



FINANCIAL STATEMENTS
OF
HALAN MICROFINANCE BANK LIMITED
FOR THE YEAR ENDED
DECEMBER 31, 2025

BDO Ebrahim & Co. Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HALAN MICROFINANCE BANK LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **HALAN 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 statement of cash flows for the year then ended, including material accounting policy information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit and loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part there of conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Microfinance Institutions Ordinance, 2001 and the directives issued by the State Bank of Pakistan (SBP) 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 loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Emphasis of matter

We draw attention to note 14.1 of the financial statements, which discloses that the Bank has recognized a deferred tax asset based on the expectation of sufficient taxable profits in future years. The preparation of these financial projections involves significant management's assumptions regarding future business and economic conditions. Any significant changes in these assumptions could impact 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 Director's 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 Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of the Microfinance Institutions Ordinance, 2001 and the Companies Act, 2017 (XIX of 2017) and the directives issued by the State Bank of Pakistan (SBP) 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.

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 Microfinance Institutions Ordinance, 2001 and 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 Microfinance Institutions Ordinance, 2001 and the Companies Act, 2017 (XIX of 2017) and the directives issued by SBP & SECP 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) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII).

The engagement partner on the audit resulting in this independent auditor's review report is Zulfikar Ali Causer.

KARACHI

DATED: APRIL 9, 2026

UDIN: AR202510067tmpdRhOqc

**BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS**

HALAN MICROFINANCE BANK LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2025

	Note	2025	2024
------(Rupees)-----			
ASSETS			
Cash and balances with treasury banks	7	717,594,126	317,962,346
Balances with other banks and microfinance bank	8	1,512,393,930	374,343,669
Investments	9	3,181,494,868	1,789,584,902
Advances	10	6,991,037,937	2,310,678,554
Property and equipment	11	712,598,979	213,396,409
Right-of-use assets	12	1,053,676,816	305,797,319
Intangible assets	13	170,435,639	5,954,054
Deferred tax assets	14	130,615,519	113,221,188
Other assets	15	344,408,488	179,605,507
TOTAL ASSETS		14,814,256,302	5,610,543,948
LIABILITIES			
Borrowings	16	201,323,000	1,094,985
Deposits and other accounts	17	11,611,201,195	4,615,618,531
Lease liabilities	18	1,114,842,840	333,611,054
Deferred grant	19	714,669	714,669
Other liabilities	20	289,181,256	157,423,741
TOTAL LIABILITIES		13,217,262,960	5,108,462,980
NET ASSETS		1,596,993,342	502,080,968
REPRESENTED BY			
Share capital	21	4,926,988,100	2,870,663,100
Statutory reserve		13,766,170	13,766,170
Depositor protection fund		24,474,128	14,446,905
Accumulated loss		(3,368,235,056)	(2,396,795,207)
		1,596,993,342	502,080,968
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 49 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER CHIEF FINANCIAL OFFICER CHAIRMAN DIRECTOR DIRECTOR



HALAN MICROFINANCE BANK LIMITED
STATEMENT OF PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2025

	Note	2025	2024
		------(Rupees)-----	
Mark-up / Return / Interest earned	23	2,080,964,249	1,612,978,393
Mark-up / Return / Interest expensed	24	(957,435,804)	(994,878,520)
Net mark-up / interest income		1,123,528,445	618,099,873
Non mark-up / Interest Income			
Fee and commission income	25	325,305,912	153,815,292
Dividend income		-	-
Net (losses) / gains on derecognition of financial assets measured at amortized cost	26	(499,829)	72,423
Other income	27	116,005,241	68,588,072
Total non-markup / interest income		440,811,324	222,475,787
Total income		1,564,339,769	840,575,660
Non mark-up / Interest Expenses			
Operating expenses	28	(2,290,799,905)	(1,260,907,019)
Other charges	29	(148,241)	-
Total non-markup / interest expenses		(2,290,948,146)	(1,260,907,019)
Loss before credit loss allowance		(726,608,377)	(420,331,359)
Credit loss allowance and write offs - net	30	(222,072,138)	(300,070,900)
Loss before taxation and Minimum tax Differential		(948,680,515)	(720,402,259)
Minimum tax differential	31	(30,126,440)	(22,521,142)
Loss before taxation		(978,806,955)	(742,923,401)
Taxation	32	17,394,329	15,584,211
Loss after taxation		(961,412,626)	(727,339,190)
Loss per share - Basic and diluted	33	(2.50)	(2.96)

The annexed notes 1 to 49 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER CHIEF FINANCIAL OFFICER CHAIRMAN DIRECTOR DIRECTOR



**HALAN MICROFINANCE BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2025**

	2025	2024
	----- (Rupees) -----	
Loss after taxation for the year	(961,412,626)	(727,339,190)
Other comprehensive income	-	-
Total comprehensive loss for the year	<u>(961,412,626)</u>	<u>(727,339,190)</u>

The annexed notes 1 to 49 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER CHIEF FINANCIAL OFFICER CHAIRMAN DIRECTOR DIRECTOR



HALAN MICROFINANCE BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2025

	Share capital	Capital Reserves		Accumulated loss	Total
	Share capital	Statutory reserve	Depositor Protection fund		
Note	(Rupees)				
Balance as at January 1, 2024	2,045,663,100	13,766,170	8,055,042	(1,423,113,172)	644,371,140
Impact of initial adoption of IFRS 9				(239,950,982)	(239,950,982)
	2,045,663,100	13,766,170	8,055,042	(1,663,064,154)	404,420,158
Loss after taxation for the year	-	-	-	(727,339,190)	(727,339,190)
Transferred to statutory reserve	-	-	-	-	-
Transferred to depositors' protection fund*	-	-	6,391,863	(6,391,863)	-
Other comprehensive income - net of tax	-	-	-	-	-
Transactions with owners, recorded directly in equity					
82,500,000 shares, having face value of Rs. 10 each issued during the year at par	825,000,000	-	-	-	825,000,000
Balance as at January 01, 2025	2,870,663,100	13,766,170	14,446,905	(2,396,795,207)	502,080,968
Loss after taxation for the year	-	-	-	(961,412,626)	(961,412,626)
Transferred to statutory reserve	-	-	-	-	-
Transferred to depositors' protection fund*	-	-	10,027,223	(10,027,223)	-
Other comprehensive income - net of tax	-	-	-	-	-
Transactions with owners, recorded directly in equity					
205,632,500 shares, having face value of Rs. 10 each issued during the year at par	2,056,325,000	-	-	-	2,056,325,000
Balance as at December 31, 2025	4,926,988,100	13,766,170	24,474,128	(3,368,235,056)	1,596,993,342

The annexed notes 1 to 49 form an integral part of these financial statements.

* As per Microfinance Institutions Ordinance 2001, the Bank is required to transfer 5% of its annual profits after taxes and profits earned on the investments of the Fund to Depositors' Protection Fund.

CHIEF EXECUTIVE OFFICER CHIEF FINANCIAL OFFICER CHAIRMAN DIRECTOR DIRECTOR



HALAN MICROFINANCE BANK LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2025

	Note	2025	2024
----- (Rupees) -----			
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation and minimum tax differential for the year		(948,680,515)	(720,402,259)
Adjustments:			
Depreciation on property and equipment	28	87,225,474	51,117,483
Depreciation on right-of-use assets	28	103,546,428	59,606,549
Amortization on intangible assets	28	34,534,578	2,271,259
Provision against non-performing advances - net		222,072,138	300,070,899
Return on investments		(9,157,117)	(1,608,527)
Charge / (Reversal) of provision against other assets		892,441	(78,168)
Gain on disposal of property and equipment		(4,204,048)	(4,703,925)
Loss on derecognition of financial assets measured at amortized cost	26	499,829	-
Other Exceptional Profit		(3,508,882)	-
Finance charges on leased assets	28	107,449,010	31,641,326
		539,349,851	438,316,896
Decrease / (Increase) in operating assets			
Advances		(4,902,431,521)	270,329,590
Others assets		(183,079,255)	(54,347,814)
		(5,085,510,776)	215,981,776
Increase in operating liabilities			
Increase in operating liabilities			
Deposits and other accounts		6,995,582,664	838,643,840
Borrowings - net		200,228,015	(181,235,196)
Other liabilities (excluding current taxation)		131,757,515	44,483,933
		7,327,568,194	701,892,577
Income tax paid		(49,295,017)	(23,385,621)
Net cash flow from operating activities		1,783,431,737	612,403,369
CASH FLOW FROM INVESTING ACTIVITIES			
Additions in property and equipment		(573,476,623)	(70,319,830)
Additions in intangible assets		(185,488,906)	(5,769,443)
Proceeds from sale of property and equipment		8,932,792	7,020,893
Investment made during the year		(1,146,215,525)	(661,910,000)
Net cash used in investing activities		(1,896,248,262)	(730,978,380)
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of right share		2,056,325,000	825,000,000
Payments of lease obligations against right-of-use assets		(174,135,309)	(83,251,427)
Net cash flow from financing activities		1,882,189,691	741,748,573
Net Increase in cash and cash equivalents during the year		1,769,373,166	623,173,562
Cash and cash equivalents at beginning of the period	34	1,818,372,390	1,195,198,828
Cash and cash equivalents at end of the period	34	3,587,745,556	1,818,372,390

The annexed notes 1 to 49 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER CHIEF FINANCIAL OFFICER CHAIRMAN DIRECTOR DIRECTOR

HALAN MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

1 STATUS AND NATURE OF BUSINESS

Halan Microfinance Bank Limited (the Bank) was incorporated as a public limited company under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) on April 17, 2012 and was granted license by the State Bank of Pakistan (SBP) on June 28, 2012 to operate as a microfinance bank in the province of Sindh. The Securities and Exchange Commission of Pakistan (SECP) and the SBP granted permissions to the Bank for the commencement of business with effect from November 21, 2012 and January 04, 2013 respectively. The Bank's primary mission is to offer microfinance banking and related services to the underserved and economically disadvantaged segments of society as envisaged under the Microfinance Institutions Ordinance, 2001.

The registered office of the Bank is situated at Plot No.ST 2/A 3rd Floor Building No.3, Islamic Chamber of Commerce near Ocean Mall, Block 9 KDA Scheme 5, Clifton Karachi, Pakistan. The Bank operates through 117 business units (2024 : 24 branches) across Pakistan as disclosed in note 36 to these financial statements.

- 1.1 The bank was a subsidiary of Advans S.A. Sicar (incorporated in Luxembourg) which held 99.99% share capital of the Bank. On August 04, 2023 Advans S.A. Sicar, the parent company of Advans Pakistan Microfinance Bank limited signed shares sales agreement with MNT-Halan Pak B.V. for the sale of 100% shares of Advans Pakistan Microfinance Bank Limited. The SBP accorded the arrangement on October 23, 2023 resulting in change of Bank's parent entity. On March 20, 2024, MNT-Halan Pak B.V. (a company registered in Netherland) acquired 100% shareholding of Advans Pakistan Microfinance Bank Limited. Accordingly, from March 20, 2024, 100% shares of Adans Pakistan Microfinance Bank Limited held by Advans S.A. Sicar were transferred to MNT-Halan Pak B.V. as a result, Adanvs S.A. Sicar ceased to be the parent company of the Bank. Accordingly, on September 16, 2024, the name of the Bank was changed to "Halan Microfinance Bank Limited". On June 03, 2025 the Bank has obtained the nation-wide license under section - 13(2) of the Microfinance Institution Ordinance No. LV OF 2001 authorizing Halan Microfinance Bank Limited (the MFB) to carry out microfinance banking business in Pakistan subject to compliance of all of the applicable laws, rules, regulations and the conditions mentioned in the License.
- 1.2 The Bank's capital (free of losses) amounted to Rs. 1,596.993 million as at December 31, 2025 (December 31, 2024: Rs. 502.081 million) which is above the minimum capital requirements of Rs. 1,000 million as at December 31, 2025.
- 1.3 The credit rating company JCR-VIS assigned the long-term entity rating of the Bank at "BBB" and short term rating at "A-3" on April 30, 2025.

2 BASIS OF PREPARATION

- 2.1 These financial statements have been prepared in compliance with the format for preparation of the financial statements of Microfinance Banks issued by the SBP, vide its BPRD circular No. 3 dated February 9, 2023. The Company believes that there is no significant doubt on the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on going concern basis.

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 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 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

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

- 3.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 40, 'Investment property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has also deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial instruments: disclosures' through its S.R.O. 633(I)/2014 dated July 10, 2014. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements.

3.3 Standards, interpretations and amendments to accounting standards that are effective in the current period.

There are certain amendments to the published accounting and reporting standards that are mandatory for the Bank's annual accounting period beginning on January 1, 2025. However, these are not considered to be relevant or did not have any material effect on the Bank's unconsolidated financial statements and have, therefore, not been disclosed in these unconsolidated financial statements.

4 **APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS**

New accounting standards, amendments and IFRS interpretations that are effective for the year ended December 31, 2025

The following standards, amendments and interpretations are effective for the year ended December 31, 2025. These standards, amendments and interpretations are either not relevant to the Company's operations or did not have significant impact on the financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after)
Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' - Lack of Exchangeability	January 01, 2025

The IASB issued Disclosures about Uncertainties in the Financial Statements - Illustrative examples, which amended multiple IFRS Accounting Standards to include illustrative examples demonstrating how companies can apply IFRS Accounting Standards when reporting the effects of uncertainties in their financial statements.

New accounting standards, amendments and interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's financial statements other than certain additional disclosures.

Amendments to IFRS 7 'Financial Instruments: Disclosures' - Amendments regarding the classification and measurement of financial instruments	January 01, 2026
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Amendments to IFRS 9 'Financial Instruments' - Amendments regarding the classification and measurement of financial instruments	January 01, 2026
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Amendments to IFRS 7 'Financial Instruments: Disclosures' - Amendments regarding nature-dependent electricity contracts that are often structured as power purchase agreements (PPAs)	January 01, 2026
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Amendments to IFRS 9 'Financial Instruments' - Amendments regarding nature-dependent electricity contracts that are often structured as power purchase agreements (PPAs)	January 01, 2026
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	Effective date (annual periods beginning on or after)
Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' - Amendments regarding translations to a hyperinflationary presentation currency	January 01, 2027
IFRS 17 Insurance Contracts	January 01, 2027
IFRS 18 'Presentation and Disclosures in Financial Statements'	January 01, 2027
IFRS 19 'Subsidiaries without Public Accountability: Disclosures'	January 01, 2027

Certain annual improvements have also been made to a number of IFRSs and IASs.

IFRS 1 'First-time Adoption of International Financial Reporting Standards' has been issued by IASB effective from July 01, 2009. However, it has not been adopted yet locally by Securities and Exchange Commission of Pakistan (SECP)

IFRS 17 - 'Insurance contracts' has been notified by the IASB to be effective for annual periods beginning on or after January 1, 2023. However SECP has notified the timeframe for the adoption of IFRS - 17 which will be adopted by January 01, 2027.

5 BASIS OF MEASUREMENT

5.1 Accounting convention

These financial statements have been prepared under the historical cost convention method.

5.2 Functional and presentation currency

These financial statements have been presented in Pakistani Rupees ("Rupees" or "Rs"), which is the Bank's functional and presentation currency.

5.3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with accounting and reporting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgments were made by management in the application of accounting policies are as follows:

- Depreciation methods, residual values and useful lives of property and equipment (notes 6.3 and 11.2).
- Intangible assets valuation and amortization (notes 6.6 and 13).
- Valuation of right-of-use assets and their related lease liability (notes 6.5, 12 and 18).
- Taxation (notes 6.9, 14, 31 and 32).
- Classification of investments (notes 6.24 and 9).
- Advances (notes 6.8 and 10).
- Expected credit loss on advances (notes 6.24 and 10).

6 MATERIAL ACCOUNTING POLICY INFORMATION

6.1 The material accounting policy and methods of computation adopted in the preparation of these financial statements are consistent with those applied in the preparation of the audited annual financial statements for the year ended December 31, 2025.

6.2 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents represent cash in hand, balances held with State Bank of Pakistan, National Bank of Pakistan and with other banks in current and deposit accounts and short term highly liquid investment in Government securities with original maturity of three months or less.

6.3 Property and equipment

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged using the straight line method over the estimated useful lives of assets at the rates stated in note 12.1 to these financial statements. Depreciation on additions is charged from the month when the asset is available for use and on disposals up to the month preceding the month of disposal.

The assets residual values, useful lives and depreciation methods, are reviewed and adjusted, if appropriate, at each reporting date.

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 economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance cost is charged to the profit and loss account during the period in which they are incurred.

An item of fixed asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals, if any, are determined by comparing the sale proceeds with the carrying amount of asset and are included in the profit and loss account.

6.4 Capital work in progress

All expenditure connected with specific assets incurred during installation and construction period are carried under this head. These are transferred to specific assets as and when those assets are available for use. These are carried at cost less impairment losses, if any.

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

6.5.1 Right-of-use assets

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

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

Right-of-use assets are depreciated over their expected useful lives using the straight-line method. Depreciation on additions (new leases) is charged from the month in which the leases are entered till the month of disposal.

6.5.2 Lease liability against right-of-use assets

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

The lease liability is subsequently measured at amortized cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or change in lease terms. These remeasurements of lease liabilities are recognized as adjustments to the carrying amount of related right-of-use assets after the date of initial recognition.

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

6.6 Intangible assets

Intangible assets with definite useful lives are stated at cost less accumulated amortization and accumulated impairment losses, if any. These are amortized using the straight line method over their estimated useful lives at the rate mentioned in note.

Amortization on additions is charged from the month in which the assets are available for use while no amortization is charged in the month in which the assets are disposed of.

The estimated useful lives and the amortization methods are reviewed at the end of each reporting date, with the effect of any changes in the estimate being accounted for on a prospective basis.

Software and other development costs are only capitalized to the extent that future economic benefits are expected to flow to the Bank and that the cost can be measured reliably.

6.7 Impairment

The Bank assesses at the end of each reporting period whether there is any indication that property and equipment and intangible assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether these are recorded in excess of their recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in the profit and loss account.

Where impairment loss subsequently reverses, the carrying amount of 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 in the profit and loss account.

6.8 Advances

Advances are measured at amortized cost; these are initially measured at fair value plus incremental direct cost net of loan processing and subsequently at their amortized cost using the effective interest method.

6.9 Taxation

Income tax comprises of current tax and deferred tax.

Income tax expense is recognized in the statement of profit and loss except to the extent that it relates to items recognized in other comprehensive income or directly in equity (if any), in which case the tax amounts are recognized directly in other comprehensive income or equity.

The Institute of Chartered Accountants of Pakistan has issued IAS 12 Application Guidance on Accounting for Minimum Taxes and Final Taxes and defined two approaches for bifurcation of tax between current and minimum taxes. The Company has adopted an approach to account for current tax calculated on taxable income using the notified tax rate as an income tax and minimum tax any amount over the current tax calculated on taxable income is accounted for as excess over the current tax and is recognized as a levy as per IFRIC 21/IAS37.

6.9.1 Current

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years and tax credit, if any.

6.9.2 Deferred

Deferred tax is recognized using the balance sheet liability method, on all temporary differences arising at the reporting date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilized.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is utilized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

6.10 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 economic resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

6.11 Statutory reserve

The Bank is required under Regulation 4 of Prudential Regulations for Microfinance Banks to maintain a statutory reserve to which an appropriation equivalent to 20% of the annual after tax profit is made till such time the reserve fund equals the paid-up capital of the Microfinance Bank; thereafter, a sum of not less than 5% of its annual profit after tax is required to be appropriated.

6.12 Depositor's protection fund

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

6.13 Cash reserve

In compliance with the related regulatory requirements, the Bank is required to maintain a cash reserve equivalent to not less than 3% of its deposits (including demand deposits and time deposits with tenor of less than 1 year) in a current account opened with the State Bank of Pakistan or its agent.

6.14 Statutory liquidity requirement

In compliance with the related regulatory requirements, the Bank is required to maintain liquidity equivalent to at least 12% of its total demand and time liabilities with tenor of less than one year in 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 depositor protection fund are excluded for the purpose of determining liquidity.

6.15 Deposits

Deposits are initially recorded at the amount of proceeds received. Mark-up on deposits is accrued on a time proportion basis.

6.16 Grants

The grant related to an asset is recognized in the balance sheet when there is a reasonable certainty that it will be received and the Bank will comply with the condition(s) attached to it. Grants that compensate the Bank for expense incurred are recognized as revenue in the profit and loss account on a systematic basis in the same period 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 on a systematic basis over the life of the asset.

6.17 Revenue recognition

Mark-up / return / interest on performing advances is recognized on an accrual basis using the effective interest method. Mark-up on advances classified under the Prudential Regulations is recognized on receipt basis.

- Mark-up / return on investment is recognized on an accrual basis using the effective interest method.
- Fee, commission and brokerage income is recognized 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 recognized in the profit and loss account on an accrual basis.
- Other income is recognized on an accrual basis.

6.18 Financial instruments

6.18.1 Financial assets and financial liabilities

Financial assets and financial liabilities are recognized at the time when the Bank becomes a party to the contractual provisions of the instrument. At the time of initial recognition, all the financial assets and liabilities are measured at cost, which is the fair value of the consideration given or received for it. The financial assets and financial liabilities are subsequently measured and carried at fair value, amortized cost or cost as the case may be. Financial assets are de-recognized when the contractual right to future cash flows from the asset expires or is transferred along with the risks and rewards of the asset. Financial liabilities are de-recognized when obligation specified in the contract is discharged, cancelled or expired. Any gain or losses on de-recognition of the financial assets and liabilities are recognized in the profit and loss account.

6.18.2 Derivative financial Instruments

These are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

6.18.3 Off setting of financial assets and financial liabilities

Financial assets and financial liabilities are only off-set and the net amount is reported in the financial statements when there is a legally enforceable right to set-off the recognized amounts and the Bank. intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

6.19 Foreign currency transactions and translations

Foreign currency transactions are translated into Pak Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined. Exchange gains and losses are included in the profit and loss account.

6.20 Share capital

Ordinary shares are classified as equity and are recorded at their face value.

6.21 Earnings / (loss) per share

The Bank presents basic and diluted earnings / (loss) per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS, if any, is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. There were no dilutive potential ordinary shares in issue at December 31, 2025 and December 31, 2024.

6.22 Dividend and other appropriations

Dividend and appropriation to reserves, except appropriations which are required by the law, are recorded in the period in which these are approved.

6.23 Staff retirement benefits

6.23.1 Contributory provident fund

The Bank operates an approved contributory provident fund for all employees. Monthly equal contributions are made to the fund by the Bank and the employees at the rate of 10% of basic salary.

6.24 IFRS 9 - Financial Instruments

The Bank has adopted IFRS 9 (read with IFRS 9 application instructions issued by SBP) retrospectively with date of initial application as January 01, 2024, which resulted in changes in accounting policies and adjustments to the amounts previously recognized in the financial statements. In terms of the transitional provisions of IFRS 9, adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognized in the opening unappropriated profit and other reserves at the beginning of the current period without restating the comparative figures.

6.24.1 Material accounting policies applicable from January 01, 2024 as a result of adoption of IFRS 9

6.24.1 (a) Financial assets – initial recognition

Financial assets are initially recognized at fair value. When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognizes the difference between the transaction price and fair value in profit and loss account. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in profit and loss account when the inputs become observable, or when the instrument is derecognized.

6.24.1 (b) 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
- Debt instruments at 'fair value through other comprehensive income' FVOCI
- Equity instruments at 'fair value through other comprehensive income' FVOCI
- Financial assets at 'fair value through profit or loss' FVTPL

6.24.1 (c) Financial assets at amortized cost

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.

The details of these conditions are outlined below:

i) Business model assessment

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

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

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's Board/ Board Committees.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

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

ii) The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of financial asset to identify whether they meet the SPPI test. The assessment of SPPI aims to identify whether the contractual cash flows are ‘solely payments of principal and interest on the principal amount outstanding’.

‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. The most significant elements of ‘interest’ within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de Minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

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

6.24.1 (d) Financial assets at FVOCI

The Bank applies this new category under IFRS 9 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 recognized in OCI. Interest income at EIR and foreign exchange gains and losses are recognized in the profit and loss account.

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 amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit and loss account. The accumulated loss recognized in OCI is recycled to the profit and loss account upon derecognition of the assets. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit and loss account.

6.24.1 (e) Financial assets and financial liabilities at FOP

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
- Financial assets are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss account. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established.

6.24.1 (f) Financial liabilities at amortized cost

Financial liabilities with a fixed maturity are measured at amortized cost using the EIR method. These include Bills payable, Borrowings, Deposits and certain items within Other Liabilities.

6.24.1 (g) Derecognition of financial assets

(i) Derecognition due to substantial modification of terms and conditions

The Bank derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded.

The newly recognized loan is classified as Stage 1 for ECL measurement purposes, unless it is deemed to be purchased originated credit impaired. When assessing whether or not to derecognize a loan to a customer, amongst others, the Bank considers qualitative factors such as change in currency of the loan, introduction of an equity feature, change in counterparty, or if the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

The gain/(loss) on derecognition of financial asset has been calculated as the difference between the book value (including impairment) and the proceeds received.

(ii) 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 derecognized when the rights to receive cash flows from the financial asset have expired. The Bank also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

6.24.1 (h) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

6.24.1 (i) Impairment of financial assets

(i) Overview of the ECL principles

The adoption of IFRS 9 has fundamentally changed the Bank's loan loss impairment method by replacing the incurred loss approach of the local regulations with a forward-looking ECL approach. The Bank has been recording the allowance for expected credit losses for all loans and other debt financial assets held at amortized cost or FVOCI, together with loan commitments, letters of credit and financial guarantee contracts. Equity instruments are not subject to impairment under IFRS 9. Under the SBP's instructions, local currency credit exposures guaranteed by the Government and Government Securities are exempted from the application of ECL.

(ii) The calculation of ECLs

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss (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).

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

Stage 1: When loans are first recognized, the Bank recognizes an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination (SICR), the Bank records an allowance 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 with PD set. Under SBP's instructions, until implementation of IFRS 9 has stabilized, Stage 3 allowance would be taken as higher of IFRS 9 ECL or provision computed under Prudential Regulations.

The staging guidelines applicable on the Bank has been adopted from State Bank of Pakistan (SBP) guidelines:

Prudential Regulations For Microfinance Banks				
Particulars	Classification	Days due	allocation	Provision to be made
Microfinance Loans (General)	Performing	1-59	Stage 1	As per IFRS 9 ECL Model
	Underperforming	60-89	Stage 2	
	Non - Performing			
	- Substandard	90 or more	Stage 3	Which ever is higher (a) IFRS 9 ECL OR (b) PR 's Requirement
- Loss	180 or more			
Housing Loans	Performing	1-59	Stage 1	As per IFRS 9 ECL Model
	Underperforming	60-179	Stage 2	
	Non - Performing			
	- Substandard	180 or more	Stage 3	Which ever is higher (a) IFRS 9 ECL OR (b) PR's Requirement
- Doubtful	1 year or more			
- Loss	18 months or more			
Microenterprise Loans	Performing	1-59	Stage 1	As per IFRS 9 ECL Model
	Underperforming	60-179	Stage 2	
	Non - Performing			
	- Substandard	180 or more	Stage 3	Which ever is higher (a) IFRS 9 ECL OR (b) PR's Requirement
	- Doubtful	1 year or more		
- Loss	18 months or more			
- Trade Bills	181 or more			
Agriculture and Livestock Loans	Performing	1-59	Stage 1	As per IFRS 9 ECL Model
	Underperforming	60-89	Stage 2	
	Non - Performing			
- Doubtful	180 or more	Stage 3	Which ever is higher (a) IFRS 9 ECL OR (b) PR's Requirement	
- Loss	1 year or more			

In order to align classification and provisioning requirements for enhanced loan sizes, State Bank of Pakistan (SBP) dated May 16, 2025 has revised Prudential Regulations R-8 for MFBs as under:

Regulation R-8 : Classification of Assets and provisioning requirements

Specific Provisioning

The outstanding principal and mark-up of the loans and advances, payments against which are overdue, shall be classified as Non- Performing Loans (NPL3) as prescribed below:

For General Loans

Category	Determinant	Treatment of income	provisioning to be made
Substandard	When markup or principal is overdue by 90 days or more from the due date.	The unrealized interest / profit / markup / service charges on NPL shall be credited to memorandum account	25% of outstanding principal net of liquid assets realizable without recourse to a court of law
Loss	When markup or principal is overdue by 180 days or more from the due date.	As above	100% of outstanding principal net of liquid assets realizable without recourse to a court of law

For Micro-enterprise Loans

Category	Determinant	Treatment of income	provisioning to be made
Substandard	When markup or principal is overdue for 180 days or more from the due date	The unrealized interest / profit / markup will be kept in Memorandum Account and not to be credited to income account except when realized in cash . unrealized interest / profit / markup already taken into income account shall be reversed and kept in Memorandum Account	Provision of 25% of difference resulting from outstanding balance of principal net of asset liquid asset realizable without recourse to court of law and Forced Sales Value (FSV) of pledged stocks, plant and machinery under charge and mortgage residential , commercial and industrial properties(land and building only)
Doubtful	When markup or principal is overdue by one year or more from the due date.	As above	Provision of 50% of difference resulting from outstanding balance of principal net of asset liquid asset realizable without recourse to court of law and Forced Sales Value (FSV) of pledged stocks, plant and machinery under charge and mortgage residential , commercial and industrial properties(land and building only)
Loss	When markup or principal is overdue by 18 months or more from due date. Where inland trade bills are not adjusted within 180 days of due date	As above	Provision of 100% of difference resulting from outstanding balance of principal net of asset liquid asset realizable without recourse to court of law and Forced Sales Value (FSV) of pledged stocks, plant and machinery under charge and mortgage residential , commercial and industrial properties(land and building only)

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Bank considers an exposure to have significantly increased in credit risk when there is considerable deterioration in the internal rating grade for subject borrower. The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. Regardless of the change in credit grades, generally, the Bank considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. However, for certain portfolios, the Bank has rebutted 30 DPD presumption based on behavioral analysis of its borrowers.

The key elements of ECL calculations are as follows:

- **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. PD is estimated based on transitioning among credit states. Credit states are defined by rating classes and are based on the Bank's internal risk ratings (i.e. from 1 to 12).

Through the yearly review of the non-consumer portfolio, the Bank has drawn a yearly transition matrix of ratings to compute a count based PD over the one year horizon for the last 7 years. PDs for Non rated portfolios are calculated based on Days Past Due (DPD) bucket level for each segment separately. Where practical, they also build on information from External Rating Agencies. PDs are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information.

- **The Exposure at Default (EAD)** is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- **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. To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories and other non-financial assets. For IFRS 9, the Bank only considers the liquid collaterals.

The interest rate used to discount the ECLs would be based on the effective interest rate that is expected to be charged over the expected period of exposure.

When estimating the ECLs, the Bank considers three probability-weighted scenarios (a base case, a best case, and a worse case). Each of these is associated with different PDs, EADs and LGDs. These expected probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset. 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 reversals 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.

(iii) Forward looking information

The Bank formulates a base case view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios and consideration of a variety of external actual and forecast information. This process involves developing three different economic scenarios, which represent macro economic inputs.

(iv) Impairment losses on financial assets

Determination of expected credit losses is a significant estimate and involves the following judgments:

- Development of ECL models, including the various formulas and the choice of inputs
- The segmentation of financial assets when their ECL is assessed on a collective basis
- The Bank's internal credit grading model based on which PDs are assigned
- Qualitative and quantitative indicators used as SICR triggers

- The definition of default against which parameters of ECL model such as PD, LGD and EAD are evaluated
- Selection of forward-looking macroeconomic scenarios and their probability weightings
- Determination of economic inputs, such as GDP growth and CPI

	Note	2025	2024
------(Rupees)-----			
7 CASH AND BALANCES WITH TREASURY BANKS			
Cash in Hand - Local currency		285,203,324	72,440,344
With State Bank of Pakistan			
- Local currency current account	7.1	432,390,802	245,522,002
- Local currency deposits account		-	-
		<u>432,390,802</u>	<u>245,522,002</u>
With National Bank of Pakistan			
- Local currency current account		-	-
- Local currency deposits account		-	-
Less: Credit loss allowance		-	-
		<u>717,594,126</u>	<u>317,962,346</u>

7.1 This includes current account maintained with SBP amounting to Rs. 357,847,454 (2024: Rs. 225,085,624) to meet the requirement of maintaining a minimum balance equivalent to 3% of the Bank's time and demand liabilities in accordance with the Prudential Regulations for Microfinance Banks.

8 BALANCES WITH OTHER BANKS AND MICROFINANCE BANK

In current accounts		34,075,110	9,164,255
In deposit accounts	8.1	1,478,318,820	365,179,414
Less: Credit loss allowance		-	-
		<u>1,512,393,930</u>	<u>374,343,669</u>

8.1 These include deposits with commercial and microfinance banks carrying mark-up rates ranging from 9% to 14.5% (2024: 13.5% to 20.5%) per annum.

9 INVESTMENTS

9.1 Investments by type:

	Note	2025			2024				
		Amortised cost	Credit Loss Allowance	Surplus / (Deficit)	Carrying Value	Amortized Cost	Credit Loss Allowance	Surplus / (Deficit)	Carrying Value
------(Rupees)-----									
Debt instruments									
Classified as Amortized cost									
-Term deposits certificate	9.2	1,475,000,000	-	-	1,475,000,000	125,000,000	-	-	125,000,000
-Market Treasury Bills	9.3	1,706,494,868	-	-	1,706,494,868	1,664,584,902	-	-	1,664,584,902
Total Investments		<u>3,181,494,868</u>	-	-	<u>3,181,494,868</u>	<u>1,789,584,902</u>	-	-	<u>1,789,584,902</u>

9.2 This represents Term Deposit Certificates purchased by the Bank from Microfinance Bank, maturing in 1 year with a yield of 13.5% to 17% .

9.3 These represent six T-bills with maturity between 9 days and 1 year. These carries yield percentages between 10.25% to 11.22% (2024: 11.75% to 12.15%).

10 ADVANCES

	Performing		Non Performing		Total	
	2025	2024	2025	2024	2025	2024
-----Rupees-----						
Micro credit						
Secured	704,444,575	64,313,870	59,612	-	704,504,187	64,313,870
Unsecured	6,420,681,208	2,339,211,151	91,409,625	163,023,370	6,512,090,833	2,502,234,521
Advances - gross	7,125,125,783	2,403,525,021	91,469,237	163,023,370	7,216,595,020	2,566,548,391
Credit loss allowance against advances						
-Stage 1	(174,711,718)	(133,204,126)	-	-	(174,711,718)	(133,204,126)
-Stage 2	-	-	(15,580,871)	(10,576,243)	(15,580,871)	(10,576,243)
-Stage 3	-	-	(35,264,494)	(112,089,468)	(35,264,494)	(112,089,468)
	(174,711,718)	(133,204,126)	(50,845,365)	(122,665,711)	(225,557,083)	(255,869,837)
Advances - net of credit loss allowance	6,950,414,065	2,270,320,895	40,623,872	40,357,659	6,991,037,937	2,310,678,554

2025 **2024**
-----**(Rupees)**-----

10.1 Particulars of advances (gross)

In local currency 7,216,595,020 2,566,548,391

10.2 Advances include Rs.91.469 million (2024: Rs. 163.1 million) which have been placed under/non-performing as detailed below:-

Category of Classification

December 31, 2025

Non performing loans **Credit loss allowance**

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

Underperforming	56,204,743	15,580,871
Substandard	23,523,192	23,523,192
Loss	11,741,302	11,741,302
	91,469,237	50,845,365

10.3 Particulars of credit loss allowance against advances

	2025				2024					
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Specific	General	Total
	----- (Rupees) -----									
Opening balance	133,204,126	10,576,243	112,089,468	255,869,837	-	-	-	76,790,350	30,556,236	107,346,586
Impact of adoption of IFRS 9	-	-	-	-	174,707,935	6,646,101	109,834,111	(76,790,350)	(30,556,236)	183,841,561
Charge for the year	41,507,592	5,004,628	252,384,892	298,897,112	-	3,930,142	337,644,566	-	-	341,574,708
Reversals	-	-	(76,824,974)	(76,824,974)	(41,503,809)	-	-	-	-	(41,503,809)
	41,507,592	5,004,628	175,559,918	222,072,138	(41,503,809)	3,930,142	337,644,566	-	-	300,070,899
Amounts written off	-	-	(252,384,892)	(252,384,892)	-	-	(335,389,209)	-	-	(335,389,209)
Closing balance	174,711,718	15,580,871	35,264,494	225,557,083	133,204,126	10,576,243	112,089,468	-	-	255,869,837

10.3.1 Advances - Category of classification - Domestic

December 31, 2025

Outstanding amount **Credit loss allowance held**

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

Performing	7,125,125,783	174,711,718
Underperforming	56,204,743	15,580,871
Non-Performing		
Substandard	23,523,192	23,523,192
Doubtful & Loss	11,741,302	11,741,302
Total	7,216,595,020	225,557,083

	Note	2025	2024
		------(Rupees)-----	
11 PROPERTY AND EQUIPMENT			
Property and equipment	11.2	694,775,065	213,252,660
Capital work-in-progress	11.1	17,823,914	143,749
		<u>712,598,979</u>	<u>213,396,409</u>
11.1 Capital work-in-progress			
Civil works	11.3	<u>17,823,914</u>	<u>143,749</u>

11.2	Property and equipment	2025					
		Leasehold Improvements	Furniture and fixture	Office and other equipment	Computer equipment	Vehicles	Total
At January 1, 2025							
	Cost / Revalued amount	177,491,608	45,138,606	120,094,235	137,939,273	34,129,940	514,793,662
	Accumulated depreciation	(58,060,960)	(29,346,300)	(84,836,531)	(117,176,449)	(12,120,762)	(301,541,002)
	Net book value	<u>119,430,648</u>	<u>15,792,306</u>	<u>35,257,704</u>	<u>20,762,824</u>	<u>22,009,178</u>	<u>213,252,660</u>
Year ended December 2025							
	Opening net book value	119,430,648	15,792,306	35,257,704	20,762,824	22,009,178	213,252,660
	Additions	287,993,948	29,749,507	127,229,680	110,512,252	17,991,236	573,476,623
	Disposals	-	(1,493,110)	-	-	(3,235,634)	(4,728,744)
	Depreciation charge	(22,378,329)	(7,901,929)	(24,221,002)	(30,108,180)	(2,616,034)	(87,225,474)
	Closing net book value	<u>385,046,267</u>	<u>36,146,774</u>	<u>138,266,382</u>	<u>101,166,896</u>	<u>34,148,746</u>	<u>694,775,065</u>
At December 31, 2025							
	Cost / Revalued amount	465,485,556	73,395,003	247,323,915	248,451,525	48,885,542	1,083,541,541
	Accumulated depreciation	(80,439,289)	(37,248,229)	(109,057,533)	(147,284,629)	(14,736,796)	(388,766,476)
	Net book value	<u>385,046,267</u>	<u>36,146,774</u>	<u>138,266,382</u>	<u>101,166,896</u>	<u>34,148,746</u>	<u>694,775,065</u>
	Rate of depreciation (percentage)	10%	20%	20%	33%	20%	
11.2	Property and equipment	2024					
		Leasehold Improvements	Furniture and fixture	Office and other equipment	Computer equipment	Vehicles	Total
At January 1, 2024							
	Cost / Revalued amount	144,202,552	35,555,687	113,533,634	123,802,508	31,401,414	448,495,795
	Accumulated depreciation	(44,145,051)	(23,884,036)	(72,139,586)	(99,560,473)	(12,395,922)	(252,125,068)
	Net book value	<u>100,057,501</u>	<u>11,671,651</u>	<u>41,394,048</u>	<u>24,242,035</u>	<u>19,005,492</u>	<u>196,370,727</u>
Year ended December 2024							
	Opening net book value	100,057,501	11,671,651	41,394,048	24,242,035	19,005,492	196,370,727
	Additions	33,289,056	8,334,522	6,560,600	14,730,154	7,405,500	70,319,832
	Disposals	-	-	-	(187,165)	(2,122,583)	(2,309,748)
	Depreciation charge	(13,915,909)	(4,213,867)	(12,696,944)	(18,022,200)	(2,279,231)	(51,128,151)
	Closing net book value	<u>119,430,648</u>	<u>15,792,306</u>	<u>35,257,704</u>	<u>20,762,824</u>	<u>22,009,178</u>	<u>213,252,660</u>
At December 31, 2024							
	Cost / Revalued amount	177,491,608	45,138,606	120,094,235	137,939,273	34,129,940	514,793,662
	Accumulated depreciation	(58,060,960)	(29,346,300)	(84,836,531)	(117,176,449)	(12,120,762)	(301,541,002)
	Net book value	<u>119,430,648</u>	<u>15,792,306</u>	<u>35,257,704</u>	<u>20,762,825</u>	<u>22,009,178</u>	<u>213,252,660</u>
	Rate of depreciation (percentage)	10%	20%	20%	33%	20%	

11.3 This represent the addition in CWIP for the construction of new branches.

	2025	2024
	------(Rupees)-----	
11.4 Fully depreciated property and equipment		
Leasehold improvements	47,235,299	7,963,093
Furniture and fixtures	18,156,000	18,285,462
Office and other equipment	108,005,408	54,552,407
Computer equipment	116,137,727	86,436,575
Vehicles	8,178,980	1,119,245
Total	<u>297,713,414</u>	<u>168,356,782</u>

11.4.1 This represent cost of fully depreciated assets that are still in use.

11.5 Disposal of property and equipment

Details of disposal of property and equipment are as follows:

Particulars of Asset	Particulars of buyers	Cost	Accumulated depreciation	Book value	Sale proceed	Gain / (Loss)	Mode of Disposal
				Rupees			
Furniture and fixtures	EFU	124,183	2,070	122,113	112,504	(9,608)	Auction
Furniture and fixtures	EFU	349,280	-	349,280	316,431	(32,849)	Auction
Furniture and fixtures	EFU	377,341	6,289	371,052	221,070	(149,982)	Auction
Furniture and fixtures	EFU	102,253	1,704	100,549	59,906	(40,643)	Auction
Furniture and fixtures	EFU	550,116	-	550,116	322,293	(227,823)	Auction
Furniture and fixtures	Babar Ali	721,690	721,690	-	386,455	386,455	Auction
Furniture and fixtures	Babar Ali	225,000	225,000	-	120,484	120,484	Auction
Furniture and fixtures	Babar Ali	127,100	127,100	-	68,060	68,060	Auction
Vehicle	Islam Khan	1,563,502	859,926	703,576	1,035,000	331,424	Auction
Vehicle	Moiz	1,563,502	859,926	703,576	2,037,000	1,333,424	Auction
Vehicle	Moiz	745,937	410,265	335,672	637,700	302,028	Auction
Vehicle	Moiz	1,647,836	906,310	741,526	1,951,000	1,209,474	Auction
Vehicle	Syed Kashif	1,669,519	918,235	751,284	1,664,888	913,604	Auction
		9,767,259	5,038,515	4,728,744	8,932,791	4,204,048	

12 RIGHT-OF-USE ASSETS	Note	2025	2024
		------(Rupees)-----	
At January 01, 2025			
Cost		526,964,810	330,135,162
Accumulated Depreciation		(221,167,491)	(161,560,942)
Net Carrying amount at January 01, 2025		305,797,319	168,574,220
Additions during the year		851,425,926	196,829,648
Depreciation Charge / Disposal for the year		(103,546,429)	(59,606,549)
Net Carrying amount at December 31, 2025		1,053,676,816	305,797,319
Buildings			
Amounts recognized in profit or loss			
-Depreciation expense on right of use	28	103,546,428	59,606,549
-Interest expense on lease liability	28	107,449,010	31,641,326
		210,995,438	91,247,875

12.1 These represents Right of Use book against head office and branch premises.

13 INTANGIBLE ASSETS

Capital work-in-progress		13,527,257	-
Intangible assets	13.1	156,908,382	5,954,054
		170,435,639	5,954,054

2025 **2024**
-----**(Rupees)**-----

13.3 Fully amortized intangible assets

Core banking application and other licenses	56,704,385	56,704,385
Computer software	10,044,503	9,713,635
Total	66,748,888	66,418,020

14 DEFERRED TAX ASSETS

Deferred tax comprises of deductible and taxable timing differences in respect of the following:

Deductible temporary differences arising in respect of

- Unabsorbed tax depreciation and amortization	150,865,869	105,214,016
- Property and equipment	(16,364,028)	8,036,152
	134,501,841	113,250,168

Taxable temporary differences arising due to

- Intangible assets	(3,886,322)	(28,980)
	130,615,519	113,221,188

14.1 The Bank has unabsorbed tax loss of Rs. 873.935 million (including unabsorbed tax depreciation and amortization amounting to Rs. 333.634 million) as at December 31, 2025. The management has recognized deferred tax asset of Rs. 150.865 million (2024: Rs. 105.214 million) on unabsorbed tax depreciation and amortization. The deferred tax asset has been recorded based on the financial projections of the Bank which have been prepared by the management. The financial projections prepared by the management are based on assumptions which are linked to various variable factors such as growth in enterprise loans, expansion in gold-backed loans, microloans, productivity, growth in loan size, effective interest rate etc. expected to be achieved during the next three years.

15 OTHER ASSETS

Income / Mark-up accrued		175,803,522	43,393,069
Advances to staff	15.1	9,589,974	9,164,642
Receivable from related party	15.2	11,234,192	9,057,600
Prepayment for rent, insurance and others		85,177,373	35,127,409
Advance against purchase of Core banking system	15.3	-	65,226,981
Advance taxation (payment less provision)		22,851,379	3,682,664
Accrued income on PLS savings account		4,990,908	2,768,082
Security deposit		10,178,620	9,265,410
Others		26,378,352	2,823,041
Other assets - total		346,204,320	180,508,898
Less: Credit loss allowance held against other assets	15.4	(1,795,832)	(903,391)
		344,408,488	179,605,507

15.1 This include loan to employees carrying markup at KIBOR + 3%.

15.2 This represents amount receivable from Halan Wallet (Private) Limited & Halan Finance Limited, related parties, for reimbursement of expenses. Paid on behalf of Halan Wallet (Private) Limited & Halan Finance Limited.

15.3 This represents amount paid for new core banking application.

	2025	2024
Note	------(Rupees)-----	
15.4 Movement in Credit loss allowance held against other assets		
Opening balance	903,391	981,559
Charge / (Reversal) for the year	892,441	(78,168)
Closing balance	<u>1,795,832</u>	<u>903,391</u>

16 BORROWINGS

Secured

Borrowings from Bank / Financial Institutions

- Borrowings from SBP

- Borrowings from UBL

16.1

201,323,000	-
-	1,094,985
<u>201,323,000</u>	<u>1,094,985</u>

16.1 During the year, the Bank obtained a Credit Line Facility of PKR 201.323 million from the State Bank of Pakistan under the Women Inclusive Finance Program to ease liquidity constraints and enhance lending to women borrowers, including microenterprises and housing. The demand finance facility, secured against a Demand Promissory Note, has a tenor of four years (maturing June 30, 2029) and carries markup at six-month KIBOR minus 100 bps, payable semi-annually. Utilization is restricted to women borrowers and subject to SBP's Environmental & Social Risk Management guidelines.

17 DEPOSITS AND OTHER ACCOUNTS

Customers

Current deposits

Saving deposits

Term deposits

176,460,234	74,211,746
2,675,586,584	645,325,870
4,720,064,837	3,071,138,100
<u>7,572,111,655</u>	<u>3,790,675,716</u>

Financial Institutions

Current deposits

Saving deposits

Term deposits

-	772,687
2,639,089,540	814,670,128
1,400,000,000	9,500,000
<u>4,039,089,540</u>	<u>824,942,815</u>
<u>11,611,201,195</u>	<u>4,615,618,531</u>

17.1 Composition of deposits

- Individuals

- Public sector entities

7,146,727,376	3,790,675,716
4,464,473,819	824,942,815
<u>11,611,201,195</u>	<u>4,615,618,531</u>

	2025	2024
Note	------(Rupees)-----	
18 LEASE LIABILITIES		
Outstanding amount as at January, 01 2025	333,611,054	188,391,507
Additions during the year	861,314,953	199,129,122
Deletions during the year	(13,396,868)	-
Lease payments including interest	(174,135,309)	(85,550,901)
Interest expense	107,449,010	31,641,326
Outstanding amount at December 31, 2025	<u>1,114,842,840</u>	<u>333,611,054</u>

18.1 Contractual maturity of lease liabilities

Short-term lease liabilities - within one year	173,940,227	89,517,347
- 1 to 5 years	1,132,990,611	352,670,804
- 5 to 10 years	852,601,350	110,066,268
Long-term lease liabilities	1,985,591,961	462,737,072
Un-accrued interest expense	(1,044,689,348)	(218,643,365)
Total lease liabilities	<u>1,114,842,840</u>	<u>333,611,054</u>

19 DEFERRED GRANT

Opening balance	714,669	714,669
Closing balance	<u>714,669</u>	<u>714,669</u>

19.1 This represents grant received from the State Bank of Pakistan (SBP) vide circular letter no. 4 of 2017 in respect of financial assistance. Under the circular, the grant's utilization is subject to conducting research to develop a financing product for serving the identified sectors, developing marketing and promotion material for identified sectors and, conducting awareness sessions. The Bank was entitled to receive Rs. 1.2 million out of which equal tranches of Rs. 0.6 million were received during the year ended December 31, 2018 and December 31, 2019. The Bank performed the specified activities in the year 2018 and accordingly, recognized Rs. 0.485 million as income during the year ended December 31, 2018. Thereafter, the Bank has not undertaken the specified activities as of the reporting date.

20 OTHER LIABILITIES

Mark-up/ Return/ Interest payable in local currency		42,815,036	24,234,369
Accrued expenses	20.1	86,353,242	85,839,774
Payable to related parties	20.2	75,962,415	1,019,100
Withholding tax payable	20.3	73,267,746	43,720,039
Provident fund payable		10,782,817	2,610,459
		<u>289,181,256</u>	<u>157,423,741</u>

20.1 This represent accruals related to head office expenses, professional charges, payable to suppliers, utilities and salaries.

20.2 Payable to Related parties

Advance against shares		27,168,567	1,019,100
Payable to MNT Halan		48,793,848	-
		<u>75,962,415</u>	<u>1,019,100</u>

20.3 This include withholding tax payable on saving accounts and salaries.

21 SHARE CAPITAL

2025 **2024**
-----**(Rupees)**-----

21.1 Authorized Capital

	2025	2024		2025	2024
	(Number of shares)				
500,000,000	<u>500,000,000</u>		Ordinary shares of Rs.10 each	<u>5,000,000,000</u>	<u>5,000,000,000</u>

21.1.1 In February 2026, the Bank has increased its authorized capital from Rs. 5 billion to Rs. 7.5 billion.

21.2 Issued, subscribed and paid-up

	2025		2024		
	(Number of shares)				
492,698,810	<u>492,698,810</u>	287,066,310	- Fully paid in cash	<u>4,926,988,100</u>	<u>2,870,663,100</u>
492,698,810	<u>492,698,810</u>	<u>287,066,310</u>	Ordinary shares of Rs. 10 each	<u>4,926,988,100</u>	<u>2,870,663,100</u>

21.2.1 During the year, the Parent Company injected fresh equity by way of rights shares amounting to Rs.2.056 billion which was realized by the Bank and the Bank issued rights shares of Rs. 2.056 billion, equivalent to 205.6 million shares.

21.2.2 Movement in issued, subscribed and paid-up share capital

	2025			2024			2025	2024
	Issued for cash	Issued as bonus shares	Total	Issued for cash	Issued as bonus shares	Total		
	----- (Number of shares) -----							
Opening	287,066,310	-	287,066,310	204,566,310	-	204,566,310	2,870,663,100	2,045,663,100
Shares issued during the year	205,632,500	-	205,632,500	82,500,000	-	82,500,000	2,056,325,000	825,000,000
	<u>492,698,810</u>	<u>-</u>	<u>492,698,810</u>	<u>287,066,310</u>	<u>-</u>	<u>287,066,310</u>	<u>4,926,988,100</u>	<u>2,870,663,100</u>

21.3 This represents shares owned by the parent Company and have been deposited in blocked account with the Central Depository Company of Pakistan Limited in terms of BPRD Circular No. 9 of 2009 and under SBP License No. MFI-012 dated June 28, 2012.

21.4 The pattern of holding in the issued share capital is as follows:

	2025	2024	2025	2024
	(Number of Shares)		----- Rupees -----	
MNT-Halan Pak B.V.	492,698,808	287,066,308	4,926,988,080	2,870,663,080
Mr. Mounir Ikram Kamal Nakhla	1	1	10	10
Mr. Andre Fotis Andre Valavanis	1	1	10	10
	<u>492,698,810</u>	<u>287,066,310</u>	<u>4,926,988,100</u>	<u>2,870,663,100</u>

22 CONTINGENCIES AND COMMITMENTS

22.1 Detailed below are contingency primarily in the nature of tax;

22.1.1 The Bank Limited is currently contesting a tax demand of Rs. 5,202,172/-, raised under Section 161(1A) of the Income Tax Ordinance, 2001, through an appeal filed before the Commissioner Inland Revenue (Appeals). The Commissioner Inland Revenue (Appeals), vide order dated 20 October 2025, annulled the said order and remanded the matter for re-examination and re-adjudication. Based on the merits of the case and relevant legal provisions, management anticipates a favorable outcome. Consequently, no provision has been recognized in the financial statements at this stage, as the Bank believes that the likelihood of an outflow of economic resources remains low. The management continues to monitor the case and will reassess the position in light of any further developments.

	Note	2025 ------(Rupees)-----	2024 -----
23 MARK-UP / RETURN / INTEREST EARNED			
Interest / mark-up on:			
Loans and Advances	23.1	1,787,096,066	1,302,099,711
Investments	23.1	243,386,339	236,256,622
Deposits		50,481,844	74,622,060
		<u>2,080,964,249</u>	<u>1,612,978,393</u>
23.1 Interest income (calculated using effective interest rate method) recognized on:			
Financial assets measured at amortized cost			
Loans and Advances		1,787,096,066	1,302,099,711
Treasury bills		243,386,339	236,256,622
		<u>2,030,482,405</u>	<u>1,538,356,333</u>
24 MARK-UP / RETURN / INTEREST EXPENSED			
Markup on Deposits		939,346,038	978,590,873
Markup on Borrowings		18,089,766	16,287,647
		<u>957,435,804</u>	<u>994,878,520</u>
25 FEE & COMMISSION INCOME			
Loan processing fee		321,620,194	151,479,907
Other fee and commission		3,685,718	2,335,385
		<u>325,305,912</u>	<u>153,815,292</u>

	Note	2025 ------(Rupees)-----	2024
26 NET GAIN / LOSS ON FINANCIAL ASSETS / LIABILITIES MEASURED AT AMORTIZED			
Gain on derecognition of financial assets measured at amortized cost		-	176,009
Loss on derecognition of financial assets measured at amortized cost		(499,829)	(103,586)
		<u>(499,829)</u>	<u>72,423</u>
27 OTHER INCOME			
Recoveries against write-offs		108,292,311	63,165,698
Net gain on sale of fixed assets		4,204,048	4,703,925
Others	27.1	3,508,882	718,449
		<u>116,005,241</u>	<u>68,588,072</u>

27.1 This represent interest income on loan given to employees and gain on termination of lease.

28 OPERATING EXPENSES

Salaries and other allowances	28.1	1,143,125,706	663,835,994
Staff welfare		17,360,416	10,840,691
Non executive directors' fees, allowances and other expenses		1,466,663	800,000
Training and business development		457,608	679,461
Rent, rates and taxes		33,569,624	24,818,910
Legal and professional charges		17,639,815	7,924,777
Utilities		60,404,302	66,372,522
Communications		51,668,638	21,907,580
Repairs and maintenance - others		95,146,700	54,771,570
Repairs and maintenance - Vehicles		150,918,381	15,945,349
Financial charges on lease liability against right-of-use asset		107,449,010	31,641,326
Fuel for generator		31,170,001	42,968,496
Insurance		40,163,654	24,591,158
Travelling and conveyance		39,704,569	30,577,757
Printing and stationery		32,263,515	11,329,770
Fees and subscription		40,080,069	44,620,196
Security charges		69,744,480	42,839,241
Advertisement and publicity		14,257,869	7,815,015
Auditors' remuneration	28.3	5,700,240	4,991,637
Depreciation of Property and Equipment		87,225,474	51,117,483

	2025	2024
Note	------(Rupees)-----	
Depreciation of Right-of-use-asset	103,546,428	59,606,549
Amortization of intangible assets	34,534,578	2,271,259
Bank charges	3,470,441	949,046
Office supplies	-	682,817
Technical assistance	48,793,848	-
Janitorial charges	39,764,409	14,383,228
Other expenses	21,173,467	22,625,187
	<u>2,290,799,905</u>	<u>1,260,907,019</u>
28.1 Total compensation expense		
Salaries	449,610,436	288,855,434
Accommodation	221,619,777	117,511,584
Incentive	139,760,915	66,976,266
Utility	88,455,211	41,991,281
Special Allowance	87,915,886	41,233,425
Medical	44,705,985	21,424,887
Conveyance	44,460,588	53,869,229
Staff retirement benefits	21,523,145	15,300,495
Social benefits	19,466,310	9,345,525
Tax born by the employer	3,675,442	5,085,330
Bonus	21,799,217	-
Others	132,794	2,215,538
	<u>1,143,125,706</u>	<u>663,808,994</u>
28.2 Auditors' remuneration		
Audit fee	2,180,000	1,982,889
Half-yearly review fee	1,120,000	974,050
Fee for services and other statutory certifications	778,000	355,000
Out-of-pocket expenses	1,200,000	1,200,000
Sales tax	422,240	479,698
	<u>5,700,240</u>	<u>4,991,637</u>
29 OTHER CHARGES		
Exchange loss	<u>148,241</u>	<u>-</u>
30 CREDIT LOSS ALLOWANCE & WRITE OFFS - NET		
Credit loss allowance against loans & advances	<u>222,072,138</u>	<u>300,070,900</u>

	Note	2025 ------(Rupees)-----	2024
31 MINIMUM TAX DIFFERENTIAL			
Minimum tax differential		<u>30,126,440</u>	<u>22,521,142</u>
31.1 This represent minimum tax paid under section 113 of Income Tax Ordinance (ITO, 2001), representing levy in terms of requirement of IFRIC 21 / IAS 37.			
32 TAXATION			
Current		-	-
Deferred		<u>(17,394,329)</u>	<u>(15,584,211)</u>
		<u>(17,394,329)</u>	<u>(15,584,211)</u>
33 LOSS PER SHARE			
33.1 Basic			
Loss for the year	Rupees	<u>(961,412,626)</u>	<u>(727,339,190)</u>
Weighted average number of ordinary shares	Number	<u>385,195,100</u>	<u>245,816,310</u>
Basic loss per share	Rupee	<u>(2.50)</u>	<u>(2.96)</u>
33.2 Diluted			
No figure for diluted (loss) / earnings per share has been presented as the Bank has not issued any convertible instrument which would have an impact on basic (loss) / earnings per share.			
34 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	7	<u>717,594,126</u>	<u>317,962,346</u>
Balances with other banks and microfinance bank	8	<u>1,512,393,930</u>	<u>374,343,669</u>
Investments		<u>1,357,757,500</u>	<u>1,126,066,375</u>
		<u>3,587,745,556</u>	<u>1,818,372,390</u>
		2025	2024
		------(Number)-----	
35 STAFF STRENGTH			
Permanent		1,567	555
On contract		<u>4</u>	<u>5</u>
Total		<u>1,571</u>	<u>560</u>

36 NUMBER OF BRANCHES

	2025			2024		
	Branches	Service Centre	Total	Branches	Service Centre	Total
At the beginning of the year	24	-	24	19	-	19
Add: Opened during the year	25	68	93	5	-	5
At the end of the year	49	68	117	24	-	24

37 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the financial statements for the year in respect of remuneration, including all benefits to the Chief Executive, Directors and Executives are as follows:

	Chief Executive		Directors		Executives	
	2025	2024	2025	2024	2025	2024
----- (Rupees) -----						
Directors' remuneration	-	-	1,466,663	800,000	-	-
Managerial remuneration	-	6,710,496	-	-	144,487,119	67,036,397
Contribution to defined contribution plan	-	-	-	-	11,395,073	5,638,529
Rent and house maintenance	-	-	-	-	69,228,225	31,414,473
Special allowance	-	-	-	-	27,691,273	12,565,780
Utilities	-	671,054	-	-	28,294,233	12,986,451
Medical	-	671,054	-	-	14,448,730	6,703,655
Conveyance allowance	-	-	-	-	-	-
Other benefits	-	5,020,614	-	-	94,274,850	26,959,312
	-	13,073,218	1,466,663	800,000	389,819,503	163,304,597
Number of persons during the year	1*	2*	2	2	63	29

* The Chief Executive Officer (CEO) are provided with free use of Bank's maintained car. The current Chief Executive Officer does not receive any remuneration from the Bank.

38 RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its parent, subsidiaries, employee benefit plans and its directors.

Contribution to the accounts in respect of staff retirement benefits are made in accordance with terms of the contribution plan. . Other transactions are carried out as per agreed terms.

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

	December 31, 2025					December 31, 2024				
	Parent	Directors	Key management personnel	Other Related Party	Employee Provident Fund	Parent	Directors	Key management personnel	Other Related Party	Employee Provident Fund
-----Rupees-----										
Other Assets										
Other receivable	-	-	-	-	-	-	-	-	9,024,353	-
Deposits and other accounts										
Opening balance	-	-	-	-	-	-	-	-	-	48,000,000
Received during the period / year	-	-	-	-	-	-	-	-	-	13,570,554
Withdrawn during the year	-	-	-	-	-	-	-	-	-	(61,570,554)
Closing balance	-	-	-	-	-	-	-	-	-	-
Other Liabilities										
Remuneration Payable	-	-	-	-	-	-	-	-	-	-
Payable to staff retirement fund	-	-	-	-	10,782,817	-	-	-	-	2,610,459
Advance Against Shares	27,168,567	-	-	-	-	1,019,099	-	-	-	-
Payable to MNT Halan	48,793,848	-	-	-	-	-	-	-	-	-
Interest payable	-	-	-	-	-	-	-	-	-	-
Income										
Mark-up / Return / Interest earned	-	-	-	-	-	-	-	-	-	-
Fee and commission income	-	-	-	-	-	-	-	-	-	-
Dividend income	-	-	-	-	-	-	-	-	-	-
Net gain on sale of securities	-	-	-	-	-	-	-	-	-	-
Other income (to be specified if > Rs :	-	-	-	-	-	-	-	-	-	-
Expense										
Interest Expense	-	-	-	-	-	-	-	-	-	13,967,358
Remuneration expense	-	-	-	-	-	-	-	-	-	-
Closing balance	75,962,415	-	-	-	10,782,817	1,019,099	-	-	9,024,353	16,577,817

2025 2024
-----Rupees-----

39 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Minimum Capital Requirement (MR):		
Paid-up capital (net of losses)	1,596,993,342	502,080,968
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	1,418,200,126	497,861,152
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	1,418,200,126	497,861,152
Eligible Tier 2 Capital	81,561,905	28,824,942
Total Eligible Capital (Tier 1 + Tier 2)	1,499,762,031	526,686,094
Risk Weighted Assets (RWAs):		
Credit risk	7,181,330,526	2,403,003,306
Operational risk	2,360,753,449	1,039,059,841
Total	9,542,083,975	3,442,063,147
Common Equity Tier 1 Capital Adequacy Ratio	14.86%	14.46%
Tier 1 Capital Adequacy Ratio	14.86%	14.46%
Total Capital Adequacy Ratio	15.72%	15.30%

40 CAPITAL MANAGEMENT

40.1 The objective of managing capital is to safeguard the Bank's ability to continue as a going concern, so that it could continue to provide adequate returns and benefits to stakeholders by pricing products and services commensurately with the level of risk. It is the policy of the Bank to have a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

40.2 Goals of managing capital

The goals of managing capital of the Bank are as follows:

To be an appropriately capitalized institution, as defined by the regulatory authorities and comparable to peers;

maintain strong ratings and to protect the Bank against unexpected events;

availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Bank to expand; and

achieve low overall cost of capital with appropriate mix of capital elements.

40.3 Statutory minimum capital requirement and management of capital

40.3.1 As per amendments in Prudential Regulation (R-1) issued by SBP vide BPRD Circular No. 10 of 2015 dated June 03, 2015, the minimum paid up capital requirement (MCR), free of losses, for Microfinance Banks operating at national level is Rs. 1,000 million. As of December 31, 2025, the share capital of the Bank stood at Rs.4,926.988 million (2024: Rs.2,870.663 million) and paid up capital of the Bank free of losses is Rs.1,596.993 million. Hence, the Bank is in compliance with the aforesaid requirement.

40.3.2 At present, the Bank defines capital as shareholders' equity i.e. share capital and reserves. The capital of the Bank is managed keeping in view the minimum "Capital Adequacy Ratio" as required by the Prudential Regulations for Microfinance Banks / Institutions which is 15% of risk weighted assets. The calculation of capital adequacy enables the Bank to assess the long-term financial viability. As the Bank has plans to establish a wide network of branches to conduct business therefore, it is critical that the Bank is able to continuously monitor the exposure across the entire organization.

The Bank manages its capital structure and makes adjustments to it in the light of changes in regulatory and economic conditions. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares.

"As at December 31, 2025, the Bank's net equity and Capital Adequacy Ratio stood at Rs.1,596.993 million (2024: Rs 502.080 million) and 15.72% (2024: 15.30%) respectively as against the minimum requirement of Rs. 1,000 million and 15% prescribed by the SBP."

41 FINANCIAL ASSETS AND LIABILITIES

2025							
Effective yield / interest rate	Interest bearing					Non-interest bearing financial instruments	Total
	Upto 6 months	Over 6 months to one year	Over 1 year up to five years	Over five years	Sub total		
(Rupees)							
Financial assets							
Cash and balances with SBP and NBP	-	-	-	-	-	717,594,126	717,594,126
Balances with other banks and microfinance banks	9% - 14.5%	1,478,318,820	-	-	1,478,318,820	34,075,110	1,512,393,930
Treasury bills	10.25% - 12.15%	1,357,716,760	348,778,107	-	1,706,494,867	-	1,706,494,867
Term deposits certificate	13% to 17%	-	1,475,000,000	-	1,475,000,000	-	1,475,000,000
Advances - net of provisions	36.5% - 54%	43,948,209	4,260,396,528	2,686,693,200	6,991,037,937	-	6,991,037,937
Other assets	-	-	9,589,974	-	9,589,974	334,818,514	344,408,488
		2,879,983,789	6,093,764,609	2,686,693,200	11,660,441,598	1,086,487,750	12,746,929,348
Financial liabilities							
Deposits and other accounts	12% - 27%	7,228,251,358	4,142,485,837	240,464,000	11,611,201,195	-	11,611,201,195
Borrowings	Kibor + 4%	-	-	201,323,000	201,323,000	-	201,323,000
Other liabilities	-	-	-	-	-	289,181,256	289,181,256
		7,228,251,358	4,142,485,837	441,787,000	11,812,524,195	289,181,256	12,101,705,451
2024							
Effective yield / interest rate	Interest bearing					Non-interest bearing financial instruments	Total
	Upto 6 months	Over 6 months to one year	Over 1 year up to five years	Over five years	Sub total		
(Rupees)							
Financial assets							
Cash and balances with SBP and NBP	-	-	-	-	-	317,962,346	317,962,346
Balances with other banks and microfinance banks	13.5% - 20%	365,179,414	-	-	365,179,414	9,164,255	374,343,668
Treasury bills	11.75% - 12.15	1,126,066,375	538,518,527	-	1,664,584,902	-	1,664,584,902
Term deposits certificate	18.50%	-	125,000,000	-	125,000,000	-	125,000,000
Advances - net of provisions	36.5% - 51%	466,750,181	1,075,087,967	768,840,406	2,310,678,554	-	2,310,678,554
Other assets	-	-	9,164,642	-	9,164,642	67,307,203	76,471,845
		1,957,995,970	1,747,771,136	768,840,406	4,349,607,512	394,433,804	4,744,041,315
Financial liabilities							
Deposits and other accounts	12.5% - 27%	1,990,892,122	2,487,032,409	137,694,000	4,615,618,531	-	4,615,618,531
Borrowings	Kibor + 4%	1,094,985	-	-	1,094,985	-	1,094,985
Other liabilities	-	-	3,133,769	244,093,707	247,227,476	113,703,702	360,931,178
		1,991,987,107	2,490,166,178	381,787,707	4,863,940,992	113,703,702	4,977,644,694

41.1 Concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank's credit risk is primarily attributable to its advances including markup and balances with other banks. The credit risk on liquid fund is limited because the counterparties are banks with reasonably high credit rating. The credit quality of bank balances can be assessed with reference to external credit ratings as follows:

	Rating Agency	Short Term Rating	Long Term Rating
United Bank Limited	VIS	A1+	AAA
Habib Bank Limited	VIS	A1+	AAA
LOLC Microfinance Bank	VIS	A2	A-
Samba Bank Limited	PACRA	A1	AA
Allied Bank Limited	PACRA	A1+	AAA
Bank of Punjab	PACRA	A1+	AA+
Mobilink Microfinance Bank	PACRA	A1	A
Telenor Microfinance Bank	PACRA	A1	A
Habib Metropolitan Bank	PACRA	A1+	AA+
Abhi Microfinance Bank	PACRA	A3	BBB+
Apna Microfinance Bank	PACRA	A4	BB

The Bank has an effective loan disbursement and recovery monitoring system which allows it to evaluate borrower's credit worthiness and identify potential problem loans. The Bank follows SBP provisioning policy therefore, the provision held is considered to be adequate to cover any anticipated loss that may arise due to the default of customers.

41.2 Liquidity risk

Liquidity risk represents the risk that the Bank will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets. At present the Bank is not exposed to this risk as there is sufficient cash placed with various commercial banks at the year end.

41.3 Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risk.

41.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Bank's interest rate exposure stems mainly from its investments in Treasury Bills, investment in term deposits certificate and balances with other banks. The Bank's interest rate exposure is low due to the short term nature of the majority of business transactions. A change of 100 basis points in interest rates at the year end would have increased or decreased the profit for the year and shareholders equity by Rs 13.162 million (2024: Rs 3.347 million). This analysis assumes that all other variables remain constant. This analysis is performed on the same basis as for 2025.

41.3.2 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. At December 31, 2025, the Bank is not exposed to currency risk.

41.3.3 Other price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest rate risk or currency risk), and whether those changes are caused by factors specific to the individual financial instrument of its issuer or factors affecting all or similar financial instruments traded in the market. However, the Bank is not currently exposed to other price risk.

42 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified under held to collect model, is based on quoted market price. Quoted securities classified under held to collect model are carried at amortized cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

42.1 Fair value of financial assets

Fair value is the price that would be received to sell an asset or paid to transfer / settle a liability in an orderly transaction between market participants at the measurement date.

Fair value estimation:

The Bank discloses the financial instruments measured in the balance sheet at fair value in accordance with the following fair value hierarchy that reflects the significance of inputs in making the measurements. The fair value hierarchy has the following levels:

Level 1: 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).

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

	2025			
	Level 1	Level 2	Level 3	Total
	-----Rupees-----			
On balance sheet financial instruments				
Financial assets - disclosed but not measured at fair value				
Investments	-	3,181,494,868	-	3,181,494,868

43 RISK MANAGEMENT FRAMEWORK

43.1 Operational Risk Management

The Bank is closely monitoring the situation and has invoked required actions to ensure safety and security of Bank staff and an uninterrupted service to the customers. The senior management of the Bank is continuously monitoring the situation and is taking timely decisions to resolve any concerns. The Bank has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for critical staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network (“VPN”) connections. Further, the Bank has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber attacks.

43.2 Credit Risk Management

The Risk Management function of the Bank is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. The Bank has further strengthened its credit review procedures in the light of Flood. The Bank is continuously reviewing the portfolio, to identify accounts susceptible to higher risk, resulting from the Flood outbreak. In response to the impact of floods on its loan portfolio, the bank has taken steps to manage its credit risk, including restructuring loans and writing off a portion of the outstanding amount. Loan restructuring allows borrowers who have been impacted by the floods to temporarily modify the terms of their loans, such as extending the repayment period to better manage their finances. Meanwhile, the write-off of debt reflects the bank's determination that a portion of its loans will not be recoverable and should be removed from its books. By taking these actions, the bank has taken steps to manage its credit risk and protect its financial stability. These changes to the loan portfolio are reflected in the bank's financial statements in relevant notes.

43.3 Liquidity Risk Management

The Asset and Liability Committee (ALCO) of the Bank is continuously monitoring the liquidity position and the Bank is confident that the liquidity buffer currently maintained is sufficient to cater to any adverse movement in the cash flow maturity profile.

44 SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES

	2025				
	Total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
----- (Rupees) -----					
Market rate assets					
Advances - net of provisions	6,991,037,937	188,386,056	901,501,048	4,203,921,813	1,697,229,020
Other earning assets	4,659,813,688	1,478,318,820	3,181,494,868	-	-
Total market rate assets	11,650,851,625	1,666,704,876	4,082,995,916	4,203,921,813	1,697,229,020
Other non-earning assets	334,818,514	228,228,329	85,177,373	11,234,192	10,178,620
Total assets	11,985,670,139	1,894,933,205	4,168,173,289	4,215,156,005	1,707,407,640
Market rate liabilities					
Deposits	11,611,201,195	359,307,558	3,164,516,000	2,535,505,837	5,551,871,800
Borrowings	201,323,000	-	-	-	201,323,000
Total market rate liabilities	11,812,524,195	359,307,558	3,164,516,000	2,535,505,837	5,753,194,800
Other non-interest bearing liabilities	289,181,256	136,082,782	77,136,059	75,962,415	-
Total liabilities	12,101,705,451	495,390,340	3,241,652,059	2,611,468,252	5,753,194,800

	2024				
	Total	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
----- (Rupees) -----					
Market rate assets					
Advances - net of provisions	2,310,678,654	34,694,683	432,055,598	1,075,087,967	768,840,406
Other earning assets	2,154,764,316	365,179,414	1,789,584,902	-	-
Total market rate assets	4,465,442,970	399,874,097	2,221,640,500	1,075,087,967	768,840,406
Other non-earning assets	1,186,112,933	375,980,356	3,682,664	48,685,009	716,752,951
Total assets	5,651,555,903	775,854,453	2,225,323,164	1,123,772,976	1,485,593,357
Market rate liabilities					
Deposits	4,615,618,531	1,534,980,501	455,911,621	2,487,032,409	137,694,000
Borrowings	1,094,985	380,711	714,274	-	-
Total market rate liabilities	4,616,713,516	1,535,361,212	456,625,895	2,487,032,409	137,694,000
Other non-interest bearing liabilities	491,749,466	181,395,251	6,805,613	3,133,769	300,414,832
Total liabilities	5,108,462,982	1,716,756,463	463,431,508	2,490,166,178	438,108,832

45 COMPLAINTS STATUS

INTRODUCTION

The Bank operates under the supervision of the relevant regulatory authority and is committed to maintaining its position as a leading microfinance institution by delivering professional and high-quality services to its customers. The Bank places significant emphasis on addressing the needs and expectations of its customers and other stakeholders in a timely and effective manner. In line with this commitment, the bank has established a comprehensive Complaint Handling Framework in accordance with the Consumer Grievance Handling Mechanism prescribed by the State Bank of Pakistan (SBP). The framework is designed to ensure timely, fair, and transparent resolution of customer complaints, while safeguarding consumer rights and maintaining regulatory compliance. Complaint Management Unit (CMU) operates independently and is responsible for the receipt, recording, investigation, resolution, monitoring and reporting of customer complaints across all business segments.

COMPLAINT REGISTRATION

The Bank provided multi-channel support for customer complaints and queries throughout the year. Customers were facilitated through a variety of complaint submission modes including the Call Center, Email, Electronic Complaint Form (E-Form), Surface Mail, directly with the State Bank of Pakistan, SBP's Sunwai Portal and dedicated Complaint Drop Boxes placed at branches.

Complaint Process

All the complaints received from the above channels are lodged in Bank's Complaint Management System. Acknowledgment will be sent via SMS/Call/Letter/Email on the customer's registered credential within 24-48 hours. Complaint Management Unit reviews and investigates complaints with the concerned unit and address the matter within the assigned turn-around time. If any complaint cannot be resolved within 10 working days, an interim Call/Letter/Email is sent to customers to update them on the status of complaint and expected time of resolution. After resolving the complaint, CMU communicates the resolution via Call/Letter/Email to the customer and close his/her complaint on the system. If the customer is not satisfied with the resolution, he or she is provided with the option to approach the State Bank of Pakistan & Sunwai as redressal forum.

communicates the resolution via Call/Letter/Email to the customer and close his/her complaint on the system. If the customer is not satisfied with the resolution, he or she is provided with the option to approach the State Bank of Pakistan & Sunwai as redressal forum.

	2025	2024
Complaints received directly by the Bank	75	41
Complaints received through SBP	33	31
Total number of complaints	<u>108</u>	<u>72</u>
Complaints resolved during the year	<u>(105)</u>	<u>(72)</u>
Complaints remain unresolved	<u>3</u>	<u>-</u>
Average days taken for resolution	<u>3</u>	<u>2</u>

46 GENERAL

46.1 Figures have been rounded off to the nearest rupee unless otherwise specified.

47 CORRESPONDING FIGURE

Corresponding figure has been rearranged and reclassified, wherever necessary for the purpose and comparison and to reflect substance of transactions. There have been no significant reclassification except for those disclosed in financial statements.

48 EVENTS AFTER REPORTING DATE

There were no significant events after reporting date.

49 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on March 31, 2026 by the Board of Directors of the Bank.

CHIEF EXECUTIVE OFFICER CHIEF FINANCIAL OFFICER CHAIRMAN DIRECTOR DIRECTOR

