

**NRSP MICROFINANCE BANK LIMITED**  
**CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
**AS AT MARCH 31, 2026**

	Note	(Unaudited) 31-Mar-26	(Audited) 31-Dec-25
-----Rupees in '000 -----			
<b>ASSETS</b>			
Cash and balances with treasury banks	8	6,289,832	8,037,386
Balances with other MFBs / Banks / NBFIs	9	2,640,724	2,800,733
Lendings to financial institutions	10	1,400,211	-
Investments	11	20,223,650	22,861,669
Advances	12	41,334,532	40,927,367
Property and equipment	13	549,155	565,269
Right-of-use assets	14	648,985	667,550
Intangible assets	15	20,581	23,039
Deferred tax assets	16	3,048,958	3,119,179
Other assets	17	2,753,356	2,610,273
		<b>78,909,983</b>	<b>81,612,465</b>
<b>LIABILITIES</b>			
Bills payable	18	77,338	46,524
Borrowings	19	13,650,507	16,072,935
Deposits and other accounts	20	51,610,626	52,261,714
Subordinated debt	22	2,509,061	2,487,428
Lease liabilities	21	937,801	951,819
Deferred grants	23	-	-
Deferred tax liabilities		-	-
Other liabilities	24	3,171,375	3,168,724
		<b>71,956,707</b>	<b>74,989,144</b>
<b>NET ASSETS</b>		<b>6,953,276</b>	<b>6,623,321</b>
<b>REPRESENTED BY</b>			
Share capital / head office capital account - net	26	4,498,383	3,498,383
Advance against future issue of right shares		-	1,000,000
Statutory and general reserves		1,591,021	1,512,143
Depositors' protection fund		691,519	656,430
Surplus/ (Deficit) on revaluation of assets	25	(83,023)	(3,217)
Unappropriated / Unremitted profit		255,376	(40,418)
		<b>6,953,276</b>	<b>6,623,321</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	27		

The annexed notes 1 to 44 and annexure I form an integral part of these financial statements.

_____ President/CEO	_____ Chief Financial Officer	_____ Director	_____ Director
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**NRSP MICROFINANCE BANK LIMITED**  
**CONDENSED PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2026**

	Note	Quarter Ended		Period Ended	
		31-Mar-26	31-Mar-25	Un-Audited 31-Mar-26	Audited 31-Mar-25
Rupees in '000					
Mark-up / Return / Interest earned	28	3,063,042	6,459,454	3,063,042	6,459,454
Mark-up / Return / Interest expensed	29	(1,067,844)	(4,742,040)	(1,067,844)	(4,742,040)
<b>Net mark-up / interest income</b>		<b>1,995,198</b>	<b>1,717,414</b>	<b>1,995,198</b>	<b>1,717,414</b>
<b>NON MARK-UP / INTEREST INCOME</b>					
Fee and commission income	30	33,614	29,968	33,614	29,968
Other income	31	5,498	1,158	5,498	1,158
Total non-markup / interest Income		39,112	31,126	39,112	31,126
Total income		2,034,309	1,748,540	2,034,309	1,748,540
<b>NON MARK-UP / INTEREST EXPENSES</b>					
Operating expenses	32	(966,950)	(1,022,422)	(966,950)	(1,022,422)
Workers welfare fund		-	-	-	-
Other charges	33	(110)	-	(110)	-
Total non-markup / interest expenses		(967,060)	(1,022,422)	(967,060)	(1,022,422)
<b>Profit / (Loss) before credit loss allowance</b>		<b>1,067,249</b>	<b>726,118</b>	<b>1,067,249</b>	<b>726,118</b>
Credit loss allowance and write offs - net	34	(522,239)	177,563	(522,239)	177,563
Other income / expense items (to be specified)		-	-	-	-
<b>PROFIT / (LOSS) BEFORE MINIMUM</b>		<b>545,010</b>	<b>903,681</b>	<b>545,010</b>	<b>903,681</b>
Minimum tax differential		(80,396)	(139,495)	(80,396)	(139,495)
<b>PROFIT / (LOSS) BEFORE TAXATION</b>		<b>464,614</b>	<b>764,186</b>	<b>464,614</b>	<b>764,186</b>
Taxation	35	(70,221)	(122,132)	(70,221)	(122,132)
<b>PROFIT / (LOSS) AFTER TAXATION</b>		<b>394,393</b>	<b>642,055</b>	<b>394,393</b>	<b>642,055</b>

The annexed notes 1 to 44 and annexure I form an integral part of these financial statements.

\_\_\_\_\_  
**President/CEO**

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**Chief Financial Officer**

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**Director**

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**Director**

**NRSP MICROFINANCE BANK LIMITED**  
**CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2026**

	<b>Period Ended</b>	
	<b>31-Mar-26</b>	<b>31-Mar-25</b>
	----- <b>(Rupees in '000)</b> -----	
<b>Profit / (Loss) after taxation for the period</b>	<b>394,393</b>	642,055
<b>Other comprehensive income</b>		
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>		
Opening Balances	<b>(3,217)</b>	28,558
Movement in (deficit) / surplus on revaluation of investments during the period	<b>(119,113)</b>	(83,713)
Related tax impact	<b>39,307</b>	27,625
Closing Balances	<b>(83,023)</b>	(27,530)
<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>		
Remeasurement gain / (loss) on defined benefit obligations during the period	-	-
Related tax impact	-	-
	-	-
<b>Total comprehensive income</b>	<b><u>314,587</u></b>	<b><u>585,967</u></b>

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**President/CEO**

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**Chief Financial Officer**

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**Director**

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**Director**

**NRSP MICROFINANCE BANK LIMITED**  
**CONDENSED STATEMENT OF CHANGE IN EQUITY (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2026**

	Capital Reserve				Revenue reserve		Total
	Share capital / head office capital account	Advance against issue of shares	Statutory reserve	Depositors' protection fund	Surplus/ (Deficit) on revaluation of financial assets at FVOCI	Unappropriated profit	
	-----Rupees in '000-----						
<b>Balance as at December 31,2024</b>	<b>1,498,372</b>	<b>1,304,296</b>	<b>1,242,975</b>	<b>533,542</b>	<b>28,558</b>	<b>(1,050,504)</b>	<b>3,557,239</b>
Profit/(Loss) after Taxation March 31,2025	-	-	-	-	-	642,055	642,055
Transfer to statutory reserve	-	-	128,411	-	-	(128,411)	-
Transfer to depositors' protection fund	-	-	-	32,103	-	(32,103)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	(56,088)	-	(56,088)
Other appropriations (to be specified)	-	-	-	13,173	-	-	13,173
Advance against issue of right shares	-	-	-	-	-	-	-
Right Share Issued against Share Deposit Money	-	-	-	-	-	-	-
<b>Balance as at March 31,2025</b>	<b>1,498,372</b>	<b>1,304,296</b>	<b>1,371,386</b>	<b>578,818</b>	<b>(27,530)</b>	<b>(568,963)</b>	<b>4,156,379</b>
Profit/(Loss) after Taxation December 31,2025	-	-	-	-	-	703,783	703,783
Other comprehensive income - net of tax	-	-	-	-	-	708	708
Transfer to statutory reserve	-	-	140,757	-	-	(140,757)	-
Transfer to depositors' protection fund	-	-	-	35,189	-	(35,189)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	24,313	-	24,313
Other appropriations (to be specified)	-	-	-	42,423	-	-	42,423
Advance against issue of right shares	-	1,695,715	-	-	-	-	1,695,715
Right Share Issued against Share Deposit Money	2,000,011	(2,000,011)	-	-	-	-	-
<b>Balance as at December 31,2025</b>	<b>3,498,383</b>	<b>1,000,000</b>	<b>1,512,143</b>	<b>656,430</b>	<b>(3,217)</b>	<b>(40,418)</b>	<b>6,623,321</b>
Profit/(Loss) after Taxation March 31,2026	-	-	-	-	-	394,393	394,393
Other comprehensive income - net of tax	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	78,879	-	-	(78,879)	-
Transfer to depositors' protection fund	-	-	-	19,720	-	(19,720)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	(79,806)	-	(79,806)
Other appropriations (to be specified)	-	-	-	15,370	-	-	15,370
Advance against issue of right shares	-	-	-	-	-	-	-
Right Share Issued against Share Deposit Money	1,000,000	(1,000,000)	-	-	-	-	-
<b>Closing Balance as at March 31,2026</b>	<b>4,498,383</b>	<b>-</b>	<b>1,591,021</b>	<b>691,519</b>	<b>(83,023)</b>	<b>255,376</b>	<b>6,953,277</b>

\_\_\_\_\_  
**President/CEO**

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**Chief Financial Officer**

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**Director**

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**Director**

**NRSP MICROFINANCE BANK LIMITED**  
**CONDENSED CASH FLOW STATEMENT (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH,31,2026**

	31-Mar-26	31-Mar-25
	Rupees in '000	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before taxation	545,010	903,681
Less:Dividend income	-	-
	<b>545,010</b>	<b>903,681</b>
<b>Adjustments:</b>		
Depreciation of Property, Plant and Equipments	26,001	22,956
Depreciation on right-of-use assets	36,108	33,803
Amortization of Intangibles	2,457	3,622
Interest Expense on Lease Liability against right-of-use assets	32,924	30,890
Loss/ (Gain) on sale / disposal of property and equipments	21	3,556
Gain on sale/ redemption of securities	(376,900)	(3,938,873)
Gain/Loss on Termination of Leased Agreements	(311)	(765)
Provision for gratuity and leave encashment	39,095	37,584
	<b>566,247</b>	<b>(3,803,181)</b>
<b>(Increase) / Decrease in operating assets</b>		
Loans and Advances	(1,127,694)	111,479
Others Assets (Excluding Assets against:Advance Taxation and Gratuity)	(267,061)	(97,602)
	<b>(1,394,755)</b>	<b>13,877</b>
<b>Increase / (Decrease) in operating liabilities</b>		
Bills Payable	30,814	(6,275)
Deposits	(651,088)	(2,210,504)
Other Liabilities (Excluding Liabilities against: Income Tax,WWF,Leave Encashment)	4,375	(379,284)
	<b>(615,900)</b>	<b>(2,596,063)</b>
<b>Payments against off-balance sheet obligations</b>		
Finance cost paid on lease obligation	(32,924)	(30,890)
Income tax paid	(139,880)	(99,677)
Gratuity and leave ensachment paid (including contributions)	(49,073)	(38,044)
	<b>(221,877)</b>	<b>(168,611)</b>
<b>Net cash flow from / (used in) operating activities</b>	<b>(1,121,275)</b>	<b>(5,650,297)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net Investments in amortised cost securities	(30,879)	1,985,129
Net Investments in FVOCI Securities	3,110,235	104,551,508
Investments in property and equipments	(27,430)	(80,919)
Interest income on depositors' protection fund	15,370	13,173
Proceeds from sale of property and equipment	21	206
Others (to be specified)	-	-
<b>Net cash flow from / (used in) investing activities</b>	<b>3,067,318</b>	<b>106,469,097</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payment of lease liability against right-of-use assets	(30,965)	(25,367)
Borrowings from financial institutions	(2,422,428)	(99,955,366)
Others (to be specified)	-	-
<b>Net cash flow from / (used in) financing activities</b>	<b>(2,453,393)</b>	<b>(99,980,733)</b>
<b>Increase/(Decrease) in cash and cash equivalents</b>	<b>(507,350)</b>	<b>838,068</b>
Cash and cash equivalents at beginning of the period	<b>10,838,119</b>	<b>12,931,707</b>
Cash and cash equivalents at end of the period	<b>10,330,769</b>	<b>13,769,775</b>

The annexed notes 1 to 37 form an integral part of these condensed interim financial statements.

\_\_\_\_\_  
President/Chief Executive

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Director

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Director

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Director

**NRSP MICROFINANCE BANK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED ON MARCH 31, 2026**

**1 STATUS AND NATURE OF BUSINESS**

NRSP Microfinance Bank Limited (the Bank) was incorporated in Pakistan on October 22, 2008 as a public limited company under the Companies Ordinance, 1984. The Bank obtained license from the State Bank of Pakistan (SBP) on February 18, 2009 to operate, on nationwide basis, as a microfinance bank under Microfinance Institutions Ordinance, 2001. Certificate of commencement of business was issued by the Securities and Exchange Commission of Pakistan (SECP) on February 8, 2011 and certificate of commencement of business from SBP was received on February 28, 2011.

The Bank was established to mobilize funds for providing microfinance banking and related services to low income and underserved segment of society for mitigating poverty through providing access to financial markets at micro level.

The Bank's registered office is situated at 7th Floor, UBL Tower, Jinnah Avenue, Blue Area, Islamabad and principal place of business is situated at Shalimar town, Shalimar Avenue, Rawalpindi. The Bank is operating 133 branches (2025: 133) as at the year end including 37 (2025: 37) Islamic branches.

National Rural Support Programme (NRSP) is holding company of the Bank which holds 91.14% (2025: 81.75%) shares of the Bank.

**1.1 CAPITAL ADEQUACY RATIO (CAR)**

Under the requirements of BPRD Circular No. 10 of June 3, 2015, the Bank is required to maintain the Capital Adequacy Ratio of at least 15% of its risk weighted assets, however, its CAR stood at 17.71% as at March 31, 2026 which is in compliance of minimum regulatory CAR threshold.

**2 BASIS OF PRESENTATION**

**2.1** These financial statements have been presented in accordance with the requirements of Banking Policy & Regulations Department (BPRD) Circular No. 03 of 2023 dated February 09, 2023 issued by the State Bank of Pakistan (SBP).

The financial results of the Islamic Microfinance Division (IMD) of the Bank have been consolidated in these financial statements for reporting purpose, after eliminating inter-branch transactions/balances. Key figures of the IMD, derived from the related accounting records of the Bank, are disclosed in Note 50 to these financial statements for disclosure purpose only to comply with the requirements of the license issued by the SBP to the Bank to commence Islamic microfinance operations. Further, the IMD results are to be separately reported upon for Shariah Compliance by the Shariah Advisor of the Bank as required by the SBP in conditions prescribed for the Bank to commence Islamic Microfinance operations.

**3 BASIS OF MEASUREMENT**

- a)** These financial statements have been prepared under the historical cost convention except for certain investments carried at fair value and recognition of certain staff retirement benefits, liabilities against assets subject to finance lease which are stated at present value.
- b)** These financial statements have been prepared in compliance with the format as prescribed under the Banking Policy & Regulations Department Circular No. 3 dated February 09, 2023 issued by the SBP. These financial statements have been presented in Pakistani Rupees, which is the functional and presentation currency of the Bank.

## **4 STATEMENT OF COMPLIANCE**

**4.1** These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for Banks/DFIs/MFIs. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS Standards) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) as are adopted by SBP;
- Provisions of and directives issued under the Companies Act, 2017 and the Microfinance Institutions Ordinance, 2001; and
- Directives issued by the State Bank of Pakistan (SBP), including Prudential Regulations of Microfinance Banks and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Microfinance Institution Ordinance, 2001, Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, the requirements of the Microfinance Institution Ordinance, 2001, the Companies Act, 2017 and the said directives shall prevail.

**4.2** State Bank of Pakistan (SBP) via circular no. 3 of 2022 dated 05 July 2022, decided to extend the implementation of IFRS 9 from January 01, 2022 to January 01, 2024 for Microfinance Banks (MFBs). Nevertheless, early adoption of the Standard is permissible under the instructions issued through the same circular. The Bank decided to adopt the IFRS 9 from January 01, 2024.

**4.3** The SBP has deferred the applicability of International Accounting Standard (IAS) 39 - 'Financial Instruments: Recognition and Measurement' and IAS 40 - 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of IAS 40 - 'Investment Property' and IFRS 7 - 'Financial Instruments: Disclosures' through its notification S.R.O 633(I)/2014 dated July 10, 2014. The IFRS 7 'Financial instruments disclosures' - Classification and measurement of financial instruments will be effective from January 01, 2026 Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

**4.4** In accordance with the implementation of IFRS 9 as per BPRD Circular Letter No. 16 of 2024, the Bank has adopted the Effective Interest Rate (EIR) method for recognizing interest income on financial assets starting from October 1, 2024. This method, which is in line with the requirements of IFRS 9, ensures that interest income is recognized in a manner that reflects the true economic return on financial assets over their respective terms. The Bank has updated its accounting policies to align with this approach, ensuring that the recognition of interest income on financial assets is consistent with the EIR method.

**4.5** During the period, the Agriculture Credit and Financial Inclusion Department of the State Bank of Pakistan (SBP), through Circular No. 01 dated May 16, 2025, issued revised Prudential Regulations (PRs) for microfinance banks. These revisions aim to align with the evolving business environment by consolidating previous circulars and introducing updated minimum benchmarks across key areas such as governance, operations, consumer protection, and risk management. The objective is to enhance financial stability and ensure the long-term sustainability of microfinance banks (MFBs). The bank is currently in non-compliance with the number of minimum independent director as per revised PRs.

## **5 STANDARDS, INTERPRETATIONS OF AND AMENDMENTS TO THE PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS THAT ARE EFFECTIVE IN THE CURRENT YEAR**

The following amendments are effective for the year ended December 31, 2025. These amendments are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's financial statements other than certain additional disclosures.

- Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' - Clarification on how entity accounts when there is long term lack of Exchangeability

## 6 STANDARDS, INTERPRETATIONS OF THE AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following standard and amendments are effective for accounting periods, beginning on or after the date mentioned against each of them. These amendments are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's financial statements other than certain additional disclosures.

	<b>Effective from Accounting period beginning on or after</b>
IFRS 7 - Financial Instruments: Disclosures	January 01, 2026
Annual Improvements to IFRS Accounting Standards (related to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7)	January 01, 2026
Amendments IFRS 9 'Financial Instruments' and IFRS 7 'Financial instruments disclosures' - Classification and measurement of financial instruments	January 01, 2026
Amendments IFRS 9 'Financial Instruments' and IFRS 7 'Financial instruments disclosures' - Contracts Referencing Nature-dependent Electricity	January 01, 2026
IFRS 17 – Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)	January 01, 2027
IFRS 18 - Presentation and Disclosures in Financial Statements	January 01, 2027
IFRS 19 - Subsidiaries without Public Accountability: Disclosures	January 01, 2027
Other than the aforesaid amendments, IASB has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:	
IFRS 1: First-time Adoption of International Financial Reporting Standards	
IFRS 18: Presentation and Disclosures in Financial Statements	
IFRS 19: Subsidiaries without Public Accountability: Disclosures	

The Bank expects that the adoption of the above standards will have no material effect on the Bank's financial statements, in the period of initial application.

## 7 MATERIAL ACCOUNTING POLICIES INFORMATION

### 7.1 Financial instruments – initial recognition

#### a) Date of recognition

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

#### b) Initial measurement of financial instruments

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

**c) Measurement categories of financial assets and liabilities**

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

- Amortized cost
- Fair value through Other comprehensive income (FVOCI), and
- Fair value through profit and loss (FVTPL)

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

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

**d) Financial assets and liabilities**

**Due from banks, Loans and advances to customers and investments**

The Bank measures Due from banks, Loans and advances to customers and Investments at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

***Business model assessment***

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Bank's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'best case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

**The SPPI test**

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

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de Minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

#### **e) Debt instruments at FVOCI**

The Bank applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset meet the SPPI test .

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

#### **f) Equity instruments at FVOCI**

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognized in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment

#### **g) Debt issued and other borrowed funds**

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

### **7.1.1 Derecognition of financial assets and liabilities**

#### **a) Derecognition for substantial modification of Financial assets**

The Bank derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

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

#### **b) Derecognition other than for substantial modification Financial assets**

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

#### **c) Financial liabilities**

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

#### **d) Reclassification of financial assets and liabilities**

When an entity changes its business model for managing financial assets, it must reclassify all affected financial assets. However, following changes in circumstances are not classification under this ambit;

- i) an item that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies such as;
- ii) an item becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and;
- iii) when an entity uses a credit derivative that is measured at fair value through profit or loss to manage the credit risk of all, or a part of, a financial instrument (credit exposure).

Financial liabilities are never reclassified

#### **7.1.2 Impairment of financial assets**

##### **a) Overview of the ECL principles**

The Bank records the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under IFRS 9.

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

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

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Other than DPDs, the management may assess certain portfolios on subjective basis as Non-performing

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

Stage 1:	When loans are first recognized, the Bank recognizes an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
Stage 2:	When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
Stage 3:	Loans considered credit-impaired . The bank records an allowance for the LTECLs
POCI:	Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected

##### **b) The calculation of ECLs**

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

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

**PD** The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio. The concept of PDs is further explained in credit risk management in note 7.1.3.

**LGD** The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral or credit enhancements that are integral to the loan. It is usually expressed as a percentage of the EAD. The LGD is further explained in credit risk management in note 7.1.3.

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

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

The mechanics of the ECL method are summarized below:

- |          |   |
|----------|---|
| Stage 1: | The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above. |
| Stage 2: | When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an   |
| Stage 3: | For loans considered credit-impaired, the Bank recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.   |
| POCI:    | POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognizes the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit-adjusted EIR.   |

**c) Debt instruments measured at fair value through OCI**

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

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

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

**e) Forward looking information**

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

- GDP growth
- Consumer price indices

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information about these inputs is explained in note 7.1.3

**f) Credit enhancements: collateral**

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as gold, vehicle, house etc. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of eligible collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a requirement basis.

Eligible collateral are those which has

- i) legal certainty and enforceability; and
- ii) history of forcibility and recovery.

The bank consider cash and cash equivalents, security deposit against ijarah and gold as eligible collaterals and EAD of relevant facilities are reduced by the amount of eligible collateral.

**g) Write-offs**

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

**h) ECL on government guaranteed credit exposure**

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

**i) Two track approach for stage 3 loans**

As per instructions issued by SBP, the bank used two track approach for ECL assessment on stage 3 loans. As per this approach the bank calculated provision /ECL both under Prudential Regulations (PRs) issued by SBP for microfinance banks and IFRS 9 and higher amount has been taken and final ECL.

**7.1.3 Credit risk management**

Credit risk arises from the potential that an obligor is either unwilling to perform on an obligation or its ability is impaired resulting in economic loss to the Bank. The Bank takes necessary measures to control such risk by monitoring credit exposures, limiting transactions with specific counter parties with increased likelihood of default and continually assessing the creditworthiness of counter parties.

**a) Definition of default and cure**

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations, advances to customers when the borrower becomes 90 days past due for general loans, 180 days past due for enterprise loans, 180 days for Agricultural and live stock and 180 days past dues for housing loans on its contractual payments. The Bank considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

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

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

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

## **b) PD estimation process**

### **Consumer lending**

The banks entire loans and advances portfolio consist of consumer lending. Consumer lending comprises agriculture, livestock, enterprise, general, gold, house and Islamic loans . The Bank does not have credit score card model for consumer landings, therefore, the Bank used delinquency (day past due) based model for estimation of PDs. Average monthly transitions to default of relevant delinquency states were converted into current 12 months point in time PDs using statistical models. The lifetime PD is developed by applying a maturity profile to the current 12 months PD. Data from January 01, 2019 till December 31, 2025 has been used for PD estimations.

### **Bank balances**

For bank balances and terms deposits, the Bank's credit risk department analyses publicly available information such as financial information and other external data, e.g., the rating of good rating agency. PDs of external ratings are sourced from studies of renounced credit agencies such as PACRA and VIS.

## **c) LGD estimation process**

The Bank segments its consumer lending products into smaller homogeneous segments, based on key characteristics that are relevant to the estimation of future cash flows. The bank calculate LGD of each segment based historical experiences of cash recoveries from defaults (including settlements), cost and time of recoveries. one year set back is maintained for calculation of LGD for defaults, which means parties which are classified as default till end of last year are taken in to the calculation of LGD. Effective interest rate or approximate there of has been used to discount recoveries to date of default.

Data from January 01, 2019 till date has been used for LGD estimations for the parties classified as default till March 31, 2025. For receivables from the banks and investments, the Bank used LGD percentages prescribed under Basel Foundation – Internal Rating Based (F-IRB) approach to determine ECL under BSD Circular No. 08 dated June 27, 2006 issued by SBP.

## **d) Forward looking information:**

IFRS 9 requires incorporating future economic conditions into the measurement of ECL. Future economic conditions are incorporated by adjusting estimates of PD to reflect expectations about the stage of economic cycle expected to be prevalent in the economy as-and-when default is expected to arise in the future. The macroeconomic factors were selected based on management judgement and analysis of historical default rates. GDP growth rate and CPI were considered to be the most suitable for the Bank's customers. The GDP and CPI forecast were sourced from World Bank which were used to determine forward looking Point in time PDs (Pit PDs).

## 7.2 Accounting for minimum taxes and final taxes

The guide was issued by Institute of Chartered Accountants of Pakistan (ICAP) in May 2024 '*IAS 12 Application Guidance on Accounting for Minimum taxes and Final taxes' (the guide)*.

In view of the clarifications from ICAP, it has been established that minimum tax and final taxes do not meet the criteria of income tax expense as per IAS 12 hence it should be accounted for under IFRIC 21 'Levies' and IAS 37 '*Provisions, Contingent Liabilities and Contingent Assets*'.

The guide issued by ICAP provides approaches to account for minimum and final regime taxes according to the facts and circumstances as applicable to the Company. Accordingly, the Company has adopted the following approach:

The Company designates the amount calculated on taxable income using the notified tax rate as an income tax within the scope of IAS 12 'Income Taxes' and recognises it as current income tax expense. Any excess over the amount designated as income tax, is then recognised as a levy falling under the scope of IFRIC 21 "Levies"/IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Therefore, the effective rate of income tax is equal to the enacted rate of income tax.

Similarly, any amount deducted as final taxes will be classified as a levy in the statement of profit or loss and there would be no deferred tax liability / (asset) recognised in case of final taxes.

Super tax charged to entities as per provisions of Income Tax Ordinance, 2001, will be classified as either 'Income Tax' or 'levy' in accordance with guide stated in preceding paragraphs of this guide [i.e. if super tax calculation is based on taxable profits as defined in IAS 12, then, such super tax shall be recognised as 'income tax' otherwise such super tax shall qualify for recognition as 'levy' as per IFRIC 21 / IAS 37].

Advance taxes paid under any section of the Income Tax Ordinance, 2001, except minimum taxes paid under section 113, which are termed as levy as per the above guide will be classified as 'prepaid assets'.

### 7.2.1 Levy

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- Those outflows of resources that are within the scope of other standards.
- Fines or other penalties that are imposed for breaches of the legislation.

In these financial statements, levy includes minimum taxes differential, if any, final taxes and super taxes which are based on other than taxable profits. The corresponding advance tax paid, except for minimum taxes under section 113, which are treated as levy are recognised in prepaid assets as 'prepaid levies'.

#### a) Revenue taxes

Revenue taxes includes amount representing excess of :

- a) minimum tax paid under section 113 over income tax determined on income streams taxable at general rate of taxation and;
- b) minimum tax withheld / collected / paid or computed over tax liability computed on (related income tax streams taxable at general rate of tax), is not adjustable against tax liability of subsequent tax years.

Amount over income tax determined on income streams taxable at general rate of taxation shall be treated as revenue taxes.

The company determines, based on expected future taxable profits, that excess paid under section 113 by the entity over and above its tax liability (on income stream(s) taxable at general rate of taxation) is expected to be realized in subsequent tax years, then, such excess shall be recorded as deferred tax asset adjustable against tax liability for subsequent tax years. This shall be recognized as 'deferred tax asset' for the reason that it represents unused tax credit as it can be adjusted only against tax liability (of subsequent tax years) arising on taxable income subject to general rate of taxation. Such an asset shall be subject to requirements contained in IAS 12 'Income Tax'.

## **b) Final Taxes**

Final taxes includes tax charged / withheld / paid on certain income streams under various provisions of Income Tax Ordinance, 2001 (Ordinance). Final tax is charged / computed under the Ordinance, without reference to income chargeable to tax at the general rate of tax and final tax computed / withheld or paid for a tax year is construed as final tax liability for the related stream of Income under the Ordinance.

Final tax paid is considered to be full and final discharge of the tax liability for the Company for a tax year related to that income stream.

### **7.2.2 Taxation / Revenue Taxes / Final Taxes**

#### **a) Current**

Provision for current taxation is based on taxable income at the enacted / corporate tax rate after taking into account tax credits and rebates available, if any, as per the Income Tax Ordinance, 2001.

#### **b) Deferred**

Deferred tax is provided using the liability method for all temporary differences at the reporting date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes after considering, the average effective rate of tax / enacted tax rate.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences and carried forward unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and

Deferred tax assets and liabilities are measured at enacted tax rate that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

### **7.3 Cash and cash equivalents**

Cash and cash equivalents represent cash in hand, balances held with State Bank of Pakistan (SBP) and National Bank of Pakistan (NBP), balances held with other banks/ Non-Banking Financial Institutions (NBFIs) / Microfinance Banks (MFBs) and call money lendings carried at cost.

### **7.4 Investment**

All purchases and sale of investments are recognized using settlement date accounting. Settlement date is the date on which investments are delivered to or by the Bank. All investments are derecognized when the right to receive economic benefits from the investments has expired or has been transferred or the Bank has transferred substantially all the risks and rewards of ownership.

Investments of the Bank are classified into the following categories:

#### **a) Fair Value Through Profit and Loss - FVPL**

These represent securities acquired with the intention to trade by taking advantage of short-term market / interest rate movements. These securities are disposed off within 90 days from the date of their acquisition. These are marked to market and fair value gain / (loss) arising on revaluation of 'FVPL' investments is taken to profit and loss account in accordance with the requirements prescribed by SBP.

#### **b) Amortized Cost**

Investments with fixed maturity, where management has both the intention and the ability to hold to maturity, are classified as held to maturity. Subsequent to initial recognition at cost, these investments are measured at amortized cost, less provision for impairment in value, if any. Amortized cost is calculated taking into account effective interest rate method. Profit on held to maturity investments is recognized on a time proportion basis taking into account the effective yield

Premium and discount on the acquisition of held-to-maturity investments are reflected in the cash flows and amortized over the remaining life of the investment.

**c) Fair Value Through Other Comprehensive Income- FVOCI**

Investments which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as FVOCI. FVOCI are initially recognized at cost and subsequently measured at fair value. FVOCI investments is recognized on a time proportion basis taking into account the effective yield on the investments.

The Surplus / (deficit) arising on revaluation of FVOCI investments is kept in "the Surplus / (deficit) on fair value of assets" through statement of comprehensive income. The Surplus / (deficit) arising on these investments is taken to profit and loss account, when actually realized upon disposal of the investment.

Impairment assessment of FVOCI investments is carried out as per the requirements of the Prudential Regulations and directives issued by SBP. T Bill, being a sovereign investment, are not considered for impairment under current applicable financial reporting framework.

**7.5 Lending to or borrowings from Financial Institutions**

The Bank enters into transactions of borrowing (re-purchase) from and lending (reverse re-purchase) to financial institutions, at contracted rates for a specified period of time. These are recorded as under:

**a) Sale under re-purchase agreements**

Securities sold subject to a re-purchase agreement are retained in the financial statements as investments and the counter party liability is included in the borrowings from financial institutions. The differential in sale and re-purchase value is recorded in markup expense on pro rata basis over the period of the contract.

**b) Purchase under resale agreements**

Securities purchased under agreement to resell (reverse re-purchase) are included in lendings to the financial institutions. The differential between the contracted price and resale price is accrued on pro rata basis over the period of the contract and recorded as markup income in profit and loss account.

Securities held as collateral are not recognized in the financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability under borrowings from financial institutions.

Lendings are stated net of provision. Return on such lending is accrued to the Profit and Loss Account on a time proportion basis except mark-up on impaired or delinquent lendings, which is recognized on receipt basis.

**7.6 Advances**

Advances are stated net of expected credit Losses. The outstanding principal and mark-up of the loans and advances under stage 3 are classified as non-performing loans (NPLs). The unrealized interest / profit / markup / service charges on NPLs is suspended and credited to interest suspense account.

The stage as per IFRS-9 is determined of every segment by on the basis of below DPDs.

<b>Classification</b>	<b>General Loans</b>	<b>Housing Loans</b>	<b>Micro enterprise Loans</b>	<b>Agricultural and live stock</b>
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**Objective classification/staging as per IFRS 9**

Stage 1	1 - 59	1 - 59	1 - 59	1 - 59
Stage 2	60 - 89	60 - 179	60 - 179	60 - 179
Stage 3	>= 90	>= 180	>= 180	>= 180

Other than above DPDs, the management may assess certain portfolios on subjective basis as Non-performing loans (NPL) or classify the portfolio to the higher stage.

Non-performing loans/advances are written off as per the following criteria:

<b>General loans:</b>	NPL shall be charged-off one month after being classified as "Loss".
<b>Housing loans:</b>	NPL shall be charged-off one month after 05 years from the date of classification of financing.
<b>Microenterprise loans:</b>	NPL secured against Mortgaged residential, commercial, and industrial properties (Land & Building only) shall be charged off, one month after 05 years from date of classification. All other NPLs shall be charged off one month after 03 years from the date of classification of financing.
<b>Agricultural and live stock:</b>	NPLs secured against Mortgaged residential, commercial and industrial properties (Land & building only) shall be charged off, one month after 05 years from the date of classification. All other NPLs shall be charged off, one month after 03 years from the date of classification.

Charge off shall in no way extinguish the MFB's right of recovery of such loans.

### 7.6.1 Islamic financing and related assets

#### a) Murabaha

Receivable under Murabaha financing represent cost price plus an agreed markup on sale arrangement. Markup income is recognized on straight line basis over the tenure of financing period.

#### b) Ijarah

Ijarah financing represent arrangements whereby the Bank (being the owner of assets) transfers its usufruct to its customers for an agreed period at an agreed consideration. Assets leased out under Ijarah are stated at cost less accumulated depreciation and accumulated impairment losses, if any. These assets are depreciated over the term of the Ijarah financing. Ijarah income is recognized on an accrual basis.

#### c) Diminishing Musharaka

Diminishing Musharaka (DM) is a form of co-ownership in which Bank and the customer share the ownership of a tangible asset in an agreed proportion and customer undertakes to buy in periodic installments the proportionate share of the Bank until the title to such tangible asset is completely transferred to the customer.

### 7.7 Operating fixed assets

#### a) Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any, and is transferred to the respective item of operating fixed assets when available for intended use.

#### b) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset and the costs of dismantling and removing the items and restoring the site on which they are located, if any. Property and equipment are recognized when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. Subsequent expenditure is capitalized only when it increases the future economic benefit embodied in the specific asset to which it relates. Carrying amount of the replaced component is derecognized. All other repair and maintenance are charged to profit and loss account.

Depreciation is charged on the straight line at rates specified in note 13.2 to the financial statements, so as to write off the cost of assets over their estimated useful lives. Depreciation is charged from the month when asset was available for use till month of disposal.

Gains and losses arising on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amounts of fixed asset. Net gain is recognized within other income while net loss is recognized in administrative expenses in the profit and loss account.

**c) Intangible assets**

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Bank and that the cost of such asset can also be measured reliably. These are stated at cost less accumulated amortization and impairment losses, if any.

Intangible assets comprise of computer software and related applications. Intangible assets are amortized over their estimated useful lives at rate specified in note 15.1 to the financial statements. Subsequent expenditure is capitalized only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is recognized in profit and loss account as incurred.

**d) Right-of-use assets and their related lease liability**

**Right of-use assets**

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

Right-of-use assets are subsequently stated at cost less any accumulated depreciation / accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed

Right-of-use assets are depreciated over their expected useful lives using the straight-line method. Depreciation on additions (new leases) is charged from the month in which the leases are entered into. No depreciation is charged in the month in which the leases mature or are terminated.

**Lease liability against right-of-use assets**

The lease liabilities are initially measured as the present value of the remaining lease payments, discounted using the Bank's incremental weighted average borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or change in lease terms. These remeasurements of lease liabilities are recognised as adjustments to the carrying amount of related right-of-use assets after the date of initial recognition.

Each lease payment is allocated between a reduction of the liability and a finance cost. The finance cost is charged to the profit and loss account as Finance cost over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

**e) Operating fixed assets / intangible assets / useful life**

Estimates of residual values and useful lives of operating fixed assets and intangible assets are reassessed annually and any change in estimate is taken into account in the determination of depreciation / amortization charge and impairment loss. Changes in estimates are accounted for over the estimated remaining useful life of the assets.

## 7.8 Impairment

### a) Non - financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is determined.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit and loss account. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss recognized in prior years is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been

### b) Financial Assets

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

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

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

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

## 7.9 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in the profit and loss account except to the extent that it relates to items recognized directly in equity or below equity/ other comprehensive income in which case it is recognized in equity or below equity/ other comprehensive income.

Management periodically evaluates positions taken in tax returns, with respect to situations in which applicable tax regulation is subject to legal interpretation and decisions of superior appellate fora, and accordingly establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities. Instances where the Bank's view differs from the view taken by the income tax department at the assessment stage, the amounts are shown as contingent liabilities.

## **Current**

Current tax is the tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, taking into account tax credits, rebates and tax losses, if any, and any adjustment to tax payable in respect of previous years.

## **Deferred**

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

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

### **7.10 Employee benefits**

The main features of the schemes operated by the Bank for its employees are as follows:

#### **a) Defined benefit plan**

##### **i) Employees' gratuity fund**

The Bank operates an approved funded gratuity fund for all its regular employees. The cost of providing benefits under the plan is determined using the projected unit credit actuarial valuation method. Estimate is made on the basis of expected period of service of employees, expected increase in salary, discount rate and other demographic assumptions. Six or more months of service is counted as one full year. Qualifying service period is two years. Gratuity is paid to employee upon leaving the bank's service and is calculated on basis of last drawn gross salary multiplied with numbers of years of service with the bank.

The most recent valuation for defined benefit plan was carried out as at December 31, 2025 by an independent actuary using the projected unit credit method. Actuarial gains and losses arising due to changes in defined benefit obligations are recognized immediately in other comprehensive income in order for the net asset or liability recognized in the balance sheet to reflect the full value of plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets is calculated by applying the discount rate to the net defined benefit liability or asset.

##### **ii) Accumulated compensated absences**

The Bank provides compensated absences to all its regular employees who are entitled to accumulate the unutilized privilege leaves up to 90 days (2024: 90 days). Provision for expected cost of accumulated compensated absences is charged to profit and loss account on the basis of actuarial valuations. The most recent valuation for defined benefit plan was carried out as at December 31, 2025 by an independent actuary using the projected unit credit method.

#### **b) Defined contribution plan**

The Bank operates an approved defined contribution provident fund for all permanent employees. Equal monthly contributions at the rate of 10% of basic salary are made by the employees and by the Bank to the fund.

## 7.11 Reserves

### a) Statutory reserve

In compliance with the Regulations, the Bank is required to maintain a statutory reserve to which an appropriation equivalent to 20% of the profit after tax is to be made till such time the reserve fund equals the paid up capital of the Bank. Thereafter, the contribution is to be reduced to 5% of the annual profit after tax.

### b) Depositors' protection fund (DPF)

The Bank is required under the Microfinance Institutions Ordinance, 2001 to contribute 5% of annual after tax profit to DPF. Further, profits earned on investments of the fund are credited to DPF for the purpose of providing security or guarantee to specified persons for depositing money in the bank.

### c) Cash reserve

In compliance with the related regulatory requirements, the Bank is required to maintain a cash reserve equivalent to not less than 3% of its deposits (including demand deposits and time deposits with tenor of less than 1 year) in a current account opened with the State Bank or its agent, subject to a daily minimum requirement of 2%.

### d) Statutory liquidity requirement

In compliance with the related regulatory requirements, the Bank is required to maintain liquidity equivalent to at least 12% of its total demand liabilities and time liabilities with tenor of less than one year in form of liquid assets i.e. cash, gold, unencumbered treasury bills, Pakistan Investment Bonds and Government of Pakistan Sukuk bonds. Treasury bills and Pakistan Investment Bonds held under Depositor Protection Fund are excluded for the purpose of determining liquidity.

## 7.12 Grants

Grants that compensate the Bank for the cost of an asset are initially recognized in the balance sheet as deferred income when grant is received or there is reasonable assurance that it will be received and that the Bank will comply with the conditions attached to it and are charged to the profit and loss account as other operating income on a systematic basis over the useful life of the asset. Grants that compensate the Bank for expenses are initially recognized as deferred income or receivable, depending upon the nature of grant arrangement and are recognized as income in the profit and loss account on a systematic basis in the same period in which the related expenses are incurred.

## 7.13 Earnings per share

The Bank presents earnings per share (EPS) for its ordinary shares which is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares. Dilutive earning per share is disclosed in note 38 to these financial

## 7.14 Revenue recognition

### a) Markup / return / interest earned on advances

Markup / income / return / service charges on advances is recognized on accrual / time proportion basis using effective interest rate method. Markup/ income on advances is collected with loan instalments. Due but unpaid service charges / income are accrued on outstanding advances for period up to specified days for each category as set out in below table. After these specified days, overdue advances are classified as non-performing / under- performing and recognition of unpaid service charges / income ceases. Further, accrued markup on non-performing advances are reversed and credited to suspense account. Subsequently, markup recoverable on non-performing / under- performing advances is recognized in profit and loss account on a receipt basis in accordance with the requirements of the Regulations.

<b>Classification</b>	<b>DPD Criteria</b>			
<b>Days passed due based classification (DPD)</b>				
	<b>General Loans</b>	<b>House Loans</b>	<b>Enterprise Loans</b>	<b>Agricultural and live stock</b>
Substandard	90 - 179	180 - 364	180 - 364	
Doubtful		365 - 729	365 - 544	180-364
Loss	180 - 209	730-2034	545 - 1304	365-1304
Write Off	=>210	=>2035	=>1305	=>1305
<b>Suspension Percentage</b>				
	<b>General Loans</b>	<b>House Loans</b>	<b>Enterprise Loans</b>	<b>Agricultural and live stock</b>
Substandard	100%	100%	100%	
Doubtful		100%	100%	100%
Loss	100%	100%	100%	100%
Write Off	100%	100%	100%	100%

**b) Income from investments**

Markup / income on investments is recognized on accrual / time proportion basis or the effective interest method where applicable. Where debt securities are purchased at premium and discount on the acquisition of amortized cost investments are reflected in the cash flows and amortized over the remaining life of the investment through the Effective Interest Rate (EIR).

**c) Fee, commission and brokerage income**

Fee, commission and brokerage income is recognized in the profit and loss account to the extent of services rendered. Any advance payments received from customers for which services are yet to be rendered by the Bank, are recognized as contract liability in the financial statements.

**d) Income on inter bank deposits**

Income from inter bank deposits in saving accounts is recognized in the profit and loss account as it accrues using the effective interest method.

**e) Dividend income**

Dividend income is recognized when the Bank's right to receive the dividend is established.

**f) Gain / loss on sale of operating fixed assets**

Gain on sale of operating fixed assets are recognized under other income in the profit and loss account. Loss on sale of operating fixed assets are recognized under administrative expenses in the profit and loss account.

**g) Gain / loss on sale of investments**

Gains and losses on sale of investments are recognized in the profit and loss account.

**7.15 Borrowing costs**

Borrowing costs are recognized as an expense in the period in which they are incurred except where such costs relate to the acquisition, construction or production of a qualifying asset in which case such costs are capitalized as part of the cost of that asset. Borrowing cost includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.

**7.16 Off-setting**

Financial assets and financial liabilities and tax assets and tax liabilities are only off-set and the net amount is reported in the financial statements when there is a legally enforceable right to set off the recognized amount and the Bank intends either to settle on net basis or to realize the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

**7.17 Foreign currencies translation**

The financial statements are presented in Pakistani Rupee, which is the Bank's functional currency. Transactions in foreign currencies are translated into Pak Rupee at exchange rate on the date of transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupee at the rate of exchange approximating those ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss

**7.18 Provisions**

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

**7.19 Contract liability**

The contract liabilities of the Bank comprises of advance payments received from customers in respect of which services are yet to be rendered by the Bank.

**7.20 Inventory**

Inventory consists of printed cards and other stationary. Inventory is valued at the lower of cost and net realizable value less allowance for obsolete items. Cost is determined on the weighted average basis and comprises cost of purchases and other costs incurred in bringing the inventories to their present location and condition.

	31-Mar-26	Audited 31-Dec-25
	Rupees in '000	
<b>8 CASH AND BALANCES WITH TREASURY BANKS</b>		
In hand - Local currency	691,794	760,565
Balance With State Bank of Pakistan in		
Local currency current account	1,247,098	4,695,811
Local currency deposit account	-	-
	<b>1,247,098</b>	<b>4,695,811</b>
Balance With National Bank of Pakistan in		
Local currency current account	40,508	43,514
Local currency deposit account (to be specified)	4,282,891	2,521,265
	<b>4,323,399</b>	<b>2,564,778</b>
Accrued Markup on Balances With NBP	27,541	16,233
Less: Credit loss allowance	-	-
<b>Total</b>	<b>6,289,832</b>	<b>8,037,386</b>

**8.1** This represents balance maintained with State Bank of Pakistan (SBP) in a current account to comply with the requirement of Prudential Regulations for Microfinance Banks to maintain minimum balance equivalent to 3% (December 31, 2025: 3%) of the Bank's demand deposits and time deposits with tenor of less than one year.

**8.2** These represent deposits with National Bank of Pakistan payable on demand carrying mark-up/profit ranging from 5% to 10% (2025: 5% to 11.5%) per annum.

	31-Mar-26	Audited 31-Dec-25
	Rupees in '000	
<b>9 BALANCES WITH OTHER MFBs/BANKs/NBFIs</b>		
- In current account	60,073	65,413
- In deposit account	2,564,657	2,694,397
- In Fixed accounts	-	-
	2,624,730	2,759,809
Accrued Markup	16,051	40,980
Less: Credit Loss Allowance	(57)	(57)
	<b>2,640,724</b>	<b>2,800,733</b>

**9.1** These represent deposits with commercial banks, Islamic banks and Microfinance Banks payable on demand maintained in current account.

**9.2** These represent deposits with commercial banks, Islamic banks and Microfinance Banks payable on demand carrying mark-up/profit ranging from 5% to 10.25% (2025: 5% to 13.5%) per annum.

**9.3** Fixed deposits represent an amount Nill (2025: Nill) that carries mark-up/profit rate Nill (2025: Nill).

	Un-Audited 31-Mar-26	Audited 31-Dec-25
<b>10 LENDINGS TO FINANCIAL INSTITUTIONS</b>		
Call / clean money lendings	1,400,000	-
Reverse repo agreements	-	-
Income / mark-up accrued on Lending to FIs	211	-
	1,400,211	-
Less: Credit loss allowance	-	-
<b>10.1</b>	<b>1,400,211</b>	<b>-</b>

**10.1** These represents call money lending balances with Current markup/profit rate ranging from 10.90% to 11.10% (2025: nill). ECL is not recorded as these are 100% secured against eligible collaterals.

11	INVESTMENTS	Un-Audited				Audited			
		31-Mar-26				31-Dec-25			
		Fair Value / Amortised cost	Credit Loss Allowance	Surplus / (Deficit)	Carrying Value	Fair Value / Amortised cost	Credit Loss Allowance	Surplus / (Deficit)	Carrying Value
11.1	<b>INVESTMENTS BY TYPE:</b>								
	<b>Classified as Amortised Cost</b>								
	Pakistan Investment Bonds (PIBs)	-		-	-	-	-	-	-
11.1.1	Market Treasury Bills (MTBs)	1,098,024		-	1,098,024	1,070,094	-	-	1,070,094
11.1.2	Ijarah Sukuks	991,437		-	991,437	967,002	-	-	967,002
		<b>2,089,461</b>	-	-	<b>2,089,461</b>	2,037,096	-	-	2,037,096
	<b>Classified as FVOCI</b>								
	Pakistan Investment Bonds (PIBs)	-		-	-	-	-	-	-
11.1.3	Market Treasury Bills (MTBs)	15,951,065		(70,558)	15,880,506	18,614,343	-	1,414	18,615,756
11.1.4	Ijarah Sukuks	2,267,732		(14,049)	2,253,683	2,215,032	-	(6,215)	2,208,817
		<b>18,218,797</b>	-	<b>(84,608)</b>	<b>18,134,189</b>	20,829,375	-	(4,802)	20,824,573
	<b>Total Investments</b>	<b>20,308,257</b>	-	<b>(84,608)</b>	<b>20,223,650</b>	22,866,471	-	(4,802)	22,861,670

11.1.1 These include securities held in Held-to-maturity T-Bills carrying mark-up/profit ranging from 10.71% to 11.20% (2025: 10.71% to 11.20%) per annum

11.1.2 Ijarah Sukuk securities held in Held-to-maturity carry mark up at the rate of 10.42% to 10.77% (2025: 10.42% to 10.77%) per annum.

11.1.3 These include securities held in Available-for Sale T-Bills carrying mark-up/profit ranging from 10.24% to 11.92% (2025: 10.35% to 11.92%) per annum.

11.1.4 Ijarah Sukuk securities held in Available-for-Sale carry mark up at the rate of 10.72% to 10.87% (2025: 10.72% to 10.87%) per annum.

11.2 Investments - Particulars of credit loss allowance

11.2.1	Investments - Exposure	IFRS 9 classification				IFRS 9 classification			
		31-Mar-26				31-Dec-25			
		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
		Rupees in '000				Rupees in '000			
	<b>Gross carrying amount</b>	<b>22,866,471</b>	-	-	<b>22,866,471</b>	120,068,354	-	-	120,068,354
	New Investments	9,279,208	-	-	9,279,208	27,103,359	-	-	27,103,359
	Investments derecognised or repaid	(12,047,981)	-	-	(12,047,981)	(111,155,751)	-	-	(111,155,751)
	Transfer between Stages	-	-	-	-	-	-	-	-
		<b>(2,768,773)</b>	-	-	<b>(2,768,773)</b>	(84,052,392)	-	-	(84,052,392)
	Amounts written off / charged off	-	-	-	-	-	-	-	-
	Change in exposure	210,559	-	-	210,559	(13,149,491)	-	-	(13,149,491)
	<b>Closing balance</b>	<b>20,308,257</b>	-	-	<b>20,308,257</b>	22,866,471	-	-	22,866,471

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

11.2.2 Investments given as collateral

	31-Dec-25	31-Dec-24
	Rupees in '000'	
Pakistan Investment Bond (PIBs)	-	-
Market Treasury Bills (MTBs)	7,458,000	7,458,000
Ijarah Sukuks	-	-

12 Loans and Advances

	Performing				Non-Performing		Total	Total
	Stage 1		Stage 2		Stage 3			
	31-Mar-26	31-Dec-25	31-Mar-26	31-Dec-25	31-Mar-26	31-Dec-25	31-Mar-26	31-Dec-25
<b>Micro Credits-CMD</b>								
Secured	22,516,480	21,687,785	87,188	46,496	60,712	40,873	22,664,380	21,775,154
Unsecured	725,162	746,583	1,338,432	1,514,321	5,393,621	5,381,208	7,457,215	7,642,112
Income/Markup Accrued	2,095,252	1,862,566	66,586	58,323	-	-	2,161,838	1,920,889
<b>Islamic financing</b>								
Secured	7,638,428	7,793,509	411,590	119,182	534,671	484,861	8,584,689	8,397,552
Unsecured	371,012	537,661	54,046	28,329	240,323	252,054	665,381	818,044
Income/Markup Accrued	2,731,078	2,782,498	93,382	37,318	-	-	2,824,460	2,819,816
Fair value / EIR impact	(133,352)	(133,352)	(61,763)	(61,763)	(171,696)	(171,696)	(366,811)	(366,811)
<b>Advances - Gross</b>	<b>35,944,059</b>	<b>35,277,250</b>	<b>1,989,461</b>	<b>1,742,205</b>	<b>6,057,631</b>	<b>5,987,300</b>	<b>43,991,151</b>	<b>43,006,756</b>
<b>Less: Credit Loss Allowance against Advances</b>								
- Stage 1	(30,085)	(17,105)	-	-	-	-	(30,085)	(17,105)
- Stage 2	-	-	(114,298)	(118,460)	-	-	(114,298)	(118,460)
- Stage 3	-	-	-	-	(2,512,237)	(1,943,824)	(2,512,237)	(1,943,824)
	(30,085)	(17,105)	(114,298)	(118,460)	(2,512,237)	(1,943,824)	(2,656,619)	(2,079,389)
<b>Advances - Net of Credit Loss Allowance</b>	<b>35,913,974</b>	<b>35,260,145</b>	<b>1,875,164</b>	<b>1,623,746</b>	<b>3,545,394</b>	<b>4,043,476</b>	<b>41,334,532</b>	<b>40,927,367</b>

12.1 Particular of Advances Exposure

	31-Mar-26				31-Dec-25			
	IFRS-9 Classification				IFRS-9 Classification			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	Rupees in '000				Rupees in '000			
<b>Gross Carrying Amount-Opening</b>	<b>35,277,250</b>	<b>1,742,205</b>	<b>5,987,300</b>	<b>43,006,756</b>	<b>36,414,628</b>	<b>676,770</b>	<b>1,018,523</b>	<b>38,109,921</b>
New advances at Stage:-	9,401,501	-	-	9,401,501	38,204,671	-	-	38,204,671
Advances derecognised or repaid from Stage:-	(7,283,819)	(455,299)	(928,892)	(8,668,009)	(27,764,367)	(318,109)	(281,971)	(28,364,447)
Transfer to stage 1	44	-	(44)	-	78,893	(17,737)	(61,156)	-
Transfer to stage 2	(540,306)	540,411	(105)	-	(368,699)	436,862	(68,163)	-
Transfer to stage 3	(92,826)	(172,237)	265,063	-	(1,173,415)	(73,056)	1,246,471	-
	1,484,594	(87,124)	(663,978)	733,492	8,977,083	27,960	835,181	9,840,224
Amounts Written off / Charged off	(12,932)	(19,988)	(110,378)	(143,299)	(364,196)	(68,671)	(364,548)	(797,415)
Changes [increase/(decrease)] in exposure	(804,854)	354,368	844,687	394,202	(9,750,265)	1,106,146	4,498,144	(4,145,974)
<b>Closing balance</b>	<b>35,944,059</b>	<b>1,989,461</b>	<b>6,057,631</b>	<b>43,991,151</b>	<b>35,277,250</b>	<b>1,742,205</b>	<b>5,987,300</b>	<b>43,006,756</b>

12.2 Particulars of Credit Loss Allowance

	31-Mar-26				31-Dec-25			
	IFRS-9 Classification				IFRS-9 Classification			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	Rupees in '000				Rupees in '000			
<b>Gross Carrying Amount-Opening</b>	<b>17,105</b>	<b>118,460</b>	<b>1,943,824</b>	<b>2,079,389</b>	<b>180,876</b>	<b>139,669</b>	<b>619,052</b>	<b>939,597</b>
New advances	304,001	-	-	304,001	1,301,325	-	-	1,301,325
Advances derecognised or repaid	(1,750)	(11,908)	(350,917)	(364,575)	(98,714)	(116,826)	(368,275)	(583,815)
Transfer to Stage 1	20	-	(20)	-	20,034	(5,013)	(15,021)	-
Transfer to Stage 2	(3,799)	3,805	(6)	-	(32,584)	40,238	(7,654)	-
Transfer to Stage 3	(60,771)	(110,798)	171,569	-	(407,675)	(38,434)	s	(446,109)
	237,701	(118,901)	(179,374)	(60,574)	782,386	(120,035)	(390,950)	271,401
Amounts written off/charged Off	(12,932)	(19,988)	(110,378)	(143,299)	(364,196)	(68,671)	(364,548)	(797,415)
Changes [increase/(decrease)] in exposure	(211,789)	134,727	858,166	781,103	(581,961)	167,497	2,080,270	1,665,806
<b>Closing balance</b>	<b>30,085</b>	<b>114,298</b>	<b>2,512,237</b>	<b>2,656,619</b>	<b>17,105</b>	<b>118,460</b>	<b>1,943,824</b>	<b>2,079,389</b>

12.3 Credit Loss Allowance Breakup	31-Mar-26				31-Dec-25			
	IFRS-9 Classification				IFRS-9 Classification			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	Rupees in '000							
Credit Loss Related to Stages	237,701	(118,901)	(179,374)	(60,574)	782,386	(120,035)	(390,950)	271,401
Credit Loss Related to Changes in Exposure	(211,789)	134,727	858,166	781,103	(581,961)	167,497	2,080,270	1,665,806
<b>Total Allowance</b>	<b>25,911</b>	<b>15,826</b>	<b>678,792</b>	<b>720,529</b>	<b>200,425</b>	<b>47,462</b>	<b>1,689,320</b>	<b>1,937,207</b>

12.4 Advances and Related Credit Loss Allowance	31-Mar-26				31-Dec-25			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	Rupees in '000							
<b>Outstanding Gross Exposure</b>								
<b>Performing - Stage 1</b>								
NORM	34,892,878	-	-	34,892,878	34,319,328	-	-	34,319,328
WTCH	1,184,532	-	-	1,184,532	1,091,274	-	-	1,091,274
<b>Under Performing-Stage 2</b>								
WTCH	-	624,946	-	624,946	-	191,643	-	191,643
SUBJECTIVE CLASSIFIED	-	1,426,279	-	1,426,279	-	1,612,326	-	1,612,326
<b>Non- Performing-Stage-3</b>								
SUBS	-	-	633,770	633,770	-	-	355,146	355,146
DBFL	-	-	284,901	284,901	-	-	237,671	237,671
LOSS	-	-	394,959	394,959	-	-	201,653	201,653
SUBJECTIVE CLASSIFIED	-	-	4,915,696	4,915,696	-	-	5,364,527	5,364,527
Fair value / EIR impact	(133,352)	(61,763)	(171,696)	(366,811)	(133,352)	(61,763)	(171,696)	(366,811)
<b>Total</b>	<b>35,944,059</b>	<b>1,989,461</b>	<b>6,057,631</b>	<b>43,991,151</b>	<b>35,277,250</b>	<b>1,742,206</b>	<b>5,987,301</b>	<b>43,006,756</b>
<b>Corresponding Credit Loss Allowance/Provisions</b>								
Stage 1	(30,085)	-	-	(30,085)	17,105	-	-	17,105
Stage 2	-	(114,298)	-	(114,298)	-	118,460	-	118,460
Stage 3	-	-	(2,512,237)	(2,512,237)	-	-	1,943,824	1,943,824
	<b>(30,085)</b>	<b>(114,298)</b>	<b>(2,512,237)</b>	<b>(2,656,619)</b>	<b>17,105</b>	<b>118,460</b>	<b>1,943,824</b>	<b>(2,079,389)</b>

12.5 Particulars of write offs / charge offs:	Note	31-Mar-26	31-Dec-25
		Rupees in '000'	
Against credit loss allowance		143,299	797,415
Directly charged to profit & loss account		-	-
		<b>143,299</b>	<b>797,415</b>

12.6 Fair value/ EIR impact	31-Mar-26	31-Dec-25
	Rupees in '000'	
Opening	227,918	448,528
Recognised during the year	-	571,426
Unwinding during the year	-	(792,036)
<b>Total fair value impact</b>	<b>227,918</b>	<b>227,918</b>
Loan processing fee	138,893	138,893
<b>Closing</b>	<b>366,811</b>	<b>366,811</b>

12.7 SBP, through letter BSD-2/MFB/NRSP/1045423/2025 dated November 28, 2025, allowed the Bank to stagger the additional ECL allowance of Rs. 2,327.824 million, arising mainly from restructured loans, over five quarterly periods beginning with the quarter ending December 31, 2025. The approval was granted subject to the following conditions:

- The parent entity injects Rs. 1,000 million as additional equity before December 31, 2025; and
- The Bank maintains the Minimum Capital Adequacy Requirement throughout the entire staggering period.

Being compliant with the above conditions, the parent company injected additional equity amounting to Rs. 1,000 million prior to December 31, 2025. Consequently, the Bank recognized additional Expected Credit Losses (ECL) of Rs. 932 million as at the quarter ended March 31, 2026. After incorporating the impact of this additional ECL, the Bank remains compliant with the prescribed Capital Adequacy Ratio (CAR), which stands at 17.71%.

13 PROPERTY AND EQUIPMENT		31-Mar-26	31-Dec-25
		Un-audited	Audited
		Rupees in '000	
Capital work-in-progress	13.1	2,760	2,167
Property and equipment		546,395	563,102
		<b>549,155</b>	<b>565,269</b>
Freehold land		253,420	253,420
Computer equipment		107,735	119,409
Furniture and fixture		156,349	159,970
Office equipment		22,550	23,470
Vehicles-Owned		6,341	6,833
Vehicles-Leased		-	-

### 13 Capital work-in-progress

Civil Works		2,760	2,167
Civil Works		2,760	2,167
Equipment		-	-
Advances to suppliers		-	-

11.1. The Note 11.2 and 11.3 would be disclosed only, if there is / are significant addition(s) and disposal(s) of property and equipment during the quarter

13 Additions to property and equipment	Note	31-Mar-26	31-Dec-25
		Rupees in '000	
The following additions have been made to property and equipment during the period:			
Capital work-in-progress			
Furniture and fixture		7,492	29,283
Office equipment		741	19,880
Computer equipment		2,006	49,484
Vehicles-Owned		210	672
		<b>10,448</b>	<b>99,319</b>
<b>Total</b>		<b>10,448</b>	<b>99,319</b>

13 Disposal of Property and Equipment	31-Mar-26	31-Dec-25
	Rupees in '000	
The net book value of property and equipment disposed off during the period is as follows:		
Furniture and fixture	-	4,770
Office equipment	-	3
Computer equipment	-	260
Vehicles-Owned	-	98
<b>Total</b>	<b>-</b>	<b>5,131</b>

## 14 RIGHT-OF-USE ASSETS

	Buidlings	Equipments	Vehicles	Total
----- Rupees '000 -----				
<b>Current period</b>				
At January 1,2026				
Cost	1,219,187	42,942	-	1,262,129
Accumulated Depreciation	(581,695)	(12,883)	-	(594,578)
Net Carrying amount at January 1,2026	637,491	30,059	-	667,551
Additions during the period	20,594	-	-	20,594
Cost of Deletions during the period	(3,052)	-	-	(3,052)
Accumulated Depreciation of Deletions during the period				
Depreciation Charge for the period	(33,961)	(2,147)	-	(36,108)
Net Carrying amount at March 31, 2026	621,072	27,912	-	648,985
<b>Prior period</b>				
At January 1,2025				
Cost	1,063,407	42,942	97,497	1,203,846
Accumulated Depreciation	(478,880)	(4,697)	(97,497)	(581,074)
Net Carrying amount at January 1,2025	584,527	38,245	-	622,772
Additions during the period	169,686	-	-	169,686
Cost of Deletions during the period*	(13,907)	-	(97,497)	(111,404)
Accumulated Depreciation of Deletions during the period**	9,224	-	97,497	106,721
Depreciation Charge for the period	(112,039)	(8,185)	-	(120,225)
Net Carrying amount at December 31, 2025	637,491	30,059	-	667,550

\* This represents the Cost of leased vehicles amounting Rs.97.5 million reclassify to Property and equipments

\*\* This represents the accumulated deprociation of leased vehicles amounting Rs.97.5 million reclassify to Property and equipments.

	31-Mar-26 (Un-audited)	31-Dec-25 (Audited)
<b>15 INTANGIBLE ASSETS</b>		
Software under development	3,027	3,027
Computer software	17,555	20,012
<b>Total</b>	<b>20,581</b>	<b>23,039</b>
<b>15.1 Additions to Intangible Assets</b>		
The following additions have been made to intangible assets during the period:		
Directly purchased	-	4,532
	-	4,532

## 16 DEFERRED TAX ASSETS

Bank recognise deferred tax asset only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Based on financial projections for future years, approved by the Board, the management believes that, the Bank will be able to realize the deferred tax asset. The preparation of projections involves management's assumptions regarding future business and economic conditions and therefore any significant change in such assumptions or actual outcome that is different from assumptions may have an effect on the recoverability of the deferred tax asset in future.

	31-Mar-26 (Un-audited)	31-Dec-25 (Audited)
<b>Deferred tax asset arising on account of</b>		
<b>Deductible temporary differences on</b>		
Tax losses carried forward	943,129	1,339,512
Post retirement employee benefits	24,756	67,732
Fair value adjustment	42,055	42,055
Accelerated tax depreciation	13,250	9,766
Amortization on intangible assets	350	232
Credit loss allowance against advances, off balance sheet etc.	980,347	765,657
Lease liability	95,309	314,100
Minimum Tax under 113 & ACT under section 113 C	975,565	852,370
Deficit on revaluation of investments	4,636	1,585
Others (to be specified if material )	-	-
	<b>3,079,397</b>	<b>3,393,009</b>
<b>Deferred tax liability arising on account of</b>		
<b>taxable temporary differences on:</b>		
Accelerated tax depreciation	-	(220,292)
Un-realised mark-up on Government Securities	(30,439)	(13,855)
Receivable from Employees' gratuity fund	-	(39,683)
	<b>3,048,958</b>	<b>3,119,179</b>

## 17 OTHER ASSETS

Advances, deposits, advance rent and other prepayments	77,030	75,967
Advance Income Tax	355,631	296,147
Advance Sales Tax/FED	197,822	187,970
Branch Adjustment Account-Net	95,279	-
Insurance claims receivables	250,562	242,565
Write off and loss claim Receivable from SBP	516,146	519,279
Markup Subsidy Receivable from SBP	1,235,512	1,157,765
Bills for Collection	-	42,049
Receivable from Employees' Gratuity Fund	128,506	120,252
Stock-in Hand	32,386	32,098
Receivable from branchless banking agent	72,658	72,658
Staff Loans	81,280	84,261
Staff Personal advances	8,155	5,613
Staff Operational advances	1,956	1,894
Receivable from KfW against Grant	5,000	5,000
Others (to be specified, if material)	22,541	7,537
<b>Total Other Assets</b>	<b>3,080,463</b>	<b>2,851,055</b>
Less: Credit loss allowance held against Advance Sales Taxes/FED	(12,979)	(12,979)
Less: Credit loss allowance held against Other Assets	(314,128)	(227,803)
<b>Total Other Assets - Net of Credit Loss Allowance</b>	<b>2,753,356</b>	<b>2,610,273</b>

18	<b>BILLS PAYABLE</b>	<b>Un-Audited</b>	<b>Audited</b>
		<b>31-Mar-26</b>	<b>31-Dec-25</b>
		<b>Rupees in '000</b>	
	In Pakistan	77,338	46,524
		<b>77,338</b>	<b>46,524</b>
19	<b>BORROWINGS</b>		
	<b>Secured</b>		
	<b>Borrowings from Banks / Financial Institutions in Pakistan</b>		
	National Bank of Pakistan (Running Finance - 4,000 M) <b>19.1</b>	3,996,999	3,999,999
	National Bank of Pakistan (Running Finance - 2,425 M) <b>19.2</b>	(0)	2,425,000
	National Bank of Pakistan (Running Finance - 5,000 M) <b>19.3</b>	4,999,999	4,999,999
	National Bank of Pakistan (Running Finance - 4,000 M) <b>19.4</b>	4,000,000	3,999,998
	Borrowings from Pakistan Mortgage Refinance <b>19.5</b>	120,835	121,601
	<b>Total-secured Borrowing</b>	<b>13,117,834</b>	<b>15,546,597</b>
	<b>Mark-up Payable on above Borrowings</b>		
	Mark-Up Payable on Borrowings from NBP - Running finance	772,001	765,666
	Mark-Up Payable on Borrowings from PMRC Ltd.	43	44
		<b>772,045</b>	<b>765,709</b>
	<b>EIR Impact</b> <b>19.6</b>		
	Opening	<b>(239,371)</b>	(461,753)
	Recognized during the Year	-	(615,485)
	Unwinded during the Year	-	837,867
		<b>(239,371)</b>	<b>(239,371)</b>
	<b>Total Borrowings</b>	<b>13,650,507</b>	<b>16,072,935</b>

**19.1** The Bank participated in Interest free loan scheme under Government's scheme (PMYB&ALS) where National Bank of Pakistan acted as whole sale lender and the Bank acts as executing agency. The running finance facility agreement amounting to Rs 4,000 million was provided by National Bank of Pakistan (NBP) to the Bank, the utilized portion carried 0% mark-up while unutilized portion attracts mark-up at the rate of three month KIBOR + 0.5% per annum.

The facility was renewed on December 31, 2025, and will expire on December 31, 2026. As at the period end, the facility has been availed upto Rs 3996.99 million (2025: 3999.99 million). Primary security is 50% Govt guarantee and remaining covered by pledge of T.Bills / PIBs / Government Securities. This loan is secured against a demand promissory note and a first pari passu charge on the present and future current assets of the Bank with 25% margin.

**19.2** The Bank participated in Interest free loan scheme under Government's scheme (PMYB&ALS) where National Bank of Pakistan acted as whole sale lender and the Bank acts as executing agency. The running finance facility agreement amounting to Rs 2,425 million was provided by NBP to the Bank, the utilized portion carried 0% mark-up while unutilized portion attracts mark-up at the rate of three month KIBOR + 0.5% per annum. The facility was renewed till December 31, 2025.

This loan is secured against a demand promissory note and a first pari passu charge on the present and future current assets of the Bank with 25% margin. The charge is on 50% facility amount and 50% is secured through Government of Pakistan.

- 19.3** The Bank participated in Interest free loan scheme under Government's scheme (PMYB&ALS) where National Bank of Pakistan acted as whole sale lender and the Bank acts as executing agency. The running finance facility agreement amounting to Rs 5,000 million was provided by NBP to the Bank, the utilized portion carried 0% mark-up while unutilized portion attracts mark-up at the rate of three month KIBOR + 0.5% per annum. The facility was renewed on December 31, 2025, and will expire on December 31, 2026. As at the period end, the facility has been availed upto Rs 4999.99 million (2025: 4999.96 million). Primary security is 50% Govt guarantee and remaining covered by pledge of T.Bills / PIBs / Government Securities.
- 19.4** The Bank participated in Interest free loan scheme under Government's scheme (PMYB&ALS) where National Bank of Pakistan acted as whole sale lender and the Bank acts as executing agency. The running finance facility agreement amounting to Rs 4,000 million was provided by NBP to the Bank, the utilized portion carried 0% mark-up while unutilized portion attracts mark-up at the rate of three month KIBOR + 0.5% per annum. The facility will expire on December 31, 2026. As at the period end, the facility has been availed upto Rs 4000 million (2025: 3999.98 million). Primary security is 50% Govt guarantee and remaining covered by pledge of T.Bills / PIBs / Government Securities.
- 19.5** The Bank entered into a loan agreement amounting to Rs 500 million with Pakistan Mortgage Refinance Company Limited to participate into Government Mark-up Subsidy Scheme and Credit Guarantee Scheme. The principal amount is repayable in 32 quarterly instalments commencing from September 30, 2023 and culminating in June 30, 2031. Markup rate is fixed for first five years at 6.50% and for next five years at 8.50%.
- 19.6** This represents fair value adjustment on the below market rate borrowings received from Banks under Prime Minister Youth Programme. This adjustment is taken as a result of applicability of Effective Interest Rate method (EIR method) in accordance with the instructions as outlined in BPRD Circular Letter No. 16 of 2024. The overall impact of modification accounting on the financial statements related to borrowings amounts to Rs. 837 million during the year.

		Un-Audited 31-Mar-26	Audited 31-Dec-25
Rupees in '000			
<b>20</b>	<b>DEPOSITS AND OTHER ACCOUNTS</b>		
	<b>Individual Customers</b>		
	Current deposits	9,809,716	9,762,526
	Savings deposits	9,188,615	6,697,005
	Term deposits	8,420,247	6,040,922
	Others	145,175	156,399
		<b>27,563,753</b>	<b>22,656,852</b>
	<b>Financial Institutions</b>		
	Current deposits	79,060	4,382
	Savings deposits	571,149	1,478,324
	Term deposits	4,436,000	3,222,175
	Others	-	-
		<b>5,086,208</b>	<b>4,704,881</b>
	<b>Corporation/ Firms etc.</b>		
	Current deposits	760,300	2,353,654
	Savings deposits	3,616,725	7,376,584
	Term deposits	13,371,328	14,139,020
	Others	-	-
		<b>17,748,354</b>	<b>23,869,258</b>
	<b>Mark-up/Return /Interest Payable on Deposits</b>	<b>1,212,311</b>	<b>1,030,723</b>
		<b>51,610,626</b>	<b>52,261,714</b>
<b>21</b>	<b>LEASE LIABILITIES</b>		
	At beginning of period / year	<b>951,819</b>	<b>894,018</b>
	Additions during the period / year	17,258	169,686
	Interest expense	32,924	127,432
	Deletion due to termination of agreement	(311)	(7,559)
	Payment	(63,890)	(231,758)
	<b>Closing balance</b>	<b>937,801</b>	<b>951,819</b>
<b>22</b>	<b>SUBORDINATED DEBT</b>		
	KfW - Germany	<b>22.1</b> 672,360	672,360
	TFCs Subordinated Debt	<b>22.2</b> 770,000	770,000
	Mark-Up Payable on Subordinated Debt-KfW	1,043,469	1,019,958
	Mark-Up Payable on Subordinated Debt-TFCs	23,232	25,110
		<b>2,509,061</b>	<b>2,487,428</b>
<b>22.1</b>	The Bank entered into a loan agreement with KfW - Germany, on December 29, 2014 for an amount of EURO 6 million. The loan is intended to be availed as TIER-II subordinated debt for inclusion in the Bank's Supplementary Capital. The amount was translated into local currency at the exchange rate of Rs.112.06 and sub-ordinated debt of Rs 672,360,000 was recorded in the financial statements. Loan carries interest at rate of KIBOR + 3.5% per annum. Principal amount and interest is repayable in a bullet payment at the end of loan term by converting the principal and accrued markup into EUROS at the exchange rate prevalent as at June 30, 2023 which is now extended till December 31, 2026. All foreign currency risks in connection with the transaction rest with the KfW.		
<b>22.2</b>	This represents Rated, Unsecured, subordinated and privately placed Tier II Term Finance Certificates of worth Rs.100,000/- each fully subscribed on July 09, 2021 to improve the Capital Adequacy Ratio at the rate of 3 Month KIBOR plus 3% per annum. The issue is for a period of 7 years from the date of subscription and will mature on July 09, 2028. The issue has assigned preliminary rating of single "A-" (Single "A minus"). The principal amount of issue TFC will be redeemed in four (4) equal quarterly installments during the last year of the issue. The Subordinated Debt agreement has a call option exercisable after obtaining written approval of SBP at any point on or after a period of 5 years from the issue date. The issue has Lock in and Lock absorbency clause.		

		Un-Audited 31-Mar-26	Audited 31-Dec-25
<b>23</b>	<b>DEFERRED GRANT</b>		
	Opening balance	-	85
	Grant received/receivable during the year	23.1	5,074
	Grant Recognised as Income During the Year	-	(5,159)
	<b>Recognized on loans under government schemes</b>		
	Fair value impact at initial recognition	-	615,485
	Recognized during the year on corresponding expense	-	(571,426)
	Grant recognized on lending	-	(44,059)
	<b>Closing balance</b>	<b>-</b>	<b>-</b>

- 23.1** NRSP Microfinance Bank Limited and KfW Development Bank have entered into a mutual agreement for capacity building and institutional strengthening of the bank. Under this agreement, the bank sends employees each year for Capacity building, International exposure training and process improvements at the Frankfurt School of Finance & Management. As per the terms of the agreement, 70% of the training cost is funded by KfW as a grant, while the remaining 30% is borne by the bank.
- The amount recorded represents the training expenses incurred by the bank that are eligible for reimbursement from KfW under the grant arrangement.

		Un-Audited 31-Mar-26	Audited 31-Dec-25
<b>24</b>	<b>OTHER LIABILITIES</b>		
	Accrued expenses	94,721	102,327
	Payable to defined benefit plan	203,524	205,248
	Payable to defined contribution plan	8,602	496
	Payable to employees' - final settlement	8,460	14,476
	Branch adjustment account	-	3,496
	Charity fund balance	78	56
	Security deposits against lease	74,358	85,803
	Unearned / deferred income on Islamic financing	2,158,799	2,238,129
	Unearned / Deferred income on LPF ATM and SMS services	52,307	62,767
	Payable to the parent company	261,599	233,090
	Withholding tax payable	146,623	101,408
	Workers' Welfare Fund	84,340	84,340
	Insurance payable	1,211	708
	Payable to suppliers	40,007	22,353
	Payable to Banks/Fis/DFIs/NGOs	9,966	8,134
	Bills for Collection	13,039	-
	Others	13,741	5,893
		<b>3,171,375</b>	<b>3,168,724</b>

**25 SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS**

Surplus / (deficit) on revaluation of			
- FVOCI - debt	11.1	(123,915)	(4,802)
- Property and equipment		-	-
		<b>(123,915)</b>	<b>(4,802)</b>
Deferred tax on surplus / (deficit) on revaluation of:			
- FVOCI - debt		40,892	1,585
- Property and equipment		-	-
		<b>40,892</b>	<b>1,585</b>
		<b>(83,023)</b>	<b>(3,217)</b>

<b>26</b>	<b>SHARE CAPITAL</b>	<b>Un-Audited</b>	<b>Audited</b>	<b>Un-Audited</b>	<b>Audited</b>
<b>26.1</b>	<b>Authorized capital</b>	<b>31-Mar-26</b>	<b>31-Dec-25</b>	<b>31-Mar-26</b>	<b>31-Dec-25</b>
		<b>Numbers</b>		<b>Rupees in '000</b>	
	Ordinary shares of Rs. 10 each	<b>1,000,000,000</b>	1,000,000,000	<b>10,000,000</b>	10,000,000
<b>26.2</b>	<b>Issued, subscribed and paid-up capital (Ordinary shares of Rs 10 each fully paid in cash)</b>	<b>Numbers</b>		<b>Rupees in '000</b>	
		<b>449,838,251</b>	349,838,251	<b>4,498,383</b>	3,498,383
<b>26.3</b>	<b>The shareholders of the Bank are as follows:</b>	<b>Numbers</b>		<b>Rupees in '000</b>	
	National Rural Support Programme	<b>409,999,550</b>	285,999,550	<b>4,099,996</b>	2,859,996
	International Finance Corporation (IFC)	-	24,000,000	-	240,000
	Acumen Fund USA	<b>16,000,000</b>	16,000,000	<b>160,000</b>	160,000
	PROPARCO France	<b>23,837,201</b>	23,837,201	<b>238,372</b>	238,372
	Mr. Shoaib Sultan	<b>500</b>	500	<b>5</b>	5
	Mr. Fazalullah Qureshi	<b>500</b>	500	<b>5</b>	5
	Dr. Rashid Bajwa	<b>500</b>	500	<b>5</b>	5
		<b>449,838,251</b>	349,838,251	<b>4,498,383</b>	3,498,383

**Audited**  
**31-Mar-26**      **31-Dec-25**  
**Rupees in '000**

**27 CONTINGENCIES AND COMMITMENTS**

<b>Other contingent liabilities</b>	27.1	-	-
		-	-
		-	-

**27 Other contingent liabilities**

- i) The income tax assessment for the Tax Year 2013 was amended by the Additional Commissioner Inland Revenue (ADCIR) by making certain disallowances and add backs including, apportionment of income and expenses between exempt and taxable period, disallowance of provision against non-performing loans, bad debts written off etc. and raising an aggregate tax demand of Rs 269.39 million. NRSP Bank filed appeal against the order of ADCIR before CIR (A) who remanded the case back to ADCIR for reassessment. NRSP Bank has preferred appeal against the decision of CIR (A) before the Appellate Tribunal, Inland Revenue (ATIR). The ATIR has directed the CIR(A) to reconsider the matter after providing proper opportunity to the NRSP Bank. The hearing of appeal has been concluded and the decision of CIR(A) is awaited. The case transferred to ATIR due to the amendment in Tax Law. The ATIR has remanded back to CIR and there are no further proceedings. We are optimistic that a favorable outcome will be achieved.
- ii) Assessments of NRSP Bank for the Tax Year 2014 was amended by the Assistant Commissioner Inland Revenue [the 'ACIR'] whereby net tax demand of Rs. 22.96 million was raised. Major issues under amendment are disallowance of mark-up paid to AJK Rural Support Programme, mark-up paid to PPAP, provision against non-performing loans and advances and net actuarial loss on re-measurement of employees' retirement benefits. NRSP Bank has filed appeal with the CIR (A) who decided the issues with respect to mark-up paid to PPAP and net actuarial loss on re-measurement in favour of the NRSP Bank. However, on the issue of provision against non-performing loans, the CIR (A) remanded back the matter with certain directions. Re-assessment proceedings have not been concluded yet. We are optimistic that a favorable outcome will be achieved.
- iii) The income tax assessment for the Tax Year 2016 was amended by the ADCIR whereby net tax demand of Rs 103.86 million was raised. While deciding the appeal filed by NRSP Bank the CIR (A) decided certain issues in favor of NRSP Bank whereas certain issues were remanded back with specific directions to officer. The ADCIR while finalizing the remand back proceedings disallowed provision against non-performing loans and advances of Rs. 19.42 million being the difference of the charge for the year towards provision against non-performing loans and actual write off against the aforesaid provision. Further, he also disallowed the refund adjustment claim of 34.30 million from previous years against demand of TY 2016 without assigning any reason thereof, resultantly aggregate tax demand of Rs. 41.10 million was raised. The hearing of appeal has been concluded and the CIR(A) has upheld the disallowance of the provision against non-performing loans advances of Rs. 19.42 million and with respect to refund adjustment aggregating Rs. 34.30 million the CIR(A) has directed the assessing officer to ascertain the amount of refundable after making proper verifications and adjusting the same. Later on, the ADCIR issued notice for further amendment of assessment for the TY 2016 on account of adjustment of tax refunds by NRSP Bank against tax demand and charged default surcharge of Rs. 22.39 million. As a result of final amendment, the aggregate tax demand of Rs. 63.49 million was raised. NRSP Bank filed appeal before CIR(A) against the order of the ADCIR. The CIR(A) has upheld the decision of CIR regarding to the Provision and referred back the refund for verification to CIR. Being aggrieved NRSP Bank has filed an appeal before ATIR against the order of CIR(A). The Tribunal has set aside the disallowance of the provision against non-performing loans and advances (Rs. 19.42 million) and remanded back the refund adjustment back to the assessing officer for fresh examination. We are optimistic that a favorable outcome will be achieved.
- iv) The income tax assessment for the Tax Year 2014 was amended by the Additional Commissioner Inland Revenue (ADCIR) by making certain disallowances and add backs including, apportionment of income and expenses between exempt and taxable period, disallowance of provision against non-performing loans, bad debts written off etc. and raising an aggregate tax demand of Rs 92.97 million. NRSP Bank filed appeal against the order of ADCIR before CIR (A) who remanded the case back to ADCIR for reassessment. NRSP Bank has preferred appeal against the decision of CIR (A) before the Appellate Tribunal, Inland Revenue (ATIR). The ATIR has directed the CIR(A) to reconsider the matter after providing proper opportunity to the NRSP Bank. The hearing of appeal has been concluded and the decision of CIR(A) is awaited. We are optimistic that a favorable outcome will be achieved.

v) Show cause notice under section 161/205 of the Ordinance for the Tax Year 2016 in order to verify the withholding compliance. Requisite information was provided. The ACIR has raised demand of Rs. 45.62 million on account of short deduction of tax. Major heads on which short deduction of tax was detected are vehicle running and maintenance; rent charges; fixed assets; and mark-up on deposit. The NRSP Bank filed rectification application to allow tax credit on mark up on deposit and rent which was earlier not considered by the ACIR while computing the tax demand, the rectification application of the NRSP Bank is partially accepted and total demand under this order was rectified to Rs. 14.09 million. NRSP Bank filed appeal before CIR (A) which has been decided against NRSP Bank. NRSP Bank has filed appeal before the ATIR against order of the CIR(A). The ATIR after hearing of the appeal has vacated the order of ACIR and CIR(A) and remanded the case to the taxation officer for revise proceedings after fulfilling all the legal requirements of the law for the year under appeal. Remand back proceedings has been finalized and order was issued creating demand of Rs. 9 million along with the surcharge of 7 million has been ordered by CIR. Being aggrieved, NRSP Bank has filed appeal to CIR (A) against the decision of CIR which is pending adjudication till date. We are optimistic that a favorable outcome will be achieved.

vi) The income tax assessment for the Tax Year 2018 was amended by the Assessing Officer Inland Revenue, whereby tax demand of Rs 52.30 million was raised. Major issues on which assessment was amended include disallowing the difference between provision against non-performing loans and actual write-offs against the aforesaid provision, partial disallowance of accounting gain on sale of assets, disallowance of charge for employees' leave encashment scheme and disallowance for foreign tax credit. Being aggrieved with the decision of the ADCIR, NRSP Bank has filed appeal with the Commissioner Inland Revenue (Appeals) [CIR(A)] which has been decided against order of NRSP Bank. NRSP Bank has filed appeal before the ATIR against order of CIR(A) which is pending adjudication till date. Further, the contingent liability involved is only Rs. 27m as the remaining liability pertains to the provision against non-performing loans from the effect of which is already taken while recording the tax liability in accounts. We are optimistic that a favorable outcome will be achieved.

vii) NRSP Bank was issued a Show Cause Notice on December 07, 2023 for Tax Year 2022, regarding the non-realization of sales tax on the sale of scrap and withholding sales tax on advertisement services. NRSP Bank complied with the notice; however, the relevant authority issued order dated May 13, 2024 creating demand of Rs- 1.4million. Subsequently, NRSP Bank filed an appeal before the Commissioner of Inland Revenue (Appeals), which remains pending as of reporting date.

viii) Bank has unadjusted balance of input tax of approximately Rs.25,958 million pertaining to the Tax periods March 2017 to December 2019 which NRSP Bank has not been able to claim after implementation of STRIVE software on the web portal of PRA. NRSP Bank has taken up the matter with the PRA Tax Authorities seeking their approval for adjustment/ refund of the said amount however the matter is pending for approval. We are optimistic that a favorable outcome will be achieved.

ix) Tax authorities of the Punjab Revenue Authority (PRA) have passed the Order in Original NO NRSP/2020 dated February 03, 2020 whereby demand for Punjab Sales Tax amounting to Rs 86.40 million and penalty of Rs 86.40 million have been raised for alleged inadmissible claim of input tax credit without apportionment between taxable services i.e. fee, commission and brokerage income and non-taxable services i.e. mark-up receipts during the financial years 2012, 2013, 2014, 2015 and 2018. NRSP Bank has preferred appeal against the order along with stay application before the Commissioner (Appeals) PRA which has deleted the penalty of 86.4 and raised demand of Rs. 86.4 million. NRSP Bank has filed an appeal before ATIR against the order of Commissioner Appeal which is pending till date. We are optimistic that a favorable outcome will be achieved.

An order was issued by Appellate Tribunal Inland Revenue having appeal number 74/2023 dated 30-June-2025 against appeal filed under section 24 of Punjab Sales Tax on Services Act, 2012. The order concluded that the appeal filed was meritless and the same is hereby dismissed, however default surcharge and penalty are hereby set aside. The NRSP Bank intends to file reference before High Court against the order of ATIR. High court has upheld the decision of ATIR and ultimately the bank has to pay the 30% of the order amount against recovery notice issued by the authority being agreed the bank filed CPLA in supreme court of Pakistan against the order of the High court which is pending adjudication.

x) Tax authorities of the Punjab Revenue Authority (PRA) have passed the Order in Original No. ENF-IV, UNIT13/22/2023 dated Nov 13, 2023 whereby demand for Punjab Sales Tax amounting to Rs 697.5 million and penalty of Rs 34.87 million have been raised for alleged short payment of Sales tax and Sales tax withholding for the year 2019, 2020, 2021 and 2022. NRSP Bank has preferred appeal against the order along with stay application before the Commissioner (Appeals) PRA which has annulled the order and remanded back the case to Commissioner. NRSP Bank has also got the stay from Honorable Lahore High Court. NRSP Bank has also paid Rs. 30 million against order in order to avoid recovery from authority. Order against Remand back proceeding was issued by Commissioner (Appeals) PRA dated May 16, 2025 creating a demand of Rs 553 million along with 100% penalty. Appeal against order is to be filed in upcoming days. We are optimistic that a favorable outcome will be achieved.

		Un-Audited 31-Mar-26	Audited 31-Mar-25
<b>28</b>	<b>MARK-UP / RETURN / INTEREST EARNED</b>	-----Rupees in '000-----	
	Loans and advances	1,811,994	1,513,074
	Loan processing fees (EIR impact)	25,023	40,771
		<u>1,837,018</u>	<u>1,553,845</u>
	Investments	376,900	3,938,873
	Lendings to financial institutions	9,382	53,315
	Balances with other MFBs / banks / NBFIs	102,346	106,220
	Employees' Loans	2,169	5,761
	Markup / Return on Islamic Financing	657,710	682,004
	Income From Government Subsidy Scheme	77,517	119,438
		<u>3,063,042</u>	<u>6,459,454</u>
<b>28.1</b>	<b>Interest income (calculated using effective interest rate method) recognised on:</b>		
	Financial assets measured at amortised cost;	2,722,997	2,690,675
	Financial assets measured at FVOCI.	340,045	3,768,779
		<u>3,063,042</u>	<u>6,459,454</u>
<b>28.2</b>	This income relates to the markup received / receivable from the government regarding the Government's Markup Subsidy Scheme for eligible borrowers on Housing Finance, Kamyab Pakistan Program and Prime Minister Program of the Federal Government of Pakistan.		
<b>29</b>	<b>MARK-UP / RETURN / INTEREST EXPENSED</b>	-----Rupees in '000-----	
	Deposits	761,131	1,165,285
	Islamic deposits	213,878	334,238
	Borrowings	8,285	3,152,548
	Subordinated debt	50,077	56,344
	Lease liabilities	32,924	30,890
	Others	1,550	2,736
		<u>1,067,844</u>	<u>4,742,040</u>
<b>29.1</b>	Borrowings include facilities utilized under government subsidy schemes for disbursement of loans to eligible persons. As per the arrangement, no markup is payable on the amounts so disbursed to eligible person. As a result, fairvalue impact based on market rate has been determined and related expense on borrowings is recognised on effective interest rates based on normal borrowing rate. resultant markup expense on borrowings is as follows;		
		Un-Audited 31-Mar-26	Audited 31-Mar-25
		Rupees in '000	
	Markup on borrowings at coupon rate	8,285	3,152,548
	Unwinding of fairvalue adjustment	-	-
		<u>8,285</u>	<u>3,152,548</u>
<b>29.2</b>	<b>Interest expense calculated using effective interest rate method</b>		
	Other financial liabilities	1,067,844	4,742,040
		<u>1,067,844</u>	<u>4,742,040</u>
<b>30</b>	<b>FEE &amp; COMMISSION INCOME</b>	-----Rupees in '000-----	
	Branch banking customer fees	26,460	25,709
	Card related fees	7,109	4,025
	Commission income	45	233
	Others (to be specified, if material)	-	-
		<u>33,614</u>	<u>29,968</u>
<b>31</b>	<b>OTHER INCOME</b>		
	Gain on sale of property and equipment - net	(21)	(3,556)
	Gain on termination of lease agreements	311	765
	Others* (to be specified)	5,207	3,949
		<u>5,498</u>	<u>1,158</u>

		Un-Audited 31-Mar-26	Audited 31-Mar-25
		-----Rupees in '000-----	
<b>32</b>	<b>OPERATING EXPENSES</b>		
	Total Compensation to Employees	639,414	613,714
	Directors' fees and allowances	600	1,708
	Rent, taxes, insurance, electricity, etc.	55,853	83,380
	Legal and professional charges	8,087	8,705
	Communications	39,160	45,178
	Repairs and maintenance	10,840	13,612
	Stationery and printing	10,355	19,178
	Training & development	1,859	356
	Travelling & conveyance	6,780	5,850
	Fuel and power	22,789	32,543
	Vehicle running and maintenance	5,917	5,501
	Office supplies	1,667	1,548
	Security and Administration	47,024	41,756
	Advertisement and publicity	2,623	493
	Auditors' remuneration	224	1,344
	Depreciation	26,001	22,956
	Amortization	2,457	3,622
	Amortization (IFRS-16)	36,108	33,803
	IT Related Expense	32,052	68,136
	Meetings and conferences	8,646	7,522
	Credit Guarantee Expense	79	65
	Others	8,418	11,452
		<b>966,950</b>	<b>1,022,422</b>
<b>33</b>	<b>OTHER CHARGES</b>		
	Penalties imposed by State Bank of Pakistan	110	-
		<b>110</b>	<b>-</b>
<b>34</b>	<b>CREDIT LOSS ALLOWANCE &amp; WRITE OFFS - NET</b>		
	Credit Loss Allowance Against Loans & Advances	577,230	(156,625)
	Bad Debts Written Through ECL	143,299	160,672
	Credit Loss Allowance Against Other Assets	86,325	-
	Govt. Subsidized Loans (WRTO Claim) against RA from SBP	(95,852)	-
	Principal Recovery Of Written Off/ Charged Off Bad Debts	(135,267)	(116,796)
	Markup Recovery Of Written Off/ Charged Off Bad Debts	(53,496)	(64,814)
		<b>522,239</b>	<b>(177,563)</b>
<b>35</b>	<b>MINIMUM TAX DIFFERENTIAL</b>		
	Levy	80,396	139,495
<b>35.1</b>	This represents portion of minimum tax paid under section 113 C and 5AA of Income Tax Ordinance (ITO, 2001), representing levy in terms of requirements of IFRIC 21/IAS 37. The aggregate of minimum / final tax and income tax, amounting to Rs. 350.320 million (2024: Rs. 350.274 million) represents tax liability of the Company calculated under the relevant provisions of the Income Tax Ordinance, 2001.		
		<b>80,396</b>	<b>139,495</b>
<b>36</b>	<b>TAXATION</b>		
	Deferred	70,221	122,132
		<b>70,221</b>	<b>122,132</b>
<b>37</b>	<b>BASIC EARNINGS/ (LOSS) PER SHARE</b>		
	Profit for the period (Rupees in thousands)	394,393	642,055
	Weighted average number of ordinary shares	449,838,251	149,837,201
	<b>Annualized Basic earnings per share (Rupees)</b>	<b>3.51</b>	<b>17.14</b>
<b>38</b>	<b>DILUTED EARNINGS/ (LOSS) PER SHARE</b>		
	Profit for the period (Rupees in thousands)	394,393	642,055
	Weighted average number of ordinary shares	449,838,251	149,837,201
	<b>Annualized Diluted earnings per share (Rupees)</b>	<b>3.51</b>	<b>17.14</b>

### 39 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The Bank is a subsidiary of National Rural Support Program (NRSP) which holds 91.14% share capital of the Bank. Therefore, all subsidiaries and associated undertakings of NRSP are related parties of the Bank. Other related parties include staff retirement benefits, directors, key management personnel which include CEO and Head of Departments (HOD's) and entities under common directorship. Remuneration to directors and key management personnel is disclosed in note 44 to these financial statements. All transactions involving related parties are subject to the approval of the Board of Directors. The bank enters into transaction with related parties on agreed basis. Significant transactions with the related parties other than those referred to in the foregoing entered into during the year are as follows:

	UnAudited				Audited			
	March 31, 2026				December 31, 2025			
	Parent	Key management personnel	Associates	Other Related Parties	Parent	Key management personnel	Associates	Other Related Parties
	.....(Rupees in '000').....							
<b>Other Assets</b>								
Receivable from staff retirement fund	-	-	-	128,506	-	-	-	120,252
Receivable from parent	15,000	-	-	-	-	-	-	-
<b>Deposits and other accounts</b>								
Opening balance	6,620	22,016	94,513	1,391,092	1,224	35,111	4,221	1,221,031
Received during the period / year	30,983	36,282	11,305	1,398,566	47,090	245,576	397,164	1,592,870
Withdrawn during the period / year	(26,078)	(53,917)	(17,783)	(1,360,414)	(41,694)	(258,671)	(306,871)	(1,422,809)
Transfer in / (out) - net	4,905	(17,635)	(6,478)	38,152	5,396	(13,095)	90,293	170,061
Closing balance	11,525	4,381	88,035	1,429,244	6,620	22,016	94,514	1,391,092
<b>Other liabilities</b>								
Payable to staff retirement fund	-	-	-	211,410	-	-	-	205,248
Sub-ordinate debt	-	-	-	100,000	-	-	-	100,000
Mark-up payable on sub-ordinate debt	-	-	-	3,017	-	-	-	3,261
Payable to Parent	261,599	-	-	-	233,090	-	-	-
<b>Expense</b>								
Mark-up / return / interest paid	109	113	2233	74,721	145	4506	3,126	227,227
<b>Operating expenses</b>								
Remuneration	-	40,014	-	-	-	-	-	-
Charged for Defined Contribution	-	-	-	26,063	-	-	-	60,702
Grauity Fund	-	-	-	-	-	-	-	-
Contribution to Defined Contribution	-	-	-	11,991	-	-	-	47,333
Provident Fund	-	-	-	-	-	-	-	-
Expense Charged in respect of Leave	-	-	-	13,032	-	-	-	48,483
Encashment	-	-	-	-	-	-	-	-
Expense Charged in respect of EOBI	-	-	-	9,187	-	-	-	36,962
Rent Expense	1,007	-	-	-	4029	-	-	-
Other Expense	-	-	-	-	341	-	-	-

#### 40 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as amortised cost, is based on quoted market price. Quoted securities classified as amortised cost are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The expected credit loss allowance of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 12.1 to these financial statements.

Fair value of remaining financial assets and liabilities except fixed term loans, staff loans, non-performing advances and fixed term deposits is not significantly different from the carrying amounts since assets and liabilities are either short term in nature or are frequently repriced in the case of customer loans and deposits.

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

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities. Currently, no financial instruments are classified in level 1.

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). Investment in federal government securities (market treasury bills, sukuks and Pakistan investment bonds) are classified in level 2.

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs). Financial instruments included in level 3 comprise of derivative financial assets.

The Bank's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused such transfer takes place. There were no transfers between levels 1 and 2 during the year.

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:

<b>March 31 ,2026</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>Rupees in '000</b>			
<b>On balance sheet financial instruments</b>				
<b>Financial assets - measured at fair value</b>				
Investments in Federal Government securities				
Pakistan Investment Bonds	-	-	-	-
Market Treasury Bills	-	15,880,506	-	15,880,506
Ijarah Sukuks	-	2,253,683	-	2,253,683
<b>Financial assets - disclosed but not measured at fair value</b>				
Investment in Federal Government securities				
Pakistan Investment Bonds	-	-	-	-
Market Treasury Bills	-	1,098,024	-	1,098,024
Ijarah Sukuks	-	991,437	-	991,437
	<b>-</b>	<b>20,223,650</b>	<b>-</b>	<b>20,223,650</b>

<b>Off-balance sheet financial</b>	-	-	-	-
Forward agreements for lending	-	-	-	-
Forward agreements for borrowing	-	-	-	-
	Level 1	Level 2	Level 3	Total
<b>December 31 ,2025</b>				
		Rupees in '000		
<b>On balance sheet financial instruments</b>				
<b>Financial assets - measured at fair value</b>				
Investments				
Investments in Federal Government securities				
Pakistan Investment Bonds	-	-	-	-
Market Treasury Bills	-	18,615,756	-	18,615,756
Ijarah Sukuks	-	2,208,817	-	2,208,817
<b>Financial assets - disclosed but not measured at fair value</b>				
Investment				
Investment in Federal Government securities				
Pakistan Investment Bonds	-	-	-	-
Market Treasury Bills	-	1,070,094	-	1,070,094
Ijarah Sukuks	-	967,002	-	967,002
	-	22,861,670	-	22,861,670
<b>Off-balance sheet financial</b>	-	-	-	-
Forward agreements for lending	-	-	-	-
Forward agreements for borrowing	-	-	-	-

**Valuation techniques and inputs used in determination of fair values**

Item	Valuation techniques and inputs used
Market treasury bills and Pakistan Investment bonds	Fair value of investment in market treasury bills is determined based on the rates / prices sourced from PKRV/PKFRV as per SBP

41 CAPITAL ADEQUACY & MINIMUM CAPITAL REQUIREMENTS

31-Mar-26 31-Dec-25  
Rupees in '000'

**Minimum Capital Requirement (MCR):**

Paid-up capital (net of losses)	<u>4,753,759</u>	<u>4,457,965</u>
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The Bank's policy is to maintain a strong capital base to maintain investor, depositor, creditor and market confidence and to sustain future development of the business, while providing adequate returns to shareholders.

The SBP, through BPRD Circular No. 10 dated June 3, 2015, has required Microfinance Banks to maintain a minimum paid-up capital of Rs. 1,000 million (net of accumulated losses). The paid-up capital (net of accumulated losses) of the Bank as at **March 31, 2025** stood at Rs. 4,754 million (2025: Rs. 4,458 million) and is in compliance with SBP requirements (2025: Compliant with SBP requirements). SBP through letter SBPHOK-BPRD-BACPD-NRSP-1081074 dated January 29, 2026 allowed NRSP Bank to consider the advance against future issue of right shares amounting Rs. 1,000 million received from its sponsor shareholder (NRSP Foundation) for MCR and CAR purpose.

**Capital Adequacy Ratio (CAR):**

31-Mar-26 31-Dec-25  
Rupees in '000'

Eligible Common Equity Tier 1 (CET 1) Capital	<u>3,427,991</u>	3,175,106
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	<u>3,427,991</u>	3,175,106
Eligible Tier 2 Capital	<u>1,235,292</u>	1,077,351
Total Eligible Capital (Tier 1 + Tier 2)	<u>4,663,283</u>	4,252,458
Risk Weighted Assets (RWAs):		
Credit risk	<u>25,013,177</u>	24,306,491
Operational risk	<u>1,322,400</u>	1,322,400
Total	<u>26,335,577</u>	25,628,891
Common Equity Tier 1 Capital Adequacy Ratio	<u>13.02%</u>	12.39%
Total Capital Adequacy Ratio	<u>17.71%</u>	16.59%

- 41.1 Bank uses standardized approach for calculation of Credit risk weighted asset. Under this approach, the risk weighted amount of an on-balance sheet asset is determined by multiplying its current book value (including accrued interest or revaluations, and net of any specific provision or associated depreciation) by the relevant risk weight as provided by State Bank of Pakistan through BPRD Circular No. 10 of June 3, 2015. The bank is using transitional provisions as provided in IFRS 9 application instructions through BPRD Circular No. 03 of 2022 dated July 05, 2022 for absorption of impact of expected credit loss allowance after implementation of IFRS 9. Had the transitional provisions not been adopted, the Tier 1 and overall CAR would have stood at **16.81%**.

For the calculation of operational risk weighted assets, average positive Gross Income of the bank over the past three years is used. Figures for any year in which gross income is negative or zero is excluded from both numerator and denominator when calculating average.

Gross Income (GI) is defined as the sum of net interest income and net non-interest income and is arrived at before accounting for: (i) provisions (including those for credit impairment), (ii) operating expenses (including fee in respect of outsourced activities), (iii) realized profits/ losses from the sale of securities, (iv) extra ordinary items/ windfalls, and (v) income from insurance.

- 41.2 Under the requirements of BPRD Circular No. 10 of June 3, 2015, the Bank is required to maintain the Capital Adequacy Ratio of at least 15% of its risk weighted assets, however, its CAR stood at **17.71%** as at March 31, 2025 which is in compliance of minimum regulatory CAR threshold only because of staggering of ECL by SBP.

## **42 FINANCIAL RISK MANAGEMENT**

### **42.1 Risk Management Department**

NRSP maintains a structured, strong, and well-governed approach to risk management. The risk management and credit department is led by the Head of Risk Department. The Board of Directors (BoD) has authorized the department to implement and monitor a comprehensive risk management framework across the bank. The Board, via its Board Risk Management and Compliance Committee conducts robust assessments of the bank's principal risks.

### **42.2 Credit Risk**

The possibility of monetary loss to financial institutions arising due to the inability or unwillingness of a counterparty to perform a commitment as per the agreed terms and conditions, inter alia, on account of lending, trading, hedging, settlement, and other financial transactions.

Credit risk is managed through the credit policies approved by the Board; a well-defined credit approval mechanism; use of internal risk ratings; prescribed documentation requirements; post-disbursement administration, review, and monitoring of loans; and continuous assessment of credit worthiness of counterparties. Decisions regarding the credit portfolio are taken mainly by the Central Credit Forum. The Bank is committed to the appropriate level of due diligence to ensure that credit risk is identified and analyzed diligently, ensuring that credit commitments are appropriately structured, priced (in line with market practices) and documented. NRSP has a Credit Operational Manual and a Credit Policy in place to strategize and govern the Bank's overall lending strategy.

#### **42.2.1 Definition of default and cure**

As detailed in note 7.1.3, the Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations, advances to customers when the borrower becomes 90 days past due for general loans, 180 days past due for enterprise loans, 180 days for Agricultural and live stock and 180 days past dues for housing loans on its contractual payments. The Bank considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

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

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

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

#### **42.2.2 PD estimation process**

##### **a) Consumer lending**

The banks entire loans and advances portfolio consist of consumer lending. Consumer lending comprises agriculture, livestock, enterprise, general, gold, house and Islamic loans . The Bank does not have credit score card model for consumer landings, therefore, the Bank used delinquency (day past due) based model for estimation of PDs. Average monthly transitions to default of relevant delinquency states were converted into current 12 months point in time PDs using statistical models. The lifetime PD is developed by applying a maturity profile to the current 12 months PD. Data from January 01, 2019 till December 31, 2025 has been used for PD estimations.

##### **b) Bank balances**

For bank balances and terms deposits, the Bank's credit risk department analyses publicly available information such as financial information and other external data, e.g., the rating of good rating agency. PDs of external ratings are sourced from studies of international credit agencies such as PACRA and VIS.

**c) LGD estimation process**

The Bank segments its consumer lending products into smaller homogeneous segments, based on key characteristics that are relevant to the estimation of future cash flows. The bank calculate LGD of each segment based historical experiences of cash recoveries from defaults (including settlements), cost and time of recoveries. one year set back is maintained for calculation of LGD for defaults, which means parties which are classified as default till end of last year are taken in to the calculation of LGD. Effective interest rate or approximate there of has been used to discount recoveries to date of default. Data from January 01, 2019 till date has been used for LGD estimations for the parties classified as default till **March 31, 2025**. For receivables from the banks and investments, the Bank used LGD percentages prescribed under Basel Foundation – Internal Rating Based (F-IRB) approach to determine ECL under BSD Circular No. 08 dated June 27, 2006 issued by SBP.

**d) Forward looking information:**

IFRS 9 requires incorporating future economic conditions into the measurement of ECL. Future economic conditions are incorporated by adjusting estimates of PD to reflect expectations about the stage of economic cycle expected to be prevalent in the economy as-and-when default is expected to arise in the future. The macroeconomic factors were selected based on management judgement and analysis of historical default rates. GDP growth rate and CPI were considered to be the most suitable for the Bank's customers. The GDP and CPI forecast were sourced from World Bank which were used to determine forward looking Point in time PDs (Pit PDs).

**42.3 Operational risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events

Operational Risk Management is housed within Risk Management and a comprehensive ORM, BCM and Outsourcing Risk Management Framework is in place addressing key operational risk aspects related to people, processes, systems, and external events. A Steering Committee oversees and monitors operational risk issues and its mitigation. The bank utilizes key ORM tools, including Risk Control Self-Assessment (RCSA), Key Risk Indicators (KRIs), Risk Appetite and operational loss data, to assess the likelihood and severity of operational risks. Stress testing is employed to proactively evaluate potential impacts. RCSA exercises are conducted regularly across the bank, and operational risk reports are submitted to senior management.

**42.4 Interest / mark-up rate risk**

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. The Bank's interest rate exposure is low due to the short-term nature of the majority of business transactions. Interest rate risk is also controlled through flexible credit pricing mechanism and variable deposit rates. Optimization of yield is achieved through the Bank's investment strategy which aims on attaining a balance between yield and liquidity under the strategic guidance of Assets and Liability Committee of Management (ALCO).

**42.5 Market Risk**

It is the risk arising from changes in the value of on and off-balance sheet positions of the Bank due to adverse movements in market rates or prices such as interest rates, foreign exchange rates, credit spreads and commodity prices, resulting in a loss to earnings and capital.

The Market Risk Unit monitors the impact of price and rate movements on the Bank's portfolios and periodically reports to the Asset and Liability Committee (ALCO), which are primarily responsible for oversight of market risk. The risk management department has developed various tools for risk measurement and its mitigation thereof, including Value at Risk (VaR), Duration, Price Value of a Basis Point (PVBP) and, Re-pricing Gaps. In addition, the carries out stress tests, using both internally developed scenarios and scenarios prescribed by the regulator.

**42.6 Foreign Exchange Risk**

Foreign exchange risk arises in case of an on balance sheet / off balance sheet asset or liability position when there is adverse exchange rate movement. The Bank's exposure to this category of market risk is negligible as the Bank has no foreign currency reserves and has minimal foreign currency transaction.

**42.7 Liquidity risk**

Liquidity risk is the potential for loss to an institution arising from either its inability to meet its obligations or to fund increase in assets as they fall due without incurring unacceptable cost or losses.

The Bank's Asset and Liability Committee (ALCO) sets the overall strategy and oversees asset and liability management. Liquidity risk is monitored through several metrics, including the Cash Reserve Requirement, Statutory Liquidity Requirement, liquidity gaps, stress testing, and various liquidity ratios. Liquidity Risk Management regularly monitors these metrics, and the ALCO reviews liquidity risk

### 43 ISLAMIC BANKING BUSINESS

The bank is operating with 37 (2024: 37) Islamic banking branches.

	Note	31-Mar-26	31-Dec-25
		Rupees in '000	
<b>ASSETS</b>			
Cash and balances with treasury banks		4,905,215	3,174,444
Balances with other banks		677,779	723,594
Due from financial institutions		-	-
Investments	44	3,245,117	3,175,820
Islamic financing and related assets - net	44.2	11,537,034	11,519,516
Property and equipment		46,264	50,008
Right-of-use assets		74,016	71,590
Other assets		7,139	33,233
<b>Total assets</b>		<b>20,492,564</b>	<b>18,748,205</b>
<b>LIABILITIES</b>			
Bills payable		13,874	11,606
Due to financial institutions		-	-
Deposits and other accounts	44.3	10,245,286	9,771,919
Due to head office		-	1,418,740
Lease liabilities		129,943	130,504
Charity		-	58
Other liabilities		4,806,959	2,471,476
		<b>15,196,062</b>	<b>13,804,303</b>
<b>NET ASSETS</b>		<b>5,296,503</b>	<b>4,943,902</b>
<b>REPRESENTED BY</b>			
Islamic banking fund		440,000	440,000
Surplus/ (Deficit) on revaluation of assets		(14,049)	(6,215)
Unappropriated profit	44.8	4,870,552	4,510,117
		<b>5,296,503</b>	<b>4,943,902</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
Contingencies and commitments		-	-
		<b>31-Mar-26</b>	<b>31-Mar-25</b>
		Rupees in '000	
Profit / return earned	44.6	807,976	827,729
Profit / return expensed	44.7	(218,610)	(334,304)
Net profit / return		<b>589,366</b>	<b>493,425</b>
Other income			
Fee and commission income		20,356	21,925
Other income		-	-
Total other income		<b>20,356</b>	<b>21,925</b>
Total income		<b>609,722</b>	<b>515,350</b>
Other expenses			
Operating expenses		(176,183)	(194,690)
Other charges		-	-
Total other expenses		<b>(176,183)</b>	<b>(194,690)</b>
Profit / (Loss) before credit loss allowance		<b>433,539</b>	<b>320,660</b>
Credit loss allowance and write offs - net		<b>(73,104)</b>	<b>(93,709)</b>
Profit before taxation		<b>360,435</b>	<b>226,951</b>
Taxation		-	-
Profit after taxation		<b>360,435</b>	<b>226,951</b>

44	Investments by segments:	31-Mar-26				31-Dec-25			
		Cost/ Amortised cost	Credit loss allowance	Surplus / (Deficit)	Carrying value	Cost /Amortised cost	Credit loss allowance	Surplus / (Deficit)	Carrying value
		'Rupees in '000							
	<b>Debt Instruments</b>								
	<b>Classified / Measured at amortised cost</b>								
	Federal Government securities								
	-Ijarah Sukuks	991,437	-	-	991,437	967,002	-	-	967,002
		991,437	-	-	991,437	967,002	-	-	967,002
	<b>Classified / Measured at FVOCI</b>								
	Federal Government securities								
	-Ijarah Sukuks	2,267,732	-	(14,049)	2,253,683	2,215,033	-	(6,215)	2,208,818
		2,267,732	-	(14,049)	2,253,683	2,215,033	-	(6,215)	2,208,818
	<b>Total investments</b>	<b>3,259,169</b>	<b>-</b>	<b>(14,049)</b>	<b>3,245,119</b>	<b>3,182,035</b>	<b>-</b>	<b>(6,215)</b>	<b>3,175,820</b>

For Investments in associates give details in respect of individual entities specifying percentage of holding and country of incorporation along with details regarding assets, liabilities, revenue, profit after taxation and total comprehensive income of these entities.

#### 44.1 Particulars of credit loss allowance

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

	31-Mar-26	31-Dec-25
	Rupees in '000	
<b>44.2 Islamic financing and related assets</b>		
Ijarah	164,975	187,255
Murabaha	10,010,278	9,890,062
Diminishing Musharaka	1,899,295	1,958,112
Gross Islamic financing and related assets	12,074,547	12,035,429
Less: Credit loss allowance against Islamic financings		
-Stage 1	(7,203)	(9,143)
-Stage 2	(5,246)	(2,462)
-Stage 3	(525,063)	(504,308)
	(537,513)	(515,913)
<b>Islamic financing and related assets - net of Credit loss allowance</b>	<b>11,537,034</b>	<b>11,519,516</b>

**44.3 Deposits**

31-Mar-26			31-Dec-25			
In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total	
<b>Rupees in '000</b>						
<b>Customers</b>						
Current deposits	915,885	-	915,885	1,138,650	-	1,138,650
Savings deposits	1,478,961	-	1,478,961	1,873,220	-	1,873,220
Term deposits	1,773,051	-	1,773,051	1,619,414	-	1,619,414
Others	21,396	-	21,396	23,954	-	23,954
	<b>4,189,293</b>	<b>-</b>	<b>4,189,293</b>	<b>4,655,238</b>	<b>-</b>	<b>4,655,238</b>
<b>Financial institutions</b>						
Current deposits	148	-	148	106	-	106
Savings deposits	28,722	-	28,722	99,458	-	99,458
Term deposits	61,000	-	61,000	4,000	-	4,000
	<b>89,870</b>	<b>-</b>	<b>89,870</b>	<b>103,564</b>	<b>-</b>	<b>103,564</b>
<b>Firms/ Corporations</b>						
Current deposits	74,194	-	74,194	85,109	-	85,109
Savings deposits	1,138,169	-	1,138,169	654,706	-	654,706
Term deposits	4,407,688	-	4,407,688	3,981,133	-	3,981,133
	<b>5,620,051</b>	<b>-</b>	<b>5,620,051</b>	<b>4,720,948</b>	<b>-</b>	<b>4,720,948</b>
<b>Mark-up/Return /Interest Payable on Deposits</b>	<b>346,072</b>	<b>-</b>	<b>346,072</b>	<b>292,170</b>	<b>-</b>	<b>292,170</b>
	<b>10,245,286</b>	<b>-</b>	<b>10,245,286</b>	<b>9,771,920</b>	<b>-</b>	<b>9,771,920</b>

**44.4 Composition of deposits**

Individuals  
Financial institutions  
Non-Banking financial institutions  
Mark-up/Return /Interest Payable on Deposits

	31-Dec-25	31-Dec-24
<b>Rupees in '000</b>		
Individuals	4,189,293	4,655,238
Financial institutions	89,870	103,564
Non-Banking financial institutions	5,620,051	4,720,948
Mark-up/Return /Interest Payable on Deposits	346,072	292,170
	<b>10,245,286</b>	<b>9,771,920</b>

31-Mar-26      31-Mar-25  
Rupees in '000

**44.5 CONTINGENCIES AND COMMITMENTS**

There are no contingencies or commitments related to Islamic operations of the bank as at period ended on March 31, 2026. (December 31, 2025 Nil)

**44.6 Profit / Return Earned of Financing, Investments and Placement**

**Profit earned on:**

Financing	657,710	682,004
Investments	77,134	102,207
Placements	73,132	43,518
	<b>807,976</b>	<b>827,729</b>

**44.7 Profit on Deposits and other Dues Expensed**

Deposits and other accounts	213,886	328,872
Lease Liabilities	4,724	5,432
Inter Branch Transfer pricing	-	-
	<b>218,610</b>	<b>334,304</b>

**44.8 Islamic banking business unappropriated profit**

Opening balance	4,510,117	3,470,611
Add: Islamic banking profit for the period	360,435	1,039,506
Less: Taxation	-	-
Less: Reserves	-	-
Less: Transferred / Remitted to head office	-	-
Closing balance	<b>4,870,552</b>	<b>4,510,117</b>

**45 General**

**45.1** Account captions as prescribed by BPRD circular no. 3 of 2023 dated February 09, 2023, in the context of which there are no amounts, have not been reproduced in these financial statement, except for the captions of the balance sheet and profit and loss account.

**45.2** Corresponding figures have been rearranged and reclassified for more appropriate presentation where necessary including resultant changes from adoption of new format of financial statements.

**45.3** The figures in the financial statements are rounded off to the nearest thousand rupees.

**46 EVENTS AFTER THE REPORTING DATE**

**47 DATE OF AUTHORISATION FOR ISSUE**

The financial statements were approved and authorised by the Board of Directors of the Bank in their meeting held on \_\_\_\_\_.

\_\_\_\_\_  
President/Chief Executive

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director