ABHI microfinance bank

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2026

		June 2026	December 2025
44.	**CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS**	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	23,265,246,017	16,494,820,845
	Operational risk	908,904,979	560,405,126
	Total	24,174,150,996	17,055,225,971
	Common Equity Tier1 Capital Adequacy Ratio	-6.26%	-20.28%
	Tier1 Captial 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 adequecy 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&BLD)/FMFB/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 MFBs / 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	69,938,425,963	70,268,259,844	53,961,792,098

45.2.2 Credit ratings

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

Rating		June 30, 2026		December 31, 2025	
		Rupees	%	Rupees	%
AAA	United Bank Limited	16,408,834	0.15%	531,572,467	7.04%
AAA	MCB Bank Limited	1,591,023	0.01%	10,172,038	0.13%
AAA	Habib Bank Limited	125,119	0.00%	306,277	0.00%
AA	JS Bank Limited	28,401	0.00%	1,071,529	0.01%
AA-	Telenor Microfinance Bank	4,866	0.00%	4,692	0.00%
AAA	Allied Bank Limited	74,223	0.00%	161,892	0.00%
A+	Mobilink Microfinance Bank Limited	1,515,567	0.01%	1,011,505	0.01%
AA	Soneri Bank Limited	4,004,042,418	35.86%	3,000,010,426	39.75%
AAA	Bank Alfalah Limited	1,767,077	0.02%	1,697,190	0.02%
AA	Samba Bank Limited		0.00%	173,575	0.00%
A-	Khushhali Bank Limited	1,506,751,995	13.49%	1,000,010,013	13.25%
AAA	The Bank of Punjab		0.00%	83,128	0.00%
A+	U Microfinance Bank Limited	1,368,812	0.01%	544,287	0.01%
BBB+	Halan Microfinance Bank Limited	1,120,296,845	10.03%	1,000,006,575	13.25%
A-	LOLC Microfinance Bank Limited	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.

45.2.3 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	-	-	-	-

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	-	-	-	-

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	258,392,150	540,363,889	606,995,165

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 unlikeliness to pay:

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

Cure

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

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 June27, 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 (Pit 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 on 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.

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	Total
	Rupees							
Assets								
Cash and balances with SBP and NBP	5,270,105,115	-	-	-	-	-	-	5,270,105,115
Balances with other banks / NBFIs / MFBs	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	559,843,855	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	469,581,368	1,608,858,614
Intangible assets	46,290,197	39,324,951	42,389,725	19,579,879	35,418,803	45,577,912	17,922,160	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	10,040,254,116
Total	50,539,070,985	7,426,281,977	12,143,619,198	23,317,747,135	2,097,764,181	4,944,620,876	1,085,753,595	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	835,859,288	1,782,255,137
Borrowings including subordinated debt	3,952,148,000	-	-	-	-	720,160,167	3,000,000,000	7,672,308,167
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	3,835,859,288	98,445,441,946
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	3,835,859,288	98,445,441,946
Net Assets	(1,525,063,300)	(232,301,185)	2,845,063,916	7,708,791,532	(1,450,821,036)	(1,486,148,233)	(2,750,105,693)	3,109,416,001
Represented by:								
Share capital	4,259,846,817							
Advance against issue of shares	2,000,000,000							
Capital contribution reserve	600,000,000							
Statutory and general reserves	1,072,706,246							
Depositors' protection fund	623,585,387							
Surplus on revaluation of assets	5,699,276							
Accumulated losses	(5,452,421,725)							
	3,109,416,001							

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ABHI microfinance bank

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2026

	December 31, 2025							
	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 to 12 months	Over 1 to 2 Years	Over 2 to 5 Years	Over 5 Years	Total
	Rupees							
Assets								
Cash and balances with SBP and NBP	9,863,364,956	-	-	-	-	-	-	9,863,364,956
Balances with other banks / NBFIs / MFBs	7,547,109,841	-	-	-	-	-	-	7,547,109,841
Lending to financial institutions	2,762,889,000	-	-	-	-	-	-	2,762,889,000
Investments - net of provisions	4,017,111,977	-	1,444,978,499	-	981,012,314	-	-	6,443,102,790
Advances - net of provisions	5,057,907,486	4,709,946,336	7,917,217,283	19,257,362,717	342,856,014	269,499,556	794,800	37,555,584,192
Property and equipment	52,559,163	64,380,361	76,578,513	112,104,616	171,065,071	245,021,606	270,307,157	992,016,487
Right-of-use Assets	524,272	2,141,835	4,978,528	15,065,623	56,125,875	166,689,443	783,935,971	1,029,461,547
Intangible assets	39,235,250	41,845,569	44,577,837	15,313,709	20,884,270	21,487,017	7,371,689	190,715,341
Deferred tax asset	-	-	-	-	-	4,268,015,321	-	4,268,015,321
Other assets	6,387,202,672	-	-	-	-	-	26,319,762	6,413,522,434
Total	35,727,904,617	4,818,314,101	9,488,330,660	19,399,846,665	1,571,943,544	4,970,712,943	1,088,729,379	77,065,781,909
Liabilities								
Bills Payable	114,006,111	-	-	-	-	-	-	114,006,111
Deposit and other accounts	36,131,197,509	4,057,488,218	7,492,722,078	14,573,833,521	2,953,040,314	3,880,002,373	-	69,088,284,013
Lease Liabilities	444,922	3,573,469	8,362,630	24,556,381	116,277,370	250,688,929	851,429,842	1,255,333,543
Borrowings including subordinated debt	-	-	-	-	-	672,286,612	3,000,000,000	3,672,286,612
Other liabilities	2,935,460,758	-	-	65,463,764	55,382,567	276,912,836	-	3,333,219,925
	39,181,109,300	4,061,061,687	7,501,084,708	14,663,853,666	3,124,700,251	5,079,890,750	3,851,429,842	77,463,130,204
Off balance sheet	-	-	-	-	-	-	-	-
Total	39,181,109,300	4,061,061,687	7,501,084,708	14,663,853,666	3,124,700,251	5,079,890,750	3,851,429,842	77,463,130,204
Net assets	(3,453,204,683)	757,252,414	1,987,245,952	4,735,992,999	(1,552,756,707)	(109,177,807)	(2,762,700,463)	(397,348,295)

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

46. MATERIAL OUTSOURCING ARRANGEMENTS

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

S No.	Name of the service provider	Name of service	Estimated cost of outsourcing 2026 (for 6 months period)	Estimated cost of outsourcing 2025 (for 6 months period)
1	ProConsult International	Services realted to IFRS9, IFRS16	1,200,000	5,142,500

47. COMPLAINTS MANAGEMENT MECHANISM

The bank is a customer oriented organization and gives due consideration to the valuable feedback of its customers Complaints are treated as opportunity to align our products / services and processes to serve the customers in a best possible Way. The bank ensures that resolution or complaints is comprehensive. appropriate and is dealt with agility; keeping customers intormed of their complaint status from acknowledgement till the final resolution. An escalation matrix for comnaint management has also been put into place internally for effective and efficient resolution of the customer complaints logged in. During the period ended June 30, 2026, /,bb2 (December 2025: 9,242 complaints were received by the Rank and were resolved with average resolution time of 4 days (December 2025: 4 days).

48. RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	June 30, 2026			
	Share capital	Capital contribution reserve	Lease liability	Total
	Rupees			
Carrying amount as at January 01, 2026	4,259,846,817		1,255,333,543	5,515,180,360
Changes from financing cash flows:				
Payment of lease liabilities	-	-	(318,721,575)	(318,721,575)
	-	-	(318,721,575)	(318,721,575)
Other liability changes				
Interest expense during the period	-	-	110,329,277	110,329,277
Additions	-	-	721,399,669	721,399,669
Modification during the period	-	-	13,914,223	13,914,223
	-	-	845,643,169	845,643,169
Carrying amount as at June 30, 2026	4,259,846,817		1,782,255,137	6,042.101.954

	December 31, 2025			
	Share capital	Capital contribution reserve	Lease liability	Total
	Rupees			
Carrying amount as at January 01, 2025	2,259,846,817		898,106,035	3,157,952,852
Changes from financing cash flows:				
Payment of lease liabilities	-	-	(411,556,559)	(411,556,559)
Issue of share capital	2,000,000,000	-	-	2,000,000,000
Capital contribution reserves received	-	600,000,000	-	600,000,000
	2,000,000,000	600,000,000	(411,556,559)	2,188,443,441
Other liability changes				
Interest expense during the year	-	-	168,638,771	168,638,771
Additions	-	-	600,145,296	600,145,296
	-	-	768,784,067	768,784,067
Carrying amount as at December 31, 2025	4,259,846,817	600,000,000	1 755 322 542	6,115,180,360

49. SUBSEQUENT EVENTS

Subsequent to the reporting date, the State Bank of Pakistan, through its letter No. BSD-2/MFB/ABHI/1170207/2026 dated July 03, 2026, granted approval to the parent company, (Private) Limited, to transfer its property, valued at Rs. 1,408.70 million, to the Bank as an in-kind capital contribution.

50. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Bank in their meeting held on August 17, 2026

Chief Executive Officer | Chairman | Chief Financial Officer | Director | Director

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