



FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2026

38. STAFF STRENGTH

	Credit / Sales staff	Banking / Support staff	Total staff
	Rupees		
As at June 30, 2026 (audited)			
Permanent	761	678	1,439
Contractual	196	19	215
MFB's own staff strength at the end of the period	957	697	1,654
Average number of employees during the period	971	690	1,660
As at June 30, 2025 (un-audited)			
Permanent	768	663	1,431
Contractual	216	19	235
MFB's own staff strength at the end of the period	984	682	1,666

39. NUMBER OF BRANCHES

	Audited June 30, 2026		Un-audited June 30, 2025	
	Branches	Sales service centre	Branches	Sales service centre
	Numbers			
Branches at the beginning of the period	114	-	114	-
Opened during the period	-	-	-	-
	114	-	114	-
Less: Closed during the period	-	-	-	-
Branches at the end of the period	114	-	114	-

40. DEFINED BENEFIT PLAN

40.1 General Description

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

The gratuity is payable under the following policy rule:

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

40.2 Number of Employees under the Scheme

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

	June 2026	December 2025
	Numbers	Numbers
Gratuity scheme	1,704	1,082

40.3 Principal actuarial assumptions

The disclosure made below are based on the information included in the actuarial valuation report of the Bank as of June 30, 2026.

	June 2026	December 2025
	%	%
Discount rate used for profit and loss charge	11.00%	12.25%
Discount rate for period / year end obligation	11.75%	11.00%
Expected rate of salary increase	10.75%	10.00%
	June 2026	December 2025
	Rupees	

40.4 Present value of obligations

140,551,037 369,217,115

40.5 Movement in payable under defined benefit schemes

Opening balance	369,217,115	289,704,451
Contribution made during the period / year	(311,228,337)	-
Charge for the period / year	74,133,263	84,887,311
Re-measurement loss recognised in OCI during the period / year	36,417,874	84,769,533
Less: Benefits paid	(27,998,678)	(90,144,180)
Closing balance	140,551,037	369,217,115

40.6 Charge for defined benefit plans

40.6.1 Cost recognised in the statement of profit or loss

Current service cost	45,881,020	56,457,080
Past service cost	9,933,822	-
Interest cost	18,318,421	28,430,231
	74,133,263	84,887,311

40.6.2 Re-measurements recognised in OCI during the period / year

Loss / (gain) on obligation:		
- Demographic assumptions	-	12,694,543
- Financial assumptions	119,486	(1,836,942)
- Experience adjustment	36,298,168	73,911,932
Total re-measurements recognised in OCI	36,417,874	84,769,533

40.7 Sensitivity analysis

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

	June 2026	December 2025
	Rupees	
100 bps increase in discount rate	35,841,835	14,720,604
100 bps decrease in discount rate	720,744	13,511,324
100 bps increase in expected rate of salary increase	720,744	16,107,359
100 bps decrease in expected rate of salary increase	36,135,168	15,056,455

40.8 Expected charge for the next financial period / year

91,008,528 109,167,063

40.9 Maturity profile

The weighted average duration of the obligation is 4 years.

40.10 Risks associated with defined benefit plan

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

Longevity risks:

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

Salary increase risk.

ine most common toe or retirement benefit is one Where the final benefit is linked with final salary. ine risk arises When the actual increases are higher than expectations and impact the liability accordingly.

Withdrawal Rate.

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

41. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

	June 30, 2026 (Audited)			June 30, 2025 (Un-audited)		
	Non-Executives (Independent Directors)	President / CEO	Key Management Personnel	Non-Executives (Independent Directors)	President / CEO	Key Management Personnel
	Rupees					
Fees and allowances	12,148,974	-	-	3,000,000	-	-
Managerial remuneration						
i) Fixed	-	5,063,833	54,961,002	-	8,000,000	36,314,860
ii) Variable	-	-	36,650,551	-	-	-
Cash bonus / awards	-	-	-	-	-	-
Contribution to defined contribution plan	-	277,430	4,578,251	-	-	3,025,034
Rent and house maintenance	-	2,025,533	21,984,405	-	3,200,000	14,525,939
Utilities	-	-	-	-	800,000	2,609,982
Medical	-	506,383	5,496,095	-	-	1,021,508
Others	-	1,805,444	20,355,197	-	2,286,332	21,389,939
Total	12,148,974	9,478,623	144,025,501	3,000,000	14,286,332	78,887,262
Number of persons	8	2	7	14	1	12

42. FAIR VALUE MEASUREMENTS

Fair value measurement defines fair value as the price that would be received from the sale of an asset or bald to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of quoted securities other than those classified as amortized cost, is based on quoted market price.

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

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

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

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

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

Level 3: 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).

Financial instruments in level 1

Currently, no financial instruments are classified in level 1.

Financial instruments in level 2

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

Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

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

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

Carrying amount	Fair value			
	Level 1	Level 2	Level 3	Total
Carrying value				
	Rupees			

Note

On-Balance sheet financial instruments

Financial assets measured at fair value

As at June 30, 2026				
Investments	10	6,469,837,577	-	6,469,837,577
As at December 31, 2025				
Investments	10	6,443,102,790	-	6,443,102,790

43. RELATED PARTY TRANSACTIONS

During the year, the Bank's related parties comprise of directors, key management personnel, shareholders, associated company and employee retirement fund. Transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

June 30, 2026									December 31, 2025						
CEO	Key management personnel	Directors	Abhi (Private) Limited	Abhi Fintech Limited	TPL Corp.	TPL Insurance	Kashf Foundation Provident Fund Trust		CEO	Key management personnel	Directors	Abhi Private Limited	TPL CORP	TPL Insurance	Kashf Foundation Provident Fund Trust
Rupees															
ADVANCES															
Opening balance	25,000,000	115,873,468	-	-	-	-	-	-	-	10,662,390	-	-	-	-	-
Adjustment - transfer in / transfer out	(7,680,011)	(7,228,267)	-	-	-	-	-	-	-	-	-	-	-	-	-
Addition during the period / year	8,324,861	18,218,042	-	-	-	-	-	-	49,000,000	161,172,838	-	-	-	-	-
Repaid during the period / year	(1,498,725)	(9,731,766)	-	-	-	-	-	-	(24,000,000)	(55,961,760)	-	-	-	-	-
Closing balance	24,146,125	117,131,477	-	-	-	-	-	-	25,000,000	115,873,468	-	-	-	-	-
OTHER ASSETS															
Interest / mark-up accrued	-	-	-	-	-	-	-	-	-	686	-	-	-	-	-
DEPOSITS AND OTHER ACCOUNTS															
Opening balance	1,983,837	43,415,297	54,921	3,472,992,441	-	10,326	895,000,000	8,038	364,634	10,260,170	96,974	-	-	-	8,364
Adjustment due to change in related parties - net	(1,983,836)	(11,920,640)	-	-	-	-	-	-	-	-	(93,713)	-	-	-	-
Received during the period / year	108,969,778	61,693,496	601,865	6,678,069,392	555,058,432	-	2,967,225,100	560	137,023,369	632,280,625	16,132,493	184,358,360,123	1,000,011,176	895,000,000	688
Withdrawn during the period / year	(108,969,775)	(76,403,059)	(656,786)	(10,026,872,434)	(404,973,345)	(610)	(1,627,101,265)	(1,160)	(135,404,166)	(599,125,498)	(16,082,633)	(180,885,367,682)	(1,000,000,850)	-	(1,014)
Closing balance	4	16,785,094	-	124,189,399	150,085,087	9,716	2,235,123,835	7,438	1,983,837	43,415,297	54,921	3,472,992,441	10,326	895,000,000	8,038
OTHER LIABILITIES															
Markup / return / interest payable	-	119,072	1,133	-	-	-	-	-	-	199,082	-	1,681,399	96	-	445
TRANSACTION DURING THE YEAR															
Income															
Mark-up / return / interest earned	333,641	1,989,106	-	-	-	-	-	-	1,415,803	3,138,476	-	-	-	-	-
Expense															
Mark-up / return / interest expended	-	1,142,146	605,426	-	-	-	-	-	-	898,665	1,936,133	4,261,513	973	-	904
Contribution to provident fund	277,430	4,578,251	-	-	-	-	-	-	-	7,679,071	-	-	-	-	-



FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2026

23. SHARE CAPITAL

23.1 Authorized capital

June 2026 (Number of shares)	December 2025		June 2026 Rupee:	December 2025 Rupee:
1,500,000,000	1,500,000,000	Ordinary shares of Rs 10 each	15,000,000,000	15,000,000,000

23.2 Issued, subscribed and paid-up share capital

June 2026 (Number of shares)	December 2025		June 2026 Rupees	December 2025 Rupees
75,000,000	75,000,000	Opening Balance	750,000,000	750,000,000
759,888,711	559,888,711	Ordinary share of Rs. 10 each fully paid in cash	7,598,887,110	5,598,887,110
834,888,711	634,888,711	Ordinary share of Rs. 10 each issued at discount	8,348,887,110	6,348,887,110
-	200,000,000	Movement during the year	-	2,000,000,000
834,888,711	834,888,711	Ordinary share of Rs. 10 each fully paid in cash	8,348,887,110	6,348,887,110
275,000,000	275,000,000	Closing Balance	2,750,000,000	2,750,000,000
559,888,711	559,888,711	Ordinary share of Rs. 10 each fully paid in cash	5,598,887,110	5,598,887,110
834,888,711	834,888,711	Ordinary share of Rs. 10 each issued at discount	8,348,887,110	6,348,887,110
-	-	Discount on issue of share	(4,089,040,293)	(4,089,040,293)
834,888,711	834,888,711		4,259,846,817	4,259,846,817

23.3 Pattern of Shareholding

June 2026 (Number of shares)	December 2025		June 2026 Rupees	December 2025 Rupees
591,149,827	591,149,827	Abhi (Private) Limited	5,911,498,270	5,911,498,270
210,619,137	210,619,137	TPL Corp Limited	2,106,191,370	2,106,191,370
33,119,747	33,119,747	Kashf Holdings (Private) Limited	331,197,470	331,197,470
834,888,711	834,888,711		8,348,887,110	6,348,887,110

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

24. CAPITAL CONTRIBUTION RESERVE

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

25. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

	June 2026 Rupees	December 2025 Rupees
Fair Value Surplus on revaluation of:		
- FVOCI - debt	9,343,075	15,229,186
Deferred tax on surplus on revaluation of:		
- FVOCI - debt	(3,643,800)	(5,939,384)
	5,699,275	9,289,802

26. CONTINGENCIES AND COMMITMENTS

Contingencies

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

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

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

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

Bank's AJK Operations:

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

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

26.2 Commitments

There are no significant commitments as at June 30, 2026 (December 2025: Nil)

27. MARK-UP / RETURN / INTEREST EARNED

	Note	(Audited) From January 01, 2026 to June 30, 2026	(Un-audited) From January 01, 2025 to June 30, 2025
Loans and advances		8,122,344,739	4,292,278,893
Investments		268,486,430	337,780,794
Lending to financial institutions		464,615,542	-
Balances with other MFIs / banks / NBFIs		401,946,696	367,341,313
	27.1	9,257,393,407	4,997,401,000

27.1 Interest Income

(Calculated using effective interest rate method) recognized on:

Financial assets measured at amortised cost	8,988,906,977	4,697,150,080
Financial assets measured at FVOCI	199,577,778	202,005,250
Financial assets measured at FVTPL	68,908,652	98,245,670
	9,257,393,407	4,997,401,000

28. MARK-UP / RETURN / INTEREST EXPENSED

Deposits	4,464,089,595	2,866,626,632
Borrowings	155,762,167	167,576,666
Subordinated loan	47,873,555	-
Lease liabilities	110,329,277	80,342,915
	4,778,054,594	3,114,546,213

28.1 Interest expense calculated using effective interest rate method

29. FEE AND COMMISSION INCOME

Loan processing fee - net	566,281,864	456,532,037
Branchless banking income	143,447,380	9,872,924
Branch banking customer fees	18,701,741	48,074,558
Overdue charges	103,760,488	40,353,153
Early settlement charges	202,917,787	125,801,336
Card related fees	24,497,520	3,327,879
	1,061,606,760	683,961,897

29.1 Branchless banking income

Lending charges	127,915,991	-
Commission income from bill payments	236,385	277,459
Fees on payment and money transfer services	13,024,772	8,157,198
Fees on cash withdrawal	2,052,755	1,260,354
Others	217,477	177,913
	143,447,380	9,872,924

30. GAIN ON SECURITIES

Realised	561,905	7,121,473
Unrealised	(454,000)	-
	107,905	7,121,473

30.1 Realised gain on:

	Note	(Audited) From January 01, 2026 to June 30, 2026	(Un-audited) From January 01, 2025 to June 30, 2025
Federal government securities		561,905	7,121,473
		561,905	7,121,473

30.2 Realised gain on:

Net gain on financial assets (debt instruments) measured at FVOCI		232,000	6,597,376
Net gain on financial assets (debt instruments) measured at FVTPL		329,905	524,097
		561,905	7,121,473

31. OTHER INCOME

Gain on sale of property and equipment - net		11,960,940	-
Gain on derecognition on subordinated debt		-	6,678,382
Others	21.1	253,061	2,431,302
		12,214,001	9,109,684

32. OPERATING EXPENSES

Total compensation expense	32.1	1,924,873,855	1,367,172,583
Directors' fees and allowances		12,148,974	3,000,000
Printing, stationery and periodicals		9,942,759	28,340,953
Advertisement		56,754,951	46,511,568
Rent, rates and taxes		6,140,656	28,637,223
Office running expenses		27,461,568	43,317,345
Vehicle running expenses		90,441,370	51,616,633
Insurance		118,328,757	59,745,961
Office security / personnel services		92,342,608	88,717,648
Janitorial services		75,522,866	24,164,075
Repairs and maintenance		126,805,922	56,054,987
Communication		44,487,858	34,311,921
Travel and transportation		87,913,097	90,498,532
Utilities		64,679,635	93,661,486
IT expenses		122,793,426	59,686,693
Legal and professional charges		45,362,992	38,089,282
Donation		28,000	-
Auditors' remuneration	32.2	3,000,000	2,500,000
Training and research		4,359,592	8,755,635
Depreciation on property and equipment	12	112,598,250	62,515,866
Depreciation on right of use assets	13	155,916,823	102,850,779
Amortization on intangible assets	14	24,889,307	19,030,895
Others		1,679,993	2,653,682
		3,208,673,261	2,311,833,747

32.1 Total compensation expense

	Note	(Audited) From January 01, 2026 to June 30, 2026	(Un-audited) From January 01, 2025 to June 30, 2025
Fees and allowances etc		25,632,945	24,038,854
Managerial remuneration			
i) Fixed		792,118,687	503,380,000
ii) Variable		234,897,438	262,035,568
Charge for defined benefit plan		74,133,263	55,342,547
Contribution to employees provident fund		61,214,441	37,472,497
Rent & house maintenance		316,736,387	201,314,988
Utilities		194,220	48,698,083
Medical		98,660,881	1,630,726
Conveyance		17,038,760	14,904,631
Staff insurance		16,574,814	7,561,435
Staff medical insurance		24,328,190	25,611,349
Employee old age benefit		20,290,688	19,145,019
Mobile expense		12,003,033	10,807,056
Staff relocation expense		5,652,871	6,748,147
Overtime		77,404	1,374,068
Fuel and maintenance		195,333,950	135,155,126
Recruitment related expenses		1,937,515	28,650
Employee engagement expense		8,297,747	2,615,138
PESSI		122,100	793,599
Driver Allowance		17,844,294	10,714,138
Others		1,782,027	1,800,424
		1,924,873,855	1,367,172,583

32.2 Auditors' remuneration

Audit fee		3,000,000	2,500,000
		3,000,000	2,500,000

33. OTHER CHARGES

Penalties imposed by SBP	33.1	-	72,000
Bank charges		11,387,485	30,694,831
		11,387,485	30,766,831

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

34. CREDIT LOSS ALLOWANCE AND WRITE OFFS - NET

	Note	(Audited) From January 01, 2026 to June 30, 2026	(Un-audited) From January 01, 2025 to June 30, 2025
Credit loss allowance against loans and advances	34.1	48,357,974	46,749,888
Bad debts written off directly	11.2	18,044,112	11,170,672
Recovery against advances previously written off		(191,469,564)	(146,119,757)
		(125,067,478)	(88,199,197)

34.1 Credit loss allowance against loans and advances

	Note	(Audited) From January 01, 2026 to June 30, 2026	(Un-audited) From January 01, 2025 to June 30, 2025
Against advances		48,649,830	46,749,888
Against other assets		(291,856)	-
		48,357,974	46,749,888

35. TAXATION

Current - for the period	35.1	(417,906,619)	(71,153,425)
Deferred - for the period	15	(538,626,586)	(52,494,409)
		(956,533,205)	(123,647,834)

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

36. BASIC AND DILUTED EARNINGS PER SHARE

	Note	(Audited) From January 01, 2026 to June 30, 2026	(Un-audited) From January 01, 2025 to June 30, 2025
Profit for the period		1,501,741,026	200,185,226
		Number	
Weighted average number of ordinary shares		834,888,711	834,888,711
		Rupees	
Basic and diluted earnings per share		1.80	0.24

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

37. CASH AND CASH EQUIVALENTS

Cash and balances with SBP and NBP	7	5,270,105,115	1,879,478,802
Balances with other banks	8	11,165,353,783	7,710,331,296
Less: Instruments having maturity more than three months		(4,100,000,000)	-
		12,335,458,898	9,589,810,098