

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2026

SHARE CAPITAL					
23.1	Authorized capital				
	June 2026 (Number of shares)	December 2025 (Number of shares)		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 (Number of shares)		June 2026 Rupees	December 2025 Rupees
	75,000,000	75,000,000	Opening Balance		
	750,888,711	559,888,711	Ordinary share of Rs. 10 each fully paid in cash	750,000,000	750,000,000
			Ordinary share of Rs. 10 each issued at discount	7,598,887,110	5,598,887,110
	834,888,711	634,888,711		8,348,887,110	6,348,887,110
			Movement during the year		
	-	200,000,000	Ordinary share of Rs. 10 each fully paid in cash	-	2,000,000,000
	834,888,711	834,888,711		8,348,887,110	8,348,887,110
			Closing Balance		
	275,000,000	275,000,000	Ordinary share of Rs. 10 each fully paid in cash	2,750,000,000	2,750,000,000
	559,888,711	559,888,711	Ordinary share of Rs. 10 each issued at discount	5,598,887,110	5,598,887,110
	834,888,711	834,888,711		8,348,887,110	8,348,887,110
	-	-	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 (Number of shares)		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	8,348,887,110
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-repatriable 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	December 2025		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. 35.0 Million, over and above the statutory requirement, in order to cater for any unforeseen event resulting into operational loss.				
	Bank's A/JK 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 / NBFI's			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 amortized cost			8,968,908,977	4,697,150,080
	Financial assets measured at FVOCI			199,577,778	202,005,250
	Financial assets measured at FVTPL			66,908,652	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		20	110,329,277	80,342,915
				4,778,054,594	3,114,546,213
28.1	Interest expense calculated using effective interest rate method			4,778,054,594	3,114,546,213
29.	FEE AND COMMISSION INCOME				
	Loan processing fee - net			568,281,864	456,532,037
	Branchless banking income	29.1		143,447,380	9,872,824
	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
				1,061,606,780	683,961,887
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

		(Audited)	(Un-audited)
		From January 01, 2026 to June 30, 2026	From January 01, 2025 to June 30, 2025
30.1	Realised gain on:	Note	Rupees
	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	21.1	- 6,678,382
	Others		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		6,140,658 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		64,879,635 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
		(Audited)	(Un-audited)
		From January 01, 2026 to June 30, 2026	From January 01, 2025 to June 30, 2025
32.1	Total compensation expense	Note	Rupees
	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 33,472,497
	Rent & house maintenance		316,738,387 201,314,988
	Utilities		184,220 48,698,083
	Medical		98,660,891 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		77,604 1,374,608
	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
	PESAI		122,100 793,599
	Driver Allowance		17,844,294 10,714,138
	Others		1,782,627 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.		
		(Audited)	(Un-audited)
		From January 01, 2026 to June 30, 2026	From January 01, 2025 to June 30, 2025
34.	CREDIT LOSS ALLOWANCE AND WRITE OFFS - NET	Note	Rupees
	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)
		(Audited)	(Un-audited)
		From January 01, 2026 to June 30, 2026	From January 01, 2025 to June 30, 2025
34.1	Credit loss allowance against loans and advances	Note	Rupees
	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) (52,434,409)
			(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.		
		(Audited)	(Un-audited)
		From January 01, 2026 to June 30, 2026	From January 01, 2025 to June 30, 2025
36.	BASIC AND DILUTED EARNINGS PER SHARE	Note	Rupees
	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.		
		(Audited)	(Un-audited)
		From January 01, 2026 to June 30, 2026	From January 01, 2025 to June 30, 2025
37.	CASH AND CASH EQUIVALENTS	Note	Rupees
	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



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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 Numbers	December 2025 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%

Note

	June 2026 Rupees	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	36,417,674	84,769,533
Less: Benefits paid	(27,988,678)	(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	9,933,622	-
Interest cost	18,518,421	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	36,298,188	73,911,932
Total re-measurements recognised in OCI	36,417,674	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 Rupees	December 2025 Rupees
100 bps increase in discount rate	35,841,835	14,720,624
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	36,135,166	15,056,455

40.8 Expected charge for the next financial period / year

91,008,528	109,167,063
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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 arises When the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk:

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

Withdrawal Rate:

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

41. 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	-	-	-	-	-	-
Cash bonus / awards	-	-	36,650,551	-	-	-
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	-	1,605,444	20,355,197	-	2,266,332	21,389,939
Total	12,148,974	9,478,623	144,025,501	3,000,000	14,266,332	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 liability in an orderly transaction between market participants at the measurement date.

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

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

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short-term in nature or, in the case of customer loans and deposits, are frequently 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			
Carrying value	Level 1	Level 2	Level 3	Total
	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)	(16,082,833)	(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 expensed	-	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

44. CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS

	June 2026	December 2025
	Rupees	
Minimum Capital Requirement (MCR):		
Paid-up Capital (net of losses)	3,109,416,001	1,602,651,705
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier - 1 (CET1) Capital	(1,512,259,501)	(3,458,125,569)
Eligible Additional Tier - 1 (ADT1) Capital	-	-
Total Eligible Tier-1 Capital	(1,512,259,501)	(3,458,125,569)
Eligible Tier 2 capital	-	-
Total Eligible Capital (Tier1+Tier2)	(1,512,259,501)	(3,458,125,569)
Risk Weighted Assets (RWAs):		
Credit risk:	23,285,246,917	16,494,820,845
Operational risk	908,904,879	560,405,126
Total	24,174,150,996	17,055,225,971
Common Equity Tier1 Capital Adequacy Ratio	-6.26%	-20.28%
Tier1 Capital Adequacy Ratio	-6.26%	-20.28%
Total Capital Adequacy Ratio	-6.26%	-20.28%

The Bank is required to maintain minimum capital of Rs. 2,000 million and capital adequacy ratio (CAR) equivalent to at least 15% of its risk weighted assets.

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

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

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

45. RISK MANAGEMENT

45.1 Risk Management Department

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

45.1.1 Key Components of Risk Management

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

45.1.2 Risk Management Architecture

- Credit Risk Management Unit**
- Reviews, completes, and conducts due diligence on credit proposals initiated by branches.
- Credit Administration Department**
- Manages loan collateral, documentation, and disbursement aspects of the credit portfolio.
 - Ensures that all legal and procedural requirements are met during the lending process.
- Operational Risk Management Unit**
- Focuses on identifying, assessing, and mitigating operational risks (e.g., operational issues, process gaps, system failures, human error).
 - Implements controls and processes to minimize operational losses and ensure smooth business operations.
- Market and Liquidity Risk**
- Monitors and controls interest rate, prices, and treasury-related risks, ensuring activities are conducted within approved limits and regulatory requirements.
 - Ensures sufficient liquidity to meet obligations through effective cash flow management, funding oversight, and contingency planning.

45.2 Credit Risk

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

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

45.2.1 Exposure to credit risk

	June 30, 2026		December 31, 2025	
	Balance as per the statement of financial position	Maximum exposure	Balance as per the statement of financial position	Maximum exposure
	Rupees			
Cash and balances with treasury banks	5,270,105,115	-	9,863,364,956	-
Balances with other MFIs / Banks / NBFIs	11,165,353,783	11,165,353,783	7,547,109,841	7,547,109,841
Lending to financial institutions	11,745,866,367	-	2,762,889,000	2,762,889,000
Investments	6,469,837,577	-	6,443,102,790	-
Advances	49,533,412,052	49,533,412,052	37,555,584,192	37,555,584,192
Other assets	9,239,660,128	9,239,660,128	6,096,209,065	6,096,209,065
	93,424,235,022	69,938,425,063	70,768,259,844	58,961,792,098

45.2.2 Credit ratings

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

Rating	June 30, 2026		December 31, 2025	
	Rupees	%	Rupees	%
AAA	16,408,834	0.15%	531,572,467	7.04%
AAA	1,591,023	0.01%	10,172,038	0.13%
AAA	125,119	0.00%	306,277	0.00%
AA	28,401	0.00%	1,071,529	0.01%
AA-	4,866	0.00%	4,692	0.00%
AAA	74,223	0.00%	161,692	0.00%
A+	1,515,967	0.01%	1,011,505	0.01%
AA	4,004,042,418	35.84%	3,000,010,426	39.75%
AAA	1,767,077	0.02%	1,697,190	0.02%
AA	-	0.00%	173,575	0.00%
A+	1,506,751,965	13.49%	1,000,010,013	13.25%
AAA	-	0.00%	83,128	0.00%
A+	1,366,812	0.01%	544,287	0.01%
BBB+	1,120,296,845	10.39%	1,000,006,575	13.25%
A-	4,511,378,603	40.41%	2,000,284,247	26.50%
Total	11,165,353,783	100.00%	7,547,109,841	100.00%

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

45.6 Foreign Exchange Risk

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

Liquidity risk

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

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

45.7.1 Assets & Liabilities - based on contractual maturity

	June 30, 2026						
	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 to 12 months	Over 1 to 2 Years	Over 2 to 5 Years	Over 5 Years
	Rupees						
Assets							
Cash and balances with SBP and NBP	5,270,105,115	-	-	-	-	-	5,270,105,115
Balances with other banks / NBFIs / MFIs	11,165,353,783	-	-	-	-	-	11,165,353,783
Lending to financial institutions	11,745,866,367	-	-	-	-	-	11,745,866,367
Investments - net of provisions	4,497,115,577	987,982,000	-	-	984,740,000	-	6,469,837,577
Advances - net of provisions	7,802,016,390	6,134,264,650	11,650,817,474	23,036,067,692	601,497,612	308,748,234	49,533,412,052
Property and equipment	86,255,503	194,238,129	290,311,635	119,723,221	214,281,242	264,125,899	1,728,779,484
Right-of-use assets	26,928,368	52,533,891	75,330,501	142,376,343	261,826,524	580,281,619	1,608,858,614
Intangible assets	48,290,197	39,324,951	42,389,725	19,579,879	35,418,803	45,577,812	246,503,627
Deferred tax asset	-	-	-	-	-	3,745,887,212	3,745,887,212
Other assets	9,899,139,685	17,938,356	84,769,863	-	-	-	38,406,212
	50,539,070,985	7,426,281,977	12,143,618,198	23,317,747,135	2,097,764,181	4,944,620,876	101,554,857,947
Liabilities							
Bills payable	145,891,354	-	-	-	-	-	145,891,354
Deposit and other accounts	45,544,926,009	7,629,844,483	9,267,795,883	15,322,487,408	3,305,297,895	5,123,335,123	86,193,686,801
Lease Liabilities	2,530,382	28,738,679	30,759,399	180,302,181	222,204,666	481,860,542	1,782,255,137
Borrowings including subordinated debt	3,952,148,000	-	-	-	-	720,160,167	3,000,000,000
Other liabilities	2,418,638,540	-	-	106,166,014	21,082,656	105,413,277	2,651,300,487
	52,064,134,285	7,658,583,162	9,298,555,282	15,608,955,603	3,548,585,217	6,430,769,109	96,445,441,946
Off balance sheet							
	52,064,134,285	7,658,583,162	9,298,555,282	15,608,955,603	3,548,585,217	6,430,769,109	96,445,441,946
Net Assets							
Represented by:							
Share capital	4,259,846,817	-	-	-	-	-	4,259,846,817
Advances against issue of shares	2,000,000,000	-	-	-	-	-	2,000,000,000
Capital contribution reserve	600,000,000	-	-	-	-	-	600,000,000
Statutory and general reserves	1,072,706,246	-	-	-	-	-	1,072,706,246
Depositors' protection fund	623,585,387	-	-	-	-	-	623,585,387
Surplus on revaluation of assets	5,699,276	-	-	-	-	-	5,699,276
Accumulated losses	(5,452,421,725)	-	-	-	-	-	(5,452,421,725)
	3,109,416,001	(232,301,185)	2,845,063,912	7,708,791,532	(1,450,821,036)	(1,486,148,233)	3,109,416,001

45.2.3 Investments in government securities

Gross investments		Non-performing investments		Credit loss allowance booked	
June 2026	December 2025	June 2026	December 2025	June 2026	December 2025
Rupees					

Credit risk by industry sector

Federal government securities	6,469,837,577	6,443,102,790	-	-	-
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45.2.4 Lending to financial institutions

Gross investments		Non-performing investments		Credit loss allowance booked	
June 2026	December 2025	June 2026	December 2025	June 2026	December 2025
Rupees					

Credit risk by industry sector

Federal government securities	11,745,866,367	2,762,889,000	-	-	-
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As disclosed in Note 9.2, these lendings are secured by market treasury bills and Pakistan investment bonds. The total market value of these market treasury bills and Pakistan investment bonds are Rs. 11.7 billion (December 2025: Nil).

45.2.5 Advances

Gross advances		Non-performing advances		Credit loss allowance booked	
June 2026	December 2025	June 2026	December 2025	June 2026	December 2025
Rupees					

Credit risk by industry sector

Individuals	50,073,775,941	38,162,579,357	307,781,892	256,392,150	540,363,889	606,995,165
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45.2.6 Concentration of credit

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

45.2.7 Definition of default and cure

Default

The Bank considers a financial instrument in default when:

- The instrument is considered credit-impaired (transferred to stage 3) for ECL calculations in all cases of its advances to customers, and the borrower becomes 90 days past due on its contractual payments (for general loans).

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

As part of the qualitative assessment, even if the 90-day threshold isn't met, the Bank considers a customer in default if any of the following events occur, indicating unlikely to pay:

- The borrower is deceased.
- A material decrease in the underlying collateral value where recovery is expected from the sale of the collateral.
- A covenant breach not waived by the Bank.
- Pending litigations.
- The borrower is unable to pay due to any other reason.

Cure

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

45.2.8 PD estimation process

45.2.8.1 Advances

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

45.2.8.2 Bank balances

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

45.2.9 LGD estimation process

The Bank segments its consumer lending products into smaller homogeneous segments, based on key characteristics that are relevant to the estimation of future cash flows. The bank calculate LGD of each segment based historical experiences of cash recoveries from defaults (including settlements), cost and time of recoveries. Effective interest rate or approximate thereof has been used to discount recoveries to date of default. Data from 1 January 2017 till date has been used for LGD estimations. For receivables from the banks, investments and nano lending, the Bank used LGD percentages prescribed under Basel Foundation – Internal Rating Based (F-IRB) approach to determine ECL under BSD Circular No. 08 dated June 27, 2006 issued by SBP.

45.2.10 Forward looking information:

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

45.3 Operational risk

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

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

45.4 Interest / mark-up rate risk

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

45.5 Market Risk

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

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