

DIRECTORS' REPORT

On behalf of the Board of Directors, we are pleased to present the 3rd Annual report of ASA Microfinance Bank (Pakistan) Limited (formerly ASA Pakistan Limited), which is the 18th consecutive annual report since its inception. This report includes the Audited Financial Statements for the year ended December 31, 2025 and provides insight into the Bank's performance, strategic initiatives, and future outlook.

GLOBAL ECONOMY:

In 2025, the global economy continues to experience moderate and uneven growth, reflecting a gradual normalization following the post-pandemic recovery phase. While economic activity has stabilized across several major economies, growth remains below historical averages due to persistent structural challenges, including aging populations, subdued productivity growth, tight financial conditions, and ongoing geopolitical tensions.

Inflationary pressures have eased further during the year as supply chains normalized and monetary tightening measures taken in previous periods continued to take effect. Global headline inflation has shown a downward trend; however, price stability remains uneven across regions. Advanced economies have made relatively faster progress toward achieving inflation targets, while emerging and developing economies continue to face structural and cost-push inflationary pressures, particularly in services sectors.

Despite improvements in disinflation, risks to the global outlook persist. Elevated services inflation, geopolitical uncertainties, climate-related disruptions, and the risk of geo-economic fragmentation continue to pose challenges to sustainable growth.

In this environment, enhanced multilateral cooperation remains critical. Strengthening rules-based international trade, supporting the green and energy transition, and fostering inclusive economic policies will be essential to improving global economic resilience and supporting long-term sustainable growth.

DOMESTIC ECONOMY:

During 2025, Pakistan's economy showed signs of stabilization, supported by improved macroeconomic management, fiscal discipline, and continued engagement with international financial institutions. Economic conditions remained challenging; however, key macroeconomic indicators reflected gradual improvement compared to the previous year.

Inflationary pressures eased during the year as the impact of earlier monetary tightening, fiscal consolidation measures, and improved supply conditions took effect. Although inflation remained elevated, the downward trend provided some relief to households and businesses. The State Bank of Pakistan continued to maintain a prudent monetary policy stance aimed at ensuring price stability and anchoring inflation expectations.

The external sector exhibited relative stability, supported by improved current account dynamics, higher remittances, and disciplined import management. Foreign exchange reserves showed gradual improvement, contributing to increased confidence in the external position. Exchange rate volatility moderated compared to previous periods, although global economic uncertainties continued to pose risks.

Fiscal pressures persisted, reflecting structural challenges, a narrow tax base, and elevated debt servicing requirements. The Government continued its efforts toward fiscal consolidation, revenue mobilization, and structural reforms to support sustainable growth and macroeconomic stability.

Overall, while economic risks remained, the stabilization achieved during 2025 provided a foundation for gradual recovery and improved economic confidence, subject to continued policy discipline and external support.

Pakistan's Microfinance Sector Review (2025)

During 2025, Pakistan's microfinance sector continued to operate in a challenging but gradually stabilizing environment, shaped by easing inflationary pressures, cautious economic recovery, and continued regulatory oversight by the State Bank of Pakistan. The sector remained focused on balancing financial inclusion objectives with portfolio sustainability and risk management.

The overall microfinance loan portfolio demonstrated modest growth, expanding at an estimated single-digit to low double-digit rate, reflecting prudent lending practices and selective credit expansion. Growth remained largely demand-driven, supported by continued financing needs of low-income households, micro-entrepreneurs, and small businesses, particularly in urban and peri-urban areas.

Asset quality remained under pressure during the year, primarily due to the lagged impact of high inflation, elevated cost of living, and constrained repayment capacity of borrowers. The sector's Portfolio at Risk (PAR > 30 days) remained elevated compared to historical averages, ranging in the low-to-mid teens, although stabilization trends were observed toward the latter part of the year. Microfinance banks continued to strengthen recovery mechanisms, credit underwriting standards, and borrower engagement to mitigate credit risk.

The sector maintained adequate capitalization, with capital adequacy ratios remaining above the minimum regulatory requirements, supported by prudent capital management and regulatory support. Liquidity positions across the sector remained satisfactory, enabling institutions to meet funding requirements and continue operations without material stress.

Digital financial services continued to play an increasingly important role in 2025. The expansion of branchless banking, mobile wallets, and digital repayment channels contributed to improved customer outreach, enhanced operational efficiency, and better portfolio monitoring. Product diversification, including micro-savings, micro-insurance, and Islamic microfinance offerings, also supported resilience and customer retention.

Outlook

Looking ahead, the microfinance sector is expected to benefit from macroeconomic stabilization, easing inflationary trends, and gradual improvement in borrower repayment capacity, subject to continued policy discipline and economic recovery. However, risks related to credit quality, climate-related events, and income volatility among low-income segments persist and will require continued vigilance.

Overall, the sector's emphasis on responsible lending, strengthened risk management, digital transformation, and financial inclusion is expected to support sustainable growth and long-term stability.

ASA PAKISTAN'S FINANCIAL PERFORMANCE REVIEW:

In 2025, ASA Microfinance Bank achieved significant milestones across key financial indicators. The loan portfolio expanded by 32%, supported by higher disbursements of Rs. 56.80 billion, up from Rs. 45.63 billion in 2024. The bank extended its reach by increasing its branch network to 405 from 388, further strengthening its presence in remote areas. Total outstanding loans grew to Rs. 33.12 billion compared to Rs. 25.07 billion in 2024, reflecting strong demand for the bank's lending services. Meanwhile, total assets increased by 41% to Rs. 43.60 billion from Rs. 30.83 billion in 2024. To support this expansion, borrowings rose by 107% to Rs. 27.70 billion, contributing to a 62% increase in total liabilities, which reached Rs. 33.33 billion. Despite this rise, the bank continues to manage its liabilities effectively, ensuring financial stability and sustainable growth.

ASA Microfinance Bank's strong financial performance in 2025 was driven by a dedicated team and strategic initiatives. Gross interest income surged by 21% to Rs. 15.12 billion, up from Rs. 12.50 billion in 2024, while net interest income rose by 24% to Rs. 12.28 billion. Asset quality also improved, as portfolio at risk (PAR) was reduced by 48% to 0.38% from 0.56% in 2024, demonstrating effective risk management and a decline in non-performing loans. At the same time, non-interest expenses grew by 24% to Rs. 5.31 billion, primarily due to strategic investments in operational expansion and an aggressive approach to loan recovery. These financial achievements underscore the bank's commitment to operational excellence and sustainable growth.

With these strong fundamentals, ASA Microfinance Bank achieved record profitability in 2025. Profit Before Tax (PBT) soared by 27% to Rs. 6.80 billion, while Profit After Tax (PAT) increased by 19% to Rs. 3.83 billion, marking substantial improvement in financial performance. Earnings per Share (EPS) rose by 19% to Rs. 2,551 compared to Rs. 2,142 in 2024, further enhancing shareholder value. These results reflect the bank's ability to balance growth, profitability, and risk management effectively.

The highlights of financial results for the year ended 31 December, 2025, as are follows:

| Financial Highlights | 2025 | 2024 |
|----------------------------------------------------|----------------------------|-------------------|
| | Amount in PKR '000' | |
| Gross Markup/Interest Income | 15,115,849 | 12,499,390 |
| Net Markup/Interest Income | 12,279,327 | 9,920,941 |
| Provision against NPLs | 234,620 | 224,571 |
| Net Markup/Interest Income after provisions | 12,044,708 | 9,696,370 |
| Non-Markup/Non Interest Expenses | 5,249,880 | 4,326,732 |
| Profit Before Tax | 6,794,827 | 5,369,638 |
| Taxation | 2,968,874 | 2,156,002 |
| Profit After Tax | 3,825,953 | 3,213,636 |
| Earning per share (Amount in PKR) | 2,551 | 2,142 |

| Indicators | 2025 | 2024 |
|---------------------------------------------|------------|------------|
| Number of Branches | 405 | 380 |
| Active Borrowers | 740,696 | 662,258 |
| Gross Loss Portfolio (Amount in PKR '000') | 33,115,880 | 25,074,619 |
| Portfolio at Risk (PAR 30) | 0.38% | 0.56% |
| Total Assets (Amount in PKR '000') | 43,599,091 | 30,826,108 |
| Total Equity (Amount in PKR '000') | 10,269,059 | 10,240,946 |
| Debts and Borrowings (Amount in PKR '000') | 27,696,797 | 13,396,602 |
| Total Liabilities (Amount in PKR '000') | 33,330,032 | 20,585,161 |

CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

In 2025, ASA Microfinance Bank translated its vision of responsible growth into tangible action, making a meaningful difference across communities, classrooms, and ecosystems. Through a series of targeted Corporate Social Responsibility (CSR) initiatives, the Bank championed health, education, environmental sustainability, disaster relief, and social empowerment, touching the lives of thousands and reinforcing its role as a catalyst for positive societal change.

Under the health pillar, the Bank contributed to the Medication Preparation Room/Emergency Assessment Unit at Shaukat Khanum Memorial Cancer Hospital & Research Centre, Karachi, supporting life-saving treatment for thousands of patients annually. Financial assistance was also extended to a senior staff member for critical medical treatment, reinforcing the Bank's commitment to employee welfare. A staff blood donation drive in Lahore further strengthened the culture of compassion within the organization. Additionally, ASA Microfinance Bank supported Indus Hospital Lahore in procuring two transport incubators equipped with built-in Baby Puff systems, enabling the safe transfer of premature and critically ill newborns.

In the area of education, the Bank continued its long-standing partnership with IBA Karachi through the ASA-MFB Endowment Fund, providing financial assistance to deserving students. It also organized quiz competitions at the University of Karachi to encourage academic excellence and student engagement.

Promoting inclusivity, the Bank supported a career fair for people with disabilities through Access Ability Careers in collaboration with *ConnectHear*, facilitating employment and awareness opportunities. Breast health awareness sessions, conducted in collaboration with Shaukat Khanum Memorial Cancer Hospital, further underscored the Bank's commitment to preventive healthcare education for staff and clients.

Environmental sustainability remained a core focus. The Bank installed a complete solar-powered system at a Government Girls High School in Tando Adam, ensuring uninterrupted and sustainable power supply for students. In Karachi, ASA Microfinance Bank supported the development of a Bird Watching Tower at Mangrove Biodiversity Park, contributing to biodiversity preservation and environmental awareness. Under its Green Banking initiatives, the Bank planted 8,160 trees across its Head Office, branches, schools, parks, colleges, universities, and hospitals, reinforcing its commitment to carbon reduction and ecological balance.

Responding to natural calamities, ASA Microfinance Bank undertook the repair and rehabilitation of Aga Khan School Ishqamdas in Gilgit-Baltistan, which had been severely affected by floods, restoring access to education for impacted students.

In addition to structured CSR programs, the Bank supported various social and cultural initiatives through its marketing and outreach platforms, including the Deaf Reach Charity Golf Tournament, Sindh Literature Festival 2025, TEDx AzadiStreet Event 2025, and community sports initiatives, further strengthening its engagement with diverse segments of society.

The total CSR expenditure for 2025 amounted to PKR 27.16 million against an allocated budget of PKR 26.42 million, thereby exceeding the budget by PKR 0.74 million. This marks the first time the Bank has fully exhausted, and surpassed, its annual CSR allocation, demonstrating both expanded outreach and a deepened commitment to responsible corporate citizenship.

Collectively, these initiatives reflect ASA Microfinance Bank's continued dedication to social progress, environmental stewardship, and community resilience, ensuring that its growth as a financial institution is matched by a measurable and lasting positive impact on society.

PARENT COMPANY:

ASA International Holding, the majority shareholder of ASA Microfinance Bank (Pakistan) Limited, with its registered offices at "Interface International Ltd, 9th Floor, Standard Chartered Tower, 19 Cybercity, Ebene, Mauritius".

PATTERN OF SHAREHOLDING:

The pattern of shareholding of the Bank as of December 31, 2025, as required under section 236 of the Companies Ordinance, 1984, is as follows:

| No of Shareholders | Shareholder(s) | No of Shares | % Shareholding |
|--------------------|---------------------------------------|------------------|------------------|
| 1 | ASA International Holding | 1,499,992 | 99.9995% |
| 2 | CMI International Holding | 4 | 0.0003% |
| 3 | CMI (Catalyst Microfinance Investors) | 4 | 0.0003% |
| Total | | 1,500,000 | 100.0000% |

CREDIT RATING:

PACRA re-affirmed the entity rating of ASA Microfinance Bank Limited at long-term rating to "A-" and short-term rating to "A2" (A-two) with a "stable" outlook. The long-term rating reflects our solid credit quality, low credit risk, and strong ability to fulfill financial obligations on time, though this capacity may be affected by changes in circumstances or economic conditions. The short-term rating reflects a satisfactory ability to make timely repayments.

DIVIDEND

Interim dividend has been declared amounting PKR 2,250 mn for the year ended 31 December 2025. Final dividend proposed for the same period is PKR 1,000 mn.

Corporate Governance

The Board of Directors of the Bank is accountable to the shareholders for the overall management and strategic direction of the Bank. The Board acknowledges its responsibility for maintaining a sound system of internal controls and remains committed to upholding the highest standards of corporate governance.

The Directors are pleased to state that:

1. The financial statements, prepared by the management of the Bank, present fairly the state of affairs of the Bank, its results of operations, cash flow, and changes in equity.
2. Proper books of account of the Bank have been maintained in accordance with applicable statutory requirements.
3. Appropriate accounting policies have been consistently applied in the preparation of the financial statements, and accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in the preparation of the financial statements, and any departure therefrom has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored. The ultimate responsibility for the effectiveness of the internal control system and its oversight rests with the Board.
6. There are no material uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern.

7. The Board has constituted the following committees with clearly defined terms of reference to assist in the discharge of its responsibilities:
- Board Audit Committee
 - Human Resource, Remuneration and Nomination Committee
 - Board Risk Management Committee
 - Board Information Technology Committee

During the year, six Board of Directors Meeting were held. The attendance of these meetings is given below:

| Name of Directors | Designation | Meeting Attended |
|----------------------------------------|-------------------------|------------------|
| Mr. Robert Adrianus Theodorus Keijsers | Non- Executive Director | 4 |
| Mr. Dirk Machgielis Brouwer | Non- Executive Director | 4 |
| Ms. Johanna Maria Alberta Kemna | Non-Executive Director | 2 |
| Mr. Martijn Raphael Bollen | Non- Executive Director | 6 |
| Mr. Mischa John Assink | Non- Executive Director | 5 |
| Mr. Muhammad Kamran Shehzad | Independent Director | 6 |
| Mr. Asif Yasin Malik | Independent Director | 6 |
| Ms. Tahseen Sayed Khan | Independent Director | 4 |

AUDITORS

M/s EY Ford Rhodes, Chartered Accountants, the Statutory Auditors of the Bank, hold office until the conclusion of the forthcoming Annual General Meeting and have furnished their consent to be reappointed for the financial year 2026. The Board of Directors, on the recommendation of the Board Audit Committee (BAC), recommends the reappointment of M/s EY Ford Rhodes, Chartered Accountants, as the auditors of the Bank for the financial year 2026.

ACKNOWLEDGEMENT

The Directors wish to place on record their appreciation for the valuable assistance and continued support received by the Bank from the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan, banks, and other financial institutions. The Board also extends its gratitude to the employees at all levels for their dedication, commitment, and hard work, which have contributed to the Bank's performance and achievements.

By Order of the Board

naazer minhaj

Chief Executive Officer



Chairman

Place: Karachi

Date: March 09, 2026

INDEPENDENT AUDITOR'S REPORT

To the members of **ASA Microfinance (Bank) Pakistan Limited**

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **ASA Microfinance (Bank) Pakistan Limited** (the Bank), which comprises of the statement of financial position as at **31 December 2025**, and the profit and loss account, statement of other comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, and notes to the financial statements, including a summary of material accounting policy information and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, the profit and loss account, the statement of comprehensive income, the cash flow statement, the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), Microfinance Institutions Ordinance, 2001 and the directives issued by the State Bank of Pakistan in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at 31 December 2025 and of the profit and other comprehensive income, the changes in equity and its cash flows the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017), Microfinance Institutions Ordinance, 2001 and the directives issued by the State Bank of Pakistan and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.





Shape the future
with confidence

-: 2 :-

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Shape the future
with confidence

-: 3 :-

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017), Microfinance Institutions Ordinance, 2001 and the directives issued by the State Bank of Pakistan and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Bank's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditors' report is Omer Chughtai.

Chartered Accountants

Place: Karachi

Date: 24 March 2026

UDIN Number: AR2025101203tQLo2BxC

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 | | |

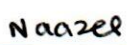

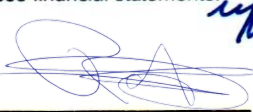

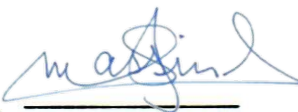
The annexed notes 1 to 42 form an integral part of these financial statements.

| | | | |
|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
|  |  |  |  |
| 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 | <u>(5,314,200)</u> | <u>(4,270,767)</u> |
| 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> |

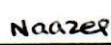

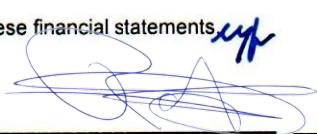

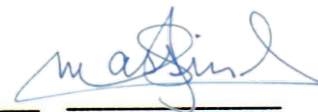
The annexed notes 1 to 42 form an integral part of these financial statements.

| | | | | |
|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
|  |  |  |  |  |
| 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 ------(Rupees in '000)----- | 2024 |
|----------------------------------------------------------------------------------------------|------|-------------------------------------|-------------------------|
| 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 | | <u>3,778,112</u> | <u>2,947,012</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 | 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 @ 50% for the quarter ended March 31, 2025 | - | - | - | - | - | (750,000) | (750,000) |
| Interim dividend @ 50% for the quarter ended June 30, 2025 | - | - | - | - | - | (750,000) | (750,000) |
| Interim dividend @ 50% 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:

| | | | | |
|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
|  |  |  |  |  |
| Ahmed Naazer Minhaj President and Chief Executive Officer | M. Shoaib Shamim Chief Financial Officer | Rob Keijzers Chairman | M Kamran Shehzad Director | Misha 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) |
| Net cash flows generated from / (used in) operating activities | 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) | - |
| Net cash flows used in investing activities | (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) |
| Net cash flows used in financing activities | (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 | 2024 |
|---------------------------------------------------------------------|------|------------------|---------|
| ----- (Rupees in '000) ----- | | | |
| 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.

my

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 | 2024 |
|----------------------------|------|-----------------------------|---------|
| | | ------(Rupees in '000)----- | |
| 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 | 109,890 | 23,169 | 80,577 | 5,600 | 197,736 | - | 416,973 |
| 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 | 123,240 | 23,615 | 99,369 | 16,928 | 184,359 | 59,301 | 506,812 |
| 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 | 123,241 | 23,615 | 99,369 | 16,928 | 184,359 | 59,301 | 506,812 |
| Rate of depreciation (percentage) | 20% - 33.33% | 20% | 33% | 20% | 33% | 33% | |

| | 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 | 133,624 | 21,534 | 84,340 | 8,102 | 179,551 | - | 427,151 |
| 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 | 109,890 | 23,169 | 80,577 | 5,600 | 197,736 | - | 416,973 |
| 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 | 109,890 | 23,169 | 80,577 | 5,600 | 197,736 | - | 416,973 |
| Rate of depreciation (percentage) | 20% - 33.33% | 20% | 33% | 20% | 33% | - | |

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 |
| | ------(Rupees in '000)----- | | | | | | |
| | 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 |

| | 2025 | 2024 | |
|------------------------------------------|------------------------------|----------------|----------------|
| | ----- (Rupees in '000) ----- | | |
| 9. RIGHT-OF-USE ASSETS | | | |
| 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> | |
| | 2025 | | |
| 10. INTANGIBLE ASSETS | 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 |

| | | 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) | | |
| | <u>1,127,417</u> <u>1,127,417</u> Issued for cash | <u>1,127,417</u> | <u>1,127,417</u> |
| | <u>372,583</u> <u>372,583</u> Issued as bonus shares | <u>372,583</u> | <u>372,583</u> |
| | <u>1,500,000</u> <u>1,500,000</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> |

| | 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 |
| | 3,572 | 3,133 |

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 | 100 | 82 |

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> |
|--|----------------|----------------|

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 | 6,300 | 26,497 | 150,147 |
| Number of persons | 3 | 1 | 12 |
| 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 | 4,500 | 36,314 | 109,889 |
| Number of persons | 2 | 1 | 13 |

* 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) | <u>10,269,079</u> | <u>10,240,947</u> |
| Capital Adequacy Ratio (CAR): | | |
| Eligible Common Equity Tier 1 (CET 1) Capital | <u>8,676,795</u> | <u>8,532,934</u> |
| Eligible Additional Tier 1 (ADT 1) Capital | <u>-</u> | <u>-</u> |
| Total Eligible Tier 1 Capital | <u>8,676,795</u> | <u>8,532,934</u> |
| Eligible Tier 2 Capital | <u>193,778</u> | <u>167,914</u> |
| Total Eligible Capital (Tier 1 + Tier 2) | <u>8,870,573</u> | <u>8,700,848</u> |
| Risk Weighted Assets (RWAs): | | |
| Credit Risk | <u>38,649,626</u> | <u>28,385,897</u> |
| Operational Risk | <u>1,515,825</u> | <u>1,517,376</u> |
| Total | <u>40,165,450</u> | <u>29,903,273</u> |
| Common Equity Tier 1 Capital Adequacy ratio | <u>21.60%</u> | <u>28.54%</u> |
| Tier 1 Capital Adequacy Ratio | <u>22.09%</u> | <u>29.10%</u> |
| Total Capital Adequacy Ratio | <u>22.09%</u> | <u>29.10%</u> |

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).

| | Effective yield / interest rate % | 2025 | | | | |
|---------------------------------------------|-----------------------------------|----------------------------------|------------------|------------------------|----------------------------|-----------------------------|
| | | Exposed to yield / interest risk | | | | |
| | | 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> |

| | Effective yield/ interest rate % | 2024 | | | | |
|---------------------------------------------|----------------------------------|----------------------------------|------------------|------------------------|----------------------------|-----------------------------|
| | | Exposed to yield / interest risk | | | | |
| | | 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.

YH

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