flow Statement
For the year ended 31 December 2025

	Note	2025	2024
		--------Rupees--------	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit / (Loss) before taxation		1,671,275,676	(1,291,911,060)
Adjustments:			
Depreciation	12	133,519,903	141,604,236
Depreciation on right-of-use assets	13	217,490,551	237,062,448
Amortization	14	36,477,734	45,337,172
Mark-up / return / interest expense on lease liability against right-of-use assets	20	168,638,771	132,759,148
Credit loss allowance and write-offs		106,996,921	(29,107,187)
Loss/ (Gain) on sale / disposal of property and equipment	33	36,607,004	(1,669,537)
Markup earned on investments in government securities	27	(471,290,821)	(942,677,221)
Markup earned on lending to financial institution	27	(71,061,295)	
Gain on revaluation of held for trading securities	30	(454,000)	-
Gain on disposal of government securities	30	(35,813,968)	(129,310,801)
Liabilities written back	31	-	(386,319,337)
Gain on termination of lease	31	-	(3,199,057)
Gain on derecongnition of subordinate debt	31	(626,769,424)	
Provision for gratuity	40.6.1	84,887,311	102,582,918
		(420,771,313)	(832,937,218)
		1,250,504,363	(2,124,848,278)
(Increase)/ Decrease in operating assets			
Securities classified as FVTPL		(3,929,756,032)	977,582,020
Lendings to financial institutions		(2,691,797,253)	
Adv ances		(19,198,255,456)	(1,898,676,695)
Others assets		(3,656,273,451)	(224,107,172)
		(29,476,082,192)	(1,145,201,847)
Increase / (Decrease) in operating liabilities			
Bills payable		(2,206,182)	13,611,380
Borrowings from financial institutions		-	(46,875,000)
Deposits		32,862,099,312	10,686,512,931
Other liabilities		355,026,335	624,134,131
		33,214,919,465	11,277,383,442
		4,989,341,636	8,007,333,317
Gratuity paid	40.5	(90,144,180)	(81,519,466)
Income tax paid		(321,305,044)	(123,343,197)
Net cash flow from operating activities		4,577,892,412	7,802,470,654
CASH FLOW FROM INVESTING ACTIVITIES			
Net Investments in amortised cost securities		2,636,552,394	(481,784,350)
Investments in property and equipment		(17,825,114)	
Addition in capital work in progress		(767,354,702)	(45,926,263)
Investments in Intangible assets - CWIP		(100,150,312)	(8,645,166)
Proceeds from sale of property and equipment		30,734,141	4,166,567
Net cash flow from / (used in) investing activities		1,781,956,407	(532,189,212)

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ABHI MICROFINANCE BANK LIMITED

Cash Flow Statement
For the year ended 31 December 2025

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	Note	2025	2024
		--------Rupees--------	
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of lease liability against right-of-use assets		***(411,556,559)***	(344,865,776)
Issue of share capital		***2,000,000,000***	
Capital Contribution Reserves		***600,000,000***	
Net cash from / (used in) financing activities		***2,188,443,441***	(344,865,776)
Increase in cash and cash equivalents		***8,548,292,260***	6,925,415,666
Cash and cash equivalents at beginning of the year		***8,862,182,537***	1,936,766,871
Cash and cash equivalents at end of the year	***37***	***17,410,474,797***	8,862,182,537

The annexed notes 1 to 51 and Annexure I form an integral part of these financial statements.

Chief Executive Officer	***Chairman***	***Chief Financial Officer***	***Director***	***Director***

ABHI MICROFINANCE BANK LIMITED

Notes to the Financial Statements
For the year ended 31 December 2025

1 *STATUS AND NATURE OF BUSINESS*

ABHI Microfinance Bank Limited ("the Bank") was incorporated on 26 June 2008 as a public limited company. The Bank obtained the microfinance banking license from the State Bank of Pakistan ("SBP") on 12 August 2008 under the provisions of Microfinance Institutions Ordinance, 2001 and certificate of commencement of business on 04 September 2008 from Securities and Exchange Commission of Pakistan. The Bank received the certificate of commencement of business from SBP on 27 October 2008.

The principal business of the Bank is to provide microfinance services to the poor and under-served segments of the societyas envisaged under the Microfinance Institutions Ordinance, 2001.The Bank is licensed to operate nationwide. As at 31 December 2025, the Bank has 114 branches (2024: 114 branches) operating in the provinces of Punjab, Khyber Pakhtunkhwa, Balochistan, Sindh, Gilgit Baltistan and Azad Jammu & Kashmir. Details of the Bank's branch network are presented in note 39. The credit rating companyPACRA assigned the long termentityrating of the Bank at 'BBB+' and short termrating at 'A-3' on 23 February 2024.

Pursuant to Share Purchase Agreement (SPA) entered into on September 20, 2024 with FINCA Microfinance Cooperatief U.A., the then-majority shareholder of the Bank, the control and ownership of the Bank has been jointly acquired by Abhi (Private) Limited (ABHI) and TPL Corp Limited (TPL). As a result the Bank has been rebranded as Abhi Microfinance Bank Limited while the registered office of the Bank was relocated to Plot No. 12, S.A. House, D-12 Markaz, Islamabad, Pakistan.

The ultimate parent of Abhi (Private) Limited is Abhi Limited. with their registered office in 190 Elgin Avenue George Town, Grand Cayman KY1-9008, Cayman Islands..

1.1 *Going concern assumption*

During the year ended December 31, 2025, the Bank reported net profit of Rs. 1,019.12 million (2024: Rs. 1,753.52 million net loss), decreasing accumulated losses to Rs. 6,931.95 million (2024:Rs. 7,644.58 million). As at the reporting date, the Bank's netequitywas negative Rs.397.35 million (2024: Rs.4,029.87 million)as againstthe MinimumCapital requirement of Rs. 1,000 million while the Capital Adequacy Ratio (CAR) also remained below the prescribed level of 15% as required under the State Bank of Pakistan's Prudential Regulations for Microfinance Banks.

These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern and, accordingly, its capacity to realize assets and discharge liabilities in the normal course of business.

During the year the Bank underwent a change in ownership and control following its acquisition by Abhi (Private) Limited ("ABHI") and TPL Corp Limited ("TPL"), pursuant to a Share Purchase Agreement (SPA) with the then majority shareholder i.e. FINCA Microfinance Cooperatief U.A, accompanied by a rebranding of the Bank. The acquisition and related change of control were completed with the approval of the State Bank of Pakistan (SBP). Under the stewardship of the new management team, a comprehensive strategic turnaround plan has been initiated, aimed at restoring profitability, enhancing asset quality, improving capital base and operational efficiency. Key measures include:

- Injection of fresh equity of Rs. 2 billion through a right issue of 200 million ordinary shares of Rs. 10 each in April 2025.

- Classification of Rs. 2 billion received from Abhi (Private) Limited ("ABHI") as advance against issuance of shares in February 2026 pursuant to the approval of SBP dated February 18, 2026. The issuance of shares against this amount is subject to regulatory approval.

- Restructuring of borrowings, including the extension of repayment terms for Rs. 3,000 million from the SBP and Rs. 800 million from the Pakistan Microfinance Investment Company (PMIC), along with a waiver of accrued mark-up due to PMIC (refer to notes 18.1 and 21 for details).

- Transitioning to a secured-lending model, particularly gold-backed loans and asset-secured micro-enterprise financing, minimizing credit risk and ensuring stable returns.

Subsequent to the year end, as a result of classification of Rs. 2 billion as advance against shares in February2026, the Bank's negative equity as at December 31, 2025, has turned positive, marking a substantial improvement compared to the negative equity position of Rs. 4,029.87 million as at December 31, 2024, which was recorded at the time of the Bank's acquisition. The Management is confident that the steps taken will help the Bank regain financial stability and achieve sustainable operations. As a result, the financial statements have been prepared on a going concern basis, reflecting the expectation that the Bank will continue its operations into the foreseeable future.

2 BASIS OF PRESENTATION

These financial statements have been presented in accordance with the requirements of Banking Policy & Regulations Department (BPRD) of State Bank of Pakistan (SBP) via circular no. 3. of 2023 dated February 09, 2023.

3 STATEMENT OF COMPLIANCE

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

- IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Provisions of, directives and notifications issued under the Microfinance Institutions Ordinance, 2001, prudential regulations for the Microfinance Banks and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Wherever the requirements of the Microfinance Institution Ordinance, 2001, the Companies Act, 2017 or the directives and notifications issued by the SBP and SECP differ with the requirements of IFRS Accounting Standards, the requirements of the Microfinance Ordinance, 2001, the Companies Act, 2017 and the related directives shall prevail.

3.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter 10 dated 26 August 2002 till further instructions. SECP has deferred the applicabilityof IFRS 7 'Financial Instruments: Disclosures' through its notification S.R.O 411 (I) / 2008 dated 28 April 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the IFRS 9 requirements.

3.3 Standards, interpretations and amendments that are effective in the current year

There are certain new and amended standards, issued by the IASB, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2025 but are considered not to be relevant or do not have any material effect on the Bank's operations and therefore are not detailed in these financial statements

3.4 Standards, interpretations and amendments that are not yet effective

The following standards, amendments and interpretations as notified under the Companies Act, 2017 will be effective for accounting periods beginning on or after January 01, 2026:

Standard, Interpretation or Amendment	*Effective date (annual reporting periods beginning on or after)*
Classification and Measurement of Financial Instruments - Amendments to IFRS 9	January 01, 2026
IFRS 18 - Presentation and Disclosure in Financial Statements	January 01, 2027
IFRS 19 - Subsidiaries without Public Accountability: Disclosures	January 01, 2027

The above standards and amendments are not expected to have any significant impact on Bank's financial statements for future periods.

Following standards have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) as at December 31, 2025 for the purpose of their applicability in Pakistan:

Standard

IFRS 1 - First time adoption of International Financial Reporting Standards

4 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for the following which are stated at fair values / present values:

- Investments in government securities;
- Right of use assets and corresponding lease liabilities;
- Subordinate debt; and
- Payable to defined benefit plan.

These financial statements are presented in Pakistani Rupees ("Rs.") which is the Bank's functional and presentational currency. All amounts have been rounded to the nearest Pakistani Rupee, unless otherwise indicated.

5 USE OF ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these financial statements is in conformity with the approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements about carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision effects onlythat period,or in the period of revision and future periods if revision affects both current and future periods. The areas where various assumptions and estimates are significant to Bank's financial statements are as follows:

		Note
-	Impairment losses on financial assets	6.3.9
-	Property and equipment	6.5.3
-	Right-of-use assets	6.6.2
-	Intangible assets	6.5.2
-	Provision for taxation	6.8
-	Recoverability of deferred tax assets	6.8
-	Staff retirement benefits	6.9

6 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies adopted in the preparation of these financial statements are consistent with those of the corresponding year.

6.1 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement represent cash in hand and balances held with treasury banks and balances held with other banks in current and deposit accounts with maturities of less than three months and are carried at cost.

Lending to / Borrowing from Financial Institutions

6.2 ***Repurchase Transactions Agreement (Repo)***

The Bank Securities sold under repurchase agreements (repo) continue to be recognized in the financial statements as investments, while the corresponding obligation to the counterparty is recorded under borrowings. The difference between the sale price and the agreed repurchase price is recognized as an expense and accrued over the term of the agreement on a time-proportion basis.

Reverse Repurchase Transactions Agreement (Reverse Repo)

The Bank Securities acquired under agreements to resell (reverse repo) are not recognized as investments in the financial statements. Instead, the amount provided to the counterparty is recorded as lending. The difference between the purchase price and the agreed resale price is recognized as income and accrued over the tenure of the agreement on a time-proportion basis.

Call Lending and Borrowing

In call lending, a bank places funds with another bank for a very short period and earns call money interest. These placements are unsecured and usually for short-term durations. In call borrowing, a bank borrows funds from other banks to manage its day-to-day liquidity needs.

6.3 ***Financial instruments***

Financial instruments carried on the statement of financial position include Cash and balances with treasury banks, balances with other banks, Investments, Advances, certain Other assets, Bills payable, Borrowings, Deposits and certain Other liabilities.

6.3.1 ***Classification of financial assets***

Financial assets are classified according to their contractual cash flow characteristics and the business models under which they are held. Instruments will be classified either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

6.3.2 ***Financial assets - initial recognition***

All financial assets under IFRS 9 are initially recognized at fair value plus transaction cost. However, transaction costs in relation to Financial Assets measured at Fair Value through Profit and Loss, is recognized as an expense when incurred.

6.3.3 ***Classification and subsequent measurement of financial assets***

Financial assets are classified into following categories for measurement subsequent to initial recognition:

- Financial assets at amortized Cost
- Financial assets at 'fair value through other comprehensive income' FVOCI
- Financial assets at 'fair value through profit or loss' FVTPL

Fair Value through Profit or Loss (FVTPL) is the residual category which is used for financial assets that are held for trading or if a financial asset does not fall into one of the two business models.

6.3.4 ***Financial assets at amortised cost***

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.The Bank classifies its financial assets at amortized cost only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, these financial assets are subsequently measured at amortized cost.

6.3.5 *Financial assets at FVOCI*

The Bank applies this category when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets

- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income at EIR are recognised in the profit and loss.

The ECLs for debt instruments measured at FVOCI do not reduce, the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise
if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit and loss account. The accumulated loss recognised in OCI is recycled to the profit and loss account upon derecognition of the assets.

On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit and loss account.

As per "IFRS 9 Financial Instruments application instructions" issued by SBP via BPRD Circular No. 03 of 2022 Government Securities are exempt from the application of ECL Framework.

6.3.6 *Financial assets and financial liabilities at FVTPL*

Financial assets and financial liabilities in this category are those that are:

- held for trading, that is, they have been purchased or issued primarily for short-term profit-making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a
recent pattern of short-term profit taking, or

- not held for trading and have been either designated by management upon initial recognition, or mandatorily required
to be measured at fair value under IFRS 9.

6.3.7 Financial assets are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss account.

Financial liabilities at amortised cost

6.3.8 Financial liabilities with a fixed maturity are measured at amortised cost. These include Bills payable, Borrowings, Deposits and certain items within Other Liabilities.

Derecognition of financial assets

6.3.8.1 *Derecognition other than due to substantial modification of terms and conditions*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

6.3.8.2 *Derecognition of financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

6.3.9 *Impairment of financial assets*

6.3.9.1 *Overview of the ECL principles*

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).

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 on either an
individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

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.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1 Whenloansarefirstrecognized,theBankrecognizesanallowancebasedon12mECLs.Stage1loansalso include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2 Whenaloanhasshownasignificantincreaseincreditrisksinceorigination,theBankrecordsanallowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3 Loans considered credit-impaired . The bank records an allowance for the LTECLs.

POCI Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

6.3.9.2 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 derecognized and is still in the portfolio. The concept of PDs is further explained in note 46.2.8.

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 realization of any collateral or credit enhancements that are integral to the loan. It is usually expressed as a percentage of the EAD. The LGD is further explained in note 46.2.9.

EAD The Exposure at Default 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 interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

When estimating the ECLs, the Bank considers three scenarios (a base case, an upside and a downside). 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. Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarized below:

Stage 1 The12mECLiscalculatedastheportionofLTECLsthatrepresenttheECLsthatresultfromdefaultevents 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 EADand multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.

Stage 2 Whenaloanhasshownasignificantincreaseincreditrisksinceorigination,theBankrecordsanallowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3 Forloansconsideredcredit-impaired,theBankrecognizesthelifetimeexpectedcreditlossesforthese loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

POCI POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognizes the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit-adjusted EIR.

6.3.9.3 Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Bank only recognizes the cumulative changes in LTECL since initial recognition in the loss allowance.

6.3.9.4 Forward looking information

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:
• GDP growth
• Consumer price indices

The inputs and models used for calculating ECLs maynot always capture all characteristics of the market atthe date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information about these inputs is explained in note 46.2.9.

6.3.9.5 Credit enhancements: collateral

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as gold, vehicle, house etc. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of eligible collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a requirement basis.

Eligible collateral are those which has i) legal certainty and enforceability, and ii) history of forcibility and recovery. The Bank consider cash and cash equivalents as eligible collaterals and EAD of relevant facilities are reduced by the amount of eligible collateral.

6.3.9.6 Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. The Bank also follows Prudential regulations issued by SBP for write off of its advances.

6.3.9.7ECL on government guaranteed credit exposure

ECL on credit exposure (in local currency) that have been guaranteed by the Government of Pakistan and Government Securities, has not been estimated due to exemption available under IFRS instructions issued by SBP through circular no. 3 of 2022 dated 05 July 2022.

6.3.9.8 Two track approach for stage 3 loans

As per instructions issued by SBP, the Bank used two track approach for ECL assessment on stage 3 loans. As per this approach the Bank calculated provision /ECL both under PRs and IFRS 9 and higher amount at segment level has been taken as final ECL.

6.4 Advances

Advances are stated net of expected credit Losses. The outstanding principal and mark-up of the loans and advances under stage 3 are classified as non-performing loans (NPLs). The unrealized interest / profit / markup / service charges on NPLs is suspended and credited to interest suspense account.

6.5 Operating fixed assets

6.5.1 Capital work-in-progress

All expenditure connected with specific assets incurred during installation and development period are carried under capital work-in-progress. These are transferred to specific assets as and when these are available foruse.
Capitalwork- in-progress is stated at cost less accumulated impairment losses, if any.

6.5.2 Intangible assets

Expenditure incurred to acquire computer software is capitalized as intangible assets and stated at cost less accumulated amortization and any identified impairment loss. These are amortized using the straight line method over their estimated useful life.

Full month's amortization is charged in the month of addition while no amortization is charged in the month of deletion.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates.

The residual value, useful life and amortization method is reviewed and adjusted, if appropriate, at each balance sheet date.

6.5.3 Property and equipment

Owned

These are stated atcostless accumulated depreciation and accumulated impairmentlosses, if anyexceptland which is stated at cost. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction, erection and installation.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. Major repairs and improvements are capitalized and the carrying amount of the replaced part is derecognized. All other repair and maintenance are charged to profit and loss account as and when incurred.

Depreciation is calculated using the straight line method so as to write off the property and equipment, over their expected useful lives. Depreciation is calculated at the rates stated in note 12.2. The assets' residual values, useful lives and depreciation methods are reviewed and adjusted,if appropriate,at each balance sheetdate. The effect of any revision are charged to profit and loss account for the year, when the changes arise. Depreciation on additions to property and equipment is charged from the month in which an asset is acquired or capitalized while no depreciation is charged for the month in which the asset is disposed-off.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recognized in profit and loss account for the year.

6.5.4 Impairment

The Bank assesses at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset’s fair value less cost to sell and value in use. Where an impairment loss is recognized, the depreciation / amortization charge is adjusted in the future periods to allocate the asset’s revised carrying amount over its estimated useful life.

Where impairment loss subsequentlyreverses, the carrying amountof the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognized as income.

6.6 Leases

6.6.1 Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencementdate,discounted using the interestrate implicitin the lease or,if thatrate cannotbe readilydetermined, the Bank’s incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate. The Bank determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

The lease liabilityis subsequentlymeasured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.The finance costis charged to the profitand loss account as markup expense over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

6.6.2 *Right of use assets*

The right-of-use asset is initially measured at cost, which comprises 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 subsequently 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 assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

6.6.3 *Short-term leases*

The Bank has elected not to recognize right-of-use assets and lease liabilities for some leases having a lease termless than 12 months from the commencement date and do not contain a purchase option. The lease payments associated with these leases are recognized as an expenses on a straight-line basis over the lease term.

6.7 *Grants*

Grants are initiallyrecognized at fair value in the balance sheet when there is reasonable assurance that the grants will be received and the Bank will comply with all the attached conditions. Grants that compensate the Bank for expenses incurred are recognized as other income in the profit and loss account on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Bank for the cost of an asset are recognized in the profit and loss account as other income on a systematic basis over the useful life of the asset.

6.8 *Taxation*

Income taxon the profit or loss for the year comprises of current and deferred tax. Income taxis recognized in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income, in which case it is recognized in other comprehensive income.

Current tax

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

6.9 Staff retirement benefits

6.9.1 Defined contribution plan - provident fund

The Bank operates an approved defined contribution provident fund scheme for all permanent employees. Equal monthly contributions are made by the Bank and the employees to the fund at the rate of 8.33% of basic salary per month. The contribution of the Bank is charged to profit and loss account.

6.9.2 Defined benefit plan - gratuity scheme

The Bank operates an unapproved non-contributorydefined benefit gratuityscheme forall permanentemployees with a qualifying period of three years. Eligible employees are entitled to one month's basic salary for each completed year of service upon their departure from the Bank. The latest actuarial valuation was carried out as at 31 December 2025 using Projected Unit Credit Method. Actuarial gains and losses arising from the actuarial valuation are recognized immediately in other comprehensive income.

The Bank determines the net interest expense on the netdefined liabilityfor the year byapplying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then - net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit and loss account.

6.10 Deposits

Deposits are recorded at the proceeds received. Markup accrued on these deposits, if any, is recognized separately as part of other liabilities, and is charged to profit and loss account over the period.

6.11 Borrowings

Loans and borrowing are initially recorded at proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective interest rate method.

Related finance costs are accounted for on an accrual basis and are included in other liabilities to the extent of the amount remaining unpaid.

6.12 Subordinated debt

Sub-ordinated loans are initiallyrecorded at the amount of proceeds received and subsequentlymeasured atamortized cost. Markup accrued on these loans is charged to profit and loss account over the period at effective interest rate.

Related finance costs are accounted for on an accrual basis and are included in other liabilities to the extent of the amount remaining unpaid.

6.13 *Provisions*

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

6.14 *Statutory reserve*

The Bank is required under the requirements of the Microfinance Institution Ordinance, 2001 and Prudential Regulation, to maintain a statutory reserve to which an appropriation equal to 20% of the annual profit after tax is made until the reserve fund equals the paid up capital of the Bank. Thereafter, a sum not less than 5% of its annual profits after tax is required to be transferred to the said reserve.

6.15 *Depositors' protection fund*

The Bank is required under the Microfinance Institutions Ordinance, 2001 to contribute 5% of its annual after tax profit and profit earned on the investments of the Depositors' protection fund to the Depositors' protection fund for the purpose of providing security or guarantee to persons depositing money in the Bank.

6.16 *Cash reserve requirement*

In compliance with the requirements of the Microfinance Institution Ordinance, 2001 and Prudential Regulation, the Bank maintains a cash reserve equivalent to not less than 5% of its deposits (including demand deposits and time deposits with tenure of less than 1 year) in a current account opened with the State Bank of Pakistan (SBP) or its agent.

6.17 *Statutory liquidity requirement*

In compliance with the requirements of the Prudential Regulation, the Bank maintains liquidity equivalent to at least 10% of its total demand liabilities and time liabilities with tenure of less than one year in the form of liquid assets i.e. cash, gold, unencumbered treasury bills, Pakistan Investment Bonds and Government of Pakistan sukuk bonds. Treasury bills and Pakistan Investment Bonds held under depositors' protection fund are excluded for the purposes of determining liquidity.

6.18 *Revenue recognition*

- Mark-up/return/ interest on performing advances is recognised on an accrual basis using the effective interest method. Mark-up on advances classified under the Prudential Regulations is recognised on receipt basis.
- Mark-up/return on investment is recognised on an accrual basis using the effective interest method.
- Fee, commission and brokerage income is recognised when services are rendered.
- Gains and losses on sale of investments are included in the profit and loss account in the period in which sale / settlement occurs.
- Return on balances with other banks is recognised in the profit and loss account on an accrual basis.
- Other income is recognised on an accrual basis.

6.19 *Foreign currency transactions and translation*

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at the spot rate on the date of transaction. All non-monetaryitems are translated into rupees atexchange rates prevailing on the date of transaction or on the date when fair values are determined (for assets carried at fair value). Foreign currency differences arising on retranslation are charged to profit and loss account in the period in which they arise.

6.20 *Off setting*

Financial assets and financial liabilities are setoff and the netamount is reported in the financialstatements when there is a legally enforceable right to set off and the Bank intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

6.21 Share capital and dividend

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as deduction, net of tax, from the proceeds. Dividend distribution to the shareholders is recognized as liability in the period in which it is declared.

6.22 Earnings per share

The Bank presents earnings per share (EPS) for its ordinary shares which is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares (if any).

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7 CASH AND BALANCES WITH TREASURY BANKS

	Note	2025 Rupees	2024 Rupees
In hand - Local currency		***921,703,445***	576,839,358
With State Bank of Pakistan in:			
Local currency- current account		***8,896,872,971***	2,827,782,793
With National Bank of Pakistan in:			
Local currency deposit account	***7.2***	***537,975***	-
Local currency current account		***44,250,565***	4,965,688
Less: Credit loss allowance		***-***	-
		9,863,364,956	***3,409,587,839***

7.1 These represent balances maintained with SBP and NBP to meet the minimum balance requirement equivalent to 5% (2024: 5%) as cash reserve of total of demand Liabilities" and 10% (2024: 10%) as liquidity reserve of the Bank's time and demand liabilities in accordance with the Prudential Regulations.

7.2 These accounts carry markup at 9% to 11.50% (2024: 13% to 19%) per annum.

8 BALANCES WITH OTHER MFBS / BANKS / NBFS

	Note	2025 Rupees	2024 Rupees
In Pakistan:			
-In current account		***16,397,441***	54,862,585
-In deposit Account	***8.1***	***3,530,712,400***	1,397,732,113
-In termdeposit account	***8.2***	***4,000,000,000***	4,000,000,000
		7,547,109,841	5,452,594,698
Less:Credit loss allowance		***-***	-
		7,547,109,841	5,452,594,698

8.1 These accounts carry mark-up ranging from 7% to 12.55% (2024: 13% to 20.50%) per annum.

8.2 ***Composition of term deposits***

	Note	2025	2024
Khushali Microfinance Bank Limited		1,000,000,000	-
Halan Microfinance Bank Limited		1,000,000,000	-
LOLC Microfinance Bank Limited		2,000,000,000	-
Pak Libiya Holding Company		***-***	1,000,000,000
Mobilink Microfinance Bank Limited		***-***	3,000,000,000
	8.2.1	***4,000,000,000***	***4,000,000,000***

8.2.1 These carry markup ranging from 7% to 17.5% (2024: 13.50% to 13.75%) and have maturity upto December 2026 (2024: March 2025).

9 LENDING TO FINANCIAL INSTITUTION

	Note	2025 Rupees	2024 Rupees
Repurchase agreement lendings(Reverse repo)		***2,762,889,000***	-
Less: Credit loss allowance		***-***	-
		2,762,889,000	***-***

9.1 Lending to Financial Institution - Particulars of credit loss allowance

	2025		2024	
	Lending	***Credit loss allowance***	Lending	Credit loss allowance
	Rupees		Rupees	
Stage 1	2,762,889,000	-	-	-

9.2 These are secured against market treasury bills andcarry markup at the rate of 10.50% per annum maturing on January 2, 2026.

9.3 Reverse repo agreements - Collateral

	2025			2024		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	---- Rupees ----			---- Rupees ----		
Market Treasury Bills (MTB)	3,000,000,000	-	3 ,000,000,000	-	-	-

10 INVESTMENTS

	2025				2024			
	Fair value/ Amortised cost	Credit loss allowance	Surplus/ (deficit)	Carrying Value	Fair value/ Amortised cost	Credit loss allowance	Surplus/ (deficit)	Carrying Value
	---- Rupees ----				---- Rupees ----			
Investments by type								
Debt Instruments								
Classified/ Measured as FVOCI								
Federal Government Securities								
Market Treasury Bill	1,444,978,499	-	241,500	1,445,219,999	4,555,551,300	-	6,448,800	4,562,000,100
Pakistan Investment Bonds	1,006,575,105		14,987,686	1,021,562,791	-	-	-	-
Classified/ Measured as FVTPL								
Federal Government Securities								
Market Treasury Bill	3,975,866,000	-	454,000	3,976,320,000	-	-	-	-
Total Investments	6,427,419,604	-	15,683,186	6,443,102,790	4,555,551,300	-	6,448,800	4,562,000,100

10.1 These carry yield rate ranging from 10.35% %to 11.78% (2024: 11.65%to 13.07%) per annum and have maturities upto 28 April 2028. These securities have an aggregate face value of Rs. 6,500.00 million (2024: Rs. 4,800.00 million). This includes Rs. 541.80 million (2024: Rs. 482.046 million) maintained with SBP under depositors' protection fund to comply with the statutory liquidity requirements as set under the Prudential Regulations.

10.2 Expected Credit Loss on government securities have not been estimated due to exemption available under IFRS 9 implementation instructions issued by SBP through circular no. 3 of 2022 dated July 05, 2022.

11 *ADVANCES*

Loan Type	Performing				Non-Performing		Total	
	2025	2024	***2025***	2024	***2025***	2024	***2025***	2024
	Stage 1		***Stage 2***		***Stage 3***			
	(Rupees)							
Micro credits								
Secured	***33,998,420,499***	17,281,751,305	***231,882,375***	50,147,002	***68,254,993***	126,574,710	***34,298,557,867***	17,458,473,017
Unsecured	***3,162,494,116***	1,263,603,957	***13,523,344***	9,792,421	***190,137,157***	353,679,246	***3,366,154,617***	1,627,075,624
Other advances-Staff loan	***497,866,873***	88,688,433	***-***	-	***-***	-	***497,866,873***	88,688,433
Advances - gross	***37,658,781,488***	18,634,043,695	***245,405,719***	59,939,423	***258,392,150***	480,253,956	***38,162,579,357***	19,174,237,074
Credit loss allowance against advances								
- Stage 1	***428,933,534***	459,980,852	***-***	-	***-***	-	***428,933,534***	459,980,852
- Stage 2	***-***	-	***3,657,226***	5,201,197	***-***	-	***3,657,226***	5,201,197
- Stage 3	***-***	-	***-***	-	***174,404,405***	322,128,331	***174,404,405***	322,128,331
	428,933,534	459,980,852	***3,657,226***	5,201,197	***174,404,405***	322,128,331	***606,995,165***	787,310,380
Advances - net of credit loss allowance	***37,229,847,954***	18,174,062,843	***241,748,493***	54,738,226	***83,987,745***	158,125,625	***37,555,584,192***	18,386,926,694

11.1 *Advances - Particulars of credit loss allowance*

11.1.1 *Advances - Exposure*

	2025				2024			
	Stage 1	***Stage 2***	***Stage 3***	***Total***	Stage 1	Stage 2	Stage 3	Total
	(Rupees)				***(Rupees)***			
Opening balance	***1 8,634,043,695***	***59,939,423***	***480,253,956***	***19,174,237,074***	16,757,796,091	82,416,751	1,919,728,781	18,759,941,623
Fair value adjustment IFRS - 09	***-***	***-***	***-***	***-***	(11,924,077)	-	-	(11,924,077)
Opening balance - restated	***1 8,634,043,695***	***59,939,423***	***480,253,956***	***19,174,237,074***	16,745,872,014	82,416,751	1 ,919,728,781	18,748,017,546
New Advances	***3 7,077,833,743***	***193,352,819***	***24,610,119***	***3 7,295,796,681***	18,201,994,772	34,601,645	1 6,983,344	18,253,579,761
Advances derecognised or repaid	***(17,873,127,280)***	***(50,866,020)***	***(90,022,153)***	***(18,014,015,453)***	(16,093,156,812)	(68,790,574)	(189,057,681)	(16,351,005,067)
Transfer to stage 1	***-***	***-***	***-***	***-***	730,312	(730,312)	-	-
Transfer to stage 2	***(***	***52,052,899***	***-***	***-***	(25,102,517)	25,221,088	(118,571)	-
Transfer to stage 3	***52,052,899)***	***(869,407)***	***48,571,622***	***-***	(124,641,180)	(3,445,145)	1 28,086,325	-
	1 9,(104,951,349 47,702,215)	***193,670,291***	***(16,840,412)***	***1 9,281,781,228***	1,959,824,575	(13,143,298)	(44,106,583)	1,902,574,694
Amounts written off / charged off	***(80,213,556)***	***(8,203,995)***	***(205,021,394)***	***(293,438,945)***	(71,652,894)	(9,334,030)	(1,395,368,242)	(1,476,355,166)
Closing balance	***3 7,658,781,488***	***245,405,719***	***258,392,150***	***3 8,162,579,357***	18,634,043,695	59,939,423	4 80,253,956	19,174,237,074

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For the year ended 31 December 2025

11.1.2 Advances - Credit loss allowance	2025				2024			
Credit loss allowance opening balance	***Stage 1***	***Stage2***	***Stage 3***	***Total***	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	(Rupees)				(Rupees)			
Opening balance	***459,980,852***	***5,201,197***	***3 22,128,331***	***787,310,380***	602,191,080	16,420,109	1 ,646,087,907	2,264,699,096
New Advances	***79,435,437***	***2,302,902***	***9 ,285,841***	***91,024,180***	230,763,697	179,998	3 ,427,981	234,371,676
Advances derecognised or repaid	***(77,786,932)***	***(127,970)***	***(1,577,677)***	***(79,492,579)***	(186,094,333)	(9,464,952)	(26,513,456)	(222,072,741)
Transfer to stage 1	***-***	***-***	***-***	***-***	141,955	(141,955)	-	-
Transfer to stage 2	***(802,064)***	***802,064***	***-***	***-***	(3,221,500)	3,221,500	-	-
Transfer to stage 3	***(3,918,786)***	***(228,298)***	***4 ,147,084***	***-***	(12,278,011)	(1,411,487)	1 3,689,498	-
	(3,072,345)	***2,748,698***	***1 1,855,248***	***11,531,601***	29,311,808 -	7,616,896 -	9 ,395,977	12,298,935
Amounts written off / charged off	***(60,107,572)***	***(8,203,995)***	***(205,021,394)***	***(273,332,961)***	(128,571,730)	(5,379,213)	(1,334,499,237)	(1,468,450,180)
Changes in risk parameters	***32,132,599***	***3,911,326***	***4 5,442,220 1***	***81,486,145***	(42,950,306)	1,777,197	1 9,935,638	(21,237,471)
Closing balance	***428,933,534***	***3,657,226***	***74,404,405***	***606,995,165***	459,980,852	5,201,197	3 22,128,331	787,310,380

	2025				2024			
11.1.3 Advances - Credit loss allowance details	***Stage 1***	***Stage 2***	***Stage 3***	***Total***	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	(Rupees)				(Rupees)			
Internal / extrernal rating / stage classification								
Outstanding gross exposure								
Performing - Stage 1	***37,658,781,488***	***-***	***-***	***37,658,781,488***	18,634,043,695	-	-	18,634,043,695
Under Performing								
Other assets especially mentioned		***245,405,719***	***-***	***245,405,719***		59,939,423	-	59,939,423
Non - Perfroming								
Substandard	***-***	***-***	***44,421,648***	***44,421,648***	-	-	99,216,932	99,216,932
Doubtful	***-***	***-***	***23,254,177***	***23,254,177***	-	-	61,505,510	61,505,510
Loss	***-***	***-***	***190,716,325***	***190,716,325***	-	-	319,531,514	319,531,514
	-	***-***	***258,392,150***	***258,392,150***	-	-	480,253,956	480,253,956
Total	***37,658,781,488***	***245,405,719***	***258,392,150***	***38,162,579,357***	18,634,043,695	59,939,423	480,253,956	19,174,237,074
Corresponding credit loss allowance								
Stage 1	***428,933,534***	***-***	***-***	***428,933,534***	459,980,852	-	-	459,980,852
Stage 2	***-***	***3,657,226***	***-***	***3,657,226***	-	5,201,197	-	5,201,197
Stage 3	***-***	***-***	***174,404,405***	***174,404,405***	-	-	322,128,331	322,128,331
	428,933,534	***3,657,226***	***174,404,405***	***606,995,165***	459,980,852	5,201,197	322,128,331	787,310,380

11.2 Particulars of write offs / charge offs		***2025***	2024
	Note	***Rupees***	Rupees
Against credit loss allowance		***273,332,961***	1,468,450,180
Directly charged to profit & loss account	***34***	***20,105,984***	7,904,986
		293,438,945	1,476,355,166

		Note	2025 Rupees	2024 Rupees
12	***PROPERTY AND EQUIPMENT***			
	Capital work in progress	12.1	231,309,860	17,624,588
	Property and equipment	12.2	760,706,627	399,029,493
			992,016,487	416,654,081
12.1	***Capital work in progress***			
	Opening		17,624,588	16,700,136
	Additions during the year		767,354,702	45,926,363
	Transfers to property and equipment		(544,713,098)	(45,001,911)
	Transfers to CWIP-intangible assets		(8,956,332)	-
	Closing	12.1.1	231,309,860	17,624,588
12.1.1	***CWIP includes:***			
	Computer Equipment		14,905,793	595,427
	Leasehold Improvements		182,180,346	7,714,329
	Furniture and Fixture		12,190,475	-
	Office Equipment		21,674,746	-
	Intangible Assets		-	8,956,332
	Advances to suppliers and contractors	12.1.1.1	358,500	358,500
			231,309,860	17,624,588

12.1.1.1 This represents advances to suppliers given against leasehold improvements.

12.2 ***Property and equipment***

	2025					
	Leasehold Improvements	Furniture and fixture	Computer Equipment	Office Equipment	Vehicles	Total
	.... Rupees					
As at 01 January 2025						
Cost	633,232,517	2 04,172,149	6 64,440,383	2 93,649,577	20,366,100	1,815,860,726
Accumulated depreciation	(448,415,738)	(148,637,377)	(596,543,353)	(203,066,547)	(20,168,218)	(1,416,831,233)
Net book value	184,816,779	55,534,772	67,897,030	9 0,583,030	197,882	399,029,493
Year ended December 2025						
Opening net book value	184,816,779	55,534,772	67,897,030	90,583,030	197,882	399,029,493
Additions	179,056,804	54,268,447	63,766,755	265,446,206	-	562,538,212
Disposals (net)	(47,708,369)	(10,469,809)	(77,148)	(9,085,849)	-	(67,341,175)
Depreciation charge	(52,041,501)	(16,303,185)	(35,305,673)	(29,869,544)	-	(133,519,903)
Closing net book value	264,123,713	83,030,225	96,280,964	317,073,843	197,882	760,706,627

	2025					
	Leasehold Improvements	***Furniture and fixture***	***Computer Equipment***	***Office Equipment***	***Vehicles***	***Total***
		.... Rupees	***......................................***			
Cost	***701,562,053***	***225,867,292***	***727,471,962***	***5 38,038,810***	***20,366,100***	***2,213,306,217***
Accumulated depreciation	***(437,438,340)***	***(142,837,067)***	***(631,190,998)***	***(220,964,967)***	***(20,168,218)***	***(1,452,599,590)***
Net book value	***264,123,713***	***83,030,225***	***96,280,964***	***3 17,073,843***	***197,882***	***760,706,627***
Rate of depreciation (percentage)	***10%***	***10%***	***20%-33%***	***10%***	***25%***	

	2024					
	Leasehold Improvements	Furniture and fixture	Computer Equipment	Office Equipment	Vehicles	Total
		.... Rupees	....			
As at 01 January 2024						
Cost	6 31,079,503	2 07,156,357	6 68,686,045	2 85,805,856	22,173,100	1,814,900,861
Accumulated depreciation	(389,951,656)	(134,551,582)	(590,203,683)	(180,089,875)	(21,975,218)	(1,316,772,014)
Net book value	2 41,127,847	72,604,775	78,482,362	1 05,715,981	197,882	498,128,847
Year ended December 2024						
Opening net book value	2 41,127,847	7 2,604,775	7	1 05,715,981	197,882	498,128,847
Additions	2 ,153,014	2 ,016,000	8,482,362	1 2,337,203	-	45,001,911
Disposals (net)	-	(1,333,450)	2 (47,182)	(1,116,397)	-	(2,497,029)
Write Offs (net)	-	-	8,495,694	-	-	-
Depreciation charge	(58,464,082)	(17,752,553)	(39,033,844)	(26,353,757)	-	(141,604,236)
Closing net book value	1 84,816,779	5 5,534,772	6 7,897,030	9 0,583,030	197,882	399,029,493
At December 31, 2024						
Cost	6 33,232,517	204,172,149	664,440,383	2 93,649,577	20,366,100	1,815,860,726
Accumulated depreciation	(448,415,738)	(148,637,377)	(596,543,353)	(203,066,547)	(20,168,218)	(1,416,831,233)
Net book value	1 84,816,779	55,534,772	67,897,030	9 0,583,030	197,882	399,029,493
Rate of depreciation (percentage)	10%	10%	20%-33%	10%	25%	

12.2.1Cost of property and equipment include cost of fully depreciated assets that are still in use amounting to Rs. 843.29 million (2024: Rs. 674.10 million).

12.2.2Details of property and equipment disposed of during the year is disclosed in Annexure-I, and forms integral part of these financial statements.

13 RIGHT-OF-USE ASSETS

	2025			2024		
	Buildings	**Equipment**	**Total**	Buildings	Equipment	Total
	……… Rupees ………					
At January 1						
Cost	***1,950,374,659***	***38,812,247***	***1,989,186,906***	1,643,884,812	-	1,643,884,812
Accumulated Depreciation	***(1,328,795,817)***	***(13,584,287)***	***(1,342,380,104)***	(1,102,696,167)	-	(1,102,696,167)
Net Carrying amount at January 1, 2025	***621,578,842***	***25,227,960***	***646,806,802***	541,188,645	-	541,188,645
For the Year Movement						
Additions during the year	***600,145,296***	**-**	***600,145,296***	306,489,847	38,812,247	345,302,094
Deletions during the year	**-**	**-**	**-**	-	-	-
Modification of leases for the year	**-**	**-**	**-**	(2,621,489)	-	(2,621,489)
Depreciation Charge for the year	***(209,553,158)***	***(7,937,393)***	***(217,490,551)***	(223,478,161)	(13,584,287)	(237,062,448)
	390,592,138	***(7,937,393)***	***382,654,745***	80,390,197	25,227,960	105,618,157
Net Carrying amount at December 31	***1,012,170,980***	***17,290,567***	***1,029,461,547***	621,578,842	25,227,960	646,806,802

14 INTANGIBLE ASSETS

	Note	2025 Rupees	2024 Rupees
Capital work in progress	***14.1***	***109,106,644***	-
Intangible assets	***14.2***	***81,608,697***	118,086,431
		190,715,341	118,086,431

14.1 Capital work in progress

	Note	2025 Rupees	2024 Rupees
Opening		**-**	-
Transfers from CWIP operating fixed assets		***8,956,332***	-
Additions during the year		***100,150,312***	-
Closing	***14.1.1***	***109,106,644***	-

14.1.1 CWIP includes:

Softwares	***109,106,644***	-
	109,106,644	-

14.2 Intangible Assets

	2025		2024	
	Software and Licenses	Total	Software and Licenses	Total
	……………..Rupees ……………..			
At January 1				
Cost	***743,300,887***	***7 43,300,887***	734,655,721	734,655,721
Accumulated amortization and impairment	***(625,214,456)***	***(625,214,456)***	(579,877,284)	(579,877,284)
Net book value	***118,086,431***	***1 18,086,431***	154,778,437	154,778,437
For the Year Movement				
Opening net book value	***118,086,431***	***118,086,431***	154,778,437	154,778,437
Additions:				
- Directly purchased/Transferred from CWIP	***-***	***-***	8,645,166	8,645,166
Amortization charge	***(36,477,734)***	***(36,477,734)***	(45,337,172)	(45,337,172)
Closing net book value	***81,608,697***	***81,608,697***	118,086,431	118,086,431
At December 31				
Cost	***743,300,887***	***743,300,887***	743,300,887	743,300,887
Accumulated amortization and impairment	***(661,692,190)***	***(661,692,190)***	(625,214,456)	(625,214,456)
Net book value	***81,608,697***	***81,608,697***	118,086,431	118,086,431
Rate of amortization (percentage)	***10-20%***		10-20%	

	2025	2024
14.3 The cost of fully depreciated intangibles still in use		
Softwares and Licenses	***513,708,309***	486,115,248

15 DEFERRED TAX ASSET

	2025				
	At Jan 1, 2025	**Impact of Adoption of IFRS 09**	**Recognised in P&L A/C**	**Recgonised in OCI**	**At Dec 31, 2025**
Deductible temporary differences on:					
- Tax losses carried forward	**2,389,324,102**	**-**	**(10,855,752)**	**-**	**2,378,468,350**
- Minimum tax / Alternative corporate tax	**105,165,645**	**-**	**284,116,865**	**-**	**389,282,510**
- Post retirement employee benefits	**101,516,697**	**-**	**(2,050,179)**	**33,060,118**	**132,526,636**
- Accelerated tax depreciation	**32,794,660**	**-**	**(17,313,416)**	**-**	**15,481,244**
- Credit loss allowance against advances	**1,878,378,166**	**-**	**(608,095,220)**	**-**	**1,270,282,946**
- Lease Liabilities against ROUA	**98,006,701**	**-**	**(9,916,623)**	**-**	**88,090,078**
	4,605,185,971		**(364,114,325)**	**33,060,118**	**4,274,131,764**
Taxable temporary differences on:					
- Surplus on revaluation of investments classified as FVOCI	**(2,515,033)**	**-**	**-**	**(3,424,351)**	**(5,939,383)**
- Unrealized gain of revaluation of securities FVTPL	**-**	**-**	**(177,060)**	**-**	**(177,060)**
	(2,515,033)	**-**	**(177,060)**	**(3,424,351)**	**(6,116,443)**
	4,602,670,938	**-**	**(364,291,385)**	**29,635,767**	**4,268,015,321**

	2024				
	At Jan 1, 2024	Impact of Adoption of IFRS 09	Recognised in P&L A/C	Recgonised in OCI	At Dec 31, 2024
Deductible temporary differences on:					
- Tax losses carried forward	2,372,419,381	-	16,904,721	-	2,389,324,102
- Minimum tax	-	-	105,165,645	-	105,165,645
- Post retirement employee benefits	116,238,026	-	(3,253,293)	(11,468,036)	101,516,697
- Deficit on revaluation of investments		-		-	
- Accelerated tax depreciation	15,925,104	-	16,869,556	-	32,794,660
- Credit loss allowance against advances	1,679,047,198	587,663,337	(388,332,369)	-	1,878,378,166
- Lease Liabilities against ROUA	89,521,563	-	8,485,138	-	98,006,701
	4,273,151,272	587,663,337	(244,160,602)	(11,468,036)	4,605,185,971
Taxable temporary differences on:					
- Surplus on revaluation of investments classified as FVOCI	(1,389,083)	-	-	(1,125,950)	(2,515,033)
- Unrealized gain of revaluation of securities FVTPL	(655)	-	655	-	
	(1,389,738)	-	655	(1,125,950)	(2,515,033)
	4,271,761,534	587,663,337	(244,159,947)	(12,593,986)	4 ,602,670,938

15.1 As at the year end, the Bank has recognized a net deferred tax asset amounting to Rs. 4,268.02 million (2024: Rs. 4,602.67 million) based on the business plan and financial projections duly approved by the board of directors of the Bank. The projections involve certain key assumptions underlying the estimation of future taxable profits. Any significant change in such assumptions may have an effect on the recoverability of the deferred tax asset. The management believes that it is probable that the Bank will be able to achieve the projected profits and consequently the deferred tax asset will be fully realized in the future.

16 OTHER ASSETS

	Note	**2025 Rupees**	2024 Rupees
Income / mark-up accrued on advances		***5 ,434,341,618***	2 ,412,888,689
Income / mark-up accrued on balance with banks		***7 9,693,565***	4 4,234,081
Prepayments		***2 27,161,870***	4 4,285,614
Security deposits		***2 6,319,762***	1 0,431,162
Stationery and stamps on hand		***-***	2 5,495,084
Fair value adjustment staff advances		***9 0,151,499***	1 2,752,536
Receivable from SBP against crop insurance		***5 3,704,639***	9 3,069,401
Others	***16.1***	***5 04,048,751***	1 22,118,438
		6 ,415,421,704	2 ,765,275,005
Less: Credit Loss Allowance held against other assets	***16.2***	***(1,899,270)***	(8,026,079)
		6 ,413,522,434	2 ,757,248,926

16.1 This includes claim amounting to Rs. 129.96 million lodged with insurance company against robbery incident at the Bank's Hyderi branch Karachi involving gold ornaments pledged as security against various gold financing facilities. A total of 351 financing cases were affected carrying an outstanding principal of Rs. 180.28 million, with gold ornaments valued at PKR 225.35 million on the date of the incident. Since these gold ornaments were fully insured, the Bank had lodged a claim with the Insurance company for the full gold value. As of December 31, 2025, 205 cases have been settled, covering gold value of Rs.129.66 million, whereas 146 cases, representing gold value of Rs. 95.69 million, are in process of being settled.

The management is confident that the insurance company will settle all the outstanding claims and no additional financial impact is expected. In addition, the Bank is maintaining a voluntary general reserve of Rs. 350 Million, over and above the statutory requirement, in order to cater for any unforeseen event resulting into operational loss.

	Note	2025 Rupees	2024 Rupees
16.2 Movement in credit loss Allowance held against other assets			
Opening Balance		8,026,079	-
IFRS-09 adoption impact		-	36,099,716
Balance as at January 01, 2024-Restated		8,026,079	36,099,716
Charge for the year		-	4,508,037
Reversals		(6,126,809)	(32,581,674)
Closing Balance		1,899,270	8,026,079

17 BILLS PAYABLE

	Note	2025 Rupees	2024 Rupees
In Pakistan		114,006,111	116,212,293

18 BORROWINGS

	Note	2025 Rupees	2024 Rupees
Secured			
Borrowings from bank / financial institution in Pakistan		-	-
Unsecured			
Borrowings from the State Bank of Pakistan	18.1	3,000,000,000	3,000,000,000
		3,000,000,000	3,000,000,000

18.1 This represents unsecured long term borrowing obtained on 24 June 2019 from SBP under Financial Inclusion Infrastructure Program (FIIP) to provide access to long term market based funding, enhancing lending to microfinance borrowers including micro enterprises and micro housing especially women borrowers. The markup is payable at the rate of 6 months KIBOR minus 100 bps per annum (2024: 6 months KIBOR minus 100 bps per annum). Initially the principal amount was repayable in last four quarters of 5 years loan period or in bullet form at the end of said tenor. However, the State Bank of Pakistan has extended the principal repayment period for further 5 years from June 30, 2024, to June 30, 2029.

19 DEPOSITS AND OTHER ACCOUNTS

	Note	2025 Rupees	2024 Rupees
Customers			
Current deposits		3,158,262,740	2,328,788,013
Saving deposits	19.1	15,659,158,948	11,443,531,646
Fixed deposits	19.2	32,411,123,450	19,439,474,180
		51,228,545,138	33,211,793,839
Financial Institutions			
Current deposits		4 ,467,110,584	2 7,500,573
Saving deposits	19.1	1 0,585,628,291	4 68,990,289
Fixed deposits	19.2	2 ,807,000,000	2 ,517,900,000
		17,859,738,875	3,014,390,862
Total Deposits		6 9,088,284,013	3 6,226,184,701

19.1 These carry interest rates ranging from 7.25% to 14.00% (2024: 7.25% to 16%) per annum.

19.2 These represent fixed deposits having tenure of 1 to 60 months carrying profit rates ranging from 9.99% to 23.5% (2024: 9.50% to 24.90%) per annum.

		2025 Rupees	2024 Rupees
19.3	***Composition of Deposits***		
	- Individuals	***35,497,317,735***	27,183,015,626
	- Government (Federal and Provincial)	***6,835,513,751***	4,150,307,550
	- Public Sector Entities	***27,848,251***	46,899,615
	- Banking companies	***6,996,652,595***	2,969,656,956
	- Non Banking Financial Institutions	***10,863,086,280***	44,733,906
	- Private Sector	***8,867,865,401***	1,831,571,048
		69,088,284,013	36,226,184,701
19.4	***Composition of Deposits***		
	- Branchless Banking	***1,432,409,086***	923,118,874
	- Branches Deposits	***67,655,874,927***	35,303,065,827
		69,088,284,013	36,226,184,701

19.5 Deposits include deposits from related parties amounting to Rs. 4.42 billion (2024: Rs. 10.73 million).

20 LEASE LIABILITIES

	Note	2025 Rupees	2024 Rupees
Balance as at January 01		***898,106,035***	770,731,115
Addition during the year			
- Buildings		***600,145,296***	***306,489,847***
- Equipments		***-***	***38,812,247***
		600,145,296	345,302,094
Modification during the Year		***-***	(5,820,546)
Interest expense during the year	***28***	***168,638,771***	132,759,148
Payment during the year		***(411,556,559)***	(344,865,776)
Balance as at December 31		***1,255,333,543***	898,106,035

20.1 Contractual Maturity of Lease liabilities

	2025	2024
Short Term Lease Liabilities - within one year	***-***	-
Long Term Lease Liabilities		
- 1 to 5 years	***403,903,701***	610,964,503
- 5 to 10 years	***851,429,842***	287,141,532
- More than 10 years	***-***	-
	1,255,333,543	898,106,035
Total Lease Liabilites	***1,255,333,543***	898,106,035

	Note	2025 Rupees	2024 Rupees
21 SUBORDINATED DEBT			
Pakistan Microfinance Investment Company (PMIC)	***21.1***	***6 72,286,612***	8 00,000,000

21.1 This represents an unsecured and subordinated loan facility raised by the Bank during the year 2019, amounting to Rs. 800 million to contribute towards the Bank's Tier II capital. The instrument was initially structured to redeem in 6 semi-annual installments in arrears starting from 6th year after the end of grace period of 5 years.

The Bank and Pakistan Microfinance Investment Company Limited (PMICL) entered into an addendum to the subordinate debt agreement in November 2024 which became effective from January 21, 2025, the Amendment Effective Date. As per the revised terms, the Subordinated Term Finance Facility has been extended for a further period of seven years commencing from the Amendment Effective Date. Further mark-up accrued up to the date of Amendment Effective Date has been waived by the lender.

The facility carries mark-up at the rate of 6 months KIBOR plus 3% per annum, to be charged from the earlier of October 1, 2027 or when CAR and MCR requirements are complied with by the Bank. The principal amount is repayable in 4 semi annual installments starting from 6th year after the end of revised grace period of 5 years starting from the Amendment Effective Date.

The instrument is unsecured and subordinated to payment of principal and profit to all other indebtedness of the Bank, including deposits, and it is not redeemable before maturity without prior approval of SBP.

The amended terms resulted in derecognition of existing liability and recording of fresh liability as per the revised terms. The derecognition resulted in gain of Rs. 626.77 million recorded as other income in Statement of Profit and Loss Account.

	Note	2025 Rupees	2024 Rupees
22 OTHER LIABILITIES			
Markup / return / interest payable	***22.1***	***1 ,088,843,431***	1,525,377,795 4
Accrued expenses		***9 01,979,707***	20,104,203
Payable to defined benefit plan	***40***	***3 69,217,115***	2 89,704,451
Income tax payable - net	***22.2***	***2 2,938,546***	7 4,618,590
Withholding tax payable		***2 09,073,659***	1 90,838,430
Sundry creditors		***7 07,846,516***	8 07,983,080
Workers' Welfare Fund		***3 3,320,951***	3 3,320,951
		3 ,333,219,925	3 ,341,947,500

22.1 This includes markup payable on deposits from related parties amounting to Rs. 1.88 million (2024: Rs. 0.19 million).

22.2 Income tax payable - net

	2025	2024
Advance income tax	***(422,619,210)***	(162,519,679)
Provision for income tax	***445,557,756***	237,138,269
	22,938,546	74,618,590

23 SHARE CAPITAL

23.1 Authorized capital

2025	2024		2025	2024
(Number of shares)			Rupees	Rupees
1,500,000,000	1,500,000,000	Ordinary shares of Rs 10 each	**15,000,000,000**	15,000,000,000

23.2 Issued, subscribed and paid-up share capital

2025	2024		2025	2024
(Number of shares)			Rupees	Rupees
		Opening Balance		
75,000,000	75,000,000	Ordinary share of Rs. 10 each fully paid in cash	**750,000,000**	750,000,000
559,888,711	559,888,711	Ordinary share of Rs. 10 each issued at discount	**5,598,887,110**	5,598,887,110
634,888,711	634,888,711		**6,348,887,110**	6,348,887,110
		Movement during the year		
200,000,000	-	Ordinary share of Rs. 10 each fully paid in cash	**2,000,000,000**	-
834,888,711	634,888,711		**8,348,887,110**	6,348,887,110
		Closing Balance		
275,000,000	75,000,000	Ordinary share of Rs. 10 each fully paid in cash	**2,750,000,000**	750,000,000
559,888,711	559,888,711	Ordinary share of Rs. 10 each issued at discount	**5,598,887,110**	5,598,887,110
834,888,711	634,888,711		**8,348,887,110**	6,348,887,110
-	-	Discount on issue of share	**(4,089,040,293)**	(4,089,040,293)
834,888,711	634,888,711		**4,259,846,817**	2,259,846,817

23.3 Pattern of Shareholding

2025	2024		2025	2024
(Number of shares)			Rupees	Rupees
5 91,149,827	-	ÀBHI (Pvt) Limited	**5,911,498,270**	-
2 10,619,137	-	TPL Corp Limited	**2,106,191,370**	-
33,119,747	33,119,747	Kashf Holdings (Private) Limited	**331,197,470**	331,197,470
-	30,771,739	International Finance Corporation	**-**	307,717,390
-	17,368,319	Triodos Fair Share Fund	**-**	173,683,190
-	5,130,253	Acumen Fund	**-**	51,302,530
-	548,498,653	FINCA Microfinance Cooperatief U.A	**-**	5,484,986,530
834,888,711	634,888,711		**8,348,887,110**	6,348,887,110

23.4 The Bank has one class of ordinary shares which carry no right to fixed income. The shareholders are entitled to receive dividend as declared from time to time and are entitled to one vote per share at the meeting of the Bank. All shares rank equally with regards to the Bank residual assets.

24 CAPITAL CONTRIBUTION RESERVE

On January 17,2025, FINCA Microfinance Cooperatief U.A transferred Rs. 600 million with the Bank as part of the share purchase agreement between FINCA Microfinance Cooperatief U.A and TPL Corp Limited and Abhi (Private) Limited. This amount is non-repatriable and represents no current or future obligation on the part of the Bank and/or any of its shareholders towards FINCA Microfinance Cooperatief U.A.

25 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX	Note	2025 Rupees	2024 Rupees
Fair Value Surplus / (Deficit) on revaluation of			
- FVOCI - debt	***10***	***15,229,186***	6,448,800
Deferred tax on surplus / (deficit) on revaluation of:			
- FVOCI - debt		***(5,939,384)***	(2,515,033)
		9,289,802	3,933,767

26CONTINGENCIES AND COMMITMENTS

26.1 Contingencies

(a) The Punjab Revenue Authority (PRA) issued a notice to the Bank regarding alleged short payment of sales tax on services and shortfall in sales tax withheld on taxable services for financial years 2020 and 2021. After submission of replies and hearings, PRA passed an order dated 16 June 2025 creating a demand of Rs. 196.398 million along with a penalty of Rs. 9.820 million for both years. In addition, default surcharge is chargeable under the Act, the amount of which is dependent on the date of payment and continues to accrue until settlement of the demand.The Bank based onadvice from its tax consultants, has filed an appeal before the competent appellate authority.The bank has also paid under protest 10% of the disputed demand Rs. 20.62 million.

(b) During the financial year 2016, a demand of Rs. 9.315 million was raised by the Deputy Commissioner Inland Revenue (DCIR) through order passed under Section 3 of the Federal Excise Act, 2005. Being aggrieved, the Bank preferred an appeal before the Commissioner Inland Revenue (Appeals), which was dismissed vide order dated 21 September 2020. The subsequent appeal before the Appellate Tribunal Inland Revenue (ATIR) was also dismissed through order dated 29 September 2022. The Bank has now filed a reference before the Honorable Lahore High Court through its legal counsel, which is currently pending adjudication.

(c) A fraud incident was detected at the Satellite Town Branch, Rawalpindi, involving fake gold ornaments, linked to 55 gold backed loan accounts with outstanding principal of Rs. 62.69 million. These gold ornaments were valued at Rs. 82.05 million. Since these gold ornaments were fully insured under the fidelity clause, the Bank had lodged a claim with the Insurance company for the full gold value.

Since the incident, management has further strengthened internal controls in order to reduce the probability of such instances. Furthermore, the management is confident that the insurance company will settle all the outstanding claims and no additional financial impact is expected. In addition, the Bank is maintaining a voluntary general reserve of PKR 350 Million, over and above the statutory requirement, in order to cater for any unforeseen event resulting into operational loss.

(d) Bank's AJK Operations:

During the previous years, the Deputy Commissioner Inland Revenue (DCIR) passed orders under section 122(1) of the Ordinance for the Tax Years 2019, 2020 and 2021, thereby raising an aggregate tax demand of Rs. 32.323 million. Feeling aggrieved, the Bank preferred appeals before Commissioner Inland Revenue (Appeals) [CIR(A)], who vide orders dated 19 December 2024, partially confirmed the aggregate demand to the tune of Rs. 12.766 million while remanding back the remaining demand to DCIR. The remand back proceedings are underway till this date.

(e) During the previous year, the DCIR passed order under section 122(1) of the Ordinance for the Tax Year 2022, thereby reducing taxable loss by Rs. 14.685 million. Feeling aggrieved, the Bank preferred appeals before CIR(A) which is pending adjudication.

26.2 Commitments

There are no significant commitments as at 31 December 2025 (2024: Nil).

	Note	2025 Rupees	2024 Rupees
27 MARK-UP / RETURN / INTEREST EARNED			
Loans and advances		***10,411,310,156***	6,390,874,303
Investments		***471,290,821***	942,677,221
Lending to Financial institutions		***71,061,295***	-
Balances with other MFBs / banks / NBFIs		***733,623,274***	51,851,018
		11,687,285,546	7,385,402,542
27.1 Interest Income (calculated using effective interest rate method) recognized on:			
Financial assets measured at amortised cost		***11,215,994,725***	6,442,725,321
Financial assets measured at FVOCI		***425,954,545***	942,677,221
Financial assets measured at FVTPL		***45,336,276***	-
		11,687,285,546	7,385,402,542
28 MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		***6,037,616,830***	5,513,900,286
Borrowings		***322,450,000***	610,588,060
Subordinated loan		***89,234,277***	124,780,851
Lease liabilities	***20***	***168,638,771***	132,759,148
		6,617,939,878	6,382,028,345
28.1 Interest expense calculated using effective interest rate method		***6,617,939,878***	6,382,028,345
29 FEE AND COMMISSION INCOME			
Loan processing fee - net		***873,212,386***	732,717,867
Branchless banking income	***29.1***	***44,500,808***	23,393,040
Branch banking customer fees		***114,016,663***	22,580,991
Overdue charges		***86,326,297***	142,087,613
Early settlement charges		***264,057,168***	97,878,443
Card related fees		***13,459,731***	9,191,132
		1,395,573,053	1,027,849,086
29.1 Branchless banking income			
Lending charges		***22,348,837***	-
Commission income from bill payments		***543,125***	614,348
Fees on Payment and money transfer services		***18,541,221***	19,155,400
Fees on cash withdrawl		***2,703,202***	2,862,863
Others		***364,423***	760,429
		44,500,808	23,393,040

30 GAIN / (LOSS) ON SECURITIES

Realised		***192,110,998***	129,310,801
Unrealised		***454,000***	-
		192,564,998	129,310,801

30.1 Realised gain on:

Redemption of mutual funds		***156,297,030***	-
Federal government securities		***35,813,968***	129,310,801
		192,110,998	129,310,801

30.2 Realised gain on:

Net gain on financial assets (debt instruments) measured at FVOCI		***35,040,276***	129,310,801
Net gain on financial assets (debt instruments) measured at FVTPL		***157,070,722***	-
		192,110,998	129,310,801

31OTHER INCOME

Gain on sale of property and equipment - net		***-***	1,669,537
Gain on derecognition of leases arrangements		***-***	3,199,057
Liabilities written back	***31.1***	***-***	386,319,337
Gain on derecognition on subordinated debt	***21.1***	***626,769,424***	-
Others		***2,514,139***	424,327
		629,283,563	391,612,258

31.1 Liabilities written back

Finca Network Support B.V.	***-***	386,319,337

32 OPERATING EXPENSES	Note	2025 Rupees	2024 Rupees
Total compensation expense	32.1	3,348,149,873	2,353,511,692
Directors' fees and allowances		5,500,000	6,000,000
Printing, stationery and periodicals		56,715,575	46,496,068
Advertisem ent		125,619,211	104,323,899
Rent, rates and taxes		71,002,943	40,790,457
Office running expenses		66,727,967	72,958,084
Vehicle running expenses		119,799,049	89,370,024
Insurance		173,697,346	135,503,550
Office security / personnel services		242,748,414	192,591,141
Janitorial Services		86,868,246	53,464,360
Repairs and maintenance		255,365,385	183,481,676
Com m unication		91,783,722	90,589,140
Travel and transportation		160,938,217	88,300,304
Utilities		217,736,749	229,038,441
IT expenses		204,459,466	147,972,105
Legal and professional charges		75,594,192	56,002,200
Auditors' remuneration	32.2	7,135,417	6,560,000
Training and research		11,084,274	16,778,609
Depreciation on property and equipment	12	133,519,903	141,604,236
Depreciation on right of use assets	13	217,490,551	237,062,448
Amortization on intangible assets	14	36,477,734	45,337,172
Others		15,690,168	11,645,998
		5,724,104,402	4,349,381,604

32.1 Total compensation expense	Note	2025	2024
Fees and allowances etc		47,442,043	74,839,397
Managerial remuneration			
i) Fixed		1,164,709,345	944,989,888
ii) Variable		827,803,427	447,540,297
Charge for defined benefit plan	40.6	84,887,311	102,582,918
Contribution to employees provident fund		80,431,234	61,810,462
Rent & house maintenance		465,761,496	376,617,692
Utilities		112,605,347	87,978,820
Medical		3,834,892	4,397,280
Conveyance		30,993,044	34,087,185
Staff insurance		29,007,846	19,054,175
Staff medical insurance		47,489,643	41,398,237
Employee old age benefit		41,472,378	36,803,431
Mobile expense		22,286,718	23,589,213
Staff relocation expense		12,896,028	16,689,020
Overtim e		1,447,546	3,203,539
Fuel and maintenance		314,831,095	72,598,969
Recruitment related expenses		1,650,250	-
Employee engagement expense		31,340,599	2,594,304
PESSI		856,159	2,039,218
Driver Allowance		25,723,171	-
Others		680,301	697,647
		3,348,149,873	2,353,511,692

	Note	2025 Rupees	2024 Rupees
32.2 Auditors' remuneration			
Annual audit		***5,366,667***	5,600,000
Fee for other statutory certifications		***758,750***	-
Out of pocket expense		***1,010,000***	960,000
		7,135,417	6,560,000

33 OTHER CHARGES

	Note	2025 Rupees	2024 Rupees
Penalties imposed by SBP	***33.1***	***-***	96,000
Bank charges		***8 3,340,257***	4 7,290,629
Loss on disposal of operating fixed assets		***3 6,607,004***	-
Others		***13,936,397***	3,279,737
		1 33,883,658	5 0,666,366

33.1 This represented penalty paid during last year against non compliance of Cash Management reporting.

	Note	2025 Rupees	2024 Rupees
34 CREDIT LOSS ALLOWANCE AND WRITE OFFS - NET			
Credit loss allowance against loans and advances	***34.1***	***86,890,937***	(37,012,173)
Bad debts written off directly	***11.2***	***20,105,984***	7,904,986
Recovery against advances previously written off		***(349,493,375)***	(526,883,381)
		(242,496,454)	(555,990,568)
34.1 Credit loss allowance against loans and advances			
- Against advances		***93,017,746***	(8,938,536)
- Against other assets		***(6,126,809)***	(28,073,637)
		86,890,937	(37,012,173)

35 TAXATION

	Note	2025 Rupees	2024 Rupees
Current:			
For the year	***35.1***	***287,860,228***	105,165,645
For the prior year		***-***	112,284,152
		287,860,228	217,449,797
Deferred:			
For the year	***15***	***364,291,385***	244,159,947
		652,151,613	461,609,744

35.1 There is no relationship between the current tax expense for the year and product of accounting profit multiplied by applicable tax rate as the provision for current tax expense is based on Alternative Corporate Tax under Section 113C of the Income Tax Ordinance, 2001, accordingly, no numericaltax charge reconciliation has been presented.

36 BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE

		2025	2024
36.1 Profit/(Loss) for the year	*Rupees*	***1,019,124,063***	***(1,753,520,804)***
Weighted average number of ordinary shares	*Number*	***768,222,044***	***634,888,711***
Basic and diluted earnings/(loss) per share	*Rupees*	***1 .33***	(2.76)

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

37 CASH AND CASH EQUIVALENTS

	Note	2025 Rupees	2024 Rupees
Cash and balances with SBP and NBP	7	***9,863,364,956***	3,409,587,839
Balances with other banks	8	***7,547,109,841***	5,452,594,698
		17,410,474,797	8,862,182,537

38 STAFF STRENGTH

	2025		
	Credit / Sales staff	Banking / Support staff	Total staff
Perm anent	***768***	***663***	***1,431***
Contractual	***216***	***19***	***235***
MFB's own staff strength at the end of the year	***984***	***682***	***1,666***

	2024		
	Credit / Sales staff	Banking / Support staff	Total staff
Perm anent	666	6	1,298
Contractual	152	32	448
MFB's own staff strength at the end of the year	818	2	1,746
		96	
		9	
		28	

39 NUMBER OF BRANCHES

	2025		2024	
	Branches No.	Sales service centre No.	Branches No.	Sales service centre No.
Branches at the beginning of the year	114	-	114	-
Opened during the year	-	-	-	-
	114	-	114	-
Less: closed during the year	-	-	-	-
Branches at the end of the year	114	-	114	-

40 DEFINED BENEFIT PLAN

40.1 General Description

As disclosed in note 6.9.2, the Bank operates an unfunded gratuity scheme for all its employees, who have completed minimum qualifying period of service. Gratuity is payable to the employees on the cessation of employment on death, retirement, resignation, or permanent disability. The normal retirement age is 60 years.

The gratuity is payable under the following policy rule:

Length of service less than 3 years	Nil
Length of service greater than or equal to 3 years	One month's gross salary for each year of service

40.2 Number of Employees under the Scheme

The number of employees covered under the following defined benefit schemes are:

	2025	2024
	Numbers	Num bers
Gratuity scheme	1,082	1,298

40.3 Principal actuarial assumptions

The disclosure made below are based on the information included in the actuarial valuation report of the Bank as of December 31, 2025.

	2025	2024
Discount rate used for profit and loss charge	12.25%	15.50%
Discount rate for year end obligation	11.00%	12.25%
Expected rate of salary increase	10.00%	11.25%

		2025	2024
40.4	Present value of obligations	369,217,115	289,704,451

40.5 Movement in payable under defined benefit schemes

	Note	2025 Rupees	2024 Rupees
Opening balance		***289,704,451***	298,046,220
Charge for the year	***40.6.1***	***84,887,311***	102,582,918
Re-measurement loss/(gain) recognised in OCI during the year	***40.6.2***	***84,769,533***	(29,405,221)
Benefits paid		***(90,144,180)***	(81,519,466)
Closing balance		***369,217,115***	289,704,451

40.6 Charge for defined benefit plans

40.6.1 Cost recognised in profit and loss

	2025	2024
Current service cost	***56,457,080***	60,368,922
Past service cost	***-***	4,501,296
Interest cost	***28,430,231***	37,712,700
	84,887,311	102,582,918

40.6.2 Re-measurements recognised in OCI during the year

	2025	2024
Loss / (gain) on obligation:		
- Demographic assumptions	***12,694,543***	-
- Financial assumptions	***(1,836,942)***	(3,061,336)
- Experience adjustment	***73,911,932***	(26,343,885)
Total re-measurements recognised in OCI	***84,769,533***	(29,405,221)

40.7 Sensitivity analysis

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate and expected rate of salary increase. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

	2025 Rupees	2024 Rupees
100 bps increase in discount rate	***14,720,624***	21,349,298
100 bps decrease in discount rate	***13,511,324***	18,684,048
100 bps increase in expected rate of salary increase	***16,107,359***	22,153,696
100 bps decrease in expected rate of salary increase	***15,056,455***	19,743,217

	2025	2024
40.8 Expected charge for the next financial year	***109,167,063***	87,899,959

40.9 *Maturity profile*

The weighted average duration of the obligation is 7 years.

40.10Risks associated with defined benefit plan

The defined benefit obligations may expose the Bank to actuarial risks such as longevity risk, salary increase risk and withdrawal rate risk as described below;

Longevity risks:

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at
the plan level over the entire retiree population.

Salary increase risk:

The most common type of retirement benefit is one where the final benefit is linked with final salary. The risk arises when the actual increases are higher than expectations and impact the liability accordingly.

Withdrawal Rate:

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

41 DEFINED CONTRIBUTION PLAN

The Bank operates an approved funded contributory provident fund for all its permanent employees to which monthly contributions are made both by the Bank and the employees at the rate of 8.33% of basic salary.

	2025	2024
	Rupees	Rupees
Total Contribution	***160,862,468***	123,620,924
Number of Employees	***1,431***	1,298

The following information is based on the unaudited financial statements for the year (2024: Audited) of the provident fund:

Size of the fund - Total assets	***518,843,500***	460,105,590
Cost of investments	***501,971,724***	439,058,570
Percentage of investments made	***97%***	95%
Fair value of investments	***501,971,724***	441,347,090

42 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

	2025			2024		
Items	***Non-Executives (Independent Directors)***	***President / CEO***	***Key Management Personnel***	Non-Executives (Independent Directors)	President / CEO	Key Management Personnel
			-------------------- Rupees --------------------			
Fees and allowances	***5,500,000***	-	-	6,000,000	-	-
Managerial remuneration						
i) Fixed	***-***	***18,399,998***	***92,185,709***	-	12,518,151	58,257,911
Charge for defined benefit plan	***-***	***-***	***9,817,642***	-	2,871,077	13,796,068
Contribution to defined contribution plan	***-***	***-***	***7,679,071***	-	967,785	4,415,429
Rent and house maintenance	***-***	***7,359,998***	***36,874,278***	-	5,007,259	23,303,157
Utilities	***-***	***1,839,998***	***6,917,062***	-	90,012	3,324,550
Medical	***-***	***-***	***2,301,512***	-	1,161,805	2,501,271
Others	***-***	***5,060,104***	***46,539,327***	-	12,280,740	28,387,927
Total	***5,500,000***	***32,660,098***	***202,314,601***	6,000,000	34,896,829	133,986,313
Number of persons	***7***	***1***	***12***	8	2	11

43 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, is based on quoted market price.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

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

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or 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).

a) Financial instruments in level 1

Currently, no financial instruments are classified in level 1.

b) Financial instruments in level 2

Financial instruments included in level 2 comprise of investment in market treasury bills.

c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

The Bank’s policy is to recognize transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused such transfer takes place. There were no transfers between levels 1 and 2 during the year.

The table below analyses the financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized.

		2025				
		Carrying amount	***Fair value***			
		Carrying Value	***Level 1***	***Level 2***	***Level 3***	***Total***
	Note	***Rupees***				
On-Balance sheet financial instruments						
Financial assets measured at fair value						
Investments	***10***	***6,443,102,790***	***-***	***6,443,102,790***	***-***	***6,443,102,790***

		2024				
		Carrying amount	Fair value			
		Total	Level 1	Level 2	Level 3	Total
	Note	Rupees				
On-Balance sheet financial instruments						
Financial assets measured at fair value						
Investments	***10***	4,562,000,100	-	4,562,000,100	***-***	***4,562,000,100***

44 RELATED PARTY TRANSACTIONS

Duringtheyear,theBank'srelatedpartiescompriseofdirectors,keymanagementpersonnel,shareholders,associatedcompanyandemployeeretirementfund.Transactionswithrelatedpartiesduringtheyear,otherthanthosewhichhavebeen disclosed elsewhere in these financial statements, are as follows:

	2025							2024				
	CEO	Key management personnel	Directors	ABHI Private Limited	TPL CORP	TPL Insurance	Kashf Foundation Provident Fund Trust	CEO	Key management personnel	Directors	FINCA Network Support B.V.	Kashf Foundation Provident Fund Trust
	------------- Rupees -------------											
ADVANCES												
Opening balance	-	10,662,390	-	-	-	-	-	-	8,955,961	-	-	-
Addition during the year	49,000,000	161,172,838	-	-	-	-	-	-	9,105,950	-	-	-
Repaid during the year	(24,000,000)	(55,961,760)	-	-	-	-	-	-	(7,399,521)	-	-	-
Closing balance	25,000,000	115,873,468	-	-	-	-	-	-	10,662,390	-	-	-
OTHER ASSETS												
Interest / mark-up accrued	-	686	-	-	-	-	-	-	-	-		-
DEPOSITS AND OTHER ACCOUNTS												
Opening balance	364,634	10,260,170	98,974	-		-	8,364	6,795	4,389,393	99,642	-	176,081,333
Adjustment due to change in related parties - net	-	-	(93,713)	-	-	-	-	99,534	(54,272)			
Received during the year	137,023,369	632,280,625	16,132,493	184,358,360,123	1,000,011,176	895,000,000	688	38,370,036	225,338,627	-	-	37,923,276
Withdrawn during the year	(135,404,166)	(599,125,498)	(16,082,833)	(180,885,367,682)	(1,000,000,850)	-	(1,014)	(38,111,731)	(219,413,578)	(668)	-	(213,996,245)
Closing balance	1,983,837	4 3,415,297	54,921	3,472,992,441	10,326	895,000,000	8,038	364,634	10,260,170	98,974	-	8,364
OTHER LIABILITIES												
Markup / return / interest payable	-	199,082	-	1,681,399	96	-	445	-	39,038	-	-	-
TRANSACTION DURING THE YEAR												
Income												
Mark-up/return/interest earned	1,415,803	3,138,476	-	-			-	-	1,078,861	-	-	-
Expense	-	-	-	-			-					
Mark-up/return/interest expensed	-	898,665	1,936,133	4,261,513	973	-	904	-	849,895	-	-	37,926,503
Contribution to provident fund	-	7,679,071	-	-	-	-	-	967,785	4,415,429	-	-	-
IT expenses	-	-	-	-	-	-	-	-	-	-	147,972,105	-
Liability written back	-	-	-	-	-	-	-	-	-	-	386,319,337	-

45			2025	2024
	CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS	***Note***	***Rupees***	Rupees
	Minimum Capital Requirement (MCR):			
	Paid-up Capital (net of losses)	***45.1***	***1 ,602,651,705***	(4,029,874,020)
	Capital Adequacy Ratio (CAR):			
	Eligible Common Equity Tier - 1 (CET1) Capital	***45.1***	***(3,458,125,569)***	(9,236,610,721)
	Eligible Additional Tier - 1 (ADT1)) Capital		**-**	-
	Total Eligible Tier-1 Capital		***(3,458,125,569)***	(9,236,610,721)
	Eligible Tier2 capital		**-**	-
	Total Eligible Capital (Tier1+Tier2)		***(3,458,125,569)***	(9,236,610,721)
	Risk Weighted Assets (RWAs):			
	Credit Risk		***1 6,494,820,845***	7 ,945,859,584
	Operational Risk		***5 60,405,126***	5 85,624,012
	Total		***1 7,055,225,971***	8 ,531,483,596
	Common Equity Tier1 Capital Adequacy Ratio		***-20.28%***	-108.27%
	Tier1 Captial Adequacy Ratio		***-20.28%***	-108.27%
	Total Capital Adequacy Ratio		***-20.28%***	-108.27%

The Bank is required to maintain minimum capital of Rs. 1,000 million and capital adequecy ratio (CAR) equivalent to at least 15% of its risk weighted assets.

45.1 For the purpose of calculation of MCR and CAR the State Bank of Pakistan vide letter No. SBPHOK- BPRD-BACPD-FINCA-1103497 dated March 11, 2026 has allowed the Bank to take into account the amount of Rs. 2 billion received from its sponsor shareholders (ABHI Private Limited) for the purpose of additional equity injection, being held in deposit account maintained with the Bank as at the reporting date. Further, the Bank was granted a specific relaxation by the State Bank of Pakistan (SBP) in respect of Capital Adequacy Ratio (CAR) vide letter No. BPRD(A&BLD)/FMFB/7166 dated November 11, 2024 (refer to Note 49).

45.2 Bank uses standardized approach for calculation of Credit risk weighted asset. Under this approach, the risk weighted amount of an on-balance sheet asset is determined by multiplying its current book value (including accrued interest or revaluations, and net of any specific provision or associated depreciation) by the relevant risk weight as provided by State Bank of Pakistan through ACFID Circular No. 01 of May 16, 2025.

For the calculation of operational risk weighted assets, average positive gross income of the bank over the past three years is used. Figures for any year in which gross income is negative or zero is excluded from both numerator and denominator when calculating average.

46 RISK MANAGEMENT

46.1 Risk Management Department

Banks maintains a structured approach to risk management. The risk management department is led by the Chief Risk Officer (CRO). The Board of Directors (BoD) has authorized the department to implement and monitor a comprehensive risk management framework across the bank. The Board, via its Board Risk and Compliance Committee conducts assessments of the bank's principal risks.

46.1.1 Key Components of Risk Management

- Active Board/Senior Management Direction: Ensures strategic alignment and oversight of risk management.
- Robust Policies and Procedures: Provides a framework for managing risks effectively.
- Adequate Risk Measurement, Monitoring, and Management Information Systems: Enables accurate assessment and tracking of risks.
- Comprehensive Internal Controls: Ensures adherence to policies and procedures.

46.1.2 Risk Management Architecture

1. Credit Risk Management Unit

- Reviews, completes, and conducts due diligence on credit proposals initiated by branches.

2. Credit Administration Department

- Manages loan collateral, documentation, and disbursement aspects of the credit portfolio.
- Ensures that all legal and procedural requirements are met during the lending process.

3. Operational Risk Management Unit

- Focuses on identifying, assessing, and mitigating operational risks (e.g., operational issues, process gaps, system failures, human error).
- Implements controls and processes to minimize operational losses and ensure smooth business operations.

4. Market and Liquidity Risk

- Monitors and controls interest rate, prices, and treasury-related risks, ensuring activities are conducted within approved limits and regulatory requirements.
- Ensures sufficient liquidity to meet obligations through effective cash flow management, funding oversight, and contingency planning.

46.2 Credit Risk

The possibility of monetary loss to financial institutions arising due to the inability or unwillingness of a counterparty to perform a commitment as per the agreed terms and conditions, inter alia, on account of lending, trading, hedging, settlement, and other financial transactions.

Credit risk is managed through the credit policies approved by the Board; a defined credit approval mechanism; use of internal risk ratings; prescribed documentation requirements; post-disbursement administration, review, and monitoring of loans; and continuous assessment of credit worthiness of counterparties. Decisions regarding the credit portfolio are taken by the ***Asset and LiabilityCommittee (ALCO)*** and ***Management Risk and Compliance Committee***. The Bank is committed to the appropriate level of due diligence to ensure that credit risk is identified and analyzed diligently, ensuring that credit commitments are appropriately structured, priced (in line with market practices) and documented. The Bank has a ***Credit Risk Procedural Manual*** and a ***Credit Policy*** in place to strategize and govern the Bank’s overall lending strategy.

46.2.1 Exposure to credit risk

	December 31, 2025		December 31, 2024	
	Balance as per the Statement of Financial position	Maximum Exposure	Balance as per the Statement of Financial position	Maximum Exposure
	------------------------- Rupees -------------------------			
Cash and balances with treasury banks	9,863,364,956	-	3,409,587,839	-
Balances with other MFBs / Banks / NBFIs	7,547,109,841	7,547,109,841	5,452,594,698	5,452,594,698
Lending to financial institutions	2,762,889,000	2,762,889,000	-	-
Investments	6,443,102,790	-	4,562,000,100	-
Advances	37,555,584,192	37,555,584,192	18,386,926,694	18,386,926,694
Other assets	6,096,209,065	6,096,209,065	2,674,715,692	2,674,715,692
	70,268,259,844	53,961,792,098	34,485,825,023	26,514,237,084

46.2.2 Credit ratings

Balances with other MFBs / Banks / NBFIs have the following credit ratings:

		December 31, 2025		December 31, 2024	
Rating		Rupees	%	Rupees	%
A-1+	United Bank Limited	531,572,467	7.04%	51,830,565	0.95%
A-1+	MCB Bank Limited	10,172,038	0.13%	17,546,169	0.32%
A-1+	Habib Bank Limited	306,277	0.00%	82,515	0.00%
A1+	JS Bank Limited	1,071,529	0.01%	10,378	0.00%
A1	Telenor Microfinance Bank	4,692	0.00%	4,502	0.00%
A-1+	Allied Bank Limited	161,892	0.00%	136,451	0.00%
A-1 / A-1	Mobilink Microfinance Bank Limited	1,011,505	0.01%	3,001,109,561	55.04%
A-1+	Soneri Bank Limited	3,000,010,426	39.75%	1,380,091,050	25.31%
A-1+	Bank Alfalah Limited	1,697,190	0.02%	1,541,490	0.03%
A1	Samba Bank Limited	173,575	0.00%	159,075	0.00%
A-2	Khushhali Bank Limited	1,000,010,013	13.25%	10,000	0.00%
A-1+	The Bank of Punjab	83,128	0.00%	72,942	0.00%
A1+	Pak Libya Holding Company	-	0.00%	1,000,000,000	18.34%
A+/A-1	U Microfinance Bank Limited	544,287	0.01%	-	0.00%
BBB / A3	Halan Microfinance Bank Limited	1,000,006,575	13.25%	-	0.00%
A- / A2	LOLC Microfinance Bank Limited	2,000,284,247	26.50%	-	0.00%
Total balance		7,547,109,841	100%	5,452,594,698	100%

46.2.2.1 Above ratings are on the basis of available ratings assigned by PACRA and VIS.

46.2.3 Investments in government securities

Credit risk by industry sector

	Gross investments		Non Performing investments		Credit Loss Allowance Booked	
	2025	2024	***2025***	2024	***2025***	2024
	----- Rupees -----					
Federal government securities	***6,443,102,790***	4,562,000,100	**-**	**-**	**-**	**-**

46.2.4 Lending to financial institutions

Credit risk by industry sector

	Gross investments		Non Performing investments		Credit Loss Allowance Booked	
	2025	2024	***2025***	2024	***2025***	2024
	----- Rupees -----					
Federal government securities	***2,762,889,000***	-	**-**	**-**	**-**	**-**

As disclosed in Note 9.2, these lendings are secured by market treasury bills. The total market value of these market treasury bills is Rs. 3 billion (2024: Nil).

46.2.5 Advances

Credit risk by industry sector

	Gross advances		Non Performing advances		Credit Loss Allowance Booked	
	2025	2024	***2025***	2024	***2025***	2024
	----- Rupees -----					
Individuals	***38,162,579,357***	19,174,237,074	***258,392,150***	480,253,956	***606,995,165***	787,310,380

46.2.6 Concentration of credit risk:

Credit concentration risk arises mainly due to concentration of exposures under various categories viz., industry, geography, and single / group borrower obligor. Within credit portfolio, as a prudential measure aimed at better risk management and avoidance of concentration of risks, the SBP has prescribed regulatory limits on banks' maximum exposure to single and group obligors. Within the SBP limits, the Bank has further defined limits to avoid excessive concentration of portfolio.

46.2.7 Definition of default and cure

Default

The Bank considers a financial instrument in default when:
- The instrument is considered credit-impaired(transferred to stage 3) for ECL calculations in all cases of its advances to customers, and the borrower becomes 60 days past due on its contractual payments (for general loans).

For treasury and interbank balances, default occurs when required intraday payments are not settled by the close of business, as outlined in individual agreements.

As part of the qualitative assessment, even if the 60-day threshold isn't met, the Bank considers a customer in default if any of the following events occur, indicating unlikeliness to pay:
- The borrower is deceased.
- A material decrease in the underlying collateral value where recovery is expected from the sale of the collateral.
- A covenant breach not waived by the Bank.
- Pending litigations.
- The borrower is unable to pay due to any other reason.

Cure

A financial instrument is considered "cured" when it is reclassified out of Stage 3 (default). This occurs when none of the default criteria mentioned above are present. Critically, financial assets cannot move directly from Stage 3 to Stage 1. There is a minimum 6-month probationary period for any asset moving from Stage
2 to Stage 1. After being cured (moved out of Stage 3), the asset will be classified as Stage 2. This classification depends on the updated delinquency status at the time of the cure and an assessment of whether there has been a significant decrease in credit risk.

46.2.8 PD estimation process

46.2.8.1 Advances

The banks entire loans and advances portfolio consist of Advances. Advances comprises agriculture, livestock, enterprise, gold and house loans . The Bank does not have credit score card model for consumer landings, therefore, the Bank used delinquency (day past due) based model for estimation of PDs. Average monthly transitions to default of relevant delinquencystates were converted into current 12 months point in time PDs using statistical models. The lifetime PD is developed by applying a maturity profile to the current 12 months PD. Data from 1 January 2017 till date has been used for PD estimations.

46.2.8.2Bank balances

For bank balances and terms deposits, the Bank’s market risk department analyses publicly available information such as financial information and other external data, e.g., the rating of good rating agency. PDs of external ratings are sourced from studies of international credit agencies such as S&P Global and Moody's.

46.2.9 LGD estimation process

The Bank segments its consumer lending products into smaller homogeneous segments, based on key characteristics that are relevant to the estimation of future cash flows. The bank calculate LGD of each segment based historical experiences of cash recoveries from defaults (including settlements), cost and time of recoveries. Effective interest rate or approximate thereof has been used to discount recoveries to date of default. Data from 1 January 2017 till date has been used for LGD estimations. For receivables from the banks, investments and nano lending, the Bank used LGD percentages prescribed under Basel Foundation – Internal Rating Based (F-IRB) approach to determine ECL under BSD Circular No. 08 dated June27, 2006 issued by SBP.

46.2.10 Forward looking information:

IFRS 9 requires incorporating future economic conditions into the measurement of ECL. Future economic conditions are incorporated byadjusting estimates of PD to reflect expectations about the stage of economic cycle expected to be prevalent in the economy as-and-when default is expected to arise in the future. The macroeconomic factors were selected based on management judgement and analysis of historical default rates. GDP growth rate and CPI were considered to be the most suitable for the Bank's customers. The GDP and CPI forecast were sourced from International Monetary Fund (IMF) which were used to determine forward looking Point in time PDs (Pit PDs).

46.3 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events.

Operational Risk Management is housed within Risk Management and comprehensive ORM and BCM frameworks are in place addressing key operational risk aspects related to people, processes, systems, and external events. The Management Risk and Compliance Committee. oversees and monitors operational risk issues and its mitigation. The bank utilizes key ORMtools, including Risk Control Self-Assessment (RCSA), KeyRisk Indicators (KRIs), Risk Appetite and operational loss data, to assess the likelihood and severity of operational risks.

46.4 Interest / mark-up rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. The Bank's interest rate exposure is low due to the short-term nature of the majority of business transactions. Interest rate risk is also controlled through flexible credit pricing mechanism and variable deposit
rates. Optimization of yield is achieved through the Bank's investment strategy which aims on attaining a balance between yield and liquidity under the strategic guidance of Assets and Liability Committee of Management (ALCO).

46.5 Market Risk

It is the risk arising from changes in the value of on and off-balance sheet positions of the Bank due to adverse movements in market rates or prices such as interest rates, foreign exchange rates, equity prices, credit spreads and commodity prices, resulting in a loss to earnings and capital.

The Market Risk Unit monitors the impact of price and rate movements on the Bank's portfolios and periodically reports to the Asset and Liability Committee (ALCO), which are primarily responsible for oversight of market risk. The risk management department has developed various tools for risk measurement and carries out stress tests, using both internally developed scenarios and scenarios prescribed by the regulator.

46.6 Foreign Exchange Risk

Foreign exchange risk arises in case of an on balance sheet / off balance sheet asset or liability position when there is adverse exchange rate movement. The Bank's exposure to this category of market risk is negligible as the Bank has no foreign currency reserves and has minimal foreign currency transaction.

46.7 Liquidity risk

Liquidity risk is the potential for loss to an institution arising from either its inability to meet its obligations or to fund increase in assets as they fall due without incurring unacceptable cost or losses.

The Bank's Asset and Liability Committee (ALCO) sets the overall strategy and oversees asset and liability management. Liquidity risk is monitored through several metrics, including the Cash Reserve Requirement, Statutory Liquidity Requirement, liquidity gaps, stress testing, and various liquidity ratios. Liquidity Risk Management regularly monitors these metrics, and the ALCO reviews liquidity risk monthly.

46.7.1Assets & Liabilities - based on contractual maturity

	2025							
	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 to 12 months	Over 1 to 2 Years	Over 2 to 5 Years	Over 5 Years	Total
	------ Rupees ------							
Assets								
Cash and balances with SBP and NBP	9,863,364,956	-	-	-	-	-	-	9,863,364,956
Balances with other banks/NBFIs/MFBs	7,547,109,841	-	-	-	-	-	-	7,547,109,841
Lending to financial institutions	2,762,889,000	-	-	-	-	-	-	2,762,889,000
Investments - net of provisions	4,017,111,977	-	1,444,978,499	-	981,012,314	-	-	6,443,102,790
Advances - net of provisions	5,057,907,486	4,709,946,336	7,917,217,283	19,257,362,717	342,856,014	269,499,556	794,800	37,555,584,192
Property and equipment	52,559,163	64,380,361	76,578,513	112,104,616	171,065,071	245,021,606	270,307,157	992,016,487
Right-of-use Assets	524,272	2,141,835	4,978,528	15,065,623	56,125,875	166,689,443	783,935,971	1,029,461,547
Intangible assets	39,235,250	41,845,569	44,577,837	15,313,709	20,884,270	21,487,017	7,371,689	190,715,341
Deferred tax asset	-	-	-	-	-	4,268,015,321	-	4,268,015,321
Other assets	6,387,202,672	-	-	-	-	-	26,319,762	6,413,522,434
	35,727,904,617	4,818,314,101	9,488,330,660	19,399,846,665	1,571,943,544	4,970,712,943	1,088,729,379	77,065,781,909
Liabilities								
Bills Payable	114,006,111	-	-	-	-	-	-	114,006,111
Deposit and other accounts	36,131,197,509	4,057,488,218	7,492,722,078	14,573,833,521	2,953,040,314	3,880,002,373	-	69,088,284,013
Lease Liabilities	444,922	3,573,469	8,362,630	24,556,381	116,277,370	250,688,929	851,429,842	1,255,333,543
Borrowings including subordinated debt	-	-	-	-	-	672,286,612	3,000,000,000	3,672,286,612
Other liabilities	2,935,460,758	-	-	65,463,764	55,382,567	276,912,836	-	3,333,219,925
	39,181,109,300	4,061,061,687	7,501,084,708	14,663,853,666	3,124,700,251	5,079,890,750	3,851,429,842	77,463,130,204
Off balance sheet	-	-	-	-	-	-	-	-
	39,181,109,300	4,061,061,687	7,501,084,708	14,663,853,666	3,124,700,251	5,079,890,750	3,851,429,842	77,463,130,204
Net Assets	(3,453,204,683)	757,252,414	1,987,245,952	4,735,992,999	(1,552,756,707)	(109,177,807)	(2,762,700,463)	(397,348,295)

Represented By

Share capital	4,259,846,817
Capital Contribution Reserve	600,000,000
Statutory and general reserves	1,072,706,246
Depositors' protection fund	592,756,810
Surplus on revaluation of assets	9,289,802
Accumulated losses	(6,931,947,970)
	(397,348,295)

	2024							
	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 to 12 months	Over 1 to 2 Years	Over 2 to 5 Years	Over 5 Years	Total
	Rupees							
Assets								
Cash and balances with SBP and NBP	3,409,587,839	-	-	-	-	-	-	3,409,587,839
Balances with other banks/NBFIs/MFBs	5,452,594,698	-	-	-	-	-	-	5,452,594,698
Investments - net of provisions	-	2,405,843,648	-	2,156,156,452	-	-	-	4,562,000,100
Advances - net of provisions	1,385,491,508	2,680,180,217	3,112,422,198	10,857,849,558	286,399,373	62,374,486	2,209,354	18,386,926,694
Property and equipment	13,703,355	23,688,971	32,944,002	59,340,747	106,199,735	163,037,949	17,739,322	416,654,081
Right-of-use Assets	20,940,036	13,329,955	17,291,744	34,760,556	93,094,678	169,027,262	298,362,571	646,806,802
Intangible assets	3,248,340	6,373,806	9,226,191	17,264,094	31,439,800	39,590,608	10,943,592	118,086,431
Deferred tax asset	-	-	-	-	-	4,602,670,938	-	4,602,670,938
Other assets	2,727,696,453	12,747,545	6,373,766	-	-	-	10,431,162	2,757,248,926
Total	13,013,262,229	5,142,164,142	3,178,257,901	13,125,371,407	517,133,586	5,036,701,243	339,686,001	40,352,576,509
Liabilities								
Bills Payable	116,212,293	-	-	-	-	-	-	116,212,293
Deposit and other accounts	15,735,826,962	3,441,377,032	7,982,919,585	8,373,225,603	464,338,567	228,496,952	-	36,226,184,701
Lease Liabilities	35,065,363	23,244,480	27,725,025	60,470,790	175,660,855	259,725,094	316,214,428	898,106,035
Borrowings including subordinated debt	-	-	-	-	-	800,000,000	3,000,000,000	3,800,000,000
Other liabilities	2,972,071,552	-	-	109,141,942	43,455,668	217,278,338	-	3,341,947,500
	18,859,176,170	3,464,621,512	8,010,644,610	8,542,838,335	683,455,090	1,505,500,384	3,316,214,428	44,382,450,529
Off balance sheet	-	-	-	-	-	-	-	-
Total	18,859,176,170	3,464,621,512	8,010,644,610	8,542,838,335	683,455,090	1,505,500,384	3,316,214,428	44,382,450,529
Net Assets	(5,845,913,941)	1,677,542,630	(4,832,386,709)	4,582,533,072	(166,321,504)	3,531,200,859	(2,976,528,427)	(4,029,874,020)
Represented By								
Share capital	2,259,846,817							
Advance against issue of shares	-							
Statutory and general reserves	868,881,433							
Depositors' protection fund	482,045,565							
Surplus on revaluation of assets	3,933,767							
Accumulated losses	(7,644,581,602)							
	(4,029,874,020)							

47MATERIAL OUTSOURCING ARRANGEMENTS

In compliance to the BPRD circular no. 06 of 2017 of SBP, the material outsourcing arrangements of the Bank are listed below:

Sr #	Name of the service provider	Name of service	Estimated cost of outsourcing 2025 (per annum)	Estimated cost of outsourcing 2024 (per annum)
			Rupees	Rupees
1	ProConsult International	Services realted to IFRS9, IFRS16	5,142,500	-

48COMPLAINTS MANAGEMENT MECHANISM

The Bank is a customer oriented organization and gives due consideration to the valuable feedback of its customers. Complaints are treated as opportunity to align our products/services and processes to serve the customers in a best possible way. The Bank ensures that resolution of complaints is comprehensive, appropriate and is dealt with agility; keeping customers informed of their complaint status from acknowledgement till the final resolution. An escalation matrix for complaint management has also been put into place internally for effective and efficient resolution of the customer complaints logged in. During the year 9,242 (2024: 10,611) complaints were received by the Bank and were resolved with average resolution time of 4 days (2024: 5 days).

49RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	2025			
	Share capital	Capital Contribution Reserve	Lease liability	Total
	Rupees	Rupees	Rupees	Rupees
Carrying amount as at January 1, 2025	2,259,846,817	-	898,106,035	3,157,952,852
Changes from financing cash flows:				
Payment of lease liabilities	-	-	(411,556,559)	(411,556,559)
Issue of share capital	2,000,000,000	-	-	2,000,000,000
Capital Contribution Reserves received		600,000,000	-	600,000,000
	2,000,000,000	600,000,000	(411,556,559)	2,188,443,441
Other liability changes				
Interest expense during the year	-	-	168,638,771	168,638,771
Additions	-	-	600,145,296	600,145,296
Modification during the Year	-	-	-	-
	-	-	768,784,067	768,784,067
Carrying amount as at December 31, 2025	4,259,846,817	600,000,000	1,255,333,543	6,115,180,360

	2024			
	Share capital	Capital Contribution Reserve	Lease liability	Total
	Rupees	Rupees	Rupees	Rupees
Carrying amount as at January 1, 2024	2,259,846,817	-	770,731,115	3,030,577,932
<u>Changes from financing cash flows</u>:				
Payment of lease liabilities	-	-	(344,865,776)	(344,865,776)
<u>Other liability changes</u>				
Interest expense during the year	-	-	132,759,148	132,759,148
Additions	-	-	345,302,094	345,302,094
Modification during the Year	-	-	(5,820,546)	(5,820,546)
	-	-	472,240,696	472,240,696
Carrying amount as at December 31, 2024	2,259,846,817	-	898,106,035	3,157,952,852

50SUBSEQUENT EVENTS

During the year, the Bank received remaining Rs. 2 billion from its sponsor shareholder Abhi Private Limited as part of its commitment of Rs. 4 billion to SBP for the acquisition of the Bank. The amount was initially received in deposit account of Abhi Private Limited being maintained with the Bank. Subsequent to year end, at the request of ABHI Microfinance Bank Limited and undertaking submitted by Abhi Private Limited to that effect, the SBP vide letter No. SBPHOK-BPRD-BACPD-FINCA-1103497 dated March 11, 2026 allowed the Bank to treat this as advance share deposit money for MCR and CAR purposes for the year ended December 31, 2025 and allowed six-month period to obtain Securities and Exchange Commission of Pakistan approval for the issuance of shares.

Pursuant to SBP's approval, subsequent to the year end, the Bank classified this amount as advance against issuance of shares, forming part of the equity position of the Bank.

51DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Bank in their meeting held on

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Chief Executive Officer	***Chairman***	***Chief Financial Officer***	***Director***	***Director***

Annexure-I

As refered to the the Note 12.2.2 details of property and equipment book value greater than the Rs. 250,000/- and Cost exceeds Rs. 1,000,000 /- during the year.

Particular of assets	***COST***	***Quantity***	***Total Cost***	***ACC. DEP***	***NET BOOK VALUE***	***SALE PROCEED***	***GAIN/ (LOSS)***	***SOLD TO PARTY***	***DISOSAL MODE***	***Relationship***
Leasehold Improvements										
Renovation - FINCA HO	8,873,137	12	106,477,648	60,469,128	46,008,520	20,997,918	(25,010,602)	BOP	Tender	Third Party
Renovation - FINCA Parking Area	4,249,620	1	4,249,620	2,549,771	1,699,849	775,797	(924,052)	BOP	Tender	Third Party
Sub-total (A)	***13,122,757***		***110,727,268***	***63,018,899***	***47,708,369***	***21,773,715***	***(25,934,654)***			
Office equipments										
Air Conditioners	76,575	182	13,936,647	7,256,879	6,679,768	3,048,611	(3,631,127)	BOP	Tender	Third Party
Telephone Exchange	22,515	18	405,270	329,234	76,036	34,703	(41,333)	BOP	Tender	Third Party
LED TV	57,027	31	1,767,824	1,188,942	578,882	264,200	(314,682)	BOP	Tender	Third Party
UPS	466,682	7	3,266,773	2,322,466	944,307	430,987	(513,320)	BOP	Tender	Third Party
Other Furniture & Fixture	28,008	60	1,680,459	873,603	806,856	368,207	(438,649)	BOP	Tender	Third Party
Sub-total (B)	***650,807***		***21,056,973***	***11,971,124***	***9,085,849***	***4,146,708***	***(4,939,111)***			
Computer equipments										
Cam era	6,449	114	735,177	658,029	77,148	34,909	(42,239)	BOP	Tender	Third Party
Sub-total (C)	***6,449***		***735,177***	***658,029***	***77,148***	***34,909***	***(42,239)***			
Furniture & Fixtures										
Executive Tables	40,962	198	8,110,459	5,493,994	2,616,465	1,196,291	(1,420,174)	BOP	Tender	Third Party
Chairs	10,573	793	8,384,084	5,746,014	2,638,070	1,202,233	(1,435,837)	BOP	Tender	Third Party
Other Furniture & Fixtures	29,023	554	16,078,761	10,863,487	5,215,274	2,380,285	(2,834,989)	BOP	Tender	Third Party
Sub-Total (d)	***80,558***		***32,573,304***	***22,103,495***	***10,469,809***	***4,778,809***	***(5,691,000)***			
Grand Total(A+B+C+D)	***13,860,571***		***165,092,722***	***97,751,547***	***67,341,175***	***30,734,141***	***(36,607,004)***			