LOLC MICROFINANCE BANK LIMITED

ANNUAL AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2025

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LOLC MICROFINANCE BANK LIMITED

Report on the Audit of the Financial Statements

Opinion

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

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), the Microfinance Institutions Ordinance, 2001 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and 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.

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 for the year ended December 31, 2025, 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 Companies Act, 2017 (XIX of 2017), Microfinance Institutions Ordinance, 2001 and the directives issued by the SECP and 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 are responsible for overseeing the Bank's financial reporting process.

Auditors Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017), Microfinance Institutions Ordinance, 2001 and the directives issued by SECP & SBP 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

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

The engagement partner on the audit resulting in this independent auditors' report is Atif Riaz.

ISLAMABAD

DATED: MARCH 30, 2026
UDIN: AR202510060j5B8fvDRr

BDO Ebrahim
BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

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

	Note	2025	2024
		-------- Rupees	--------
ASSETS			
Cash and balances with treasury banks	5	1,165,597,126	460,010,780
Balances with other MFBs / Banks	6	3,467,679,287	1,673,311,932
Lendings to financial institutions		-	-
Investments	7	1,863,709,328	567,398,711
Advances	8	10,807,578,444	4,138,259,964
Property and equipment	9	301,242,117	185,176,015
Right-of-use assets	10	315,633,732	212,020,792
Intangible assets	11	61,336,948	42,709,137
Deferred tax assets	12	527,720,713	409,026,861
Other assets	13	1,067,149,615	268,250,698
TOTAL ASSETS		19,577,647,310	7,956,164,890
LIABILITIES			
Bills payable		-	-
Borrowings	14	1,176,999,000	-
Deposits and other accounts	15	15,487,920,734	5,434,711,765
Lease liabilities	16	363,292,718	255,934,517
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	17	930,155,278	651,754,709
TOTAL LIBAILITIES		17,958,367,730	6,342,400,991
NET ASSETS		1,619,279,580	1,613,763,899
REPRESENTED BY			
Share capital	18	3,500,900,000	3,220,000,000
Share premium		52,041,600	52,041,600
Statutory Reserves		131,136,911	131,136,911
Surplus on revaluation of assets - net of tax	19	23,921,750	897,663
Accumulated loss		(2,088,720,681)	(1,790,312,275)
		1,619,279,580	1,613,763,899

CONTINGENCIES AND COMMITMENTS 20

The annexed notes from 1 to 46 form an integral part of these financial statements.

President	Chief Financial Officer	Director	Director	Director

BDO E & Co.

LOLC MICROFINANCE BANK LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Note	2025	2024
		--------- Rupees ---------	
Mark-up / Return / Interest earned	21	3,138,223,270	2,067,827,963
Mark-up / Return / Interest expensed	22	(1,484,340,376)	(842,464,686)
Net mark-up / Return / Interest income		1,653,882,894	1,225,363,277
NON MARK-UP / INTEREST INCOME			
Fee and commission income	23	245,324,787	158,425,655
Dividend income		-	-
Gain on securities		-	-
Net gains on derecognition of financial assets measured at amortised cost		-	-
Other income	24	31,571,191	28,257,639
Total non-markup / interest income		276,895,978	186,683,294
Total income		1,930,778,872	1,412,046,571
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	25	2,269,711,434	1,781,566,680
Workers' welfare fund		-	-
Other charges	26	-	3,187,788
Total non-markup / interest expenses		2,269,711,434	1,784,754,468
Loss before credit loss allowance		(338,932,562)	(372,707,897)
Credit loss allowance and write offs - net	27	(43,639,674)	(623,811,236)
LOSS BEFORE LEVIES AND TAXATION		(382,572,236)	(996,519,133)
Levies	28	(42,256,445)	(28,181,391)
LOSS BEFORE TAXATION		(424,828,681)	(1,024,700,524)
Taxation	29	127,611,500	91,168,853
LOSS AFTER TAXATION		(297,217,181)	(933,531,671)
Basic and diluted loss per share	30	(0.91)	(4.04)

The annexed notes from 1 to 46 form an integral part of these financial statements.

President	Chief Financial Officer	Director	Director	Director

SDOE &Co.

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

	2025	2024
	--------- Rupees ---------	
Loss after taxation for the year	(297,217,181)	(933,531,671)
Other comprehensive income		
Items that may be reclassified to statement of profit and loss in subsequent periods:		
Movement in surplus on revaluation of investments	(1,122,175)	696,105
Related tax impact	325,431	(201,870)
Items that will not be reclassified to statement of profit and loss in subsequent periods:		
Remeasurement of defined benefit obligation	(5,405,611)	(5,183,871)
Related tax impact	1,567,627	1,503,323
Movement in surplus on revaluation of property and equipment	37,278,296	-
Related tax impact	(10,810,706)	-
	21,832,862	(3,186,313)
Total comprehensive loss for the year	(275,384,319)	(936,717,984)

The annexed notes from 1 to 46 form an integral part of these financial statements.

President	Chief Financial Officer	Director	Director	Director

BDO Ebrahim & Co.

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

	Share Capital		Statutory Reserves		Capital Reserve		Revenue Reserve	
	Share capital	Share premium	Statutory reserve	Depositors' Protection Fund	Revaluation Reserve PPE	Surplus on revaluation of investments	Accumulated loss	Total
	---------- Rupees ----------							
Balance as at January 01, 2024	3,220,000,000	52,041,600	98,175,982	32,488,002	-	201,558	(515,835,488)	2,887,071,654
Impact of adoption of IFRS-09	-	-	-	-	-	-	(337,264,568)	(337,264,568)
Balance as at January 01, 2024 - Restated	3,220,000,000	52,041,600	98,175,982	32,488,002	-	201,558	(853,100,056)	2,549,807,086
Profit after taxation for the year ended December 31, 2024	-	-	-	-	-	-	(933,531,671)	(933,531,671)
Other comprehensive income for the year ended December 31, 2024	-	-	-	-	-	696,105	(3,680,548)	(2,984,443)
Total comprehensive loss for the year ended December 31, 2024	-	-	-	-	-	696,105	(937,212,219)	(936,516,114)
Transfer to Depositors' Protection Fund								
- 5% of the profit after tax	-	-	-	-	-	-	-	-
- return on investment - net of tax	-	-	-	472,927	-	-	-	472,927
	-	-	-	472,927	-	-	-	472,927
Balance as at December 31, 2024	3,220,000,000	52,041,600	98,175,982	32,960,929	-	897,663	(1,790,312,275)	1,613,763,899
Profit after taxation for the year ended December 31, 2025	-	-	-	-	-	-	(297,217,181)	(297,217,181)
Other comprehensive loss for the year ended December 31, 2025	-	-	-	-	26,467,590	(796,744)	(3,837,984)	21,832,862
Total comprehensive loss for the year ended December 31, 2025	-	-	-	-	26,467,590	(796,744)	(301,055,165)	(275,384,319)
Transfer to Depositors' Protection Fund								
- 20% of the profit after tax	-	-	-	-	-	-	-	-
- return on investment - net of tax	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Transfer from surplus on revaluation of assets to accumulated profit - net of tax	-	-	-	-	(2,646,759)	-	2,646,759	-
Transactions with owners, recorded directly in equity:								
Issue of share capital	280,900,000	-	-	-	-	-	-	280,900,000
Balance as at December 31, 2025	3,500,900,000	52,041,600	98,175,982	32,960,929	23,820,831	100,919	(2,088,720,681)	1,619,279,580

The annexed notes from 1 to 46 form an integral part of these financial statements.

President | Chief Financial Officer | Director | Director | Director

BDO E&Co.

LOLC MICROFINANCE BANK LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Note	2025	2024
		-------- Rupees --------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(424,828,681)	(1,024,700,524)
Adjustments:			
Depreciation on property and equipment	9	76,293,948	58,986,543
Depreciation on right-of-use assets	10	62,644,641	48,099,459
Amortisation of intangible assets	11	25,959,432	14,151,890
Credit loss allowance and write-offs	27	292,195,058	808,933,005
Gain on disposal of right-of -use asset	24	(3,594,108)	(10,135,083)
Finance cost on lease obligations		51,165,234	44,910,101
Provision for gratuity		19,495,238	16,976,818
Reversal of refundable tax		-	(7,251,304)
Provision for leave fare assistance		-	63,589
		524,159,443	974,735,018
Operating loss before working capital changes		99,330,762	(49,965,506)
(Increase) / decrease in operating assets			
Advances		(6,942,766,484)	(1,441,289,710)
Other assets		(755,364,949)	174,288,857
		(7,698,131,433)	(1,267,000,853)
Increase / (decrease) in operating liabilities			
Deposit and other accounts		10,053,208,969	4,505,792,222
Other liabilities		263,499,720	(12,016,492)
		10,316,708,689	4,493,775,730
		2,717,908,018	3,176,809,371
Income tax paid		(62,281,022)	(12,083,012)
Contribution to defined benefit plan assets		(10,000,000)	(26,558,099)
		(72,281,022)	(38,641,111)
Net cash generated from operating activities		2,645,626,996	3,138,168,260
CASH FLOWS FROM INVESTING ACTIVITES			
Net investment classified as amortised cost		(1,301,716,918)	(165,546,831)
Net investment classified as FVOCI		4,284,125	10,916,759
Downpayment against lease		(35,798,192)	-
Acquisition of property and equipment		(155,081,754)	(98,338,877)
Additions in intangible assets		(44,587,242)	(42,276,263)
Sales proceeds of operating fixed assets disposed off		-	14,333,300
Net cash used in investing activities		(1,532,899,981)	(280,911,912)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowing from SBP		-	(1,982,284,483)
Receipt of borrowing from SBP		1,176,999,000	-
Rent paid against lease obligation		(70,672,314)	(68,856,678)
Right share issue		280,900,000	-
Net cash generated from / (used in) financing activities		1,387,226,686	(2,051,141,161)
Increase in cash and cash equivalents during the year		2,499,953,701	806,115,187
Cash and cash equivalent at the beginning of the year		2,133,322,712	1,327,207,525
Cash and cash equivalent at the end of the year	31	4,633,276,413	2,133,322,712

The annexed notes from 1 to 46 form an integral part of these financial statements.

President	Chief Financial Officer	Director	Director	Director

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

1 STATUS AND NATURE OF BUSINESS

LOLC Microfinance bank Limited (the Bank) was incorporated on March 09, 2006 as a public limited company under Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act, 2017 on May 30, 2017) and was granted license by the State bank of Pakistan (SBP) on April 12, 2006. the Bank received certificate of commencement of business on May 06, 2006, effective from May 08, 2006. the Bank's principal business is to provide microfinance services to the poor and under served segment of the society as envisaged under the Microfinance Institutions Ordinance, 2001.

The Bank is a subsidiary of LOLC Asia (Private) Limited and LOLC Holdings PLC is the ultimate parent. In the year 2016, the Board of Directors of the Bank entered into an agreement with LOLC Holdings PLC, the Parent Company, who in lieu of the agreement acquired the majority of the stake (50.1%) in the Bank and later on in year 2021, the remaining of the stake (49.9%) of the Bank was acquired.

The registered office of the Bank is situated at Park View Plaza, Bearing No. CB-6300, near Royal Palace Hotel, Jhelum Road, Rawalpindi. As at December 31, 2025, the Bank has 88 branches (2024: 63) including 1 islamic branch (2024: nil) and nil service centers (2024: 24) in operation in all provinces of Pakistan, and Azad Jammu & Kashmir other than Gilgit Baltistan, including the Federal Capital Islamabad and is licensed to operate nationwide.

Name of the Bank was rebranded from Pak Oman Microfinance Bank Limited to LOLC Microfinance Bank Limited with the approvals from Securities and Exchange Comission of Pakistan (SECP) vide their document B 048901 dated October 10, 2022 and State Bank of Pakistan (SBP) vide their letter No. BPRD (LD-01) / 2022 -12317 dated December 12, 2022. Therefore, effective from January 01, 2023, the Bank is known as LOLC Microfinance Bank Limited.

JCR-VIS has determined the Bank's medium to long-term rating as 'A-' (2024: A-) and the short-term rating as 'A2' (2024: A2).

2 BASIS OF PRESENTATION

These financial statements are presented in accordance with the requirements of format prescribed by SBP through BPRD Circular no. 03 of 2023 dated February 09, 2023.

2.1 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Pakistan Rupee, which is the Bank's functional and presentation currency.

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2.2 STATEMENT OF COMPLIANCE

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

- IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP);
- Provisions of and directives issued under the Microfinance Institutions Ordinance, 2001 (the MFI Ordinance) and the Companies Act, 2017; and
- Directives issued by the SBP and the Securities and Exchange Commission of Pakistan

Whenever the requirements of the Microfinance Institution Ordinance, 2001, the Companies Act, 2017 or the directives issued by State Bank of Pakistan and Securities and Exchange Comission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Microfinance Institution Ordinance, 2001, the Companies Act, 2017 and the said directives shall prevail.

2.3 BASIS OF MEASUREMENT

These financial statements are prepared under the historical cost convention except:

- Investments measured at fair value through other comprehensive income;
- Right of use asset and lease liability initially measured at their present values; and
- Obligation in respect of defined benefit plan at their present values.

3 APPLICATION OF NEW STANDARDS, AMMNDMENTS AND INTERPRETATIONS TO THE PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS

3.1 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 Bank's operations or did not have significant impact on these 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

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

3.2 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.

	Effective date (annual periods beginning on or after)
Amendments to IFRS 7 'Financial Instruments: Disclosures' - Amendments regarding the classification and measurement of financial instruments	January 01, 2025
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding the classification and measurement of financial instruments	January 01, 2026
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
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding nature-dependent electricity contracts that are often structured as power purchase agreements (PPAs)	January 01, 2026
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.

4 MATERIAL ACCOUNTING POLICY INFORMATION

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Change in accounting policy

During the year, the Bank changed its accounting policy for the measurement of motor vehicles (class of property and equipment) from the cost model to the revaluation model, in accordance with the options permitted under IAS 16 – "Property, Plant and Equipment".

Previously, motor vehicles were measured at historical cost less accumulated depreciation and impairment losses (if any). Under the revised policy, motor vehicles are now carried at their revalued amounts, representing fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses (if any).

This change has been made to reflect more appropriate value of this class of assets as their fair values are much higher then the carrying amount.

In line with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors and IAS 16, this change in accounting policy has been applied prospectively from the date of revaluation. Accordingly, comparative figures have not been restated.

The revaluation resulted in an increase in the carrying amount of motor vehicles, and the resulting surplus has been recognised in other comprehensive income and presented within equity under revaluation surplus.

4.2 Financial Instruments

a) Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date i.e. the date on which the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customers when funds are transferred to the Bank.

b) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from this amount.

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c) Subsidised employee loans

Initial recognition of subsidised staff loans is measured at its fair value, which represents the present value of future cash flows discounted at a market interest rate for a similar loan with the same credit risk. The difference between the loan's nominal value (the loan amount) and its fair value (the amount that would be advanced in a similar arm's-length transaction) is treated as the subsidy which is the benefit of the loan being given to staff at a below-market rate. After the initial recognition, the employee loan is typically measured at amortised cost under IFRS 9, unless there is a modification of the loan terms or a significant change in credit risk. The loan's carrying amount is updated based on the Effective Interest Rate (EIR), which is the rate that discounts future cash flows to the loan's fair value at initial recognition. The EIR takes into account the subsidy received by the employee.

d) Measurement categories of financial assets and liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost;
- Fair value through Other Comprehensive Income (FVOCI); and
- Fair value through profit or loss (FVPL).

The Bank classifies and measures its derivative and trading portfolio at FVPL. The Bank may designate financial instruments at FVPL, if by doing so, eliminate or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, these are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

e) Financial assets and liabilities

Due from Banks, loan and advances to customers and investments

The Bank measures financial assets at amortised cost 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.

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 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.

- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

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 "weighted rates" into account which reflect realistic picture. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank changes the classification of the financial assets held in that business model, while incorporating such information when assessing financial assets going forward.

The SPPI Test

As a second step of its classification process the Bank assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

'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 (for example, if there are repayments of principal or amortisation of the premium / discount).

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 the 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 FVPL.

f) Debt instruments at FVOCI

The Bank measures debt instruments at FVOCI 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.

These instruments largely comprise assets that had previously been classified as financial investments available for-sale. FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to statement of profit or loss.

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g) Debt issued and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the EIR.

4.2.1 Off-setting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

4.2.2 Derecognition of financial assets and liabilities

a) Derecognition for substantial modification of financial assets and financial liability

The Bank derecognises 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 recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit impaired (POCI).

For financial liabilities, the Bank considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

b) Derecognition other than for substantial modification financial assets

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

c) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in statement of profit or loss account.

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d) Reclassification of financial assets and liabilities

When the Bank changes its business model for managing financial assets it shall reclassify all affected financial assets. Financial liabilities are never reclassified.

4.2.3 Impairment of financial assets

a) Overview of the ECL principles

IFRS 9 has fundamentally changed the Bank's loan loss impairment method by replacing incurred loss approach 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 not held at FVPL, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL, unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12 month ECL).

The 12 month ECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12 month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

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

Stage 1 When loans are first recognised, the Bank recognises an allowance based on 12 month ECLs. 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, 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. both in stage 1 and stage 2 weighted rates were used.

Stage 3 Loans considered credit-impaired. The Bank records an allowance for the LTECLs. Worst is reported in this stage.

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

b) The calculation of ECLs

The Bank calculates ECLs based on a three probability-weighted (Good, base and bad) scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the discounted cash flows that the Bank expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

Probability of Default (PD) The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

Loss Given Default (LGD) The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan. It is usually expressed as a percentage of the ED.

Exposure at Default (EAD) The Exposure at Default (ED) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

When estimating the ECLs, the Bank considers three scenarios (a base case, an upside and a downside). The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier. Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below:

Stage 1 The 12 months ECLs (12 month ECL) is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12 month ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast ED 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, as explained above.

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Stage 2 When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3 For loans considered credit-impaired, the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

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

c) Debt instruments measured at fair value through OCI

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

d) Purchased or originated credit impaired financial assets (POCI)

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

e) Forward looking information

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth;
- Consumer price indices;
- Unemployment rates; and
- Policy rates, Effective interest rates.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

f) Credit enhancements: collateral

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as gold, vehicle, house etc. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral are not considered for the calculation of ECLs.

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g) Charge / write off

Financial assets are Charged / written off either partially or in their entirety only when the Bank has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be Charged / write off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. the Bank also follows Prudential regulations issued by the SBP for charge off of its financial assets. Under these PR's financial assets including loans/advances are charged off after 30 days from the date of loss categorisation.

h) ECL on government guaranteed credit exposure

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

i) Two track approach for stage 3 loans

As per instructions issued by SBP, the Bank used two track approach for ECL assessment on Stage 3 loans/advances. As per this approach the Bank calculated provision/expected credit loss (ECL) both under Prudential Regulations (PR's) issued by SBP for microfinance Banks and IFRS 9 which resultantly charge higher amount as final ECL.

4.3 Advances

Advances are stated at amortised cost net of expected credit loss allowance. The outstanding principal are classified under stages for expected credit loss allowance.

4.4 Cash and cash equivalents

Cash and cash equivalents comprises cash at banks, cash in hand and short-term highly liquid investments with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

4.5 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that are directly attributable to the acquisition of items except for the vehicles.

Depreciation is charged to profit or loss account at the rates mentioned in note 9 applying the straight line method over estimated useful life of the assets. The asset's residual values and useful lives are reviewed annually, and adjusted if required.

Full depreciation is charged on additions in the month of purchase and no depreciation is charged on disposals in the month of disposal.

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Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Bank and the cost of the asset can be measured reliably. The carrying amount of the replaced asset is derecognized. All other repairs and maintenance are charged to the statement of profit or loss as and when incurred.

Gains / losses on disposals of property and equipment are determined by comparing proceeds with the carrying amount. These are recognised in the statement of profit or loss.

Revaluation Surplus

Any revaluation increase arising on the revaluation of motor vehicles is recognised in other comprehensive income and presented as a separate component of equity as "Revaluation surplus on property and equipment", except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to statement of profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation of motor vehicles is charged to statement of profit or loss to the extent that it exceeds the revaluation surplus balance, if any, held in the revaluation surplus on property and equipment relating to a previous revaluation of that asset. The revaluation reserve is not available for distribution to the Bank's shareholders. The surplus on revaluation to the extent of incremental depreciation charged (net of deferred tax) is transferred to accumulated losses.

4.6 Capital work in progress

All expenditure connected with specific assets incurred during installation and development period are carried under capital work in progress. These are transferred to specific assets as and when these are available for use.

Capital work in progress is stated at cost less accumulated impairment losses, if any.

4.7 Intangible assets

Intangible assets with a definite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses, if any. These are amortised using the straight line method at the rates mentioned in note 11 over their estimated useful life.

Amortisation is charged on additions from the date the asset available for use and on disposals up to the date of disposal.

The asset's residual values and useful lives are reviewed annually, and adjusted if required, at each reporting date.

4.8 Revenue recognition

- Return on investment is recognized using EIR method. Where debt securities are purchased on premium or discount on acquisition which are classified as amortised cost. The related premium or discount is amortised over the remaining life of investments through EIR.

- Mark-up / interest / return on advances is recognized using EIR method except that income on advances classified under stage 3 is suspended in accordance with the requirements of the Prudential Regulations for Microfinance Banks and is taken to income when actually received.

- Dividend income is recognized when the right to receive dividend is established.

- Processing fees is recognized when services are performed.

- Moratorium income is a fee charged to a borrower for provision of loan relaxation. It is accrued on the basis of expectation of recoverability of the income.

- Other income are recognized on accrual basis.

4.9 Staff retirement benefits

Defined contribution plan

The Bank also operates a recognized provident fund for its eligible employees. Equal monthly contributions are made by the Bank and its employees to the fund at the rate of 8.33% (2024: 8.33%) of basic salary per month.

Defined benefit plan

The Bank operates a funded-gratuity scheme for all of its permanent employees. The scheme was approved on 16 September 2014. Contributions to the fund are made every year based on actuarial valuation. The actuarial valuation is carried out using the Projected Unit Credit Method (PUCM). Under this method, the cost of providing gratuity is charged to the profit or loss account so as to spread the cost over the service lives of the employees in accordance with the actuarial valuation. All actuarial gains and losses are recognized in Other Comprehensive Income (OCI) in the periods in which they occur.

Compensated absences

The Bank has a policy of privilege leaves for permanent employees of 30 days per annum and which can be carried forward to next years. These leaves are encashable up to a maximum of 20 days and payable at time of separation of an employee's services from the Bank. The Bank recognise a compensated absence liability based on the remaining encashble leaves at year end.

4.10 Taxation

Income tax on the statement of profit or loss for the year comprises of current and deferred tax. Income tax is recognized in the profit or loss account, except to the extent that it relates to items recognised directly in equity, in which case it is recognized in equity.

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any or minimum tax applicable in accordance with the Income Tax Ordinance, 2001. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed/ finalized during the year.

Deferred

Deferred tax is accounted for on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. At each balance sheet date, the Bank reassesses the carrying amount and the unrecognised amount of deferred tax assets.

Deferred tax assets and liabilities are calculated at the rate that are expected to apply for the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantially enacted till the balance sheet date. Deferred tax, on revaluation of investments, if any, is recognized as an adjustment to surplus / (deficit) arising on such revaluation.

Levy

Minimum tax, final tax and super-tax not based on taxable profits are recognised as a levy in the statement of profit or loss. The amount calculated on taxable income using the notified tax rate is recognised as current income tax expense for the year in statement of profit or loss under the scope of IAS 12. Any excess of expected income tax paid or payable for the year under the Income Tax Ordinance, 2001 over the amount designated as current income tax for the year, is then recognized as a levy falling under the scope of IFRIC 21 / IAS 37. Minimum tax under Section (113) of the Income Tax Ordinance, 2001 is chargeable at rate of 1.25% of turnover of the Bank and adjustable against normal tax in subsequent three tax years.

If any excess paid expected to be realised in subsequent tax years, then such excess shall be recognized as 'deferred tax asset' adjustable against tax liability for subsequent tax years.

Prior years

The taxation charge for prior years represents adjustments to the tax charge relating to prior years, arising from assessments and changes in estimates made during the current year, except otherwise stated.

4.11 Reserves

Depositor's protection fund

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

4.12 Right-of-use assets

A right of use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred.

Right-of-use assets are depreciated on a straight line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is charged over its estimated useful life as mentioned in the note 10. Right of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

The Bank has elected not to recognise a right of use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are charged to statement of profit or loss.

4.13 Lease liability

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are re-measured if there is a change in the following: future lease payments arising from a change in an index or a rate used, residual guarantee, lease term, certainty of a purchase option and termination penalties. When a lease liability is re-measured, an adjustment is made to the corresponding right of use asset, or to statement of profit or loss if the carrying amount of the right of use asset is fully written down.

The lease liabilities are initially measured as 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.

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The lease liability is subsequently measured at amortised 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 recognised 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 statement of profit or loss as markup expense over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

4.14 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the Proflt or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

4.15 Contingencies

A contingent liability is disclosed when the Bank has a possible obligation as a result of past events, existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank or the Bank has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

4.16 Related party transactions

Transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible.

4.17 Foreign currency transaction

Transactions in foreign currencies are converted into Pak rupees at the rates of exchange prevailing on the dates of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak rupees at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses are recognised in the statement of profit or loss.

4.18 Borrowing costs

Borrowing costs that are directly attributable to the acquisitions or construction of a qualifying assets are capitalized until the Bank undertakes activities that are necessary to prepare the asset for its intended use or sale. Borrowing cost incurred during the extended periods in which active development of qualifying assets is suspended is charged to statement of profit or loss.

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4.19 Impairment

The Bank assesses at each reporting date whether there is any indication that other than financial assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying value exceeds recoverable amount, assets are written down to their recoverable amount and the difference is charged to statement of profit or loss, unless the asset is carried at revalued amount, any impairment loss of a revalued asset is treated as revaluation decrease and excess of revaluation surplus is charged to statement of profit or loss.

4.20 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 liabilities 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.

4.21 Provisions

A provision is recognised when, and only when, the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

4.22 Material accounting estimates and judgments

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions

The assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next financial year are described below:

The Bank based it's assumptions and estimates on the parameters under which these financial statements were prepared.

Existing circumstances and assumptions about the future development may change due to market changes or circumstances arising that are beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognised in the financial statements relates to valuation and impairment of investments, advances, determination of useful lives of depreciable assets and intangible assets, provision for income taxes and other provisions which are discussed in following paragraphs:

a) Useful lives

The Bank reviews useful life and residual value of operating fixed assets, right of use assets and intangible assets on regular basis. Any change in estimates may affect the carrying amounts of the respective items of operating fixed assets with a corresponding effect on the depreciation charge.

b) Provision for income taxes

The Bank recognises tax liabilities for pending tax assessments using estimates based on expert opinion obtained from tax/legal advisors. Differences, if any, between the income tax provision and the final tax liability is recorded when such liability is determined. Deferred income tax is calculated at the rates that are expected to apply to the period when the differences reverse.

c) Defined benefit plan

Actuarial valuation of gratuity contributions requires use of certain assumptions related to future periods including increase in remuneration, expected long term return on plan assets and the discount rate used to convert future cash flows to current values. Actuarial gains and losses arising from changes in actuarial assumptions are taken in the other comprehensive income immediately.

d) Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows, when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs.
- The Bank's criteria for assessing if there has been a significant increase in credit risk.
- Determination of associations between macroeconomic scenarios and, economic inputs.
- Selection of forward-looking macroeconomic scenarios and their probability weightings to derive the economic inputs into the ECL models.

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust whenever necessary.

e) **Classification and impairment of investments**

The classification of investments between different categories depends upon management's intentions to hold those investments. Any change in the classification of investments may affect their carrying amounts with a corresponding effect on the return and unrealised surplus / (deficit) on these investments of the Bank.

f) **Provision and contingent liabilities**

The management exercises judgment in measuring and recognising provisions and exposures to contingent liabilities related to pending litigations or other outstanding claims. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

g) **Lease term and effective interest rate for recognition of lease contracts**

The Bank determines the lease term as the non cancellable period of lease, together with periods covered by an option to extend and terminate the lease, if the Bank is reasonably certain to exercise that option at the time of entering the contract. Further, the Bank uses incremental borrowing rate to discount the lease payments to measure lease liability at the time of entering the contract.

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	Note	2025	2024
		-------- Rupees --------	
5 CASH AND BALANCES WITH TREASURY BANKS			
In hand - local currency		569,036,636	168,584,268
Balance with State Bank of Pakistan (SBP)			
- Local currency current account	5.1	596,560,490	291,426,512
		1,165,597,126	460,010,780
Less: Credit loss allowance		-	-
		1,165,597,126	460,010,780

5.1 This represents current accounts maintained with SBP to meet the minimum balance requirement equivalent to 3% (2024: 5%) as cash reserve of Bank's demand and time deposits with tenor of less than 1 year in accordance with the Prudential Regulations.

	Note	2025	2024
		-------- Rupees --------	
6 BALANCES WITH OTHER MFBS / BANKS			
Current accounts			
- Conventional		894,125,456	285,348,713
- Shariah compliant		16,000,000	-
		910,125,456	285,348,713
Deposit accounts			
- Conventional	6.1	2,557,553,831	1,387,963,219
		3,467,679,287	1,673,311,932
Less: Credit loss allowance		-	-
		3,467,679,287	1,673,311,932

6.1 These represents deposits with commercial banks carrying mark-up at rates ranging from 8.5% to 13.5% per annum (2024: 17% to 24% per annum).

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7 INVESTMENTS

7.1 Investment by Type:

	2025				2024			
	Cost / Amortized Cost	Credit Loss Allowance	Surplus / (Deficit)	Carrying value	Cost / Amortized Cost	Credit Loss Allowance	Surplus / (Deficit)	Carrying value
	Rupees				Rupees			
Debt Instruments								
Classified as Amortized Cost								
- Market Treasury Bills	1,354,336,193	-	-	1,354,336,193	512,619,275	-	-	512,619,275
- Term deposit receipts (TDRs)	500,000,000	-	-	500,000,000	40,000,000	-	-	40,000,000
	1,854,336,193	-	-	1,854,336,193	552,619,275	-	-	552,619,275
Classified as FVOCI								
- Term finance certificates (TFCs)	5,882,055	(5,882,055)	-	-	5,882,055	(5,882,055)	-	-
- Sukuk	19,230,996	(10,000,000)	142,139	9,373,135	24,083,241	(10,000,000)	696,195	14,779,436
	25,113,051	(15,882,055)	142,139	9,373,135	29,965,296	(15,882,055)	696,195	14,779,436
Total Investments	1,879,449,244	(15,882,055)	142,139	1,863,709,328	582,584,571	(15,882,055)	696,195	567,398,711

7.2 Investments by Segments:

	2025				2024			
	Cost / Amortized Cost	Credit Loss Allowance	Surplus / (Deficit)	Carrying value	Cost / Amortized Cost	Credit Loss Allowance	Surplus / (Deficit)	Carrying value
	Rupees				Rupees			
Federal Government Securities								
- Market Treasury Bills	1,354,336,193	-	-	1,354,336,193	512,619,275	-	-	512,619,275
Non Government debt Securities								
- Unlisted	525,113,051	(15,882,055)	142,139	509,373,135	69,965,296	(15,882,055)	696,195	54,779,436
Total Investments	1,879,449,244	(15,882,055)	142,139	1,863,709,328	582,584,571	(15,882,055)	696,195	567,398,711

	2025	2024
	Rupees	
7.3 Investments given as collateral	-	-

7.4 Investments - Particulars of credit loss allowance

	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	Rupees				Rupees			
7.4.1 Investments - Exposure								
Gross carrying amount	566,702,516	-	15,882,055	582,584,571	412,072,444	-	15,882,055	427,954,499
New Investments	1,943,723,200	-	-	1,943,723,200	542,319,455	-	-	542,319,455
Investments derecognized or repaid	(646,817,307)	-	-	(646,817,307)	(387,689,383)	-	-	(387,689,383)
	1,296,905,893	-	-	1,296,905,893	154,630,072	-	-	154,630,072
Amounts written off / charged off	-	-	-	-	-	-	-	-
Closing balance	1,863,608,409	-	15,882,055	1,879,490,464	566,702,516	-	15,882,055	582,584,571

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7.4.2 Investments - Credit loss allowance

	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	Rupees				Rupees			
Credit loss allowance opening balance	-	-	15,882,055	15,882,055	-	-	15,882,055	15,882,055
New Investments	-	-	-	-	-	-	-	-
Investments derecognized or repaid	-	-	-	-	-	-	-	-
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Amounts written off / charged off	-	-	-	-	-	-	-	-
Changes in risk parameters	-	-	-	-	-	-	-	-
Credit loss allowance closing balance	-	-	15,882,055	15,882,055	-	-	15,882,055	15,882,055

7.4.3 Particulars of credit loss allowance against debt securities
Domestic

	2025		2024	
	Carrying value	Credit loss allowance	Carrying value	Credit loss allowance
	Rupees		Rupees	
Stage 3	15,882,055	15,882,055	15,882,055	15,882,055
	15,882,055	15,882,055	15,882,055	15,882,055

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8 ADVANCES

Loan Type	Performing				Non Performing		Total	
	Stage 1		Stage 2		Stage 3			
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
	-------- Rupees --------		-------- Rupees --------		-------- Rupees --------		-------- Rupees --------	
Microcredits								
Secured	8,110,112,355	1,694,102,577	19,885,233	16,630,650	31,305,349	21,449,678	8,161,302,937	1,732,182,905
Un-Secured	2,462,028,655	2,092,476,515	135,192,284	117,415,621	343,810,613	530,397,895	2,941,031,552	2,740,290,031
Staff Loan	48,764,081	38,652,104	-	-	-	-	48,764,081	38,652,104
Advances - gross	10,620,905,091	3,825,231,196	155,077,517	134,046,271	375,115,962	551,847,573	11,151,098,570	4,511,125,040
Credit loss allowance against advances								
Stage 1	83,922,970	99,373,639	-	-	-	-	83,922,970	99,373,639
Stage 2	-	-	29,046,701	16,442,000	-	-	29,046,701	16,442,000
Stage 3	-	-	-	-	230,550,455	257,049,437	230,550,455	257,049,437
	83,922,970	99,373,639	29,046,701	16,442,000	230,550,455	257,049,437	343,520,126	372,865,076
Advances - net of credit loss allowance	10,536,982,121	3,725,857,557	126,030,816	117,604,271	144,565,507	294,798,136	10,807,578,444	4,138,259,964

8.1 Advances - Particulars of credit loss allowance

	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	---------------- Rupees ----------------				---------------- Rupees ----------------			
8.1.1 Advances - Exposure								
Gross carrying amount	3,825,231,196	134,046,271	551,847,573	4,511,125,040	3,313,046,019	179,699,248	645,942,317	4,138,687,584
New advances	10,334,045,031	81,514,353	40,477,204	10,456,036,588	4,905,418,816	141,840,525	95,162,139	5,142,421,480
Advances derecognized or repaid	(3,679,693,720)	(14,255,661)	180,679,277	(3,513,270,104)	(4,036,779,657)	(228,713,955)	455,661,285	(3,809,832,327)
Transfer to stage 1	143,416,982	(66,852,574)	(76,564,408)	-	1,179,760	(1,077,405)	(102,355)	-
Transfer to stage 2	(2,087,871)	22,018,395	(19,930,524)	-	(66,562,580)	66,756,957	(194,377)	-
Transfer to stage 3	(6,527)	(1,393,267)	1,399,794	-	(291,071,162)	(24,459,099)	315,530,261	-
	6,795,673,895	21,031,246	126,061,343	6,942,766,484	512,185,177	(45,652,977)	866,056,953	1,332,589,153
Amounts written off / charged off	-	-	(302,792,954)	(302,792,954)	-	-	(960,151,697)	(960,151,697)
Closing balance	10,620,905,091	155,077,517	375,115,962	11,151,098,570	3,825,231,196	134,046,271	551,847,573	4,511,125,040
8.1.2 Advances - Credit loss allowance								
Opening balance	99,373,639	16,442,000	257,049,437	372,865,076	37,363,673	-	276,298,600	313,662,273
IFRS Initial Impact	-	-	-	-	162,994,751		47,426,744	210,421,495
	99,373,639	16,442,000	257,049,437	372,865,076	200,358,424	-	323,725,344	524,083,768
New advances	79,322,372	17,202,318	30,852,034	127,376,724	79,780,736	8,871,293	347,551,836	436,203,865
Advances derecognized or repaid	(222,712,144)	(26,945,178)	141,027,652	(108,629,670)	(547,231,771)	(4,152,439)	(198,984,894)	(750,369,104)
Transfer to Stage 1	64,615,822	(10,782,588)	(53,833,234)	-	63,686	(59,517)	(4,169)	-
Transfer to Stage 2	(23,801)	11,612,800	(11,588,999)	-	(7,373,391)	7,388,998	(15,607)	-
Transfer to Stage 3	(1,902)	(405,899)	407,801	-	(121,678,284)	(10,176,149)	131,854,433	-
	(78,799,653)	(9,318,547)	106,865,254	18,747,054	(596,439,024)	1,872,186	280,401,599	(314,165,239)
Provision charge for the year	63,347,082	21,925,150	169,428,718	254,700,950	495,454,239	14,569,814	613,074,191	1,123,098,244
Amounts written off/charged Off	-	-	(302,792,954)	(302,792,954)	-	-	(960,151,697)	(960,151,697)
Closing balance	83,921,068	29,048,603	230,550,455	343,520,126	99,373,639	16,442,000	257,049,437	372,865,076

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8.2 Credit loss allowance details

	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	Rupees				Rupees			
Outstanding gross exposure								
Performing - Stage 1	10,620,905,091	-	-	10,620,905,091	3,825,231,196	-	-	3,825,231,196
Under Performing - Stage 2		155,077,517		155,077,517		134,046,271		134,046,271
Non- Performing - Stage 3								
Substandard	-	-	105,236,719	105,236,719	-	-	195,323,060	195,323,060
Doubtful	-	-	45,663,625	45,663,625	-	-	251,954,910	251,954,910
Loss	-	-	206,608,251	206,608,251	-	-	104,569,603	104,569,603
	-	-	357,508,595	357,508,595	-	-	551,847,573	551,847,573
	10,620,905,091	155,077,517	357,508,595	11,133,491,203	3,825,231,196	134,046,271	551,847,573	4,511,125,040
Corresponding credit loss allowance								
Stage 1	83,922,970	-	-	83,922,970	99,373,639	-	-	99,373,639
Stage 2	-	29,046,701	-	29,046,701	-	16,442,000	-	16,442,000
Stage 3	-	-	230,550,455	230,550,455	-	-	257,049,437	257,049,437
	83,922,970	29,046,701	230,550,455	343,520,126	99,373,639	16,442,000	257,049,437	372,865,076

8.3 Particulars of write offs

	2025	2024
	Rupees	
Against provision	302,792,954	858,252,152
Directly charged to profit or loss account	-	101,899,545
	302,792,954	960,151,697

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		Note	2025	2024
			-------- Rupees --------	
9	**PROPERTY AND EQUIPMENT**			
	Property and equipment	9.1	301,242,117	185,176,015

9.1 Property and equipment

	Leasehold improvements	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
	-----	-----	Rupees	-----	-----
At January 1, 2025					
Cost	169,441,958	54,920,427	174,930,590	68,553,603	467,846,578
Accumulated depreciation	(88,596,154)	(34,322,390)	(120,492,437)	(39,259,582)	(282,670,563)
Net book value	80,845,804	20,598,037	54,438,153	29,294,021	185,176,015
Year ended December 2025					
Opening net book value	80,845,804	20,598,037	54,438,153	29,294,021	185,176,015
Additions	79,520,125	16,367,826	59,193,803	-	155,081,754
Movement in surplus on assets revalued during the year	-	-	-	37,278,296	37,278,296
Depreciation charge	(34,207,316)	(7,821,205)	(25,719,825)	(8,545,602)	(76,293,948)
Closing net book value	126,158,613	29,144,658	87,912,131	58,026,715	301,242,117
At December 31, 2025					
Cost / Revalued amount	248,962,083	71,288,253	234,124,393	105,831,899	660,206,628
Accumulated depreciation	(122,803,470)	(42,143,595)	(146,212,262)	(47,805,184)	(358,964,511)
Net book value	126,158,613	29,144,658	87,912,131	58,026,715	301,242,117
At January 1, 2024					
Cost	130,204,692	45,912,953	138,855,289	58,732,984	373,705,918
Accumulated depreciation	(64,032,721)	(27,846,999)	(98,827,289)	(32,977,011)	(223,684,020)
Net book value	66,171,971	18,065,954	40,028,000	25,755,973	150,021,898
Year ended December 2024					
Opening net book value	66,171,971	18,065,954	40,028,000	29,294,021	153,559,946
Additions	39,237,266	9,007,474	36,075,301	14,018,836	98,338,877
Disposals	-	-	-	(4,198,217)	(4,198,217)
Depreciation charge	(24,563,433)	(6,475,391)	(21,665,148)	(6,282,571)	(58,986,543)
Closing net book value	80,845,804	20,598,037	54,438,153	29,294,021	185,176,015
At December 31, 2024					
Cost	169,441,958	54,920,427	174,930,590	68,553,603	467,846,578
Accumulated depreciation	(88,596,154)	(34,322,390)	(120,492,437)	(39,259,582)	(282,670,563)
Net book value	80,845,804	20,598,037	54,438,153	29,294,021	185,176,015
Rate of depreciation (%)	**20**	**20**	**20**	**33**	

9.1.1 The vehicles of the Bank have been revalued by independent professional valuers as at June 30, 2025 for the vehicles and July 31, 2025 for motor bikes. The revaluation was carried out by M/s. W.W Engineering Services (Private) Limited on the basis of physical inspection and market research conducted in line with Pakistan Banking Association (PBA) guidelines and applicable State Bank of Pakistan regulations. The activity resulted in an increase in surplus by Rs. 37.278 million (2024: nil).

Forced sales value of the vehicles based on last revaluation is amounting to Rs. 52.635 million for motor vehicles and Rs. 0.231 million for motor bikes.

9.1.2 Had there been no revaluation the carrying amount of the revalued assets at December 31, 2025 would have been as follow:

	2025	2024
	-------- Rupees --------	
Vehicles	20,906,206	29,294,021

9.1.3 The cost of fully depreciated asset still in use:

Leasehold improvements	36,552,520	23,128,550
Furniture and fixture	23,081,067	22,024,172
Electrical, office and computer equipment	86,862,841	67,493,376
Vehicles	44,986	44,986
	146,541,414	112,691,084

10 RIGHT-OF-USE ASSETS

Opening balance at beginning of the year		
Cost	373,055,517	335,981,347
Accumulated depreciation	(161,034,725)	(112,935,266)
Net Carrying amount at beginning of the year	212,020,792	223,046,081
Additions during the period	179,066,720	37,074,170
Terminations during the period	(12,809,139)	-
Amortisation charge for the period	(62,644,641)	(48,099,459)
Closing balance at end of the year	315,633,732	212,020,792
Useful life (years)	**5-10**	**5-10**

10.1 This represents the lease arrangement for 51 (2024: 35) branches of the Bank.

11 INTANGIBLE ASSETS

		Note	2025	2024
			-------- Rupees --------	
	Computer software	11.1	61,336,948	42,709,137
11.1	Cost		147,458,716	102,871,474
	Accumulated amortisation and impairment		(86,121,768)	(60,162,337)
	Net book value	11.2	61,336,948	42,709,137
11.2	Opening net book value		42,709,137	14,664,791
	Additions - directly purchased		44,587,242	42,276,263
	Amortisation charge		(25,959,431)	(14,151,891)
	Exchange rate adjustments		-	(80,026)
	Closing net book value		61,336,948	42,709,137
	Rate of amortisation (%)		**33**	**33**

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12 DEFERRED TAX ASSET

	Balance at start of the year	Recognized in statement of profit or loss	Recognized in other comprehensive income	Balance at end of the year
	-----------------------	----------------------- Rupees	-----------------------	-----------------------
December 31, 2025				
Taxable temporary differences				
- Surplus on revaluation of fixed assets	-	(1,081,071)	10,810,706	9,729,635
- Right of use asset	59,872,798	31,660,984	-	91,533,782
	59,872,798	30,579,913	10,810,706	101,263,417
Deductible temporary differences				
- Staff retirement benefits	11,431,188	10,353,876	1,567,627	23,352,691
- Surplus on revaluation of investments	-	-	325,431	325,431
- ECL allowance against investments	13,113,964	(8,874,819)	-	4,239,145
- Unabsorbed amortisation on intangibles	-	1,859,377	-	1,859,377
- Unabsorbed depreciation on fixed assets	6,354,955	340,892	-	6,695,847
- Lease liabilities	74,221,010	31,133,878	-	105,354,888
-Credit loss allowance against advances and other assets	108,130,872	(3,073,389)	-	105,057,483
	213,251,989	31,739,815	1,893,058	246,884,862
- Tax business losses	227,466,279	112,376,544	-	339,842,823
- Minimum tax carried forward	28,181,391	14,075,054	-	42,256,445
Deferred Tax Asset	409,026,861	127,611,500	(8,917,648)	527,720,713
December 31, 2024				
Taxable temporary differences				
- Surplus on revaluation of investments	1,879,492	(1,879,492)	-	-
- Right of use asset	64,683,364	(4,810,566)	-	59,872,798
	66,562,856	(6,690,058)	-	59,872,798
Deductible temporary differences				
- Staff retirement benefits	9,504,017	423,848	1,503,323	11,431,188
- ECL allowance against investments	4,605,796	8,710,038	(201,870)	13,113,964
- Unabsorbed depreciation on fixed assets	10,845,538	(4,490,583)	-	6,354,955
- Lease liabilities	73,062,805	1,158,205	-	74,221,010
-Credit loss allowance against advances and other assets	90,962,059	17,168,813	-	108,130,872
	188,980,215	22,970,321	1,301,453	213,251,989
- Tax business losses	162,791,514	64,674,765		227,466,279
- Minimum tax carried forward	31,347,682	(3,166,291)	-	28,181,391
Deferred Tax Asset	316,556,555	91,168,853	1,301,453	409,026,861

12.1 Net deferred tax asset of Rs. 59.529 (2024: 31.347) million has not been recognised in these financial statements as the temporary difference are not expected to reverse in the adjustable period. It represents minimum tax available for carry forward amounting to Rs. 31.348 million till year 2026 and amounting to Rs.28.181 till year 2027.

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

13 OTHER ASSETS

Income / mark-up accrued in local currency - net of credit loss allowance		878,313,018	117,659,055
Advances, deposits, advance rent and other prepayments		61,522,690	64,692,839
Advance taxation / refundable taxes		142,311,960	80,030,938
Others		3,749,001	5,867,866
		1,085,896,669	268,250,698
Less: Credit loss allowance held against other assets		(18,747,054)	-
		1,067,149,615	268,250,698

14 BORROWINGS

Unsecured

	Note	2025	2024
Borrowing from State Bank of Pakistan	14.1	1,176,999,000	-

14.1 The Bank obtained a restricted line of credit from the State Bank of Pakistan on June 24, 2025 amounting to Rs. 1,202.223 million (2024: nil) out of which the Bank availed Rs. 1,176.999 million under the Women Inclusive Finance Sector Development Project (WIFSDP). The facility carries a variable interest rate of six-month KIBOR less 100 basis points and interest is payable on semi annual basis. The principal is repayable in year 2030 as one bullet payment or 4 equal installments. The loan is measured at amortised cost in accordance with IFRS. Utilisation of the facility is subject to compliance with specified conditions mentioned as follow:

The Bank shall ensure that all loans disbursed under the facility meet the Environmental & Social Risk Management (E&S) guidelines issued by SBP.

The Bank shall ensure that all loans are disbursed to women borrowers only.

The Bank shall demonstrate proportional growth in its Gross Loan Portfolio (GLP) that is commensurate with the amount availed in the subject facility.

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

15 DEPOSITS AND OTHER ACCOUNTS

Customers

	Note	2025	2024
Current deposits		74,427,102	27,228,695
Savings deposits		1,056,189,027	66,200,445
Term deposits		14,357,304,605	5,341,282,625
		15,487,920,734	5,434,711,765
Financial Institutions		-	-
	15.1	15,487,920,734	5,434,711,765

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		Note	2025	2024
			-------- Rupees --------	
15.1	**Composition of deposits**			
	- Individuals		5,945,932,165	3,058,332,711
	- Banking companies		4,025,000,000	-
	- Non-banking financial institutions		-	390,000,000
	- Private sector		5,516,988,569	1,986,379,054
			15,487,920,734	5,434,711,765
15.2	**Composition of deposit**			
	- Branches		15,487,920,734	5,434,711,765

16 LEASE LIABILITIES

	Note	2025	2024
Balance as at beginning of the year		255,934,517	251,940,707
Additions during the year		143,268,528	27,940,386
Terminations during the period		(16,403,247)	-
Interest expense		51,165,234	44,910,102
Payment		(70,672,314)	(68,856,678)
Balance as at the end of the year	16.1	363,292,718	255,934,517

16.1 This represents the lease arrangement of 51 (2024: 35) branches of the Bank having lease term of 5 to 10 years.

		2025	2024
		-------- Rupees --------	
16.2	**Contractual maturity of lease liabilities**		
	Short-term lease liabilities - within one year	93,140,090	64,175,080
	Long-term lease liabilities		
	- 1 to 5 years	247,352,688	165,569,552
	- 5 to 10 years	22,799,940	26,189,885
		270,152,628	191,759,437
	Total lease liabilities	363,292,718	255,934,517

16.3 The total charges recognized in profit or loss during the year are as follows:

	2025	2024
Interest expense on lease liabilities	51,165,234	44,910,102
Expense relating to short-term leases	61,393,831	54,113,973
	112,559,065	99,024,075

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		Note	2025	2024
			-------- Rupees --------	
17	**OTHER LIABILITIES**			
	Mark-up / Return / Interest payable in local currency		377,609,087	129,823,234
	Payable against IT services	17.1	221,956,685	341,539,772
	Accrued expenses		187,195,662	77,532,264
	Payable to defined benefit plan	33	53,137,702	38,236,853
	Withholding taxes payable		50,567,612	33,266,261
	Provision for compensated absences	17.2	27,388,817	27,901,016
	Payable to customer		2,191,842	937,347
	Sales taxes		6,268,171	2,256,446
	Security deposit		3,839,700	800
	Provision for leave fare assistance		-	283,416
	Zakat Payable		-	(22,700)
			930,155,278	651,754,709

17.1 This represents amount payable to LOLC Technology Services Limited which is a related party.

		2025	2024
		-------- Rupees --------	
17.2	**Provision for compensated absences**		
	Balance at start of the year	27,901,016	6,126,675
	Charge to statement of profit or loss	21,706,970	27,094,034
	Payments made during the year	(22,219,169)	(5,319,693)
	Balance at end of the year	27,388,817	27,901,016

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18 SHARE CAPITAL

Authorized capital

2025	2024		2025	2024
--- Number of shares ----			-------- Rupees --------	
500,000,000	500,000,000	Ordinary shares of Rs. 10 each	5,000,000,000	5,000,000,000

Issued, subscribed and paid up Capital

2025	2024		2025	2024
--- Number of shares ---			-------- Rupees --------	
		Ordinary shares		
322,000,000	322,000,000	Fully paid in cash	3,220,000,000	3,220,000,000
28,090,000	-	Right issue	280,900,000	-
350,090,000	322,000,000		3,500,900,000	3,220,000,000
-	-	Less: Discount on issue of shares	-	-
350,090,000	322,000,000		3,500,900,000	3,220,000,000

18.1 All ordinary shareholders rank equally with regard to the Bank's residual assets. Holders of these shares are entitled to dividends from time to time and are entitled to one vote per share at general meetings of LOLC.

18.2 During the current year, the Bank issued 28,090,000 right issue of ordinary shares at a face value of Rs. 10 per share amounting to Rs. 280.9 million.

18.3 The shares were allotted to existing shareholders. The issue was made in accordance with the requirements of Section 83 of the Companies Act, 2017.

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

19 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

	Note	2025	2024
Balance at start of the year		897,663	201,558
(Deficit) / surplus on revaluation of:			
- FVOCI - debt		(1,122,175)	897,975
- related deferred tax		325,431	(201,870)
		(796,744)	696,105
- Property and equipment		33,550,466	-
- related deferred tax		(9,729,635)	-
	19.1	23,820,831	-
Balance at end of the year		23,921,750	897,663

19.1 Surplus on revaluation of property and equipment

	2025	2024
Surplus on revaluation of property and equipment as at January 1, 2025	-	-
Recognised during the year	37,278,296	-
Transferred to accumulated profit in respect of incremental depreciation charged during the year	(2,646,759)	-
Related deferred tax liability on incremental Depreciation charged during the year	(1,081,071)	-
Surplus on revaluation of property and equipment as at December 31, 2025	33,550,466	-
Less: related deferred tax liability on:		
Revaluation as at January 1, 2025	-	-
Revaluation recognised during the year	10,810,706	-
Incremental depreciation charged during the year	(1,081,071)	-
	(9,729,635)	-
	23,820,831	-

20 CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

The Bank has no contingencies as at December 31, 2025 (2024: nil).

20.2 Commitments

The Bank has no commitments as at December 31, 2025 (2024: nil).

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		2025	2024
		-------- Rupees --------	
21	**MARK-UP RETURN / INTEREST EARNED**		
	Interest / mark-up on:		
	Loans and advances	2,814,740,719	1,816,458,937
	Investments	142,199,801	80,645,992
	Balances with other banks	181,282,750	170,723,034
		3,138,223,270	2,067,827,963
21.1	Interest income (calculated using effective interest rate method) recognized on:		
	Financial assets measured at amortized cost	3,136,803,981	2,062,182,770
	Financial assets measured at FVOCI	1,419,289	5,645,193
		3,138,223,270	2,067,827,963
22	**MARK-UP / RETURN / INTEREST EXPENSED**		
	Deposits	1,371,096,291	580,793,115
	Borrowings	62,078,851	216,761,470
	Lease liabilities	51,165,234	44,910,101
		1,484,340,376	842,464,686
22.1	Interest expense (calculated using effective interest rate method) recognized on:		
	Financial liabilities measured at amortized cost	1,484,340,376	842,464,686
23	**FEE AND COMMISSION INCOME**		
	Fee and commission income	205,631,025	107,675,203
	Overdue interest	39,693,762	50,750,452
		245,324,787	158,425,655
24	**OTHER INCOME**		
	Gain on disposal of fixed assets	3,594,108	10,135,083
	Moratorium income	13,111,365	16,631,481
	Insurance on agri loan from SBP	13,974,696	-
	Miscellaneous Income	891,022	1,491,075
		31,571,191	28,257,639

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

25 OPERATING EXPENSES

	Note	2025	2024
Total compensation expense	25.1	1,161,223,332	1,063,972,113
Advertisement and publicity		171,816,147	38,814,182
IT supplies and software		110,814,324	40,116,614
Security expense		109,816,547	60,580,534
Depreciation on property and equipment	9.1	76,293,948	58,986,543
Fusion expenses (Software subscription)		74,008,254	76,630,057
Communications		69,345,068	62,636,461
Rent, rates and taxes		63,479,866	56,878,390
Depreciation on right-of-use assets	10	62,644,641	48,099,459
Insurance		55,452,833	44,000,765
Utilities		54,851,786	42,458,680
Travel and transportation		43,715,172	32,264,323
Amortisation of intangible assets	11.2	25,959,431	14,151,890
Fees and subscription		23,709,811	15,420,593
Legal and professional charges		22,086,125	6,660,450
Office supplies		20,919,054	11,337,269
Bank charges		20,269,523	7,655,222
ATM card issuance fee		19,057,167	-
Stationery and printing		16,400,410	13,458,868
Repairs and maintenance		14,994,884	7,124,773
Fuel expenses		12,017,512	8,411,620
Kitchen expenses		11,219,111	10,565,947
Entertainment expenses		9,539,373	8,597,931
Exchange loss		7,680,820	-
Vehicle running		3,711,017	5,783,845
Auditors' remuneration	25.2	3,589,938	4,307,238
Archiving		2,335,810	4,085,664
Training		1,858,597	6,486,354
Directors' fees and allowances		750,000	500,000
Staff loan impairment IFRS-9		-	31,320,977
Other expenses		150,933	259,918
		2,269,711,434	1,781,566,680

25.1 Total compensation expense

	2025	2024
Salaries, allowances etc.	1,059,769,130	987,606,098
Bonus to employees	51,396,189	36,904,780
Contribution to defined contribution plan	30,246,406	22,223,331
Charge for defined benefit plan	19,495,238	16,976,818
Charge for leave fare assistance	87,009	63,589
Medical staff	229,360	197,497
	1,161,223,332	1,063,972,113

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		2025	2024
		-------- Rupees --------	
25.2	**Auditors' remuneration**		
	Audit services		
	Annual audit fee	850,000	760,437
	Interim review fee	420,000	380,218
	Special audit fee	550,000	500,000
	Certification fee	450,000	428,131
	Special audit fee-HFM Pack	-	500,000
	Special Purpose Review - HFM Pack.	550,000	900,000
	Out of pocket expenses	769,938	838,452
		3,589,938	4,307,238

26 OTHER CHARGES

	2025	2024
Penalties imposed by SBP	-	3,187,788

27 CREDIT LOSS ALLOWANCE AND WRITE OFFS - NET

	2025	2024
Credit loss allowance against loans and advances	292,195,058	808,933,005
Recovery of written off / charged off bad debts	(248,555,384)	(185,121,769)
	43,639,674	623,811,236

28 LEVIES

	2025	2024
Minimum tax differential	42,256,445	28,181,391

28.1 The Bank has paid minimum tax under Section (113) of the Income Tax Ordinance, 2001 against which deferred tax asset has been recorded as it is expected to be realized in subsequent tax years.

		Note	2025	2024
			-------- Rupees --------	
29	**TAXATION**			
	For the year:			
	- Current tax		-	-
	- Deffered tax	12	127,611,500	91,168,853
			127,611,500	91,168,853

29.1 The Finance Act 2007 had introduced amendments to the Income Tax Ordinance, 2001, through which income of Microfinance Banks has been conditionally exempted from tax for five years commencing January 01, 2008 under clause 66 (viii) of Part I of the Second Schedule. However, the Finance Act 2007 had also introduced the Seventh Schedule to the Income Tax Ordinance, 2001 which is applicable to Banking Companies. Under Rule 8 of the Seventh Schedule, no exemptions of the Second Schedule are to apply to Banking

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Companies. The exemption of Clause 66 (viii) therefore appears to be overruled by Rule 8 of the Seventh Schedule. However, based on the opinion of the Bank's lawyer, the Bank continues to prepare and submit its tax returns as a microfinance institution and does not follow the Seventh Schedule.

30 BASIC AND DILUTED LOSS PER SHARE

	2025	2024
Loss after taxation (Rupees)	(297,217,181)	(933,531,671)
Weighted average number of ordinary shares (Numbers)	324,847,479	230,830,000
Loss per share - basic and diluted (Rupees)	(0.91)	(4.04)

30.1 Diluted earnings per share has not been presented separately as the Bank does not have any convertible instruments, options, warrents or any ordinary shares that are issued on the satisfaction of a specified condition.

31 CASH AND CASH EQUIVALENTS

	2025	2024
	-------- Rupees --------	
Cash and balances with treasury banks	1,165,597,126	460,010,780
Balances with other MFBs / Banks	3,467,679,287	1,673,311,932
	4,633,276,413	2,133,322,712

32 STAFF STRENGTH

	2025	2024
	-------- Number --------	
Permanent	1006	907
Contractual	140	169
	1146	1076
Average number of employees during the year	1111	1114

33 DEFINED BENEFIT PLAN

33.1 Staff Gratuity Scheme

As disclosed in Note 4.9, the Bank operates an approved funded gratuity scheme for its employees. The accounting policy for recognizing actuarial gains and losses is also disclosed in note 4.9 to the financial statements. The information in notes 34.1 to 34.11 relating to the 2024 and 2025 financial year has been obtained from the actuarial valuation report.

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	2025	2024
	-------- Number --------	
33.2 Number of employees under the scheme		
Gratuity fund	974	907

33.3 Principal actuarial assumptions

The latest actuarial valuation for defined benefit plan scheme was carried out as at December 31, 2025 using the Projected Unit Credit Method (PUCM). The following significant assumptions were used for the actuarial valuation:

	2025	2024
	----- Percent per annum -----	
Discount rate	10.5	12.25
Expected rate of increase in salary levels - senior employees	8.25	9.75
Expected rate of increase in salary levels - other employees	8.25	9.75

Mortality rates assumed were based on the 70% of the EFU (61-66) table.

	Note	2025	2024
		----- Rupees -----	
33.4 The amounts recognized in the statement of financial position are as follows:			
Present value of defined benefit obligation	33.5	60,419,061	46,456,807
Fair value of plan assets	33.6	(7,281,359)	(8,219,954)
		53,137,702	38,236,853
33.5 Movement in the present value of defined benefit obligation			
Present value of obligation as at January 1,		46,456,807	34,615,392
Current service cost		17,682,881	13,657,322
Past service cost		(2,259,157)	-
Interest cost		4,997,433	4,714,573
Benefits paid		(11,322,863)	(9,363,189)
Change in financial assumptions		279,920	-
Actuarial gain on remeasurement of obligation		4,584,040	2,832,709
Present value of obligation as at December 31,		60,419,061	46,456,807

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

33.6 Movement in the fair value of plan assets

	2025	2024
Fair value of assets as at January 1	8,219,954	8,539,228
Expected return	925,919	1,395,077
Contributions	10,000,000	10,000,000
Benefits paid	(11,322,863)	(9,363,189)
Actuarial loss	(541,651)	(2,351,162)
Fair value of assets as at December 31	7,281,359	8,219,954

33.7 Movement in the net liability recognised in the statement of financial position are as follows:

	Note	2025	2024
		----- Rupees -----	
Opening liability		38,236,853	26,076,164
Charge for the year	33.7.1	19,495,238	16,976,818
Other comprehensive income	33.7.2	5,405,611	5,183,871
Contribution		(10,000,000)	(10,000,000)
Closing liability		53,137,702	38,236,853

33.7.1 Cost recognsed in statement of profit or loss

	2025	2024
Current service cost	17,682,881	13,657,322
Past service cost	(2,259,157)	-
Interest cost	4,997,433	4,714,573
Expected return	(925,919)	(1,395,077)
Net charge for the year	19,495,238	16,976,818

33.7.2 Re-measurements recognized in OCI during the year

	2025	2024
Experience adjustment	4,863,960	2,832,709
Return on plan assets over interest income	541,651	2,351,162
Total re-measurements recognized in OCI	5,405,611	5,183,871

33.8 Components of plan assets

	2025	2024
Cash and cash equivalents - net	7,281,359	8,219,954
	7,281,359	8,219,954

33.9 Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of a change in respective assumptions by one percent.

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	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
		------ Rupees ------	
Discount rate	1%	(1,226,159)	1,284,897
Salary increases	1%	1,208,934	(1,173,152)

	2025	2024
	----- Rupees -----	
33.10 Distribution of timing of benefit payments		
Up to 1 year	22,840,432	17,521,617
1 to 5 years	117,099,753	81,818,499
Over 5 years	46,888,169	44,348,013
	186,828,354	143,688,129

	2026 Rupees
33.11 Expected charge in Statement of profit or loss	
Service cost	21,159,621
Net interest cost	3,910,633
	25,070,254

33.12 Risks associated with the scheme

Final salary

The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

Demographic

a) Mortality

The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

b) Withdrawal

The risk of actual withdrawals experience is different from the assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

34 DEFINED CONTRIBUTION PLAN

All investments out of provident fund trust has been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for that purpose.

35 FAIR VALUE MEASUREMENT

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

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.

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

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

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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35.1 The table below analyzes 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 categorised:

	2025			
	Level 1	Level 2	Level 3	Total
	---------- Rupees ----------			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
- Non-Government debt securities	9,373,135	-	-	9,373,135
Off-balance sheet financial instruments measured at fair value	-	-	-	-
	9,373,135	-	-	9,373,135

	2024			
	Level 1	Level 2	Level 3	Total
	---------- Rupees ----------			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
- Non-Government debt securities	14,779,436	-	-	14,779,436
Off-balance sheet financial instruments measured at fair value	-	-	-	-
	14,779,436	-	-	14,779,436

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36 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Items	Directors	President / CEO	Key management personnel
	Non-executives		
	----------Rupees----------		
2025:			
Fees and allowances etc.	750,000	-	-
Managerial remuneration			
i) Fixed	-	16,406,376	52,713,247
ii) Variable			
- Bonus & awards in shares	-	675,000	2,140,999
Contribution to defined contribution plan	-	-	3,062,440
Medical	-	1,170,624	3,761,211
Total	750,000	18,252,000	61,677,897
Number of persons	2	1	9
2024:			
Fees and allowances etc.	500,000	-	-
Managerial remuneration			
i) Fixed	-	13,670,801	42,650,380
ii) Variable			
- Cash bonus / awards	-	918,750	2,490,172
Contribution to defined contribution plan	-	865,970	3,536,547
Medical	-	1,038,230	4,240,040
Conveyance	-	-	3,180,000
Total	500,000	16,493,751	56,097,139
Number of persons	2	1	14

36.1 The Bank has provided free use of Bank's maintained car to the Chief Executive Officer.

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37 RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its parent, associated companies, employee benefit plans and its directors and key management personnel.

The Bank enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

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

	2025				2024			
	Parent	Directors	Key management personnel	Other related parties	Parent	Directors	Key management personnel	Other related parties
	Rupees				Rupees			
Balances with related parties								
Advances								
Opening balance	-	-	17,187,052	-	-	-	56,854,569	-
Addition during the year	-	-	7,059,500	-	-	-	13,510,750	-
Repaid during the year	-	-	(11,639,366)	-	-	-	(53,178,267)	-
Closing balance	-	-	12,607,186	-	-	-	17,187,052	-
Transactions with related parties								
Income								
Markup income	-	-	510,200	-	-	-	830,711	-

The term 'related party' shall have the same meaning as specified under IAS 24 - Related party disclosures

38 RISK MANAGEMENT

The Bank has comprehensive risk management framework in place for managing the credit risk, interest rate risk, foreign currency risk, market risk and operational risks which is constantly evolving as the business activities change in response to credit, market, product and other developments. The Board Risk Management Committee (BRMC), a sub-committee of the Board of Directors (BoD), oversees the entire risk management process of the Bank. The Banks' risk management is guided by number of factors and principles including the formal definition of risk management, governance, risk appetite, independent risk management and assessment and measurement by tools like Earning at Risk (EaR), Value-at-Risk (VaR) methodologies with stress testing under different economic scenarios and with diversification of risks.

38.1 Credit risk

Credit risk is the risk of suffering financial loss due to any of the Bank's customer or counterparty failing to fulfil their contractual obligations which arise mainly from the Bank's advances disbursements, placement of funds in deposits and taking cover through guarantees and derivatives. The Bank has a sound and effective credit risk management framework in place which is based on the Bank's strategy and risk appetite established by BOD. Credit evaluation system comprises of credit appraisal and monitoring mechanism where special focus is given to asset quality management. There is also a system in place to identify and correct portfolio concentrations in terms of geographies, products, economic segments etc. The risks identified through portfolio testing are reported to the Risk Management Committees of the Bank along-with the corrective action plan. For this purpose, various tools, techniques and stress tests are used to ensure that risk-return trade-off is maintained.

Risk review function is independent of those who approve and take risk. The Risk Asset Review function is performed by Risk Management as well as internal audit departments of the Bank. The Bank reviews financial performance of various counterparties on annual basis through detailed analysis using Financial models and past business experience and limits for each counterparty in respective segments are defined accordingly.

38.1.1 Definition of default and cure

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases of its advances to customers when the borrower becomes 60 days past due on its contractual payments. The Bank considers treasury and interbank balances defaulted and takes immediate action when the required intraday.

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- the borrower is deceased;
- a material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral;

- a covenant breach not waived by the Bank;
- the borrower is unable to pay due to any other reason.

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated delinquency, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition. However, no financial assets is directly classified from stage 3 to stage 1.

38.1.2 Probability of Default estimation process

Microfinance Lending

The Banks entire loans and advances portfolio consist of microfinance lending. The lending portfolio comprise of agriculture, enterprise, gold, general purpose, housing and employee loans . The Bank utilising credit score card model for lending, such as area, gender, education, marital status, age etc. Therefore, the Bank used credit score card along with delinquency (day past due) 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.

38.1.3 Loss Given Default 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. For receivables from the Banks 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.

38.1.4 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).

38.2 Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk governance structure of the Bank is at the core of the three lines of Defense including strategic, macro and micro - integrating risk management practices into processes, procedures, product programs, systems and culture. The Bank has in place the Board approved Risk management framework which is

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flexible enough to implement in stages and permits the overall approach to evolve in response to the Banks future requirements. The Bank uses various risk mitigating tools and techniques such as Risk and Control Self-Assessment, Key Risk Indicators Analysis, and Stress testing under well-defined programs. There are dedicated units within the Bank to manage operational risk, information security risk, business continuity risk and disaster recovery risk.

38.3 Liquidity risk

Liquidity risk is the the potential for loss that the Bank will be unable to meet its obligations in a timely manner as they fall due. The Market and Liquidity desk monitors risk appetite limits to avoid undue threats. The Bank's liquidity position is monitored by Asset-Liability Committee (ALCO) on monthly basis through liquidity and capacity ratios, concentrations in terms of nature and size of funding on portfolio as well as on transaction basis, liquidity and cashflow gaps etc. The Bank has a Liquidity Contingency Plan in place to manage liquidity risk and maintains sufficient counter balancing capacity at all times to meet all its obligations on timely basis. Early warning indicators have been developed and are assessed on daily basis in order to envisage any incoming risks and take appropriate actions.

38.4 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 ALCO.

38.5 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 ALCO, which are primarily responsible for oversight of market risk. The risk management department has developed various tools for risk measurement and its mitigation thereof, including Value at Risk (VaR), Duration, Price Value of a Basis Point (PVBP) and, Re-pricing Gaps. In addition, the carries out stress tests, using both internally developed scenarios and scenarios prescribed by the regulator.

38.6 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.

39 ASSETS AND LIABILITIES - BASED ON CONTRACTUAL MATURITY

	2025												
	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
ASSETS													
Cash and balances with treasury banks	1,165,597,126	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	3,467,679,287	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	209,432,852	531,632,247	93,348,549	1,029,295,680				
Advances	2,627,626,140	107,150,910	155,184,416	521,433,756	1,267,126,080	1,263,688,516	2,136,074,566	756,606,530	1,052,050,065	735,911,536	79,214,701	105,511,228	-
Property and equipment	-	-	-	7,934,884	7,934,884	7,934,884	23,804,652	23,804,652	23,804,652	95,218,608	95,218,608	15,586,293	-
Right-of-use assets	-	-	-	5,335,185	5,335,185	5,335,185	16,005,555	16,005,555	16,005,555	64,022,220	64,022,220	120,228,783	3,338,289
Intangible assets	-	-	-	2,163,286	2,163,286	2,163,286	6,489,858	6,489,858	6,489,858	25,959,432	9,418,084	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	101,597,606	203,195,212	222,927,895	-	-
Other assets	-	-	-	140,392,008	98,389,188	218,751,370	363,002,823	81,805,378	164,808,848	-	-	-	-
	7,260,902,553	107,150,910	155,184,416	677,259,119	1,380,948,623	1,707,306,093	3,077,009,701	978,060,522	2,394,052,264	1,124,307,008	470,801,508	241,326,304	3,338,289
LIABILITIES													
Bills payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-	1,176,999,000	-
Deposits and other accounts	100,000	35,730,000	720,015,140	1,591,699,457	150,541,000	414,080,190	5,238,947,781	1,674,108,133	5,662,399,033	300,000	-	-	-
Lease liabilities	-	-	-	4,018,354	4,018,354	4,018,354	12,055,062	12,055,062	12,055,062	48,220,248	48,220,248	137,536,595	81,095,379
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	162,365,434	290,104,528	120,046,825	130,064,857	194,365,977	33,207,657	-	-	-	-
	100,000	35,730,000	720,015,140	1,758,083,245	444,663,882	538,145,369	5,381,067,700	1,880,529,172	5,707,661,752	48,520,248	48,220,248	1,314,535,595	81,095,379
NET ASSETS	7,260,802,553	71,420,910	(564,830,724)	(1,080,824,126)	936,284,741	1,169,160,724	(2,304,057,999)	(902,468,650)	(3,313,609,488)	1,075,786,760	422,581,260	(1,073,209,291)	(77,757,090)

REPRESENTED BY	
Share capital	3,500,900,000
Share premium	52,041,600
Statutory Reserves	131,136,911
Surplus on revaluation of assets - net of tax	23,921,750
Accumulated loss	(2,088,720,681)
	1,619,279,580

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	2024												
	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
ASSETS													
Cash and balances with treasury banks	460,010,780	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	1,673,311,932	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	40,000,000	243,486,881	97,900,563	140,993,146	45,018,121				
Advances	108,751,067	30,952,022	51,811,736	92,962,207	194,285,985	248,833,202	1,439,921,194	387,162,185	681,689,955	735,911,536	79,214,701	86,764,174	-
Property and equipment	-	-	-	4,915,518	4,915,518	4,915,518	14,746,554	14,746,554	14,746,554	58,986,216	58,986,216	8,217,367	-
Right-of-use assets	-	-	-	4,008,288	4,008,288	4,008,288	12,024,864	12,024,864	12,024,864	48,099,456	48,099,456	67,722,424	-
Intangible assets	-	-	-	1,179,324	1,179,324	1,179,324	3,537,972	3,537,972	3,537,972	14,151,888	14,151,888	253,473	-
Deferred tax assets	-	-	-	-	-	-	-	-	203,195,212	-	205,831,649	-	-
Other assets	-	-	-	173,634,842	94,615,856	-	-	-	-	-	-	-	-
	2,242,073,779	30,952,022	51,811,736	276,700,179	339,004,971	502,423,213	1,568,131,147	558,464,721	960,212,678	857,149,096	406,283,910	162,957,438	-
LIABILITIES													
Bills payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	94,201,208	5,050,000	65,600,000	57,285,000	312,713,375	480,516,980	706,822,138	1,803,576,000	1,897,347,064	11,300,000	300,000	-	-
Lease liabilities	-	-	-	3,742,508	3,742,508	3,742,508	11,227,524	11,227,524	11,227,524	11,227,524	44,910,096	134,730,288	20,156,513
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	21,262,144	50,812,904	294,699,531	121,948,262	132,124,972	30,906,896	-	-	-	-	-
	94,201,208	5,050,000	86,862,144	111,840,412	611,155,414	606,207,750	850,174,634	1,845,710,420	1,908,574,588	22,527,524	45,210,096	134,730,288	20,156,513
NET ASSETS	2,147,872,571	25,902,022	(35,050,408)	164,859,767	(272,150,443)	(103,784,537)	717,956,513	(1,287,245,699)	(948,361,910)	834,621,572	361,073,814	28,227,150	(20,156,513)
REPRESENTED BY													
Share capital	3,220,000,000												
Share premium	52,041,600												
Reserves	131,136,911												
Surplus on revaluation of assets - net of tax	897,663												
Accumulated loss	(1,790,312,275)												
	1,613,763,899												

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40 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2025	2024
	-------- Rupees --------	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	1,464,220,919	1,429,687,725

As per amendments on Prudential Regulations (R-1) issued 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.

The Bank manages its capital structure and makes adjustments to it in 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.

	2025	2024
	-------- Rupees --------	
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	1,079,614,234	1,264,844,500
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	1,079,614,234	1,264,844,500
Eligible Tier 2 Capital	56,882,679	32,960,929
Total Eligible Capital (Tier 1 + Tier 2)	1,136,496,913	1,297,805,429
Risk Weighted Assets (RWAs):	7,318,977,290	4,488,704,461
Common Equity Tier 1 Capital Adequacy Ratio	14.75%	28.18%
Tier 1 Capital Adequacy Ratio	14.75%	28.18%
Total Capital Adequacy Ratio	15.53%	28.91%

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" (15%) required by the Prudential Regulations for Microfinance Banks / Institutions. The adequacy of the capital is tested with reference to the risk-weighted assets of the Bank. The calculation of capital adequacy enables the Bank to assess the long-term soundness. As the Bank conducts business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across the entire organization.

41 NUMBER OF BRANCHES

	2025	2024
	------ Number ------	
Branches at the beginning of the year	63	62
Opened during the year	1	1
Service centers converted to branches	24	0
Branches at the end of the year	88	63

41.1 The Bank also has nil (2024: 24) service centers in operation along with branches.

42 COMPLAINTS STATUS

INTRODUCTION

The Bank is operating under the supervision of the regulatory authority, is committed to upholding its position as one of the leading microfinance institutions known for delivering professional, high-quality services to its customers. The Bank places strong emphasis on being responsive to the needs and concerns of its customers and stakeholders.

In line with this commitment, the Bank has established a comprehensive Complaint Management Policy and a Fair Treatment of Customers Framework. These initiatives ensure that the complaint handling process is both efficient and effective, with regular reviews and corrective actions undertaken to continually improve service delivery.

This policy provides a structured and transparent framework for receiving and resolving complaints related to the Bank, its services, customers, employees, and service providers. Its core objective is to ensure that all grievances are addressed in a timely, efficient, and professional manner; reinforcing the Bank's values of accountability, trust, and transparency across all levels of engagement.

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, and dedicated Complaint Drop Boxes placed at branches.

To register a complaint, customers were required to submit their CNIC or Passport Number (for overseas clients), along with their full name, mobile number, and a detailed description of the issue. Upon successful registration, a system-generated SMS with a complaint reference number was issued, enabling easy tracking. Each complaint was assigned to a designated officer for resolution within a defined Turnaround Time (TAT).

MODES OF COMPLAINT LODGMENT

Complaints may be submitted to LOLC Microfinance Bank through any of the following channels:

- Call Center
- Email
- Electronic Complaint Form (E-Form)
- Surface Mail
- Complaint Drop Boxes

	2025	2024
Total number of Complaints	81	96
Avg. days taken for resolution	3	3

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Complaint Nature	Complaint Received	Open as at December 2024
Minor	81	96
Major	0	0
Total Count	81	96

43 MATERIAL OUTSOURCING ARRANGEMENTS

In compliance to the BPRD circular no. 6 of 2017 of SBP, the material outsourcing arrangements of the bank is with KPMG Taseer Hadi & Co. for tax consultancy and estimated cost of outsourcing is Rs. 1.656 million .

44 BRANCHES DETAIL

S.No	Branch Name	Addresses
1	GULSHAN	Ground floor Salam apartments,Block 13 ,KDA scheme no 24,opp Urdu Federal University near neepa bridge Gulshan iqbal branch karachi.
2	ORANGI TOWN	LOLC Microfainance Bank Orangi Town House# LS9 Sector 12- Orangi Town Branch Karachi.
3	HUB BRANCH	Main RCD road near city Police Station Hub choki District hub
4	KORANGI BRANCH	plot no R-32,33 sector 32 b near rizwan bakery korangi town karachi
5	MEHMOODABAD, KARACHI	Plot # 22 (new No 616) mehmood abad karachi
6	MALIR BRANCH	LOLC Microfinance Bank Shop no 5 & 6 Ground floor plot no/21/5-5 Malir model colony korangi karachi
7	HYDERABAD BRANCH	Plot#5 Zulfiqar colony unit 08 latifabad hyderabad sindh
8	KOTRI	Plot no 21-A and plot 21 kptri city district jamshoro

S.No	Branch Name	Addresses
9	MIRPURKHAS BRANCH	LOLC Microfainance Bank PLOT NO 32 OPPOSITE zubaida height new bismillah CNG Mirpurkhas.
10	TANDO ALLA YAR BRANCH	Plot no 1 opposite wapda office Grid station hyderabad road Tandu Allah Yar
11	BADIN BRANCH	Shop no 1214&15 imtiaz market matli city taluka matli badin
12	MATLI	LOLC microfinace bank shop no 1214&15 imtiaz matket matli city taluka matli badin
13	TANDO ALLAHYAR BRANCH	LOLC Microfiance bank plot no 01 opposite wapda office hyderabad road tando Allahyar
14	SHAHDADPUR	LOLC Microfainance Bank shop no 20 ward b insaf ciry housing scheme shadad pur district sanghar
15	UMERKOT BRANCH	Shop no 7 plot 1/7 kunri road umerkot
16	DIGRI	Plot no 6 & 7 fawad town deh 173 taluka degree district Mirpur khaas
17	KUNRI	Block 205/4 plots no 1613,164 and 165 deh chajro kunri umerkot
18	GOLARCHI	Plot no B-11 , ward no 01, golarchi badin
19	NAUSHAHRO FEROZ BR	Shop no 9&10 khalifa shopiung center main road naushero feroz
20	KANDIYARO	House# 1A-46, Mohalla Ahmedpur, Ward# 04, Halani Mehrabpur Road, Kandiyaro.

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S.No	Branch Name	Addresses
21	MORO	Pak Microfainance Bank Moro Service Center Dadu Chowk Near Utitly Store Dadu Road Moro.
22	SUKKUR BRANCH	CS no D516/171 baraj road sukkur
23	SUJAWAL	Plot #5 A main karachi road naka stop near irrogation colony sujawal
24	HALA	Survey no 1397-63 ward B Gulshane faheem dargah road Hala
25	SAKRAND	Main road opposite chandial petrol pump sakrand shaheed benazirabad
26	QAZI AHMED BRANCH	Chaudhary Heights, Khewat number 1338, Khatooni number 2274, Khasra number 547/2842/1761/36, Mutalqa number 355/208347, Main Multan
27	CLIFTON KARACHI	LOLC Microfinance BANK plot/showroom 12 &13 ground floor ,block 5 clifton center karachi
28	LAHORE	Plot no 343 main ferozpur road block M gulberg III near nasirabad stop lahore
29	MURIDKE	Khasra no 2557/2/2 khewat no 613 khatoone no 1387 shier 69/416 bangla puli moza muridke urban tehsil dist shekhopura
30	SHALIMAR	Mouza munawan main GT road near batapur oposit bismillah housing scheme Lahore
31	SIALKOT BRANCH	Defence road opposite wapda colony wazirabad road china chowk
32	CHAKWAL BRANCH	LOLC Microfinance Bank rehman plaza Jhelum Road Chakwal

S.No	Branch Name	Addresses
33	PASRUR	Khewat no 241 khatoone no 407 to 409 khasra no 832/833 saadullah pur timber market tehsil pasrur dist Sialkot
34	Band Road Lahore	Ground and basement floorKhasra no 1026/683/1472 plot no 59/d main band road mozakot kamboh lahore
35	DHA PHASE III LAHORE	LOLC Microfinance Bank Plot 86, Y-Block DHA Phase 3 Lahore near DHA office
36	SARGODHA BRANCH	Plot no c/16 block no w satilite town scheme Sargodha
37	BHALWAL	Khata no 7/1088, khatoone no 103 near jalabi chowk liaqat shaheed road bhalwall
38	SILLANWALI	LOLC Microfinace Bank 46 ada road gulzar palaza near nadra office dist sargodha.
39	MANDI BHAUDDIN BR	Khata 809 khatoni 817 railway road Mandi Bahaudin
40	MALAKWAL	LOLC Microfinace Bank ground floor nasir plaza mandi bahauddin road , malikwal mandi bahauddin
41	PHALIA	Ground floor ghania road mohalla road mema po khaas tehsil phalia dist Mandi Bahauddin
42	HAFIZABAD	Khewat NO 80, kahtooni no 124, main gujranwala road opposite model town hafizabad
43	PINDI BHATTIAN	LOLC Microfainance Bank Khata no 20 nlaka stop main hafizabad road pindi bhattian tehsil pindi bhattian district hafizabad
44	MULTAN	Shop no 8910 royal plaza azmat wasti road near dara adda trehsil and dist Multan

S.No	Branch Name	Addresses
45	DOLTALA	LOLC Microfinance Bank Choudhary Nazeer Market Shop # 1,2,3 Rawalpindi Road near hashim hospital pindi road Doltala
46	DINA	LOLC Microfinace Bank no 6866,khata no 200/370 khasra no 2384/095 near tajpuri masjid mangla road city dina jhelum.
47	JHELUM BRANCH	Buliding no B-11-2-R-23 empire plaza old GT road machine mohalla no 3 jhelum
48	TALA GANG	Property no b-11-259/rh, ward no 02, Ahmed Market near mundyal chowk Talaganag
49	GUJRANWALA BRANCH	Shop no 28-Aa29 B ground flooR plaza main GT road Gujranwala
50	DASKA	LOLC Microfinance Bank khata no 1012 ,khasra no 3071/372 khatoni no 1034 near suleman sweets chungi no 6 daska,city daska
51	WAZIRABAD	Khewat No. 220, Khatooni No. 378 to 379 , Khasra No.1564/2515/2/1, Qitat 2, Muhallah Thathi Aria Nizamabad, (GT Road front), Wazirabad
52	GUJAR KHAN BRANCH	LOLC Microfinance Bank Near TMA office Haji Mirza adalat plaza Gujar khan
53	KALAR SAYEDAN	LOLC Microfinace Bank khewat no 550&551 khatooni mp 1269, khasra no 2323,bhatti plaza qasim market pindi road , kallar syedan rawalpindi
54	ISLAMABAD BRANCH	LOLC Microfinance Bank fazal erabi plaza main lathar road khana dhak Isamabad
55	RAWALPINDI BRANCH	Sheikh rehmat manzil road dhok syedan chowk rawalpindi cantt Rawalpindi
56	RAWAT	LOLC Microfainance Bank Old Nadra Building Near Akbar Hospital Rawat GT Road

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S.No	Branch Name	Addresses
57	BANNI CHOWK	Plot NO D971 D block 14 pizza street satlite town Rawalpindi
58	PARK VIEW PLAZA RWP	LOLC Microfinance Bank Park view bearing no CB-6300 Near royal palace hotel mouza kotta kalau jhelum road Rawalpindi.
59	BLUE AREA ISLAMABAD	LOLC Microfinance Bank Shop no 15 and 16 Ground floor saeed plaza ,plot no 22 E/H G9 jinnah avenue blue area Islamabad.
60	ATTOCK BRANCH	LOLC Microfinance Bank Near geedar chowk khan plaza Attock city
61	HASSAN ABDAL	Khasra no 2084 khewat no 972 khatoone no 1477 mohalla dhok maheen Hassan Abdal
62	FATEH JANG	LOLC Microfinance Bank Mohallah Majid Wadi-bin pindi road fateh jang district Attock
63	JAND BRANCH	Shah mihammad hanif street new barf khana chowk jhand Attock
64	PINDI GHEB	LOLC Microfainance Bank near meezan bank kachehri road pindi gheb
65	KHOUR	khewat no 551, khasra no 4015 pol road khour pindi gheb attock
66	MITHYAL	Khewat no 103 khasra no 2576&2702 khatoon no 283/301 mityal chowk attock road jand Attock
67	KAMRA	LOLC Microfinance Bank Ground floor shehran plaza main GT road Qutba mor qazi ahmed akbar market kamra cantt Attock.
68	TAXILA	LOLC Microfinace Bank Fasial Shaheed Road near Chiristian Hospital Taxila.

S.No	Branch Name	Addresses
69	ABBOTABAD BRANCH	LOLC Microfinance Bank Tayyab Artaghan Plaza Near Milan Shadi Hall Main Fawara chowk Abbottabad.
70	HARIPUR	LOLC microfinance bank Railway road near CNW office opposite Abacus College in Muhammad Center Plaza Haripur.
71	MANSEHRA	Main Baidra Chok Manshehra .Khata #5739 Khatoni #9318,Khasra #9024/2847
72	MARDAN BRANCH	Near childern hospital shamsi Road mardan KPK
73	SWABI	shop no 1 abdurrahman plaza main mardan road Swabi
74	NOWSHERA	Khata 379 /851 khasra 7399/6972/1/1 near genral hospital city Nowshera
75	PESHAWAR	LOLC Microfainance Bank PRT Plazza Near Gulbahar Police station Peshawar .
76	DERA ALLA YAR BR	Bhatti patak near abdul latif bhatti hotel quetta road dera Allah yar DIST Jafar Abad
77	KOTLI BRANCH	LOLC Microfainance Near Abshar Chowk bank Road kotli Azad Kashmir
78	FAISALABAD BRANCH	LOLC Microfinance Bank Khewat No. 748, Khatuni No. 777, Khasra No. 1594 to 1601, Plot No. 46, Pipal Chowk, Near Shafi Plaza, Dijkot Road, Faisalabad.
79	JARANWALA BRANCH	Main road mohalla ghulam rasool colony kachehri road near bismillah service station jaranwala dist Faislabad
80	CHAK JUMHRA	LOLC Microfinace Bank Bal plaza main khurianwala road near old sui gas office chak jhumra faisalabad

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S.No	Branch Name	Addresses
81	GHULAM MUHAMMAD	LOLC Microfinance Bank Al Raheem Plaza, 317-C, Gulshan Chowk, Near Govt General Hospital, Ghulam Muhammad Abad, Faisalabad.
82	JHANG BRANCH	LOLC Microfinance Bank Ayub chowk sargodha road jhang
83	CHINIOT	Khewat NO 3392/3386 juma road fatima chowk Chinot
84	GUJRAT BRANCH	1st floor zahid plaza GTS chowk main GT road Gujrat
85	JALALPUR JATTAN	LOLC microfinace bank shams plaza sarka muhalla near nau gazzi khanqa circular road , jalal pur jattan gujrat
86	LALA MUSA	NO.50-200, property no B-1/25, Awan Plaza Opposite ahmed petrolium near khangah ashrafia mazar,main GT road lala musa the khariyan Dis Gujrat
87	GILGIT	LOLC Microfinance Bank Khasra no 22072/188,20082/188, commercial plaza sharahe quide azam juliat gilgit
88	Barahkoh Islamic Branch	Malik Plaza, Ground Floor, Main Murree Road, Moaza Kot Hathiyal, Khasra No. 1204, Barakahu, Islamabad

45 GENERAL

Figures have been rounded off to nearest rupee.

Where there are no amounts to be disclosed in the account captions as prescribed by BSD Circular No. 3 dated February 9, 2023 issued by the State Bank of Pakistan (SBP) in respect of forms of financial statements for Microfinance Institutions / Banks, these captions have not been reproduced in these financial statements except for the statement of financial position and statement of profit or loss.

46 DATE OF AUTHORISATION

These financial statements were authorised for issue on 26 March 2026 by the Board of Directors of the Bank.

President	Chief Financial Officer	Director	Director	Director

ISLAMIC BANKING BUSINESS

The MFB is operating with 1 (prior year: nil) Islamic banking branch and nil (prior year: nil) Islamic banking counters/windows at the end of the year.

	Note	2025	2024
		-------- Rupees --------	
ASSETS			
Cash and balances with treasury banks	1	5,000,000	-
Balances with other Banks	2	16,000,000	-
Due from financial institutions		-	-
Investments		-	-
Islamic financing and related assets - net		-	-
Property and equipment	3	5,297,820	-
Right-of-use assets	4	10,278,753	-
Intangible assets	5	13,130,000	-
Due from head office		-	-
Other assets		-	-
Total assets		49,706,573	-
LIABILITIES			
Bills payable		-	-
Due to financial institutions		-	-
Deposits and other accounts		-	-
Due to head office		-	-
Lease liabilities	6	9,693,864	-
Subordinated debt		-	-
Other liabilities	7	1,374,695	-
		11,068,559	-
NET ASSETS		38,638,014	-
REPRESENTED BY			
Islamic banking fund		41,089,652	-
Reserves		-	-
Surplus/ (Deficit) on revaluation of assets		-	-
Accumulated / Unremitted loss	8	(2,451,638)	-
		38,638,014	-

CONTINGENCIES AND COMMITMENTS 9

The statement profit or loss of the MFB's Islamic banking branches for the year ended December 31, 2025 is as follows:

		2025	2024
		-------- Rupees --------	
Profit / Return earned		-	-
Profit / Return expensed	10	(673,029)	-
Net loss		(673,029)	-
Other income			
Fee and commission income		-	-
Dividend income		-	-
Gain / (Loss) on securities		-	-
Other income		-	-
Total other income		-	-
Total loss		(673,029)	-
Other expenses			
Operating expenses	11	1,778,609	-
Workers welfare fund		-	-
Other charges		-	-
Total other expenses		1,778,609	-
Loss before credit loss allowance		(2,451,638)	-
Credit loss allowance and write offs - net		-	-
Loss before taxation		(2,451,638)	-
Taxation		-	-
Loss after taxation		(2,451,638)	-

BDO E&Co.

		2025	2024
		-------- Rupees --------	
1	**CASH AND BALANCES WITH TREASURY BANKS**		
	In hand		
	- local currency	5,000,000	-
	Less: Credit loss allowance	-	-
		5,000,000	-
2	**BALANCES WITH OTHER BANKS**		
	In Pakistan		
	- in deposit accounts	16,000,000	-
	Less: Credit loss allowance	-	-
		16,000,000	-

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

3 PROPERTY AND EQUIPMENT

	Note	2025	2024
Capital work-in-progress		-	-
Property and equipment	3.1	5,297,820	-

3.1 Property and equipment

	2025			
	Leasehold Improvements	Furniture and fixture	Electrical, office and computer equipment	Total
	------------ Rupees ------------			
At January 1, 2025				
Cost / Revalued amount	-	-	-	-
Accumulated depreciation	-	-	-	-
Net book value	-	-	-	-
Year ended December 2025				
Opening net book value	-	-	-	-
Additions	2,704,409	548,573	2,142,889	5,395,871
Depreciation charge	(45,073)	(9,143)	(43,835)	(98,051)
Closing net book value	2,659,336	539,430	2,099,054	5,297,820
At December 31, 2025				
Cost / Revalued amount	2,704,409	548,573	2,142,889	5,395,871
Accumulated depreciation	(45,073)	(9,143)	(43,835)	(98,051)
Net book value	2,659,336	539,430	2,099,054	5,297,820
Rate of depreciation (%)	**20**	**20**	**33**	

	2024			
	Leasehold Improvements	Furniture and fixture	Electrical, office and computer equipment	Total
	------------ Rupees ------------			
At January 1, 2024				
Cost / Revalued amount	-	-	-	-
Accumulated depreciation	-	-	-	-
Net book value	-	-	-	-
Year ended December 2024				
Opening net book value	-	-	-	-
Closing net book value	-	-	-	-
At December 31, 2024				
Cost / Revalued amount	-	-	-	-
Accumulated depreciation	-	-	-	-
Net book value	-	-	-	-
Rate of depreciation (%)	**20**	**20**	**33**	

BDO Ebrahim & Co.

		Note	2025	2024
			------- Rupees -------	
4	**RIGHT-OF-USE ASSETS**			
	Opening balance at beginning of the year:		-	-
	Additions during the period		11,420,835	-
	Amortisation Charge for the period		(1,142,082)	-
	Closing balance at end of the year		10,278,753	-
5	**INTANGIBLE ASSETS**			
	Cost		13,505,143	-
	Accumulated amortisation and impairment		(375,143)	-
	Net book value	5.1	13,130,000	-
5.1	Opening net book value		-	-
	Additions:			
	- directly purchased	5.2	13,505,143	-
	Amortisation charge		(375,143)	-
	Closing net book value		13,130,000	-
	Computer software		13,130,000	-

BDOE&Co.

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

6 LEASE LIABILITIES

	2025	2024
Balance as at beginning of the year	-	-
Additions during the year	11,420,835	-
Interest expense	673,029	-
Payment	(2,400,000)	-
Balance as at the end of the year	9,693,864	-

7 OTHER LIABILITIES

	2025	2024
Payable to LOLC	1,374,695	-

8 ISLAMIC BANKING BUSINESS ACCUMULATED LOSS

	2025	2024
Opening balance	-	-
Add: Islamic banking loss for the period	(2,451,638)	-
Closing balance	(2,451,638)	-

9 CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

The Company has no contingencies as at December 31, 2025 (2024: nil).

9.2 Commitments

The Company has no commitments as at December 31, 2025 (2024: nil).

	Note	2025	2024
		-------- Rupees --------	
10 Profit on deposits and other dues expensed			
Lease liabilities	6	673,029	-

11 OPERATING EXPENSES

	Note	2025	2024
Property expense			
Rent, rates and taxes		163,334	-
Depreciation on property and equipment	3.1	98,051	-
Depreciation on right-of-use assets	4	1,142,082	-
		1,403,467	
Information technology expenses			
Amortisation of intangible assets		375,143	-
		1,778,610	-

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