

LOLC MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2026

		(Un-Audited) March 31 2026	(Audited) December 31 2025
	Note	----- Rupees -----	
ASSETS			
Cash and balances with treasury banks	5	1,425,550,968	1,165,597,126
Balances with other banks	6	4,121,392,012	3,467,679,287
Lendings to financial institutions		-	-
Investments	7	2,248,608,584	1,863,709,328
Advances	8	14,675,253,061	10,807,578,444
Property and equipment	9	312,486,436	301,242,117
Right-of-use assets	10	919,838,480	315,633,732
Intangible assets	11	66,494,571	61,336,948
Other assets	13	1,671,613,655	1,067,149,615
Deferred tax assets	12	476,722,473	527,720,713
		25,917,960,240	19,577,647,310
LIABILITIES			
Bills payable		-	-
Borrowings	14	1,176,999,000	1,176,999,000
Deposits and other accounts	15	20,660,652,762	15,487,920,734
Lease liabilities	16	984,865,182	363,292,718
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	17	1,102,530,059	930,155,278
		23,925,047,003	17,958,367,730
NET ASSETS		<u>1,992,913,237</u>	<u>1,619,279,580</u>
REPRESENTED BY			
Share capital	18	3,500,900,000	3,500,900,000
Share Premium		52,041,600	52,041,600
Share deposit money		279,425,000	
Reserves		131,136,911	131,237,830
Surplus on revaluation of assets - net of tax		23,770,177	23,820,831
Unappropriated loss		(1,994,360,451)	(2,088,720,681)
		<u>1,992,913,237</u>	<u>1,619,279,580</u>

CONTINGENCIES AND COMMITMENTS 20

The annexed notes from 1 to 40 form an integral part of these financial statements.

President

Chief Financial Officer

Director

Director

Director

LOLC MICROFINANCE BANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED MARCH 31, 2026

		Quarter Ended	
		March 31,	March 31,
		2026	2025
Note	----- Rupees -----		
	Mark-up / Return / Interest earned	1,529,216,048	609,756,543
	Mark-up / Return / Interest expensed	(755,348,196)	(315,659,550)
	Net mark-up / Return / Interest income	<u>773,867,852</u>	<u>294,096,993</u>
NON MARK-UP / INTEREST INCOME			
	Fee and commission income	94,203,852	36,495,842
	Dividend income	-	-
	Foreign exchange income	-	-
	Income from derivatives	-	-
	Gain on securities	-	-
	Net gains on derecognition of financial assets measured at amortised cost	-	-
	Other income	3,445,659	4,000,456
	Total non-markup / interest income	<u>97,649,511</u>	<u>40,496,298</u>
	Total income	<u>871,517,363</u>	<u>334,593,291</u>
NON MARK-UP / INTEREST EXPENSES			
	Operating expenses	721,814,035	514,171,567
	Workers welfare fund	-	-
	Other charges	-	-
	Total non-markup / interest expenses	<u>721,814,035</u>	<u>514,171,567</u>
	Loss before credit loss allowance	<u>149,703,328</u>	<u>(179,578,276)</u>
	Credit loss allowance and write offs - net	(4,344,858)	(70,519,711)
LOSS BEFORE LEVIES AND TAXATION			
		145,358,470	(250,097,987)
	Levies	(50,998,240)	-
	LOSS BEFORE TAXATION	<u>94,360,230</u>	<u>(250,097,987)</u>
	Taxation	-	-
	LOSS AFTER TAXATION	<u>94,360,230</u>	<u>(250,097,987)</u>
	Basic and diluted loss per share	<u>0.41</u>	<u>(1.08)</u>

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President

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LOLC MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED MARCH 31, 2026

	Quarter Ended	
	March 31, 2026	March 31, 2025
	----- Rupees -----	
Loss after taxation for the period	94,360,230	(250,097,987)
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in surplus on revaluation of investments	(50,654)	897,663
Related tax impact	-	(260,322)
Movement in surplus on revaluation of investments - net of tax	(50,654)	637,341
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement of defined benefit obligation	-	-
Related tax impact	-	-
Remeasurement of defined benefit obligation - net of tax	-	-
Total comprehensive loss for the year	<u>94,309,576</u>	<u>(249,460,646)</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.

_____ President	_____ Chief Financial Officer	_____ Director	_____ Director	_____ Director
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LOLC MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED MARCH 31, 2026

	Share capital	Share premium	Statutory reserve	Depositors' Protection Fund	Revaluation Reserve PPE	Accumulated losses	Share Deposit Money	Surplus on revaluation of investments	Total
	----- Rupees -----								
Balance as at January 01, 2026	3,500,900,000	52,041,600	98,175,982	32,960,929	23,820,831	(2,088,720,681)		100,919	1,619,178,661
Profit after taxation for the quarter ended March 31, 2026	-	-	-	-	-	94,360,230	279,425,000	-	94,360,230
Other comprehensive income for the quarter ended March 31, 2026	-	-	-	-	-	-	-	(50,654)	(50,654)
Total comprehensive income for the quarter ended March 31, 2026	-	-	-	-	-	94,360,230	279,425,000	(50,654)	94,309,576
Transfer to Depositors' Protection Fund	-	-	-	-	-	-	-	-	-
- 5% of the profit after tax	-	-	-	-	-	-	-	-	-
- return on investment - net of tax	-	-	-	-	-	-	-	-	-
Balance as at March 31, 2026	3,500,900,000	52,041,600	98,175,982	32,960,929	23,820,831	(1,994,360,451)	279,425,000	(50,654)	1,713,488,237

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LOLC MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED MARCH 31, 2026

	March 31, 2026	March 31, 2025
Note	----- Rupees -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before levies and taxation	145,358,470	(250,097,987)
Adjustments:		
Depreciation on property and equipment	9 23,545,983	16,494,377
Depreciation on right-of-use assets	10 27,156,941	13,322,523
Amortization of intangible assets	11 8,877,709	5,498,007
Credit loss allowance and write-offs	27 62,514,056	120,304,937
Finance cost on lease obligations	25,563,372	12,149,069
Provision for gratuity	6,159,918	3,000,000
Provision for leave fare assistance	33,840	49,056
	<u>153,851,819</u>	<u>170,817,969</u>
Operating profit before working capital changes	299,210,289	(79,280,018)
(Increase) / decrease in operating assets		
Advances	(3,935,702,891)	(721,741,408)
Other assets	(574,516,205)	(92,036,543)
	(4,510,219,096)	(813,777,951)
Increase / (decrease) in operating liabilities		
Deposit and other accounts	5,172,732,028	1,709,864,577
Other liabilities	159,667,007	(26,455,308)
	<u>5,332,399,035</u>	<u>1,683,409,269</u>
	1,121,390,228	790,351,300
Levies / income tax paid	(29,947,835)	(11,985,495)
Defined benefit obligation	(6,234,786)	(2,219,611)
	<u>(36,182,621)</u>	<u>(14,205,106)</u>
Net cash generated from / (used in) operating activities	1,085,207,607	776,146,194
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment classified as amortised cost	(394,272,391)	(217,957,531)
Net investment classified as FVOCI	9,373,135	6,199,528
Rent paid against lease obligation	(17,241,150)	(17,241,150)
Acquisition of operating fixed assets	(34,790,302)	(14,048,464)
Investment in intangible assets	(14,035,332)	(4,795,637)
Sales proceeds of operating fixed assets disposed off	-	-
Net cash used in investing activities	(450,966,040)	(247,843,254)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Borrowing from SBP	-	-
Right share issue	279,425,000	-
Net cash (used in) / generated from financing activities	279,425,000	-
Increase in cash and cash equivalents during the year	913,666,567	528,302,940
Cash and cash equivalent at the beginning of the year	4,633,276,413	2,133,322,712
Cash and cash equivalent at the end of the year	31 <u>5,546,942,980</u>	<u>2,661,625,652</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.

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LOLC MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2026

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 Commission 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

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.

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 Commission 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

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

	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 than 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.

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.

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.

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.

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.

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.

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 encashable 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.

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 Profit 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.

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.

		March 31, 2026 (Un-audited)	December 31, 2025 (Audited)
	Note	----- Rupees -----	
5	CASH AND BALANCES WITH TREASURY BANKS		
	In hand		
	- local currency	738,935,228	569,036,636
	Balance with State Bank of Pakistan (SBP)		
	- Local Currency current account	5.1 686,615,740	596,560,490
	Less: Credit loss allowance	-	-
		<u>1,425,550,968</u>	<u>1,165,597,126</u>

5.1 This represents current accounts maintained with SBP to meet the minimum balance requirement equivalent to 3% (2025: 3%) as cash reserve of Bank's demand and time deposits with tenor of less than 1 year in accordance with the Prudential Regulations.

		2026	2025
	Note	----- Rupees -----	
6	BALANCES WITH OTHER BANKS		
	In Pakistan		
	- in current accounts		
	- Conventional	406,107,361	894,125,456
	- Shariah compliant		16,000,000
			910,125,456
	- in deposit accounts	6.1 3,715,284,651	2,557,553,831
	Less: Credit loss allowance	-	-
		<u>4,121,392,012</u>	<u>3,467,679,287</u>

6.1 These represents deposits with commercial banks carrying mark-up at rates ranging from 8.5% to 14.5% per annum (2025: 8.5% to 13.5% per annum).

7 INVESTMENTS

7.1 Investment by Type:

Debt Instruments

Classified as Amortized Cost

- Market Treasury Bills
- Term deposit receipts (TDRs)

Un-Audited 2026				Audited 2025			
Fair Value / Amortized Cost	Credit Loss Allowance	Surplus / (Deficit)	Caring Value	Cost / Amortized Cost	Provision for diminution	Surplus / (Deficit)	Caring Value
----- Rupees -----				----- Rupees -----			
1,948,608,584	-	-	1,948,608,584	1,354,336,193	-	-	1,354,336,193
300,000,000	-	-	300,000,000	500,000,000	-	-	500,000,000
2,248,608,584	-	-	2,248,608,584	1,854,336,193	-	-	1,854,336,193

Classified as FVOCI

Term finance certificates (TFCs)
Sukuk

5,882,055	(5,882,055)	-	-	5,882,055	(5,882,055)	-	-
-	-	-	-	19,230,996	(10,000,000)	142,139	9,373,135
5,882,055	(5,882,055)	-	-	25,113,051	(15,882,055)	142,139	9,373,135

Total Investments

2,254,490,639	(5,882,055)	-	2,248,608,584	1,879,449,244	(15,882,055)	142,139	1,863,709,328
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7.2 Investments by Segments:

Federal Government Securities

- Market Treasury Bills
- Pakistan Investment Bonds
- Ijarah Sukuks
- Other Investments

Un-Audited 2026				Audited 2025			
Fair Value / Amortized Cost	Credit Loss Allowance	Surplus / (Deficit)	Caring Value	Cost / Amortized Cost	Provision for diminution	Surplus / (Deficit)	Caring Value
----- Rupees -----				----- Rupees -----			
1,948,608,584	-	-	1,948,608,584	1,354,336,193	-	-	1,354,336,193
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,948,608,584	-	-	1,948,608,584	1,354,336,193	-	-	1,354,336,193

Provincial Government Securities

-	-	-	-	-	-	-	-
---	---	---	---	---	---	---	---

Shares:

- Listed
- Unlisted

-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-

Non Government debt Securities

- Listed
- Unlisted

305,882,055	(5,882,055)	-	300,000,000	525,113,051	(15,882,055)	142,139	509,373,135
305,882,055	(5,882,055)	-	300,000,000	525,113,051	(15,882,055)	142,139	509,373,135

Associates

-	-	-	-	-	-	-	-
---	---	---	---	---	---	---	---

Subsidiaries

-	-	-	-	-	-	-	-
---	---	---	---	---	---	---	---

Total Investments

2,254,490,639	(5,882,055)	-	2,248,608,584	1,879,449,244	(15,882,055)	142,139	1,863,709,328
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2026 2025
----- Rupees -----

7.3 Investments given as collateral

7.4 Investments - Particulars of credit loss allowance

	Un-Audited				Audited			
	2026				2025			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	----- Rupees -----				----- Rupees -----			
7.5 Investments - Exposure								
Gross carrying amount	1,863,567,189	-	15,882,055	1,879,449,244	566,702,516	-	15,882,055	582,584,571
New Investments	394,272,391	-	-	394,272,391	1,943,723,200	-	-	1,943,723,200
Investments derecognized or repaid	(9,230,996)	-	-	(9,230,996)	(646,817,307)	-	-	(646,817,307)
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
	385,041,395	-	-	385,041,395	1,296,905,893	-	-	1,296,905,893
Amounts written off / charged off	-	-	-	-	-	-	-	-
Closing balance	2,248,608,584	-	15,882,055	2,264,490,639	1,863,608,409	-	15,882,055	1,879,490,464
7.6 Investments - Credit loss allowance								
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

7.7 Particulars of credit loss allowance against debt securities

Domestic

Stage 1
Stage 2
Stage 3

Un-Audited		Audited	
2026		2025	
NPL	Credit loss allowance	NPL	Credit loss allowance
----- Rupees -----			
-	-	-	-
15,882,055	15,882,055	15,882,055	15,882,055
15,882,055	15,882,055	15,882,055	15,882,055

7.8 Quality of Securities

March 31, December 31,
2026 2025
(Un-audited) (Audited)
----- Rupees -----

Federal Government Securities - Government Guaranteed

- Market Treasury Bills

- Pakistan Investment Bonds

- Ijarah Sukuks

- Other Investments

1,948,608,584	1,354,336,193
-	-
-	-
-	-
1,948,608,584	1,354,336,193

Provincial Government Securities - Government Guaranteed

-	-
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Non Government debt Securities

Listed

To be categorized based on long term rating by Credit Rating Agency

- AAA

- AA+, AA, AA-

- A+, A, A-

- BBB+, BBB, BBB-

- BB+, BB, BB-

- B+, B, B-

- CCC and below

- Unrated

-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-

To be categorized based on long term rating by Credit Rating Agency

- AAA

- AA+, AA, AA-

- A+, A, A-

- BBB+, BBB, BBB-

- BB+, BB, BB-

- B+, B, B-

- CCC and below

- Unrated

-	-
-	-
300,000,000	54,779,436
-	-
-	-
-	-
-	-
-	-
300,000,000	54,779,436

8 ADVANCES

Loan Type

Loan Type	Performing				Non Performing		Total	
	Stage 1		Stage 2		Stage 3		(Un-audited) March 31, 2026	(Audited) December 31, 2025
	(Un-audited) March 31, 2026	(Audited) December 31, 2025	(Un-audited) March 31, 2026	(Audited) December 31, 2025	(Un-audited) March 31, 2026	(Audited) December 31, 2025		
	----- Rupees -----				----- Rupees -----		----- Rupees -----	
Microcredits								
Secured	11,465,720,880	8,110,112,355	28,757,868	19,885,233	44,488,834	31,305,349	11,538,967,582	8,161,302,937
Un-Secured	2,988,060,169	2,462,028,655	129,219,708	135,192,284	306,978,656	343,810,613	3,424,258,533	2,941,031,552
Staff Loan	48,091,789	48,764,081	-	-	-	-	48,091,789	48,764,081
Advances - gross	14,501,872,838	10,620,905,091	157,977,576	155,077,517	351,467,490	375,115,962	15,011,317,904	11,151,098,570
Credit loss allowance against advances								
Stage 1	64,909,316	83,922,970	-	-	-	-	64,909,316	83,922,970
Stage 2	-	-	29,764,641	29,046,701	-	-	29,764,641	29,046,701
Stage 3	-	-	-	-	241,390,886	230,550,455	241,390,886	230,550,455
Specific provision	-	-	-	-	-	-	-	-
General provision	-	-	-	-	-	-	-	-
	64,909,316	83,922,970	29,764,641	29,046,701	241,390,886	230,550,455	336,064,843	343,520,126
Advances - net of credit loss allowance	14,436,963,522	10,536,982,121	128,212,935	126,030,816	110,076,604	144,565,507	14,675,253,061	10,807,578,444

8.1 Advances - Particulars of credit loss allowance

	2026				2025			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	----- Rupees -----				----- Rupees -----			

8.1.1 Advances - Exposure

Gross carrying amount	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
New advances	7,233,723,714	774,300	1,148,536	7,235,646,550	10,334,045,031	81,514,353	40,477,204	10,456,036,588
Advances derecognized or repaid	(10,331,915,128)	(155,077,517)	7,131,501,914	(3,355,490,731)	(3,679,693,720)	(14,255,661)	180,679,277	(3,513,270,104)
Transfer to stage 1	7,209,488,221	99,286,897	(7,308,775,118)	-	143,416,982	(66,852,574)	(76,564,408)	-
Transfer to stage 2	10,497,567	55,258,500	(65,756,067)	-	(2,087,871)	22,018,395	(19,930,524)	-
Transfer to stage 3	(288,918,416)	2,657,878	286,260,538	-	(6,527)	(1,393,267)	1,399,794	-
	3,832,875,958	2,900,058	44,379,803	3,880,155,819	6,795,673,895	21,031,246	126,061,343	6,942,766,484
Amounts written off/ charged off	-	-	(68,028,274)	(68,028,274)	-	-	(302,792,954)	(302,792,954)
Closing balance	14,453,781,049	157,977,575	351,467,491	14,963,226,115	10,620,905,091	155,077,517	375,115,962	11,151,098,570

	2026				2025			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	----- Rupees -----							
8.1.2 Advances - Credit loss allowance								
Opening balance	83,922,970	29,046,701	230,550,455	343,520,126	99,373,639	16,442,000	257,049,437	372,865,076
IFRS Initial Impact	-	-	-	-	-	-	-	-
Opening balance - as restated	83,922,970	29,046,701	230,550,455	343,520,126	99,373,639	16,442,000	257,049,437	372,865,076
New advances	29,250,460	272,137	751,138	30,273,735	79,322,372	17,202,318	30,852,034	127,376,724
Advances derecognized or repaid	121,447,827	(33,903,463)	(117,818,099)	(30,273,735)	(222,712,144)	(26,945,178)	141,027,652	(108,629,670)
Transfer to Stage 1	55,772,861	22,134,350	(77,907,211)	-	64,615,822	(10,782,588)	(53,833,234)	-
Transfer to Stage 2	(43,555,611)	7,105,542	36,450,069	-	(21,899)	11,610,898	(11,588,999)	-
Transfer to Stage 3	(195,961,555)	252,611	195,708,944	-	(1,902)	(405,899)	407,801	-
Specific	-	-	-	-	-	-	-	-
General	-	-	-	-	-	-	-	-
	(33,046,018)	(4,138,823)	37,184,841	-	(78,797,751)	9,320,449	106,865,254	18,747,054
Total Provision charge for the year	14,032,365	4,856,762	41,683,864	60,572,991	63,347,082	21,925,150	169,428,718	254,700,950
Amounts written off/charged Off	-	-	(68,028,274)	(68,028,274)	-	-	(302,792,954)	(302,792,954)
Changes in risk parameters	-	-	-	-	-	-	-	-
Closing balance	64,909,317	29,764,640	241,390,886	336,064,843	83,922,970	29,046,701	230,550,455	343,520,126
8.2 Credit loss allowance details								
Outstanding gross exposure								
Performing - Stage 1	14,453,781,049	-	-	14,453,781,049	10,620,905,091	-	-	10,620,905,091
Under Performing - Stage 2						155,077,517	-	155,077,517
Other assets especially mentioned	-	157,977,576	-	157,977,576	-	-	-	-
Non- Performing - Stage 3								
Substandard	-	-	88,268,492	88,268,492	-	-	105,236,719	105,236,719
Doubtful	-	-	65,336,276	65,336,276	-	-	45,663,625	45,663,625
Loss	-	-	197,862,722	197,862,722	-	-	206,608,251	206,608,251
	-	-	351,467,490	351,467,490	-	-	357,508,595	357,508,595
	14,453,781,049	157,977,576	351,467,490	14,963,226,115	10,620,905,091	-	357,508,595	11,133,491,203
Corresponding credit loss allowance								
Stage 1	64,909,316	-	-	64,909,316	83,922,970	-	-	83,922,970.0
Stage 2	-	29,764,641	-	29,764,641	-	29,046,701	-	29,046,701.0
Stage 3	-	-	241,390,886	241,390,886	-	-	230,550,455	230,550,455.0
Specific	-	-	-	-	-	-	-	-
General	-	-	-	-	-	-	-	-
	64,909,316	29,764,641	241,390,886	336,064,843	83,922,970	29,046,701	230,550,455	343,520,126
							March 31,	December 31,
							2026	2025
							(Un-audited)	(Audited)
							----- Rupees -----	
8.3 Particulars of write offs								
Against provision							68,028,274	302,792,954
Directly charged to profit or loss account							-	-
							68,028,274	302,792,954

9	PROPERTY AND EQUIPMENT	Note	March 31,	December 31,
			2026 (Un-audited)	2025 (Audited)
			----- Rupees -----	
	Capital work-in-progress		-	-
	Property and equipment	9.1	<u>312,486,436</u>	<u>301,242,117</u>

9.1 Property and equipment

2026 (Un-Audited)							
Freehold land	Leasehold improvements	Building on freehold land	Building on leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
..... Rupees '000							
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	<u>126,158,613</u>	<u>-</u>	<u>-</u>	<u>29,144,658</u>	<u>87,912,131</u>	<u>58,026,715</u>	<u>301,242,117</u>
Quarter ended March 31, 2026							
Opening net book value	-	126,158,613	-	-	29,144,658	87,912,131	58,026,715
Additions	-	12,321,273	-	-	4,195,207	18,273,823	-
Movement in surplus on assets revalued during the year	-	-	-	-	-	-	34,790,302
Acquisitions through business combinations	-	-	-	-	-	-	-
profit and loss account - net	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Depreciation charge	-	(10,755,399)	-	(2,557,764)	(7,752,008)	(2,480,812)	(23,545,983)
Exchange rate adjustments	-	-	-	-	-	-	-
Other adjustments / transfers	-	-	-	-	-	-	-
Closing net book value	<u>126,158,613</u>	<u>-</u>	<u>-</u>	<u>29,144,658</u>	<u>98,433,946</u>	<u>55,545,903</u>	<u>312,486,436</u>
At March 31, 2026							
Cost / Revalued amount	-	261,283,356	-	-	75,483,460	252,398,216	105,831,899
Accumulated depreciation	-	(133,558,869)	-	-	(44,701,359)	(153,964,270)	(50,285,996)
Net book value	<u>127,724,487</u>	<u>-</u>	<u>-</u>	<u>120,184,819</u>	<u>98,433,946</u>	<u>55,545,903</u>	<u>312,486,436</u>
Rate of depreciation (percentage)	-	-	-	20%	20%	20%	33%

2025 (Audited)							
Free hold land	Lease hold improvements	Building on free hold land	Building on lease hold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
Rupees '000							
At December 31, 2024							
Cost / Revalued amount	- 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
Acquisitions through business combinations	-	-	-	-	-	-	-
Impairment loss recognized in the profit and loss account - net	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Depreciation charge	- (34,207,316)	-	-	(7,821,205)	(25,719,825)	(8,545,602)	(76,293,948)
Exchange rate adjustments	-	-	-	-	-	-	-
Other adjustments / transfers	-	-	-	-	-	-	-
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
Rate of depreciation (percentage)	-	-	20%	20%	20%	33%	

	Note	March 31 2026	December 31, 2025
		----- Rupees -----	
10 RIGHT-OF-USE ASSETS			
Opening balance at January 1			
Cost		539,313,098	373,055,517
Accumulated Depreciation		(223,679,366)	(161,034,725)
Net Carrying amount at January 1		<u>315,633,732</u>	<u>212,020,792</u>
Additions during the period		630,021,061	179,066,720
Deletions during the period		1,340,628	- 12,809,139
Amortisation Charge for the period		(27,156,941)	(62,644,641)
Reassessment during the period		-	-
Closing balance as at		<u>919,838,480</u>	<u>315,633,732</u>
		March 31 2026 (Un-audited)	December 31, 2025 (Audited)
11 INTANGIBLE ASSETS			
Cost		161,494,048	147,458,716
Accumulated amortization and impairment		(94,999,477)	(86,121,768)
Net book value	11.1	<u>66,494,571</u>	<u>61,336,948</u>
11.1 Opening net book value		61,336,948	42,709,137
Additions:			
- developed internally		-	-
- directly purchased		14,035,332	44,587,242
- through business combinations		-	-
		<u>14,035,332</u>	<u>44,587,242</u>
Impairment loss recognized in the profit and loss - net		-	-
Disposals		-	-
Amortization charge		(8,877,709)	(25,959,431)
Exchange rate adjustments		-	-
Other adjustments		-	-
Closing net book value		<u>66,494,571</u>	<u>61,336,948</u>
Computer software		<u>66,494,571</u>	<u>61,336,948</u>
11.1 Additions to intangible assets			
The following additions have been made to intangible assets during the period:		-	-
Directly purchased		<u>14,035,332</u>	<u>44,587,242</u>
		<u>14,035,332</u>	<u>44,587,242</u>

11.2 Disposals of intangible assets

The net book value of intangible assets disposed off during the period is as follows:

Directly purchased

- -

- -

12 DEFERRED TAX ASSETS

Deductible temporary differences on

- Tax losses carried forward
- Current Tax Loss
- Post retirement employee benefits
- Accelerated tax depreciation against operating fixed
- Credit loss allowance against advances
- Credit loss allowance against investments
- Investments
- Minimum tax under section 113
- Surplus on revaluation of investments
- lease obligation

March 31 **December 31,**
2026 **2025**
(Un-audited) **(Audited)**
----- **Rupees** -----

227,466,279	227,466,279
61,378,304	112,376,544
23,352,691	23,352,691
8,555,224	8,555,224
105,057,483	105,057,483
4,239,145	4,239,145
-	-
42,256,445	42,256,445
325,431	325,431
105,354,888	105,354,888
577,985,890	628,984,130
-	-
9,729,635	9,729,635
91,533,782	91,533,782
101,263,417	101,263,417
476,722,473	527,720,713

13 OTHER ASSETS

Income / Mark-up accrued in local currency - net of credit loss allowance

Advances, deposits, advance rent and other prepayments

Advance taxation / refundable taxes

Others

Less: Credit loss allowance held against other

1,405,674,747 878,313,018

114,702,882 61,522,690

172,259,795 142,311,960

(335,649) 3,749,001

1,692,301,775 1,085,896,669

(20,688,120) (18,747,054)

1,671,613,655 1,067,149,615

		2026 (Un-audited)	2025 (Audited)
	Note	----- Rupees -----	
14	BORROWINGS		
	Unsecured		
	Borrowing from State Bank of Pakistan	1,176,999,000	1,176,999,000

14.1 This represents Line of Credit facility carrying interest at 6 month KIBOR minus 100 bps and was repaid in September 2024.

		March 31 2026 (Un-audited)	December 31, 2025 (Audited)
	Note	----- Rupees -----	
15	DEPOSITS AND OTHER ACCOUNTS		
	Customers		
	Current deposits	166,373,002	74,427,102
	Savings deposits	1,111,635,472	1,056,189,027
	Term deposits	19,382,644,288	14,357,304,605
	15.1	20,660,652,762	15,487,920,734
	Financial Institutions	-	-
		20,660,652,762	15,487,920,734

15.1 Composition of Term Deposits

- Individuals	6,760,493,542	5,945,932,165
- Government (Federal and Provincial)	1,204,166,800	-
- Public sector entities	6,739,543,020	-
- Banking companies	4,975,000,000	4,025,000,000
- Non-banking financial institutions	248,949,400	-
- Private sector	732,500,000	5,516,988,569
	20,660,652,762	15,487,920,734

16 LEASE LIABILITIES

Balance as at January 1	363,292,718	255,934,517
Additions during the period	21,001,909	143,268,528
Termination during then year	-	16,403,247
Interest expense	12,149,069	51,165,234
Payment	(17,241,150)	(70,672,314)
Balance as at	984,865,182	363,292,718

16.1 Contractual maturity of lease liabilities

Short-term lease liabilities - within one year	88,317,250	93,140,090
Long-term lease liabilities		
- 1 to 5 years	588,781,668	247,352,688
- 5 to 10 years	307,766,264	22,799,940
- More than 10 years	-	-
Total lease liabilities	<u>984,865,182</u>	<u>363,292,718</u>

		March 31 2026 (Un-audited)	December 31, 2025 (Audited)
	Note	----- Rupees -----	
17 OTHER LIABILITIES			
Mark-up / Return / Interest payable in local currency		454,287,054	377,609,087
Accrued expenses		134,623,493	187,195,662
Payable against IT services	17.1	222,850,392	221,956,685
Payable to defined benefit plan		59,298,232	53,137,702
Advance from customer		-	-
Withholding taxes payable		183,132,130	50,567,612
Provision for compensated absences		30,388,817	27,388,817
Sales taxes		10,260,545	6,268,171
Zakat Payable		-	3,839,700
Payable to Customer		2,836,356	2,191,842
Security Deposit		4,854,107	-
		<u>1,102,530,059</u>	<u>930,155,278</u>

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

18 SHARE CAPITAL

Authorized capital

March 31 2026	December 31, 2025		March 31 2026	December 31, 2025
--- Number of shares ---			----- Rupees -----	
<u>500,000,000</u>	<u>500,000,000</u>	Ordinary shares of Rs. 10 each	<u>5,000,000,000</u>	<u>5,000,000,000</u>

Issued, subscribed and paid up Capital

2026	2025		2026	2025
--- Number of shares ---			----- Rupees -----	
322,000,000	322,000,000	Ordinary shares		
28,090,000	28,090,000	Fully paid in cash	3,220,000,000	3,220,000,000
-	-	Right Issue	280,900,000	280,900,000
<u>350,090,000</u>	<u>350,090,000</u>	Issued for consideration other than cash	<u>-</u>	<u>-</u>
-	-		<u>3,500,900,000</u>	<u>3,500,900,000</u>
<u>350,090,000</u>	<u>350,090,000</u>	Less: Discount on issue of shares	<u>-</u>	<u>-</u>
			<u>3,500,900,000</u>	<u>3,500,900,000</u>

	March 31 2026 (Un-audited)	March 31, 2025 (Audited)
	----- Rupees -----	
19 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX		
Surplus / (deficit) on revaluation of		
- FVOCI Reserve	897,663	897,663
Deferred tax on surplus / (deficit) on revaluation of:		
- FVOCI Reserve	-	-
	<u>897,663</u>	<u>897,663</u>
20 CONTINGENCIES AND COMMITMENTS		
20.1 Contingencies		
The Company has no contingencies as at December 31, 2025 (2024: nil).		
20.2 Commitments		
The Company has no commitments as at December 31, 2025 (2024: nil).		
	March 31 2026 (Un-audited)	March 31, 2025 (Audited)
	----- Rupees -----	
21 MARK-UP RETURN / INTEREST EARNED		
Interest / mark-up on:		
Loans and advances	1,349,387,795	527,279,608
Investments	64,152,207	25,052,839
Balances with other banks	115,676,046	57,424,096
	<u>1,529,216,048</u>	<u>609,756,543</u>
22 MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	666,758,499	299,096,889
Mark up on borrowing	63,026,325	4,413,592
Lease liabilities	25,563,372	12,149,069
	<u>755,348,196</u>	<u>315,659,550</u>
22.1 Interest expense calculated using effective interest rate method		
Finance cost on borrowings from SBP	<u>63,026,325</u>	<u>4,413,592</u>
	2026 (Un-audited)	2025 (Audited)
	----- Rupees -----	
23 FEE AND COMMISSION INCOME		
Fee and commission income	85,159,610	27,047,511
Overdue interest	9,044,242	9,448,331
Miscellaneous Income	-	-
	<u>94,203,852</u>	<u>36,495,842</u>
24 OTHER INCOME		
Gain on disposal of fixed assets	-	-
Moratorium income	3,151,184	3,921,504
Miscellaneous Income	294,475	78,952
	<u>3,445,659</u>	<u>4,000,456</u>

Note

25	OPERATING EXPENSES	Note	2026 (Un-audited)	2025 (Audited)
			----- Rupees -----	
	Total compensation expense	25.1	342,365,734	280,040,487
	Property expense			
	Rent, rates and taxes		18,733,220	15,487,386
	Repairs and maintenance		3,824,786	3,486,270
	Insurance		14,495,501	11,729,242
	Depreciation on property and equipment		23,545,983	16,494,377
	Depreciation on right-of-use assets		27,156,941	13,322,523
			87,756,431	60,519,798
	Information technology expenses			
	IT supplies and software		25,443,728	27,408,309
	Fusion expenses		20,138,161	20,957,132
	Amortisation of intangible assets		8,877,709	5,498,007
			54,459,598	53,863,448
	Other operating expenses			
	Travel and transportation		10,559,881	7,676,142
	Stationery and printing		3,399,823	3,461,565
	Training		977,110	111,164
	Legal and professional charges		7,707,302	3,074,019
	Utilities		14,061,550	9,481,108
	Communications		19,236,492	19,221,996
	Vehicle running		1,494,960	661,573
	Office supplies		7,683,349	2,604,214
	Fees and subscription		5,588,887	5,839,401
	Advertisement and business promotions		109,192,141	22,485,954
	Bank charges		12,214,744	2,510,655
	Security expense		30,097,489	28,908,709
	Kitchen expenses		2,438,356	2,429,351
	Entertainment expenses		2,602,147	3,199,953
	Archiving		667,177	582,512
	Fuel Expenses		2,675,341	4,317,324
	Staff Loan Impairment IFRS-9		-	-
	Auditors' remuneration	25.2	1,179,300	1,269,438
	Other expenses		5,456,223	1,912,756
			237,232,272	119,747,834
			<u>721,814,035</u>	<u>514,171,567</u>
25.1	Total compensation expense			
	Salaries, allowances etc.		311,995,604	262,407,026
	Bonus to employees		15,000,000	7,000,000
	Contribution to defined contribution plan		9,133,183	7,097,061
	Charge for defined benefit plan		6,159,918	3,000,000
	Charge for leave fare assistance		33,840	49,056
	Non-executive directors' allowances and other expenses		-	348,732
	Medical staff		43,189	138,612
			342,365,734	280,040,487

25.2 Auditors' remuneration**Audit services**

Audit fee	687,500	1,027,500
Out of pocket expenses	491,800	241,938
	<u>1,179,300</u>	<u>1,269,438</u>

26 OTHER CHARGES

Penalties imposed by State Bank of Pakistan

	-	-
	2026	2025
	(Un-audited)	(Audited)
	----- Rupees -----	

27 CREDIT LOSS ALLOWANCE AND WRITE OFFS - NET

Credit loss allowance against loans & advances	62,514,056	120,304,937
Bad debts written off directly	-	-
Recovery of written off / charged off bad debts	(58,169,198)	(49,785,226)
	<u>4,344,858</u>	<u>70,519,711</u>

28 LEVIES

Minimum tax differential

	50,998,240	-
--	------------	---

28.1 The company 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.

	March 31,	March 31,
	2026	2025
	(Un-audited)	(Audited)
	----- Rupees -----	

29 TAXATION

For the year

- current	-	-
- deferred	-	-
	-	-

For prior year

- current	-	-
- deferred	-	-
	-	-
	-	-

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 1 January 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 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.

	March 31, 2026 (Un-audited)	March 31, 2025 (Audited)
30 LOSS PER SHARE - BASIC AND DILUTED		
Loss after taxation (Rupees)	<u>94,360,230</u>	<u>(250,097,987)</u>
Weighted average number of ordinary shares (Numbers)	<u>230,830,000</u>	<u>230,830,000</u>
Earnings per share - basic and diluted (Rupees)	<u>0.41</u>	<u>(1.08)</u>

	March 31, 2026 (Un-audited)	March 31, 2025 (Audited)
31 CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	1,425,550,968	584,705,821
Balances with other banks	<u>4,121,392,012</u>	<u>2,076,919,831</u>
	<u>5,546,942,980</u>	<u>2,661,625,652</u>

	March 31, 2026	March 31, 2025
	-----	-----
	Number	Number
32 STAFF STRENGTH		
Permanent	915	910
On bank contract	142	141
Others (please specify)	-	-
Bank's own staff strength at the end of the year	<u>1,057</u>	<u>1,051</u>

33 DEFINED BENEFIT PLAN

33.1 Staff Gratuity Scheme

As disclosed in Note 4, 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 to the financial statements. The information in notes 34.1 to 34.11 relating to the 2023 and 2024 financial year has been obtained from the actuarial valuation report.

34 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 MFB 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).

34.1 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:

2026			
Level 1	Level 2	Level 3	Total
----- Rupees -----			
On balance sheet financial instruments			
Financial assets - measured at fair value			
Investments			
- Non-Government debt securities	-	-	-
	-	-	-
Financial assets - disclosed but not measured at fair value			
Investments			
- Federal Government Securities	1,948,608,584	-	1,948,608,584
- Non-Government debt securities	300,000,000	-	300,000,000
	2,248,608,584	-	2,248,608,584
Off-balance sheet financial instruments - measured at fair value			
	-	-	-
	2,248,608,584	-	2,248,608,584
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
	9,373,135	-	9,373,135
Financial assets - disclosed but not measured at fair value			
Investments			
- Federal Government Securities	1,354,336,193	-	1,354,336,193
- Non-Government debt securities	500,000,000	-	500,000,000
	1,854,336,193	-	1,854,336,193
Off-balance sheet financial instruments - measured at fair value			
	-	-	-
	9,373,135	1,854,336,193	1,863,709,328

35 RELATED PARTY TRANSACTIONS

The MFB has related party transactions with its parent, subsidiaries, associates, joint ventures, employee benefit plans and its directors and key management personnel. The MFB 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 period, other than those which have been disclosed elsewhere in these financial statements are as follows:

	2026 (Un-Audited)						2025 (Audited)							
	Parent	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Other related parties	Parent	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Other related parties
	----- Rupees -----						----- Rupees -----							
Balances with related parties														
Balances with other banks / MFBs / DFIs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advances														
Opening balance	-	-	12,607,186	-	-	-	-	-	-	17,187,052	-	-	-	-
Addition during the period / year	-	-	-	-	-	-	-	-	-	7,059,500	-	-	-	-
Repaid during the period / year	-	-	(1,832,445)	-	-	-	-	-	-	(11,639,366)	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	10,774,741	-	-	-	-	-	-	12,607,186	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities														
Payable to staff retirement fund	-	-	-	-	-	59,298,232	-	-	-	-	-	-	-	53,137,702
Payable against IT services	-	-	-	-	-	222,850,392	-	-	-	-	-	-	-	221,956,685
- LOLC technology services limited	-	-	-	-	-	282,148,624	-	-	-	-	-	-	-	275,094,387
Contingencies and commitments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with related parties														
Income														
Markup income	-	-	-	-	-	-	-	-	510,200	-	-	-	-	-
Expense														
Remuneration to key management personnel	-	-	33,645,796	-	-	-	-	-	-	84,644,377	-	-	-	-
Non-executive director's fee / remuneration	-	-	-	-	-	-	-	-	750,000	-	-	-	-	-
Charge for defined contribution plan	-	-	-	-	-	-	9,133,183	-	-	-	-	-	-	30,246,406
Charge for defined benefit plan	-	-	-	-	-	-	6,159,918	-	-	-	-	-	-	19,495,238
System Maintenance (Fusion charges)	-	-	-	-	-	-	20,138,161	-	-	-	-	-	-	-
	-	-	33,645,796	-	-	-	35,431,262	-	750,000	84,644,377	-	-	-	49,741,644

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

36 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.

36.1 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.

36.1.1 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.

36.1.2 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.

36.1.3 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.

36.1.4 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).

36.2 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

flexible enough to implement in stages and permits the overall approach to evolve in response to the Bank's 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.

36.3 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.

36.4 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.

36.5 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.

36.6 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.

CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	March 31, 2026 (Un-audited)	December 31, 2025 (Audited)
	----- Rupees -----	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>1,506,539,549</u>	<u>1,464,220,919</u>

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.

	March 31, 2026 (Un-audited)	December 31, 2025 (Audited)
	----- Rupees -----	
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	1,468,887,989	1,079,614,234
	-	-
Total Eligible Tier 1 Capital	1,468,887,989	1,079,614,234
Eligible Tier 2 Capital	56,781,760	56,882,679
Total Eligible Capital (Tier 1 + Tier 2)	<u>1,525,669,749</u>	<u>1,136,496,913</u>
Risk Weighted Assets (RWAs):	9,881,000,000	7,318,977,290
Common Equity Tier 1 Capital Adequacy Ratio	<u>14.87%</u>	<u>14.75%</u>
Tier 1 Capital Adequacy Ratio	<u>14.87%</u>	<u>14.75%</u>
Total Capital Adequacy Ratio	<u>15.44%</u>	<u>15.53%</u>

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.

	March 31, 2026 (Un-audited)	December 31, 2025 (Audited)
	----- Number -----	
38		
NUMBER OF BRANCHES		
Branches at the beginning of the year	88	63
Opened during the year	-	1
Transfer from Service Centers	-	-
Closed during the year	-	24
Branches at the end of the year	88	88

39. GENERAL

Comparative information has been reclassified, rearranged or additionally incorporated in these financial statements for the purposes of better presentation.

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 profit and loss account.

40. DATE OF AUTHORISATION

These financial statements were authorized for issue on _____ by the Board of Directors of the Bank.

President	Chief Financial Officer	Director	Director	Director
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