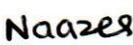


ASA MICROFINANCE BANK (PAKISTAN) LTD
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025

	Note	2025	2024
		----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks	4	1,191,066	697,327
Balances with other Banks and NBFIs	5	4,752,917	1,853,501
Lendings to financial institutions		-	-
Investments	6	624,316	-
Advances	7	32,860,450	24,820,480
Property and equipment	8	506,812	416,973
Right-of-use assets	9	380,492	353,311
Intangible assets	10	264,221	290,825
Deferred tax assets	11	1,326,664	1,421,633
Other assets	12	1,692,153	972,058
Total assets		43,599,091	30,826,108
LIABILITIES			
Bills payable		-	-
Borrowings	13	27,696,797	13,396,602
Deposits and other accounts		-	-
Lease liabilities	14	323,105	318,805
Subordinated debt		-	-
Deferred grant	15	318,147	125,508
Deferred tax liabilities		-	-
Other liabilities	16	4,991,983	6,744,246
Total liabilities		33,330,032	20,585,161
NET ASSETS		10,269,059	10,240,946
REPRESENTED BY			
Share capital	17	1,500,000	1,500,000
Reserves	18	1,725,748	954,749
Depositors' protection fund	19	-	-
Surplus/ (Deficit) on revaluation of assets		-	-
Unappropriated profit		7,043,311	7,786,197
		10,269,059	10,240,946
CONTINGENCIES AND COMMITMENTS	20		

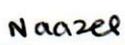
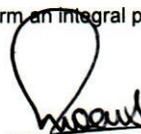
The annexed notes 1 to 42 form an integral part of these financial statements.

			
Ahmed Naazer Minhaj President and Chief Executive Officer	M. Shoaib Shamim Chief Financial Officer	Rob Keijsers Chairman	M Kamran Shehzad Director
			
			Mischa John Assink Director

ASA MICROFINANCE BANK (PAKISTAN) LTD
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025	2024
------(Rupees in '000)-----			
Mark-up / Return / Interest earned	21	15,115,849	12,499,390
Mark-up / Return / Interest expensed	22	<u>(2,836,521)</u>	<u>(2,578,449)</u>
Net mark-up / interest income		12,279,328	9,920,941
 NON MARK-UP / INTEREST INCOME			
Fee and commission income		-	-
Dividend income		-	-
Gain / (Loss) on securities		-	-
Net gains / (losses) on derecognition of financial assets measured at amortised cost		-	-
Other income	23	64,319	16,701
Total non-markup / interest income		<u>64,319</u>	<u>16,701</u>
Total income		<u>12,343,647</u>	<u>9,937,643</u>
 NON MARK-UP / INTEREST EXPENSES			
Operating expenses	24	(5,314,200)	(4,270,767)
Workers welfare fund		-	-
Other charges	25	-	(72,666)
Total non-markup / interest expenses		<u>(5,314,200)</u>	<u>(4,343,433)</u>
Profit before expected credit loss allowance		<u>7,029,447</u>	<u>5,594,210</u>
Expected credit loss allowance and write offs - net	26	<u>(234,620)</u>	<u>(224,571)</u>
PROFIT BEFORE TAXATION		<u>6,794,827</u>	<u>5,369,638</u>
Taxation	27	<u>(2,968,874)</u>	<u>(2,156,002)</u>
PROFIT AFTER TAXATION		<u>3,825,953</u>	<u>3,213,636</u>
		Rupees	
Basic and diluted earnings per share	28	<u>2,550.64</u>	<u>2,142.42</u>

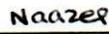
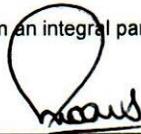
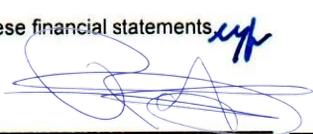
The annexed notes 1 to 42 form an integral part of these financial statements.

				
Ahmed Naazer Minhaj President and Chief Executive Officer	M. Shoaib Shamim Chief Financial Officer	Rob Keijsers Chairman	M Kamran Shehzad Director	Mischa John Assink Director

ASA MICROFINANCE BANK (PAKISTAN) LTD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025	2024
		------(Rupees in '000)-----	
Profit after taxation for the year		3,825,953	3,213,636
Other comprehensive income			
Items that may be reclassified to profit and loss account in subsequent periods:			
Movement in hedge accounting reserve	29	9,520	(172,740)
Related tax impact		(3,713)	67,368
Net movement in hedge accounting reserve		5,807	(105,371)
Items that will not be reclassified to profit and loss account in subsequent periods:			
Remeasurement loss on defined benefit obligations	33.3	(87,948)	(264,349)
Related tax impact		34,300	103,096
Remeasurement loss on defined benefit obligations - net of tax		(53,648)	(161,253)
Total comprehensive income		3,778,112	2,947,012

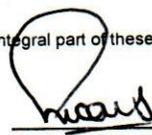
The annexed notes 1 to 42 form an integral part of these financial statements.

 Naazer	 M. Shoaib Shamim	 Rob Keijsers	 M Kamran Shehzad	 Misha John Assink
Ahmed Naazer Minhaj President and Chief Executive Officer	M. Shoaib Shamim Chief Financial Officer	Rob Keijsers Chairman	M Kamran Shehzad Director	Misha John Assink Director

ASA MICROFINANCE BANK (PAKISTAN) LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025

	Share capital	Reserves			Depositors' protection fund	Unappropriated profit	Total
		Share premium	Statutory reserve	Hedge accounting reserve			
(Rupees in '000)							
Opening Balance as at January 1, 2024	1,500,000	1	494,573	(77,180)	-	8,379,541	10,296,934
Profit after taxation (December 31, 2024)	-	-	-	-	-	3,213,636	3,213,636
Other comprehensive income - net of tax	-	-	-	(105,371)	-	(161,253)	(266,624)
Transfer to statutory reserve	-	-	642,727	-	-	(642,727)	-
Transfer to depositors' protection fund	-	-	-	-	-	-	-
Transactions with owners, recorded directly in equity							
Final dividend @ 100% for the year ended December 31, 2023	-	-	-	-	-	(1,500,000)	(1,500,000)
Interim dividend @ 33.40% for the quarter ended March 31, 2024	-	-	-	-	-	(501,000)	(501,000)
Interim dividend @ 33.40% for the quarter ended June 30, 2024	-	-	-	-	-	(501,000)	(501,000)
Interim dividend @ 33.40% for the quarter ended September 30, 2024	-	-	-	-	-	(501,000)	(501,000)
Opening Balance as at January 1, 2025	1,500,000	1	1,137,300	(182,551)	-	7,786,197	10,240,947
Profit after taxation (December 31, 2025)	-	-	-	-	-	3,825,953	3,825,953
Other comprehensive income - net of tax	-	-	-	5,807	-	(53,648)	(47,841)
Transfer to statutory reserve	-	-	765,191	-	-	(765,191)	-
Transfer to depositors' protection fund	-	-	-	-	-	-	-
Transactions with owners, recorded directly in equity							
Final dividend @ 100% for the year ended December 31, 2024	-	-	-	-	-	(1,500,000)	(1,500,000)
Interim dividend @ 33.40% for the quarter ended March 31, 2025	-	-	-	-	-	(750,000)	(750,000)
Interim dividend @ 33.40% for the quarter ended June 30, 2025	-	-	-	-	-	(750,000)	(750,000)
Interim dividend @ 33.40% for the quarter ended September 30, 2025	-	-	-	-	-	(750,000)	(750,000)
Closing balance as at December 31, 2025	1,500,000	1	1,902,491	(176,744)	-	7,043,311	10,269,059

The annexed notes 1 to 42 form an integral part of these financial statements.


Naazer
 Ahmed Naazer Minhaj
 President and
 Chief Executive Officer


M. Shoaib Shamim
 Chief Financial Officer


Rob Keijzers
 Chairman


M Kamran Shehzad
 Director


Mischa John Assink
 Director

ASA MICROFINANCE BANK (PAKISTAN) LTD
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2025

Note	2025	2024
-----Rupees in '000-----		
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	6,794,827	5,369,638
Adjustments:		
Depreciation	8.1 244,620	194,067
Depreciation on right-of-use assets	9 132,635	124,070
Amortization	10 66,085	45,186
Mark-up / Return / Interest expense on lease liability against right-of-use assets	14 60,200	49,557
Lease liability against right-of-use assets	-	-
Amortization of hedge points	22 467,564	650,189
Loss/ (gain) on sale / disposal of property and equipment	23 (31)	(158)
Provision against non-performing loans and advances - net	6.1.1 152,012	136,082
Other provisions / write-offs	12.1 1,241	3,356
Bad debts written off directly	6.1.1 81,366	85,134
Charge for defined benefit plan	24.1 286,243	208,906
	1,491,935	1,496,389
(Increase) / Decrease in operating assets		
Advances	6 (8,273,348)	(6,234,382)
Other assets (excluding expected credit loss allowance)	12 (721,358)	(202,729)
	(8,994,706)	(6,437,112)
Increase / (Decrease) in operating liabilities		
Borrowings	13 14,173,701	4,856,787
Other liabilities (excluding dividend payable, payable to defined benefit plan, current tax provision and unrealized loss on foreign exchange forward contracts)	16 -	-
	(41,634)	791,050
	14,132,066	5,647,837
Income tax paid	(4,238,090)	(2,626,313)
Benefits paid	33.3 (75,936)	(45,849)
<i>Net cash flows generated from / (used in) operating activities</i>	9,110,096	3,404,591
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in operating fixed assets	(376,287)	(393,746)
Sale proceeds from disposal of operating fixed assets	2,377	164
Investment in treasury bills	(624,316)	-
<i>Net cash flows used in investing activities</i>	(998,226)	(393,582)
CASH FLOW FROM FINANCING ACTIVITIES		
Payment of lease liability against right-of-use assets	14 (215,715)	(172,868)
Dividend paid	(4,503,000)	(1,486,187)
<i>Net cash flows used in financing activities</i>	(4,718,715)	(1,659,055)
Net increase / (decrease) in cash and cash equivalents	3,393,155	1,351,955
Cash and cash equivalents at beginning of the year	2,550,827	1,198,872
Cash and cash equivalents at end of the year	30 5,943,982	2,550,827

The annexed notes 1 to 42 form an integral part of these financial statements.

Naazer

Ahmed Naazer Minhaj
President and
Chief Executive Officer



M. Shoaib Shamim
Chief Financial
Officer



Rob Keijsers
Chairman



M Kamran Shehzad
Director



Mischa John Assink
Director

**ASA MICROFINANCE BANK (PAKISTAN) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

1. STATUS AND NATURE OF BUSINESS

- 1.1** ASA Microfinance Bank (Pakistan) Limited (formerly "ASA Pakistan Limited") [ASA MFB or the Bank] was incorporated in the Islamic Republic of Pakistan on 19 March 2008, as an unlisted public limited company under the Companies Ordinance, 1984 (repealed by the Companies Act 2017). The registered office of ASA MFB is situated at 7th Floor, NICL Building, Abbasi Shaheed Road, Off Shahrah-e-Faisal, Karachi, Pakistan.
- 1.2** On January 03, 2020, the State Bank of Pakistan (SBP) issued NOC for transformation of the company into a Microfinance Bank, and in February 2021, the Securities & Exchange Commission of Pakistan (SECP), issued a Certificate of Incorporation on change of name. Subsequently on May 24, 2022, SBP issued Microfinance banking license to ASA MFB, as stipulated in the Microfinance Institution Ordinance 2001. On November 13, 2023, SBP allowed 'Commencement of Microfinance Banking Business' to ASA MFB, initially for performing non deposit taking lending operations nationwide, after ASA MFB met all conditions and requirements related to commencement of business.
- 1.3** As at December 31, 2025, ASA MFB has 405 (2024: 380) business locations comprising of 100 (2024: 82) Hub Branches and 305 (2024: 298) Service Centers in operation in all provinces of Pakistan, including the Federal Capital Islamabad, except Azad Jammu & Kashmir and Gilgit Baltistan, serving the low income and underserved segments, particularly women, as envisaged under the MFI Ordinance 2001.
- 1.4** ASA International Holding situated in Mauritius, is the parent/holding company of ASA MFB which holds 99.999% (2024: 99.999%) shares of the Bank.

2. BASIS OF PRESENTATION

These condensed annual financial statements have been prepared in compliance with the format for preparation of the annual financial statements of Microfinance Banks issued by the SBP, vide its BPRD Circular No. 3 dated February 9, 2023.

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards 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 the Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- 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 (including Prudential Regulations for Microfinance Banks) and Securities and Exchange Commission of Pakistan (SECP).

Wherever the provisions of and directives issued under the Companies Act, 2017, Microfinance Institutions Ordinance, 2001, the Prudential Regulations for Microfinance Banks and directives issued by SBP and the SECP differ with the requirements of the IFRS or IFAS, the provisions of and directives issued under the Companies Act, 2017, Microfinance Institutions Ordinance, 2001, the Prudential Regulations for Microfinance Banks and directives issued by SBP and SECP shall prevail.

The SBP has deferred the applicability of IAS 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter 10 dated 26 August 2002 till further instructions. SECP has deferred the applicability of IFRS 7 'Financial Instruments: Disclosures' through its notification S.R.O 411 (I) / 2008 dated 28 April 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements.

2.2 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year

There are certain amendments to existing accounting and reporting standards that have become applicable to the Bank for accounting periods beginning on or after January 1, 2025. These are either considered to not be relevant or do not have any significant impact and accordingly have not been detailed in these financial statements.

2.3 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective.

The following standards, amendments and interpretations as notified under the Companies Act, 2017 will be effective for accounting periods beginning on or after January 01, 2026:

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7	January 01, 2026
IFRS 17 - Insurance Contracts	January 01, 2026
Annual Improvements to IFRS Accounting Standards - Volume 11	January 01, 2026
Power Purchase Agreements – Amendments to IFRS 9 and IFRS 7	January 01, 2026
IFRS 18 - Presentation and Disclosure in Financial Statements	January 01, 2027
IFRS 19 - Subsidiaries without Public Accountability: Disclosures	January 01, 2027
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Not yet finalized

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date periods beginning on or after)
IFRS 1 – First time adoption of IFRSs	January 01, 2004

The above standards and amendments are not expected to have any significant impact on Bank's unconsolidated financial statements for future periods, except for IFRS 18.

IFRS 18 - Presentation and Disclosure in Financial

In April 2024, the IASB issued IFRS 18, which replaces IAS 1. IFRS 18 introduces new requirements for presentation of various items within the statement of profit or loss, including specified totals and subtotals. It also requires disclosure of management-defined performance measures in the notes and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes. Narrow-scope amendments have been made to IAS 7, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards. Earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Bank is currently working to identify all impacts the amendments will have on the unconsolidated financial statements of future period and notes thereto.

2.4 Basis of measurement

2.4.1 These financial statements have been prepared under the historical cost convention except for derivative financial instruments which are measured at fair value.

2.4.2 These financial statements are presented in Pakistan Rupees which is the functional currency of the Bank. All financial information presented in Rupees has been rounded off to the nearest Thousand Rupee, unless otherwise stated.

2.4.3 Use of estimates and judgments

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

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is 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 the most significant effect on amounts recognised in these financial statements are described as follows:

2.4.4 Useful life of Operating Fixed Assets

Management determines the estimated useful lives and depreciation charge for its Operating Fixed Assets. The Bank reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of Operating Fixed Assets with a corresponding affect on the depreciation charge and impairment.

2.4.5 Provision against loans and advances

The Bank reviews its loans at each reporting date to assess the adequacy of the ECL as recorded in the financial statement. In particular, judgment is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on certain assumptions such as the financial situation of the borrowers, types of loan, maturity of the loans, ageing of the portfolio, economic factors etc.

Actual performance of loans may differ from such estimates resulting in future changes to the allowance. Due to the nature of the industry the Bank operates, i.e. micro credit to low income clients, the loan portfolio consists of a very high number of individual customers with low value exposures. These characteristics lead the Bank to use a provisioning methodology based on a collective assessment of similar loans.

2.4.6 Write-off

Advances are written off according to the Prudential Regulations or when there is no realistic prospect of recovery. Non-performing advances are written off one month after being classified as "Loss". From an operational perspective all overdue loans are monitored for recovery up to two years overdue. Advances against deceased customers are also written-off.

2.4.7 Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in these financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognised gains and losses in those years.

2.4.8 Determination of the lease term for lease contracts with renewal and termination options (Company as a lessee)

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements).

2.4.9 Incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as credit rating, or to reflect the terms and conditions of the lease).

3. MATERIAL ACCOUNTING POLICIES

3.1 Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with treasury banks, other banks and non-banking financial institutions for the purpose of cash flow statement.

3.2 Advances

Advances are stated net of expected credit loss allowance as detailed in note 3.7.7.1.

3.3 Operating fixed assets

3.3.1 Property and equipment and depreciation

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation is calculated on straight line basis over the estimated useful lives of the assets at the rate specified in note 7 to the financial statements. Full month depreciation is charged in the month of acquisition and no depreciation is charged in the month of disposal.

Normal repairs and maintenance are charged to profit & loss account as and when incurred. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property and equipment.

The residual values and useful lives of assets are reviewed and adjusted, if appropriate at each balance sheet date. Items of capital nature purchased are classified in capital work-in-progress till these are available for their intended use.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Gains and losses on disposal of assets are taken to the profit and loss account.

3.3.2 Capital work-in-progress

All expenditure incurred / advance payments made that are connected with specific assets 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.

3.3.3 Intangible assets and amortisation

Items of intangibles are measured at cost less accumulated amortization and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Amortization is calculated on straight line basis over the estimated useful lives of the assets at the rate specified in note 9 of the financial statements. Full month amortization is charged in the month of acquisition and no amortization is charged in the month of disposal.

The residual values and useful lives of assets are reviewed and adjusted, if appropriate at each balance sheet date. Items of capital nature purchased are classified in capital work-in-progress till these are available for their intended use.

An item of intangibles is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.



3.3.4 Right-of-use assets and their related lease liability

Right of-use assets

At the commencement date of the lease, the right-of-use asset is initially measured at the present value of lease liability. Subsequently, RoU assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. RoU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liability against right-of-use assets

At the commencement date of the lease, the Bank recognises lease liability measured at the present value of the consideration (lease payments) to be made over the lease term and is adjusted for lease prepayments. The lease payments are discounted using the interest rate implicit in the lease, unless it is not readily determinable, in which case the lessee may use the incremental rate of borrowing. After the commencement date, the carrying amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made.

3.4 Impairment of non-financial assets (except for deferred tax assets)

The carrying amount of the Bank's assets are reviewed at each balance sheet date to determine whether there is any objective evidence that an asset or group of assets may be impaired. If any such indication exists, assets' recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognized for the asset in prior years.

Impairment losses and their reversals are recognized in profit and loss account.

3.5 Off setting

Monetary assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amounts and the Bank intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

3.6 Provisions

A provision is recognized in the balance sheet when the Bank has legal or constructive obligation 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.

3.7 Financial Instruments

3.7.1 Initial Recognition

Purchases or sales of financial assets that require delivery of assets within the timeframe generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

The Bank recognises a financial asset and financial liability in its statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable costs of acquisition or issue.

3.7.2 Classification and subsequent measurement of financial assets and liabilities

The Bank classifies all of its financial assets based on two criteria: a) the Bank's business model for managing the assets; and b) whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI test').

a) Business model assessment

The Bank has made an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

b) The SPPI test

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank has considered the contractual terms of the instrument. This included assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company has considered:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets – e.g. non-recourse asset arrangements; and features that modify consideration for the time value of money – e.g. periodic reset of interest rates.

Most of the Group's microfinance loans contain prepayment features. A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

The Bank classifies and measures its derivative and trading portfolio at FVPL as explained in note 3.7.8. The Company may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

3.7.3 Financial assets at amortised costs

These include long term deposits, loans and advances, Interest accrued, loans to employees, other receivables and cash and bank balances.

The Bank classifies its financial assets at amortized cost only if both of the following conditions are met:

- 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.
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

After initial measurement, these financial instruments are subsequently measured at amortized cost using the Effective interest Rate (EIR), less impairment (if any).

3.7.4 Financial liabilities at amortised costs

Financial liabilities include short term and long term borrowings, liabilities against forward contracts and other payables.

Financial liabilities with a fixed maturity are measured at amortised cost using the effective interest rate.

3.7.5 Reclassification of financial assets and liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

3.7.6 Derecognition of financial assets and liabilities

a) Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the right to receive cash flows from the asset has expired; or
- the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- either (a) the Bank has transferred substantially all the risks and rewards of the asset, or (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or 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, and the difference in the respective carrying amounts is recognised in profit or loss.

3.7.7 Impairment of financial assets

The Bank recognises an allowance for expected credit losses (ECLs) on Loans and advances to customers.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit and loss account. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered in future, the recovery is credited to 'Bad debts recovered'.

3.7.7.1 The calculations of ECLs

The Bank calculates the allowance for ECL in a three step process as described below:

a) Determination of Loan staging:

Stage 1 and Stage 2:

Given the nature of the Bank's loan exposures (generally short-term exposures, <12 months) no distinction has been made between stage 1 (12M ECL) and stage 2 loans (lifetime ECL) for the ECL calculation. For disclosure purposes normally stage 1 loans are defined as loans overdue between 0-29 days. Stage 2 loans are overdue loans between 30-59 days. This is consistent with SBP IFRS 9 Application Instructions.

Stage 3:

Advances are treated as credit impaired (Stage 3) when contractual payments are 60 days or more past due. This threshold has been determined based on the SBP IFRS 9 Application Instructions.

b) Calculating ECL for stage 1-2 loans:

To avoid the complexity of calculating separate probability of default and loss given default, the Bank uses a 'loss rate approach' for the measurement of ECLs. The 'loss rates' are a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to economic environment. Using this approach, the Bank developed loss-rate statistics on the basis of the amounts written off over the last five years.

The forward-looking element in the ECL is built by looking at different write-off scenarios based on historical data, namely, average of 2 lowest write-off years, average of last 5 years' write-offs and average of 2 highest write-off years. Weights are assigned to these scenarios to get a weighted average forward looking element.

c) Calculating ECL for stage 3 loans:

The ECL applied to Stage 3 loans in the Bank's model is at a rate of 80% of the loan in excess of 60-179 days overdue and 100% of the loans in excess of 179 days overdue. ECL for Stage 3 loans is based on higher of ECL allowance determined above or specific provision as per Prudential Regulations for Microfinance Banks.

The following table summarizes the requirements of Prudential Regulations for Microfinance Banks:

Classification of Non-Performing Advances as per Prudential Regulations

Category	Description	Specific Provision required
a) Other Assets Especially Mentioned (OAEM)	Loan (principal / mark-up) is overdue for 30 or more but less than 60	Nil
b) Substandard	Loan (principal / mark-up) is overdue for 60 or more but less than 90	25%
c) Doubtful	Loan (principal / mark-up) is overdue for 90 or more but less than 180 da	50%
d) Loss	Loan (principal / mark-up) is overdue for 180 days or more	100%

d) Impact of macro-economic indicators

The Bank provides small loans to clients who are not employed, but operate their own small businesses in the informal sector and are less impacted by macro-economic trends than other business sectors. In addition, the Bank's loans average 6 months until maturity at the year-end and so the impact of macro-economic factors on the repayment of loans is inherently limited. Hence the management concluded that changes in macro economic indicators do not have any direct correlation with the ASA business model and therefore, no adjustment was made to consider forecasts for such macro-economic indicators in the forward-looking element of its expected credit loss provision calculation.

e) ECL on Interest receivable:

ECL for interest receivable is assessed on the same line as outstanding loan portfolio.

3.7.8 Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

- c) It is settled at a future date.

Derivative financial assets and liabilities are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at their fair value using appropriate valuation techniques. Derivative financial instruments are carried as an asset when the fair value is positive and as a liability when the fair value is negative. Any change in the fair value of derivative financial instruments is taken directly to profit and loss account.

3.7.9 Forward contracts and hedge accounting

The Bank applies hedge accounting for long term loans denominated in foreign currency for which forward contracts have been agreed to mitigate the foreign currency risk exposure of its subsidiaries. The Bank documents the relationship between the hedged item and the hedging instrument, the risk management objective and the method that will be used to assess effectiveness of the hedging relationship at inception and at each reporting date. The Bank applies the qualitative approach for hedge testing effectiveness. The critical terms of the hedged items and hedging instruments are identical. The forward method is applied, whereby the forward points are amortised from Other comprehensive income (OCI) to interest expenses during the term of the contract. The fair value of the forward contract is recognised on the statement of financial position and the changes in the fair value are reported in OCI. The foreign currency exchange results on the foreign currency loans are reported as exchange rate results and the same opposite amount is recycled from OCI to the same currency exchange results.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, there is no hedge ineffectiveness to be recognised in the statement of profit or loss.

3.7.10 Fair value measurement

The Bank measures financial instruments such as derivatives at fair value at each balance sheet date. Fair value related disclosures for financial instruments that are measured at fair value are summarised in note 33.1.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3.8 Defined benefit plan

The Bank operates an unfunded gratuity scheme for all its permanent employees. The actuarial valuation is carried out using the projected unit credit method. Actuarial gains and losses for defined benefit plan are recognised in statement of comprehensive income when they occur.

3.9 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured.

- a) Income on PLS saving deposits is recognized in profit and loss account as it accrues using the effective interest rate method.
- b) Interest income on loans and advances is recognized on time proportion basis using the effective interest rate method.

3.10 Taxation

Current tax

Provision for current taxation is based on the taxable income for the year determined in accordance with the Income Tax Ordinance, 2001. The charge for current tax is calculated using tax rates enacted or substantively enacted at the balance sheet date after taking into account available tax credits and rebates, if any. The charge for current tax includes adjustments to charge for prior years, if any.

Deferred tax

Deferred tax is provided using the balance sheet liability method providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available and the credits can be utilized. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

3.11 Foreign currency transactions

Transactions in foreign currencies are translated into Pak Rupees at the foreign exchange rate existing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Pak Rupees at the foreign exchange rate prevailing at that date. Foreign exchange rates are obtained from the website of State Bank of Pakistan. Exchange gains or losses arising on translations are taken to the profit and loss account.

3.12 Earnings per share

The Bank presents basic and diluted earnings per share (EPS). 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 year.

Diluted EPS, if any, is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. There were no dilutive potential ordinary shares in issue at the balance sheet date.

3.13 Dividend distribution

Declaration of dividend to holders of the equity instruments of the Bank is recognised as liability in the period in which it is declared.

	Note	2025 ------(Rupees in '000)-----	2024
4. CASH AND BALANCES WITH TREASURY BANKS			
In hand - Local currency		32	685
With State Bank of Pakistan in Local currency current account		182,608	690,235
With National Bank of Pakistan in Local currency current account		1,004,130	1,739
Local currency deposit account	4.1	4,295	4,666
		1,008,425	6,406
Less: Expected credit loss allowance		-	-
Total		1,191,066	697,327

4.1 This represents deposits carrying markup of 9.50% per annum (2024: 5%).

5. BALANCES WITH OTHER BANKS AND NBFIs

- In current account		17,208	5,781
- In deposit account	5.1	2,967,708	1,721,719
- In term deposits	5.2	1,768,000	126,000
Less: Expected credit loss allowance		-	-
		4,752,917	1,853,501

5.1 This represents deposits with various financial institutions carrying markup ranging between 5% to 11% per annum (2024: 13.5% to 19%)

5.2 These carry mark-up ranging from 8.19% to 10.70% per annum (2024: 13.25% to 13.50% per annum) and are given as collateral against borrowings from Pak Oman Investment, Allied Bank Limited and JS Bank Limited, and have maturities within 3 to 6 months.

6. INVESTMENTS

6.1 Investments by type:

	December 31, 2025				December 31, 2024			
	Fair Value / Amortised cost	Credit Loss Allowance	Surplus / (Deficit)	Carrying Value	Fair Value / Amortised cost	Credit Loss Allowance	Surplus / (Deficit)	Carrying Value
	------(Rupees in '000)-----							
Classified as Amortised Cost								
Market Treasury Bills	624,316	-	-	624,316	-	-	-	-
Total	624,316	-	-	624,316	-	-	-	-

The aggregate amount of relaxation in any classification / credit loss allowance granted by SBP should be disclosed in a sub note along with financial impact.

6.1.1 These carry mark-up at rate 10.70% per annum, having maturity up to 1 to 12 Months. These securities has a face value of Rs. 659.50

6.1.2 The market value of securities classified as amortized cost as at December 31, 2025 amounted to Rs. 621,243/- million (December 31, 2024: Rs. 0/- million).

6.1.3 Expect credit loss on Government Securities have not been estimated due to exemption available under IFRS 9 instructions issued by SBP through circular no. 3 of 2022 dated July 05, 2022.

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7. ADVANCES

Note	Performing				Non Performing		Total	
	Stage 1		Stage 2		Stage 3			
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
	Rupees in '000							
Loan Type								
Micro Credits								
Secured	-	-	-	-	-	-	-	-
Unsecured	32,987,914	24,945,450	54,003	25,508	73,963	103,660	33,115,880	25,074,618
Advances - gross	32,987,914	24,945,450	54,003	25,508	73,963	103,660	33,115,880	25,074,618
Credit loss allowance against advances								
- Stage 1	193,461	167,816	-	-	-	-	193,461	167,816
- Stage 2	-	-	317	98	-	-	317	98
- Stage 3	-	-	-	-	61,652	86,224	61,652	86,224
	193,461	167,816	317	98	61,652	86,224	255,430	254,138
Advances - net of	32,794,453	24,777,634	53,686	25,410	12,311	17,436	32,860,450	24,820,480
7.1								
7.1.1	December 31, 2025				December 31, 2024			
Advances - Exposure	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	Rupees in '000							
Gross carrying amount	24,945,450	25,508	103,660	25,074,619	19,413,583	12,370	46,738	19,472,691
New advances	33,026,970	49,244	45,677	33,121,891	24,996,066	24,820	145,227	25,166,112
Advances derecognised or repaid	(24,803,182)	(9,615)	(10,594)	(24,823,390)	(19,349,112)	(4,768)	(9,247)	(19,363,127)
Transfer to stage 1	233	(74)	(159)	-	-	-	-	-
Transfer to stage 2	(4,759)	4,759	-	-	(13)	13	-	-
Transfer to stage 3	(92,386)	(13,781)	106,167	-	(37,110)	(6,573)	43,683	-
	8,126,877	30,533	141,091	8,298,501	5,609,831	13,492	179,662	5,802,985
Amounts written off / charged off	(84,412)	(2,038)	(170,788)	(257,239)	(77,964)	(354)	(122,739)	(201,058)
Closing balance	32,987,914	54,003	73,963	33,115,880	24,945,450	25,508	103,660	25,074,619
7.1.2	December 31, 2025				December 31, 2024			
Advances - Expected credit loss allowance	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	Rupees in '000							
Opening balance	167,816	98	86,224	254,138	193,914	46	32,562	226,521
New advances	86,095	129	37,416	123,640	168,010	95	131,073	299,178
Advances derecognised or repaid	(59,968)	(25)	(3,349)	(63,342)	(95,556)	(18)	1,346	(94,228)
Transfer to Stage 1	136	-	(135)	1	-	-	-	-
Transfer to Stage 2	(176)	176	-	-	-	-	-	-
Transfer to Stage 3	(354)	(53)	406	(1)	(142)	(25)	167	-
	25,733	227	34,338	60,298	72,312	52	132,586	204,950
Reversal of General Provision	-	-	-	-	(98,403)	-	-	(98,403)
Impact of Transfers on ECL	135	2	116,730	116,866	-	-	43,447	43,447
	25,868	229	151,068	177,164	(26,091)	52	176,033	149,994
Amounts written off/charged Off	(224)	(9)	(175,640)	(175,873)	(6)	52	(122,371)	(122,377)
	193,460	318	61,652	255,430	167,816	98	86,224	254,138
7.1.2.1	This includes higher of expected credit loss allowance under IFRS 9 and specific provision for non performing loans required under Prudential Regulations for Microfinance Banks.							
7.1.3	December 31, 2025				December 31, 2024			
Advances - Expected credit loss allowance details Internal / External rating / stage classification	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	Rupees in '000							
Outstanding gross exposure								
Performing - Stage 1								
<30 Days	32,987,914	-	-	32,987,914	24,945,450	-	-	24,945,450
Under Performing								
General Loans								
Other assets especially mentioned 30-89 (2024: 30-59)	-	50,546	-	50,546	-	24,898	-	24,898
SME Loans								
Other assets especially mentioned 30-179 (2024: 30-59)	-	3,457	-	3,457	-	610	-	610
Non- Performing								
Substandard	-	-	63,770	63,770	-	-	20,593	20,593
Doubtful	-	-	897	897	-	-	66,589	66,589
Loss	-	-	9,296	9,296	-	-	16,478	16,478
	-	-	73,963	73,963	-	-	103,660	103,660
Total	32,987,914	54,003	73,963	33,115,880	24,945,450	25,508	103,660	25,074,619
Corresponding expected credit loss allowance								
Stage 1	193,460	-	-	193,460	167,816	-	-	167,816
Stage 2	-	318	-	318	-	98	-	98
Stage 3	-	-	61,652	61,652	-	-	86,224	86,224
	193,460	318	61,652	255,430	167,816	98	86,224	254,138
7.1.4	Particulars of write offs / charge offs:							
						December 31, 2025	December 31, 2024	
						Rupees in '000		
Against expected credit loss allowance					7.1.2	175,873	122,377	
Directly charged to profit and loss account					26	81,366	78,680	
						257,239	201,058	

8. PROPERTY AND EQUIPMENT	Note	2025 ------(Rupees in '000)-----	2024
8.1 Property and equipment	8.1	506,812	416,973

2025							
	Leasehold Improvement	Furniture and fittings	Office equipment	Vehicles	Information technology equipment	CWIP	Total
------(Rupees in '000)-----							
At January 1, 2025							
Cost	189,670	46,611	161,411	12,511	400,217	-	810,420
Accumulated depreciation	(79,780)	(23,442)	(80,834)	(6,911)	(202,481)	-	(393,448)
Net book value	<u>109,890</u>	<u>23,169</u>	<u>80,577</u>	<u>5,600</u>	<u>197,736</u>	<u>-</u>	<u>416,973</u>
Year ended December 2025							
Opening net book value	109,890	23,169	80,577	5,600	197,736	-	416,973
Additions	64,701	9,495	85,001	16,000	102,309	59,301	336,806
Disposals	-	-	(10)	(2,338)	-	-	(2,348)
Depreciation charge	(51,351)	(9,050)	(66,199)	(2,335)	(115,686)	-	(244,620)
Other adjustments / transfers	-	-	-	-	-	-	-
Closing net book value	<u>123,240</u>	<u>23,615</u>	<u>99,369</u>	<u>16,928</u>	<u>184,359</u>	<u>59,301</u>	<u>506,812</u>
At December 31, 2025							
Cost	254,371	56,106	246,354	21,006	502,526	59,301	1,139,663
Accumulated depreciation	(131,130)	(32,491)	(146,985)	(4,078)	(318,167)	-	(632,851)
Net book value	<u>123,241</u>	<u>23,615</u>	<u>99,369</u>	<u>16,928</u>	<u>184,359</u>	<u>59,301</u>	<u>506,812</u>
Rate of depreciation (percentage)	<u>20% - 33.33%</u>	<u>20%</u>	<u>33%</u>	<u>20%</u>	<u>33%</u>	<u>33%</u>	

2024							
	Leasehold Improvement	Furniture and fittings	Office equipment	Vehicles	Information technology equipment	CWIP	Total
------(Rupees in '000)-----							
At January 1, 2024							
Cost	168,431	37,688	127,650	12,511	284,947	-	631,227
Accumulated depreciation	(34,807)	(16,154)	(43,310)	(4,409)	(105,396)	-	(204,076)
Net book value	<u>133,624</u>	<u>21,534</u>	<u>84,340</u>	<u>8,102</u>	<u>179,551</u>	<u>-</u>	<u>427,151</u>
Year ended December 2024							
Opening net book value	133,624	21,534	84,340	8,102	179,551	-	427,151
Additions	19,343	8,580	41,076	-	114,896	-	183,895
Disposals	-	(6)	-	-	-	-	(6)
Depreciation charge	(43,077)	(6,938)	(44,839)	(2,502)	(96,710)	-	(194,067)
Other adjustments / transfers	-	-	-	-	-	-	-
Closing net book value	<u>109,890</u>	<u>23,169</u>	<u>80,577</u>	<u>5,600</u>	<u>197,736</u>	<u>197,736</u>	<u>416,973</u>
At December 31, 2024							
Cost	189,670	46,611	161,411	12,511	400,217	-	810,420
Accumulated depreciation	(79,780)	(23,442)	(80,834)	(6,911)	(202,481)	-	(393,448)
Net book value	<u>109,890</u>	<u>23,169</u>	<u>80,577</u>	<u>5,600</u>	<u>197,736</u>	<u>197,736</u>	<u>416,973</u>
Rate of depreciation (percentage)	<u>20% - 33.33%</u>	<u>20%</u>	<u>33%</u>	<u>20%</u>	<u>33%</u>	<u>33%</u>	

8.2 The cost of fully depreciated assets that are still in use is as follows:

2025							
	Leasehold Improvement	Furniture and fittings	Office equipment	Vehicles	Information technology equipment	CWIP	Total
------(Rupees in '000)-----							
Cost	3,542	9,019	23,979	-	100,601	-	137,141
2024							
	Leasehold Improvement	Furniture and fittings	Office equipment	Vehicles	Information technology equipment	CWIP	Total
------(Rupees in '000)-----							
Cost	3,542	6,838	19,599	-	73,660	-	103,639

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9. RIGHT-OF-USE ASSETS	2025	2024
	----- (Rupees in '000) -----	
At January 1, 2025		
Cost	353,311	225,016
Accumulated Depreciation	-	-
Net Carrying amount at January 1, 2025	<u>353,311</u>	<u>225,016</u>
Additions during the year	159,816	252,365
Depreciation Charge for the year	(132,635)	(124,070)
Net Carrying amount at December 31, 2025	<u>380,492</u>	<u>353,311</u>

10. INTANGIBLE ASSETS	2025		
	Computer software	CWIP	Total
	----- (Rupees in '000) -----		
At January 1, 2025			
Cost	335,223	13,769	348,992
Accumulated amortization and impairment	(58,167)	-	(58,167)
Net book value	<u>277,056</u>	<u>13,769</u>	<u>290,825</u>
Year ended December 31, 2025			
Opening net book value	277,056	13,769	290,825
Additions - directly purchased	39,481	-	39,481
Amortization charge	(66,085)	-	(66,085)
Transfers	13,769	(13,769)	-
Closing net book value	<u>264,221</u>	<u>-</u>	<u>264,221</u>
At December 31, 2025			
Cost	388,473	-	388,473
Accumulated amortization	(124,253)	-	(124,253)
Net book value	<u>264,221</u>	<u>-</u>	<u>264,221</u>
Rate of amortization (percentage)	<u>12.5% - 33.33%</u>	<u>-</u>	<u>33%</u>
Useful life (in Months)	<u>36 - 96</u>	<u>-</u>	<u>36</u>
	2024		
	Computer software	CWIP	Total
	----- (Rupees in '000) -----		
At January 1, 2024			
Cost	15,803	123,387	139,189
Accumulated amortization	(13,029)	-	(13,029)
Net book value	<u>2,773</u>	<u>123,387</u>	<u>126,160</u>
Year ended December, 2024			
Opening net book value	2,773	123,387	126,160
Additions - directly purchased	196,082	13,769	209,851
Disposals	-	-	-
Amortization charge	(45,186)	-	(45,186)
Transfers	123,387	(123,387)	-
Closing net book value	<u>277,056</u>	<u>13,769</u>	<u>290,825</u>
At December 31, 2024			
Cost	335,223	13,769	348,992
Accumulated amortization	(58,167)	-	(58,167)
Net book value	<u>277,056</u>	<u>13,769</u>	<u>290,825</u>
Rate of amortization (percentage)	<u>12.5% - 33.33%</u>	<u>-</u>	<u>33%</u>
Useful life (in Months)	<u>36 - 96</u>	<u>-</u>	<u>36</u>

10.1 Intangible assets include software costing Rs 15.8 million (2024: Rs 15.8 million) which are fully amortized and still in use.

11. DEFERRED TAX ASSETS

Deductible temporary differences on:

- Credit loss allowances against advances
- Exchange difference on foreign currency borrowings
- Disallowed markup expense on foreign currency borrowings
- Unrealised loss on foreign exchange forward contracts
- Lease liability
- Post retirement employee benefits

Taxable temporary differences on:

- Accelerated tax depreciation

2025			
At Jan 1 2025	Recognised in P&L A/C	Recognised in OCI	At Dec 31 2025
----- (Rupees in 000)-----			
99,881	921	-	100,802
287,562	(286,328)	-	1,234
338,871	188,758	-	527,629
239,617	57,888	(148,535)	148,970
141,836	(15,825)	-	126,011
414,920	82,020	34,300	531,239
1,522,685	27,435	(114,235)	1,435,884
(101,052)	(8,168)	-	(109,220)
(101,052)	(8,168)	-	(109,220)
1,421,633	19,267	(114,235)	1,326,664

Deductible temporary differences on:

- Advances
- Exchange difference on foreign currency borrowings
- Disallowed markup expense on foreign currency borrowings
- Unrealised loss on foreign exchange forward contracts
- Lease liability
- Post retirement employee benefits

Taxable temporary differences on:

- Accelerated tax depreciation

2024			
At Jan 1 2024	Recognised in P&L A/C	Recognised in OCI	At Dec 31 2024
----- (Rupees in 000)-----			
89,702	10,179	-	99,881
730,106	(442,544)	-	287,562
17,902	320,968	-	338,871
128,789	262,041	(151,212)	239,617
85,627	56,209	-	141,836
248,231	63,592	103,096	414,920
1,300,356	270,445	(48,116)	1,522,685
(69,031)	(32,021)	-	(101,052)
(69,031)	(32,021)	-	(101,052)
1,231,325	238,424	(48,116)	1,421,633

12. OTHER ASSETS

- Income / Mark-up accrued
- Advances, deposits, advance rent and prepayments
- Loan to Employees
- Advance taxation
- Others

- Less: Expected credit loss allowance held against other assets
- Other assets (net of credit loss allowance)

Note	2025 ----- (Rupees in '000)-----	2024
	795,153	604,844
	463,613	250,912
	242,265	93,108
	172,745	-
	21,414	25,161
	1,695,189	974,025
12.1	(3,037)	(1,966)
	1,692,153	972,058

12.1 Credit loss allowance held against other assets

- Opening balance
- Charge for the year
- Written off during the year

2025	2024
----- (Rupees in '000)-----	
1,966	3,484
1,241	3,356
(171)	(4,873)
3,037	1,966

12.2 Particulars of write offs / charge offs:

- Against expected credit loss allowance
- Directly charged to profit and loss account

26	171	4,873
	-	6,454
	171	11,327



13. BORROWINGS	Note	2025	2024
		(Rupees in '000)	
Secured			
Borrowings from State Bank of Pakistan			
- Women Inclusive Finance Program (WIFP)		2,400,419	2,378,746
- Women Inclusive Finance Sector Development Project (WIF SDP)		1,844,790	-
- Financial Inclusion and Infrastructure Project through ACFID		1,398,139	99,745
		5,643,348	2,478,491
Borrowings from Other Banks / Financial Institutions		22,053,450	10,918,111
Total secured	13.1	27,696,797	13,396,602
13.1 Particular of borrowings with respect to domestic/foreign			
In Pakistan	13.2	17,052,119	7,273,565
Outside Pakistan	13.3	10,644,678	6,123,037
Total		27,696,797	13,396,602

13.2 Details of Borrowings in Pakistan

	Amount (Rupees in '000)	Agreement Date	Maturity	Repayment frequency	Coupon rate
Women Inclusive Finance Program (WIFP)	2,400,419	25-Jun-24	30-Jun-29	Bullet	6M K-1%
Financial Inclusion and Infrastructure Project through ACFID	52,208	1-Mar-24	25-Mar-27	Bullet	6M K-1%
Financial Inclusion and Infrastructure Project through ACFID	48,964	1-Mar-24	25-Mar-27	Bullet	6M K-1%
Financial Inclusion and Infrastructure Project through ACFID	150,219	12-May-25	14-May-28	Bullet	6M K-1%
Financial Inclusion and Infrastructure Project through ACFID	105,710	25-Apr-25	20-May-28	Bullet	6M K-1%
Financial Inclusion and Infrastructure Project through ACFID	772,783	12-May-25	14-May-28	Bullet	6M K-1%
Financial Inclusion and Infrastructure Project through ACFID	268,255	18-Mar-25	27-Mar-28	Bullet	6M K-1%
Women Inclusive Finance Sector Development Project (WIF SDP)	1,844,790	19-Jun-25	27-Jun-30	Bullet	6M K-1.0%
Pak Oman Investment Company Limited	216,000	9-Jan-25	9-Jan-28	Quarterly	3M K+1.75%
Allied Bank Limited	416,667	27-Mar-25	6-Apr-28	Quarterly	3M K+1.75%
Pakistan Microfinance Investment Company Limited	2,979,827	21-Mar-23	30-Sep-28	Quarterly	6M K+2.95%
Pakistan Microfinance Investment Company Limited	2,767,365	24-Apr-23	30-Sep-28	Quarterly	6M K+3.50%
Habib Metropolitan Bank Limited	666,667	13-Dec-24	27-Dec-27	Quarterly	3M K+2.50%
JS Bank Limited	363,155	16-Jan-25	21-Mar-28	Quarterly	3M K+2%
PKICL Syndicate	2,999,090	18-Jul-25	31-Jul-28	Quarterly	3M K+2.5%
National Bank of Pakistan	1,000,000	12-Dec-25	31-Dec-25	Quarterly	3M K+4.5%
	17,052,119				

13.3 Details of Borrowings outside Pakistan

	Amount (in FCY)	Amount (Rupees in '000)	Agreement Date	Maturity	Repayment frequency	Coupon rate
EMF Microfinance Fund, AGmvK	USD 3,000,000	840,369	29-Nov-24	4-May-27	Semi-Annual	6M SOFR+5%
Microfinance Initiative for Asia (MIFA) Debt Fund SA, SICAV-SIF	USD 2,500,000	700,308	4-Mar-24	7-Jun-27	Semi-Annual	6M SOFR+5.0%
JAPAN ASEAN WOMEN EMPOWERMENT FUND	USD 5,000,000	1,400,616	4-Mar-24	7-Jun-27	Semi-Annual	6M SOFR+5.0%
Blue Orchard Microfinance Fund	USD 5,000,000	1,400,616	18-Aug-25	3-Nov-28	Semi-Annual	6M SOFR+4.65%
DWM – CIFIF, Netherlands	USD 4,000,000	1,120,492	8-Jul-25	14-Nov-28	Semi-Annual	6M SOFR+4.5%
Global Gender Smart Fund	USD 7,500,000	2,100,923	23-Jun-25	15-Nov-28	Semi-Annual	6M SOFR+4.75%
Global Micro and SME Finance Fund	USD 1,250,000	350,154	23-Jun-25	19-Nov-28	Semi-Annual	6M SOFR+4.75%
responsAbility SICAV (Lux) Agriculture Fund	USD 1,000,000	280,123	23-Jun-25	19-Nov-28	Semi-Annual	6M SOFR+4.75%
responsAbility SICAV (Lux) Financial Inclusion Fund	USD 1,250,000	350,154	23-Jun-25	19-Nov-28	Semi-Annual	6M SOFR+4.75%
responsAbility SICAV (Lux) Micro and SME Finance Debt Fund	USD 1,250,000	350,154	23-Jun-25	19-Nov-28	Semi-Annual	6M SOFR+4.75%
responsAbility SICAV (Lux) Micro and SME Leaders	USD 1,250,000	350,154	23-Jun-25	19-Nov-28	Semi-Annual	6M SOFR+4.75%
Monega Mikrofinanz and Impact fonds	USD 250,000	70,031	21-Aug-25	09-Dec-28	Semi-Annual	6M SOFR+4.17%
Monega Multi-Sector Microfinance & Impact Loan Fund	USD 750,000	210,092	21-Aug-25	09-Dec-28	Semi-Annual	6M SOFR+4.17%
EMF Microfinance Fund AGmvK	USD 4,000,000	1,120,492	8-Dec-25	23-Dec-28	Semi-Annual	6M SOFR+4.27%
		10,644,678				

14. LEASE LIABILITIES

	2025	2024
	(Rupees in '000)	
At January 1	318,805	189,752
Additions during the year	159,816	252,365
Interest expense	60,200	49,557
Payments	(215,715)	(172,868)
At December 31	323,105	318,805

14.1 Contractual maturity of lease liabilities

Short-term lease liabilities - within one year	673	1,447
Long-term lease liabilities		
- 1 to 5 years	173,723	192,670
- 5 to 10 years	80,652	55,630
- More than 10 years	68,056	69,057
Total lease liabilities	323,105	318,805

up

		2025	2024
		Rupees in '000	
15.	DEFERRED GRANT		
	Opening balance	125,508	-
	Grant Received during the year	242,470	133,730
	Grant recognised as income during the year	(49,831)	(8,222)
	Closing balance	<u>318,147</u>	<u>125,508</u>
15.1	State Bank of Pakistan		
	Women Inclusive Finance Sector Developing Project (WIF SDP)	168,106	129,212
	Financial Inclusion and Infrastructure Project (ACFID)	74,364	4,518
		<u>242,470</u>	<u>133,730</u>

15.1.1 The grants represent the difference between the consideration received and the initial fair value of below market rate borrowings received from the State Bank of Pakistan (the SBP).

15.1.2 Under this scheme, the Bank must disburse loans exclusively to women borrowers within three months from the date of receiving funds from the SBP. The borrowing will be payable to the SBP on its original maturity if the terms of the scheme are fulfilled, otherwise the un-disbursed amount must be repaid to the SBP immediately.

15.1.3 Under this scheme, the Bank must disburse loans exclusively to borrowers located in Rain/Flood impacted areas within three months from the date of receiving funds from the SBP. The borrowing will be payable to the SBP on its original maturity if the terms of the scheme are fulfilled, otherwise the un-disbursed amount must be repaid to the SBP immediately.

		2025	2024
		----- (Rupees in '000) -----	
16.	OTHER LIABILITIES		
	Mark-up / Return / Interest payable	709,885	561,677
	Accrued expenses	281,433	268,558
	Current taxation	-	1,222,027
	Dividends payable	2,250,000	3,003,000
	Payable to defined benefit plan	1,362,153	1,063,897
	Unrealized loss on foreign exchange forward contracts	381,970	614,399
	Others	6,542	10,688
		<u>4,991,983</u>	<u>6,744,246</u>

17. SHARE CAPITAL

17.1 Authorized Capital

		2025	2024
		----- (Rupees in '000) -----	
	2025	2024	
	(Number of shares)		
	<u>1,500,000</u>	<u>1,500,000</u>	Ordinary shares of Rs.1,000 each
		<u>1,500,000</u>	<u>1,500,000</u>

17.2 Issued, subscribed and paid-up capital

		2025	2024
		Rupees in '000	
	2024	2023	
	(Number of shares)		
			Fully paid-up ordinary shares of Rs.1,000 each
	1,127,417	1,127,417	Issued for cash
	372,583	372,583	Issued as bonus shares
	<u>1,500,000</u>	<u>1,500,000</u>	
		<u>1,127,417</u>	<u>1,127,417</u>
		<u>372,583</u>	<u>372,583</u>
		<u>1,500,000</u>	<u>1,500,000</u>

17.2.1 As at 31 December 2025 and 2024, 99.999% Shareholding of the Bank was held by the parent company ASA International and remaining 0.001% is held by Catalyst Microfinance Investors and CMI International Holding.

18. STATUTORY RESERVE

In accordance with the requirements of the Microfinance Institutions Ordinance, 2001 and the Prudential Regulations issued by the SBP, the Bank is required to transfer an amount equal to 20% of its annual profits after taxes till such time the reserve fund equals the paid-up capital of the Bank. Thereafter, a sum not less than 5% of its annual profit after taxes.

19. DEPOSITORS' PROTECTION FUND

In accordance with the requirements of the Microfinance Institutions Ordinance, 2001 and the Prudential Regulations, the Bank is required to transfer an amount equivalent to 5% of profit after tax to the Depositors' Protection Fund, plus the return earned on such funds. Such fund shall be invested in government securities or deposited with State Bank in a remuneration account. However, no amount has been allocated to this reserve since the Bank does not have the license to take on deposits.

20. CONTINGENCIES AND COMMITMENTS

		2025	2024
		----- (Rupees in '000) -----	
	Commitments	11,364,175	6,827,290
	Contingent liabilities	-	-
		<u>11,364,175</u>	<u>6,827,290</u>
20.1	Commitments in respect of:		
	- Property and equipment	59,301	-
	- Intangible assets	-	28,156
	- Foreign exchange forward contracts - purchase	11,364,175	6,827,290
		<u>11,423,476</u>	<u>6,855,446</u>

Signature

	Note	2025 ------(Rupees in '000)-----	2024
21. MARK-UP / RETURN / INTEREST EARNED			
Advances		14,880,348	11,958,665
Investments		24,283	129,295
Balances with other Banks and NBFIs		204,414	408,247
Loans to employees		6,804	3,183
		<u>15,115,849</u>	<u>12,499,390</u>
22. MARK-UP / RETURN / INTEREST EXPENSED			
Borrowings		2,303,755	1,875,963
Lease liabilities		60,200	49,557
Amortization of hedge points	29.	467,564	650,189
Bank charges		5,004	2,740
		<u>2,836,521</u>	<u>2,578,449</u>
23. OTHER INCOME / (LOSS)			
Gain on sale of operating fixed assets		31	158
Exchange (loss)/gain - net		(1,863)	1,369
Grant income		49,831	8,222
Reversal of provision against surcharge on short payment of advance tax.		14,610	-
Others		1,710	6,952
		<u>64,319</u>	<u>16,701</u>
24. OPERATING EXPENSES			
Total compensation expense	24.1	3,719,666	2,903,810
Depreciation	8 & 9	377,255	318,137
IT consultancy charges		306,902	255,803
Travelling and conveyance		207,981	60,896
Miscellaneous expenses		102,923	104,160
Communications		99,709	74,780
Rent, taxes, insurance, electricity, etc.		94,370	198,936
Amortization	10	65,691	45,138
Insurance		57,521	48,047
Subscription, license and renewals fees		55,927	106,616
Repairs and maintenance		54,351	49,576
Legal and professional charges		45,730	3,443
Stationery and printing		43,136	50,328
Donations	24.2	22,920	4,976
Auditors' remuneration	24.3	20,873	17,263
Advertisement and publicity		16,486	5,779
Training and development		16,460	18,579
Directors' fees and allowances		6,300	4,500
		<u>5,314,200</u>	<u>4,270,767</u>



2025 2024
------(Rupees in '000)-----

24.1 Total compensation expense

Managerial remuneration		
i) Fixed	2,100,153	1,778,630
ii) Variable		
a) Cash bonus / awards etc.	292,445	177,029
Charge for defined benefit plan	286,243	208,906
Contribution to EOBI	74,377	60,757
Rent & house maintenance	875,598	616,912
Medical	27,263	20,429
Conveyance	63,586	41,108
Others	-	38
Grand total	3,719,666	2,903,810

24.2 Details of donations

Donations individually exceeding Rs.0.5 million

Dr. Prem Kumar Sital Das Memorial Trust		1,148
Govt Girls Higher Secondary School	-	1,140
SZABIST University	-	800
Sindh Literature Festival	-	800
FACES Pakistan Green Banking	635	
Mr. Samiullah Rajper	1,500	
Mangrove Biodiversity Park	2,280	
Indus Hospital	3,000	
Agha Khan Foundation	5,600	
IBA	2,000	-
Shaukat Khanum Hospital	4,000	
SoloTech Energy Solution	1,715	-
Donations individually not exceeding Rs.0.5 million	2,189	1,088
	22,919	4,976

24.3 Auditors' remuneration

Statutory audit and review fees	2,659	2,354
Fee for other statutory certifications	1,944	1,728
Group audit and review fee	16,146	12,852
Out-of-pocket expenses	123	328
	20,873	17,263

up

		2025 ------(Rupees in '000)-----	2024
25. OTHER CHARGES			
Default Surcharge on short payment of advance tax		-	72,666
		-	72,666
26. EXPECTED CREDIT LOSS ALLOWANCE & WRITE OFFS - NET			
Expected credit loss allowance against advances	7.1	177,164	149,994
Expected credit loss allowance against other assets	12.1	1,241	3,356
Bad debts written off directly	7.1.4 & 12.2	81,366	85,134
Recovery of written off / charged off bad debts		(25,153)	(13,912)
		<u>234,620</u>	<u>224,571</u>
27. TAXATION			
Current		2,709,360	2,396,699
Prior years		278,782	(2,273)
Deferred		(19,267)	(238,424)
		<u>2,968,874</u>	<u>2,156,002</u>
27.1 Relationship between tax expense and accounting profit			
Profit before tax		6,794,827	5,369,638
Tax @ 29% (2024: 29%)		1,970,500	1,557,195
Super tax charge @ 10% (2024: 10%)		679,483	536,964
Prior year tax		278,782	(2,273)
Default Surcharge on short payment of advance tax		-	28,340
Others		40,110	35,777
		<u>2,968,874</u>	<u>2,156,002</u>
28. BASIC AND DILUTED EARNINGS PER SHARE			
Profit after taxation		<u>3,825,952,694</u>	<u>3,213,636,149</u>
Weighted average number of ordinary shares		<u>1,500,000</u>	<u>1,500,000</u>
Basic and diluted earnings per share		<u>2,550.64</u>	<u>2,142.42</u>
29. MOVEMENT IN HEDGE ACCOUNTING RESERVE			
Amortization of forward points of forward contracts	22.	467,564	650,189
Changes in fair value of forward contracts		(138,911)	(844,642)
Recycling of exchange (losses) / gains on foreign currency borrowings		(319,133)	21,711
Total amounts recognised in OCI during the period		<u>9,520</u>	<u>(172,743)</u>
30. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks		1,191,066	697,327
Balances with other Banks and NBFIs		4,752,917	1,853,501
		<u>5,943,982</u>	<u>2,550,827</u>

30.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2025		2024	
	Other liabilities- Dividend payable	Lease liabilities against right-of- use assets	Other liabilities- Dividend payable	Lease liabilities against right-of- use assets
	'------(Rupees in '000)-----'			
Balance as at January 1	3,003,000	318,805	1,486,187	189,752
Changes from financing cash flows				
Payment of lease liability against right-of-use assets	-	(215,715)	-	(172,868)
Dividends paid	(4,503,000)	-	(1,486,187)	-
	(4,503,000)	(215,715)	(1,486,187)	(172,868)
Other changes - liability related				
Additions / renewals of leases	-	159,816	-	252,365
Markup expense	-	60,200	-	49,557
Off-setting of receivable	-	-	-	-
Interim dividends for the year 31 December 2023	-	-	1,503,000	-
Final dividend for the year ended 31 December 2023	-	-	1,500,000	-
Final dividend for the year ended 31 December 2024	1,500,000	-	-	-
Interim dividends for the year 31 March 2025	750,000	-	-	-
Interim dividends for the year 30 June 2025	750,000	-	-	-
Interim dividends for the year 30 September 2025	750,000	-	-	-
	3,750,000	220,015	3,003,000	301,922
Balance as at December 31	2,250,000	323,105	3,003,000	318,805

31. STAFF STRENGTH

	-----Number-----	
Permanent	3,157	2,760
On contract	415	373
	<u>3,572</u>	<u>3,133</u>

31.1 In addition to the above, 1 (2024: Nil) employee of an outsourcing services company was assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services.

32. NUMBER OF BRANCHES

	2025	2024
As at January 1 2025	82	72
Opened during the year	18	10
Closed during the year	-	-
As at Decemeber 31, 2025	<u>100</u>	<u>82</u>

33. DEFINED BENEFIT PLAN

33.1 General description

The Bank operates an unfunded gratuity scheme for all its permanent employees. The actuarial valuation is carried out using the projected unit credit method. Actuarial gains and losses for defined benefit plan are recognised in statement of comprehensive income when they occur.

33.2 Principal actuarial assumptions

The actuarial valuations were carried out as at 31 December 2025 using the following significant assumptions:

	2025	2024
	----- Per annum -----	
Discount rate	11.00%	12.25%
Salary increase rate	11.00%	12.25%
Mortality rates assumed	SLIC 2001-2005	SLIC 2001-2005
	Setback 1 Year	Setback 1 Year

33.3 Movement in defined benefit obligations

	----- (Rupees in '000) -----	
Obligations at the beginning of the year	1,063,897	636,490
Current service cost	161,976	115,157
Interest cost	124,268	93,749
Benefits paid	(75,936)	(45,849)
Re-measurement loss	87,948	264,349
Obligations at the end of the year	<u>1,362,153</u>	<u>1,063,897</u>

33.4 Charge for defined benefit plans

33.4.1 Cost recognised in profit and loss

Current service cost	161,976	115,157
Net interest on defined benefit liability	124,268	93,749
	<u>286,243</u>	<u>208,906</u>

33.4.2 Re-measurements recognised in OCI during the year

Financial assumptions	(5,393)	72,788
Experience adjustment	93,342	191,561
Total re-measurements recognised in OCI	<u>87,948</u>	<u>264,349</u>

33.5 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the employee benefit scheme. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:

	2025	2024
	----- (Rupees in '000) -----	
1% increase in discount rate	(1,244,069)	(967,925)
1% decrease in discount rate	1,483,084	1,145,686
1 % increase in expected rate of salary increase	1,486,363	1,148,313
1 % decrease in expected rate of salary increase	(1,239,018)	(964,006)

33.6 Expected charge / (reversal) for the next financial year

	<u>350,386</u>	<u>280,498</u>
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33.7 Maturity profile

The weighted average duration of the present value of the defined benefit

	Years	
	<u>9</u>	<u>8</u>

33.8 The significant risk associated with the employee benefit scheme are as follows:

Inflation risk

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

Mortality Risk

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

Withdrawal Risk

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

34. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

34.1 Total Compensation Expense

2025			
Items	Non-Executive Directors	President / CEO*	Key Management Personnel
	------(Rupees in '000)-----		
Fees and allowances etc.	6,300	-	-
Managerial remuneration			
i) Fixed	-	24,187	97,034
ii) Variable			
a) Cash bonus / awards	-	2,310	12,430
Rent & house maintenance	-	-	36,209
Medical	-	-	123
Conveyance	-	-	4,351
Others	-	-	-
Total	<u>6,300</u>	<u>26,497</u>	<u>150,147</u>
Number of persons	<u>3</u>	<u>1</u>	<u>12</u>
2024			
Items	Non-Executive Directors	President / CEO *	Key Management Personnel
	------(Rupees in '000)-----		
Fees and allowances etc.	4,500	-	-
Managerial remuneration			
i) Fixed	-	34,004	73,522
ii) Variable			
a) Cash bonus / awards	-	2,310	8,457
Rent & house maintenance	-	-	24,702
Medical	-	-	136
Conveyance	-	-	178
Others	-	-	2,894
Total	<u>4,500</u>	<u>36,314</u>	<u>109,889</u>
Number of persons	<u>2</u>	<u>1</u>	<u>13</u>

* This includes compensation for the outgoing Chief Executive and The Chief Executive is entitled to free use of a Bank maintained car.

The term "Key Management Personnel" means the following functional responsibilities:

- (a) Key executives as defined in the Prudential Regulations for Microfinance Banks
- (b) Any executive or key executive reporting to person, which is acting as second to CEO, by whatever name called, and including the Chief Operating Officer (COO) and Deputy Managing Director.
- (c) For the purpose of these disclosures key executive under (a) will also include executives who have direct reporting line to the President / CEO or BoD or its committees.

For the purpose of these disclosures, the terms Directors/ Executive Directors/ Non-Executive Directors and CEO have same meaning as defined in Prudential Regulations (PRs) for MFBs.

35. FAIR VALUE MEASUREMENTS

Fair value is an amount for which an asset can be exchanged, or liability settled, between knowledgeable willing parties in arm's length transaction. Consequently, differences may arise between the carrying values and the fair values estimates.

35.1 Fair value of financial assets

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs use 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).

The table below analyzes financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2025			
	Level 1	Level 2	Level 3	Total
	------(Rupees in '000)-----			
Off-balance sheet financial instruments				
- measured at fair value				
Forward exchange foreign contracts - Purchase	-	11,364,175	-	11,364,175
2024				
	Level 1	Level 2	Level 3	Total
	------(Rupees in '000)-----			
Off-balance sheet financial instruments				
- measured at fair value				
Forward exchange foreign contracts - Purchase	-	6,827,290	-	6,827,290

Valuation techniques used in determination of fair valuation of financial instruments within level 2 and level 3

Item	Valuation approach and input used
Forward foreign exchange contracts	The fair values of forward foreign exchange contracts are determined using forward pricing calculations.

36. RELATED PARTY TRANSACTIONS

The Bank has related party relationships with its shareholders, key management personnel and directors.

Remuneration of key management personnel are in accordance with the terms of their employment. Other transactions are at agreed terms.

Balances and transactions with related parties are summarised as follows:

	2025			2024		
	Parent	Directors	Key management personnel	Parent	Directors	Key management personnel
Other Liabilities						
Management fee payable	-	-	-	-	-	-
Dividend payable	2,250,000	-	-	3,003,000	-	-
Expense						
Total compensation expense	-	-	176,644	-	-	146,203
Directors' fees and allowances	-	6,300	-	-	4,500	-
Management fee expense	-	-	-	17,068	-	-
Other information						
Dividend declared	3,750,000	-	-	3,003,000	-	-
Dividend paid	4,503,000	-	-	1,486,187	-	-

2025 2024
----- (Rupees in '000) -----

37. CAPITAL ADEQUACY RATIO

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)

10,269,079 10,240,947

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital

8,676,795 8,532,934

Eligible Additional Tier 1 (ADT 1) Capital

- -

Total Eligible Tier 1 Capital

8,676,795 8,532,934

Eligible Tier 2 Capital

193,778 167,914

Total Eligible Capital (Tier 1 + Tier 2)

8,870,573 8,700,848

Risk Weighted Assets (RWAs):

Credit Risk

38,061,120 28,385,897

Operational Risk

1,515,825 1,517,376

Total

39,576,945 29,903,273

Common Equity Tier 1 Capital Adequacy ratio

21.92% 28.54%

Tier 1 Capital Adequacy Ratio

22.41% 29.10%

Total Capital Adequacy Ratio

22.41% 29.10%

As per amendments in Prudential Regulation (R-1) issued vide BPRD Circular No. 10 of 2015 dated 03 June 2015, the minimum capital requirement (MCR) for Microfinance Banks operating at national level is Rs. 1 billion. In line with the SBP requirements, the Bank's eligible capital for MCR purposes includes paid up share capital net of losses and balance in share premium reserve.

The Bank is required to maintain Capital Adequacy Ratio (CAR) equivalent to at least 15% of its risk weighted assets.

For Capital adequacy calculation, the Bank has adopted Standardised Approach for credit risk related exposures and operational risk.

38. FINANCIAL RISK MANAGEMENT

38.1 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. 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 Asset and Liability Management Committee (ALCO).

2025						
Exposed to yield / interest risk						
Effective yield / interest rate %	Total	Upto one month	One month to six month	Over six month to one year	Over one year to five years	----- (Rupees) -----
Assets						
Cash and balances with treasury banks	9.50%	4,295	4,295	-	-	-
Balances with other Banks and NBFIs	5% to 11%	4,735,708	4,735,708	-	-	-
Investment	9.91%	624,316	-	624,316	-	-
Advances	53.67%	32,860,451	267,568	8,835,176	23,637,208	120,498
		<u>38,224,770</u>	<u>5,007,572</u>	<u>9,459,492</u>	<u>23,637,208</u>	<u>120,498</u>
Liabilities						
Borrowings	10.24% to 20.52%	27,992,794	60,364	2,800,773	3,055,834	22,075,823
Lease liability against right-of-use assets	9.00% to 23.00%	241,597	-	-	-	241,597
On balance sheet gap		<u>9,990,379</u>	<u>4,947,208</u>	<u>6,658,719</u>	<u>20,581,374</u>	<u>(22,196,923)</u>

2024						
Exposed to yield / interest risk						
Effective yield/ interest rate %	Total	Upto one month	One month to six month	Over six month to one year	Over one year to five years	----- (Rupees) -----
Assets						
Cash and balances with treasury banks	5.00%	4,666	4,666	-	-	-
Balances with other Banks and NBFIs	13.25 to 19.00%	1,847,719	1,847,719	-	-	-
Advances	43.74% to 53.67%	24,820,480	207,231	6,908,202	17,703,866	1,181
		<u>26,672,865</u>	<u>2,059,616</u>	<u>6,908,202</u>	<u>17,703,866</u>	<u>1,181</u>
Liabilities						
Borrowings	10.00%-20.00%	13,522,111	217,500	2,607,243	1,578,500	9,118,868
Lease liability against right-of-use assets	8.70% to 23.00%	318,805	-	-	5,303	313,502
On balance sheet gap		<u>12,831,949</u>	<u>1,842,116</u>	<u>4,300,959</u>	<u>16,120,062</u>	<u>(9,431,188)</u>

Above workings have been prepared on the basis of the earlier of repricing or contractual maturity of the instruments.

38.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank's credit risk is primarily attributable to its advances, other receivable and balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Bank has an effective loan disbursement and recovery monitoring system which allows it to evaluate borrowers' credit worthiness and identify potential problem loans. A provision for loan losses is maintained as required by IFRS 9 along with SBP application instruction. Investments, if any, are made in government securities.

38.2.1 Exposure to credit risk

Credit risk of the Bank arises principally from bank balances, advances, and other assets.

In summary, the maximum exposure to credit risk as at 31 December was as follows:

	Note	2025		2024	
		Financial assets	Maximum exposure	Financial assets	Maximum exposure
----- (Rupees) -----					
Cash and balances with banks	4 & 5	5,943,982	4,740,036	2,550,772	1,859,906
Advances	6	33,115,880	33,115,880	25,074,619	25,074,619
Other assets	12	1,695,189	1,695,189	1,039,068	1,039,068
		40,755,051	39,551,105	28,664,458	27,973,592

38.2.2 Bank balances

The analysis below summarises the credit quality of the Bank's balances below:

Bank	2025		2024	
	Long term	Short term	Amount (Rupees in '000)	Amount (Rupees in '000)
United Bank Limited	AAA	A-1+	314,941	1,066,728
MCB Bank Limited	AAA	A-1+	1,282	1,150
National Bank of Pakistan	AAA	A-1+	1,008,425	6,405
Habib Bank Limited	AAA	A-1+	1,949	1,752
Standard Chartered Bank (Pakistan) Limited	AAA	A-1+	355,887	394,186
Bank of Punjab	AA+	A1+	13	84
Pak Oman Investment Company Limited	AA+	A1+	148,000	106,000
Habib Metropolitan Bank Limited	AA+	A1+	2,247,448	262,512
JS Bank Limited	AA	A-1+	151,152	-
Pak Libya Holding Co.	AA	A1+	1,500,000	-
Soneri Bank Limited	AA-	A1+	-	36
Allied Bank Limited	AAA	A1+	32,244	21,052
			5,761,341	1,859,906

The above ratings are based on latest evaluations by PACRA and JCR-VIS.

38.3 Operational risk

Operational risk is recognized as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. To mitigate this risk, the Bank has established a dedicated Risk Division responsible for implementing and regularly reviewing the effectiveness of its Enterprise-wide Risk Management framework, policies, and processes. The division formulates and enforces comprehensive risk management policies for assessing, quantifying, and monitoring operational risks, ensuring that appropriate systems, plans, and procedures are in place. It also ensures that sufficient resources, both technical and human, are allocated to operational risk management, with staff possessing the necessary expertise. Additionally, the division assesses and monitors risks such as AML/CFT, legal, regulatory, and operational risks, advising the Board on risk appetite, strategy, and regulatory developments. The division actively oversees the design and implementation of a compliance risk management program and ensures the regular review and approval of risk assessment processes, timely monitoring of large exposures, and taking corrective actions in case of material breaches, thereby minimizing operational risk within the Bank. Quarterly reports are presented to the senior management.

38.4 Liquidity risk

Liquidity risk is the risk that the Bank will not be able to raise funds to meet its commitments. At present, the bank is not exposed to this risk as there is sufficient cash placed with various commercial banks at the year end.

The Assets and Liability Management Committee (ALCO) of the Bank is responsible for the oversight of liquidity management and meets on a monthly basis or more frequently, if required. The Bank's approach to liquidity management is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking sustained damage to business franchises. A centralized approach is adopted, based on an integrated framework incorporating an assessment of all material known and expected cash flows and the availability of collateral which could be used to secure additional funding if required. The framework entails careful monitoring and control of the daily liquidity position, and regular liquidity stress testing under a variety of scenarios. These encompass both normal and stressed market conditions, including general market crises and the possibility that access to markets could be impacted by a stress event affecting some part of the Bank's business.

38.5 Assets and liabilities - based on contractual maturity

		2025							
		Total	Upto 1 Month	Over 1 to 3Months	Over 3 to 6 Months	Over 6 to 12 Months	Over 1 to 2 years	Over 2 to 5 years	Over 5 Years
		(Rupees in '000)							
Assets									
Cash and balances with treasury banks	1,191,066	1,191,066	-	-	-	-	-	-	-
Balances with other Banks and NBFIs	4,752,917	4,752,917	-	-	-	-	-	-	-
Investments	624,316	-	-	-	624,316	-	-	-	-
Advances	32,860,451	267,568	1,731,202	7,103,974	23,637,208	48,986	71,512	-	
Property and Equipment	506,813	-	-	-	0	92,394	414,419	-	
Right-of-use assets	380,492	-	33	257	2,863	9,396	153,908	214,034	
Intangible assets	264,220	-	-	-	459	208,358	44,700	10,703	
Deferred tax assets	1,326,664	-	-	-	-	-	1,326,664	-	
Other assets	1,692,153	1,692,153	-	-	-	-	-	-	
	43,599,090	7,903,703	1,731,235	7,104,231	24,264,846	359,134	2,011,204	224,737	
Liabilities									
Borrowings	27,671,654	60,364	542,000	2,258,773	3,055,834	3,870,562	17,884,122	-	
Lease Liabilities	323,105	-	25	197	2,196	7,267	148,708	164,711	
Deferred grant	318,147	-	-	-	-	318,147	-	-	
Other liabilities	4,991,983	-	-	4,991,983	-	-	-	-	
	33,304,889	60,364	542,025	7,250,953	3,058,030	4,195,976	18,032,830	164,711	
Net assets	10,294,202	7,843,340	1,189,210	(146,722)	21,206,816	(3,836,842)	(16,021,627)	60,026	
Share capital	1,500,000								
Reserves	1,725,748								
Unappropriated profit	7,043,311								
	10,269,059								

		2024							
		Total	Upto 1 Month	Over 1 to 3Months	Over 3 to 3 Months	Over 6 to 12 Months	Over 1 to 2 years	Over 2 to 5 years	Over 5 Years
		(Rupees in '000)							
Assets									
Cash and balances with treasury banks	697,327	697,327	-	-	-	-	-	-	-
Balances with other MFBs / banks / NBFIs	1,853,501	1,853,501	-	-	-	-	-	-	-
Advances	24,820,480	206,650	1,455,974	5,504,334	17,652,340	1,181	-	-	
Property and Equipment	416,973	1,049	1,342	354	26,156	164,010	224,062	-	
Right-of-use assets	353,311	-	-	-	6,346	5,620	220,253	121,094	
Intangible assets	290,825	-	-	-	-	1,246	91,988	197,591	
Deferred tax assets	1,421,633	-	-	-	-	-	1,421,633	-	
Other assets	972,058	972,058	-	-	-	-	-	-	
	30,826,107	3,730,585	1,457,316	5,504,688	17,684,842	172,057	1,957,934	318,685	
Liabilities									
Borrowings	13,522,111	217,500	352,452	2,265,620	1,578,500	3,552,267	5,555,772	-	
Lease liabilities	318,805	-	-	-	5,303	4,697	184,076	124,729	
Other liabilities	6,744,246	-	-	6,744,246	-	-	-	-	
	20,585,162	217,500	352,452	9,009,866	1,583,804	3,556,963	5,739,848	124,729	
Net assets	10,240,946	3,513,085	1,104,864	(3,505,177)	16,101,038	(3,384,906)	(3,781,914)	193,956	
Share capital	1,500,000								
Reserves	954,749								
Unappropriated profit	7,786,197								
	10,240,946								

39. Market risk

Market risk is the risk of changes in market conditions that may adversely impact the value of assets or liabilities, following a negative impact on earnings. Market risk mainly arises from trading activities carried out by Treasury like borrowing, Investments and client facilitating activities. To effectively manage Market Risk, a comprehensive Risk Management Policy, encompassing market risk management, has been developed and approved by the Risk Management Division. This policy outlines the relevant risk metrics, control measures, and strategies used for proactive management of market risk.

40. NON - ADJUSTING EVENTS AFTER BALANCE SHEET DATE

The Board of Directors have proposed a final dividend for the year ended 31 December 2025 of Rs. 666.67 (2024: Rs. 1000) per share, amounting to Rs. 1,000,005,000 (2024: Rs. 1,500,000,000) at their meeting held on March 09, 2026. This is in addition to Rs. 1,500 per share already declared during the year bringing the total dividend for the year to Rs. 2,166.67 per share (2024: Rs. 2,002 per share). The final appropriation is expected to be approved by the shareholders in forthcoming Annual General Meeting. These financial statements do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending 31 December 2026.

41. GENERAL

41.1 The comparative information have been re-arranged and reclassified for comparison purposes.

41.2 Captions, as per format prescribed by SBP, in respect of which there are no amounts, have not been reproduced in these financial statements, except for the captions of the statement of financial position and profit and loss account.

41.3 Figures have been rounded off to the nearest thousand rupees, unless otherwise specified.

42. DATE OF AUTHORISATION FOR ISSUE

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

MARCH 09, 2026 MN

Naazer
Ahmed Naazer Minhaj
President and
Chief Executive
Officer

M. Shoaib Shamim
M. Shoaib Shamim
Chief Financial
Officer

Rob Keijsers
Rob Keijsers
Chairman

M Kamran Shehzad
M Kamran
Shehzad
Director

Mischa John Assink
Mischa John Assink
Director