



KPMG Taseer Hadi & Co.
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the members of Pakistan Microfinance Investment Company Limited

Report on the Audit of the Financial Statements

Opinion

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

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2025 and of the profit, the comprehensive income, changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Responsibilities of Management and Board of Directors for the Financial Statements

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



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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

We also:

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



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

Other Matter

The financial statements of the Company for the year ended 31st December 2024 were audited by another auditor who expressed an unmodified opinion on those statements on 26th March 2025.

Report on Other Legal and Regulatory Requirements

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

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

The engagement partner on the audit resulting in this independent auditors' report is Muhammad Ubbaid Ullah.

KPMG Taseer Hadi & Co.

Chartered Accountants

Islamabad

Date: 13th April 2026

UDIN: AR202510240r9UId8px5

PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2025**

	Note	2025 (Rupees)	2024 (Rupees)
ASSETS			
Property, plant and equipment	4	25,487,773	13,413,308
Right of use asset	5	82,776,364	132,442,181
Long term investments	6	1,178,014,478	758,092,852
Financing - net	7	21,501,708,856	14,432,635,665
Long term advances, prepayments and deposits	8	84,507,317	77,617,862
Deferred tax asset	9	775,132,722	632,402,317
Derivative financial instrument	10	440,359,467	478,914,632
NON-CURRENT ASSETS		24,087,986,978	16,525,518,817
Current portion of financing	7	13,457,360,027	15,734,502,627
Advances, prepayments and other receivables	11	313,420,861	239,548,199
Markup accrued - receivable	12	2,391,549,075	5,303,098,497
Due from related party	13	31,526,970	34,190,532
Lending to financial institutions (reverse repo)	14	1,822,724,068	499,931,523
Short-term investments	15	43,817,044,364	151,404,025,290
Advance tax - net	16	1,416,823,675	1,274,038,638
Cash and bank balances	17	1,941,336,837	994,472,916
CURRENT ASSETS		65,191,787,877	175,483,808,222
TOTAL ASSETS		89,279,774,855	192,009,327,039
SHARE CAPITAL AND RESERVES			
Share capital	18	5,884,222,000	5,884,222,000
Contribution by shareholder - net of tax		275,895,753	85,236,203
Unappropriated profit		4,263,669,756	3,530,640,484
TOTAL EQUITY		10,423,787,509	9,500,098,687
LIABILITIES			
Subordinated loans	19	7,238,974,216	7,069,906,834
Loans and borrowings	20	18,969,666,052	16,284,266,476
Employee benefit obligations	21	54,967,699	44,899,006
Subsidy payable	22	340,659,423	170,438,363
Lease liability	23	-	42,796,572
NON-CURRENT LIABILITIES		26,604,267,389	23,611,897,251
Current portion of subordinated loans	19	1,063,465,621	1,063,465,621
Current portion of loans and borrowings	20	5,326,265,852	3,823,740,098
Current portion of lease liability	23	57,880,244	58,703,040
Short term borrowings	24	44,685,833,803	149,964,995,861
Trade and other payables	25	92,603,903	133,463,393
Markup accrued - payable	26	1,025,650,834	3,852,963,088
CURRENT LIABILITIES		52,251,719,957	158,897,331,101
TOTAL LIABILITIES		78,855,987,346	182,509,228,352
TOTAL EQUITY AND LIABILITIES		89,279,774,855	192,009,327,039
CONTINGENCIES AND COMMITMENTS	27		

The annexed notes 1 to 48 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER, 2025

	Note	2025 (Rupees)	2024 (Rupees)
Income	28	7,203,835,760	10,537,478,435
Restructuring Impact	7.4.1 & 12.2	(256,535,409)	-
Finance cost	29	(5,142,638,389)	(8,084,304,161)
		1,804,661,962	2,453,174,274
Net impairment loss on financial assets	30	(143,915,792)	(707,743,628)
		1,660,746,170	1,745,430,646
Administrative expenses	31	(617,752,313)	(580,516,267)
Other expenses	32	(24,574,841)	(31,887,645)
		(642,327,154)	(612,403,912)
Other income	33	163,212,794	63,240,386
Fair value gain/ (loss) on derivative	34	(36,771,955)	(14,248,870)
Profit before levies and income tax		1,144,859,855	1,182,018,250
Levies		-	-
Profit before income tax		1,144,859,855	1,182,018,250
Income tax expense	35	(361,886,698)	(477,568,602)
Profit for the year		782,973,158	704,449,648

The annexed notes 1 to 48 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER


DIRECTOR

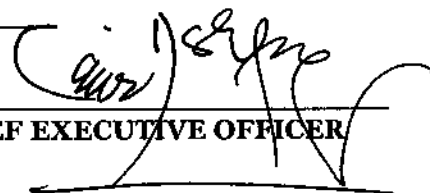
PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2025

	Note	2025 (Rupees)	2024 (Rupees)
Profit for the year		782,973,158	704,449,648
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss:			
Remeasurement (loss) / gain on defined benefit plan	21.2	(739,649)	(2,496,891)
Items that may be reclassified to profit or loss:			
Changes in the fair value of debt instruments at FVOCI		20,736,482	461,570
Other comprehensive (loss) / income - net of tax		19,996,833	(2,035,321)
Total comprehensive income for the year		802,969,990	702,414,327

The annexed notes 1 to 48 form an integral part of these financial statements.

22/12/2025


CHIEF EXECUTIVE OFFICER


DIRECTOR

PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2025**

	Share capital	Capital reserve - Contribution by Shareholder - net of tax	Unappropriated profit	Total equity
	(Rupees)			
Balance at 01 January 2024	5,884,222,000	61,647,414	2,859,038,434	8,804,907,848
Total comprehensive income for the year				
Profit for the year	-	-	699,407,182	699,407,182
Other comprehensive income for the year - net of tax	-	-	(2,035,321)	(2,035,321)
Total comprehensive income for the year	-	-	697,371,861	697,371,861
Excess finance cost under subordinated loan arrangement	-	(9,511,088)	9,511,088	-
Balance at 31 December, 2024	5,884,222,000	52,136,326	3,565,921,383	9,502,279,709
Impact of restatement	-	33,099,877	(35,280,899)	(2,181,022)
Balance at December 31, 2024-restated	5,884,222,000	85,236,203	3,530,640,484	9,500,098,687
Balance at 1 January 2025	5,884,222,000	85,236,203	3,530,640,484	9,500,098,687
Dividend to Shareholders	-	-	(69,940,718)	(69,940,718)
Total comprehensive income for the year				
Profit for the year	-	-	782,973,158	782,973,158
Other comprehensive loss for the year - net of tax	-	-	19,996,833	19,996,833
Total comprehensive income for the year	-	-	802,969,990	802,969,990
Contribution by KfW Tranche 2	-	312,556,639	-	312,556,639
Deferred tax on contribution by KfW	-	(121,897,089)	-	(121,897,089)
Contribution by KfW - Net of tax	-	190,659,550	-	190,659,550
Excess finance cost under subordinated loan arrangement	-	-	-	-
Balance at 31 December 2025	5,884,222,000	275,895,753	4,263,669,756	10,423,787,509

The annexed notes 1 to 48 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2025**

	Note	2025 (Rupees)	2024 (Rupees)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flows from operating activities before working capital changes	36	(566,986,245)	(514,500,585)
<i>Changes in working capital:</i>			
Financing - net		(5,343,144,398)	(2,771,638,203)
Long term advances and deposits		(6,896,655)	(43,486,582)
Advances, prepayments and other receivable		(73,872,662)	(15,709,978)
Advisory and arrangement fee		51,108,114	26,536,610
Trade and other payables		(40,859,490)	29,142,838
		(5,413,665,091)	(2,775,155,315)
Cash used in operations		(5,980,651,336)	(3,289,655,900)
Taxes paid		(780,289,656)	(991,817,760)
Finance cost paid		(7,965,073,523)	(5,201,006,694)
Staff retirement benefit - gratuity paid		(16,888,282)	(14,988,386)
Staff retirement benefit - Compensated absences paid		(2,733,070)	(1,684,286)
Receipt of markup on financing		4,941,834,343	6,002,934,339
Receipt of profit on deposit accounts		155,797,797	143,145,161
Receipt of markup on reverse repurchase (repo) transactions		321,919,277	292,114,897
Receipt of markup on short term financing		4,738,066,452	-
Receipt of markup on Treasury bills		237,390,022	234,630,050
Receipt of markup on Pakistan Investment Bonds (PIBs)		88,237,099	238,706,288
Receipt of markup on Term Finance Certificates (TFCs)		23,483,440	106,917,560
Receipt of grant income from KfW		37,042,453	45,808,965
Net cash used in operating activities		(4,201,864,984)	(2,434,895,767)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, plant and equipment		(21,602,499)	(559,724)
Advance made for capital expenditure		-	(7,183,220)
Investments - net		108,884,509,596	(149,763,694,934)
Proceeds from disposal of Property, plant and equipment		3,468,064	-
Proceeds from disposal of PIBs		43,163,532	-
Net investments redemptions in FVOCI securities		(1,687,390,203)	(567,649,928)
Net cash generated from / (used in) investing activities		107,222,148,490	(150,339,087,806)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net receipt of loans and borrowings		4,187,925,330	4,805,271,445
Net (payment) / receipt of short term borrowings		(105,279,142,359)	149,465,053,083
Net Receipts/ (payment) of subordinated loans		470,851,038	(1,063,465,626)
Dividend paid		(69,940,718)	-
Lease rentals paid		(60,320,332)	(53,366,400)
Net cash (used in) / generated from financing activities		(100,750,627,041)	153,153,492,502
Net increase in cash and cash equivalents		2,269,656,466	379,508,930
Cash and cash equivalents at beginning of the year		1,494,404,439	1,114,895,509
Cash and cash equivalents at end of the year	40	3,764,060,905	1,494,404,439

The annexed notes 1 to 48 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

1 CORPORATE AND GENERAL INFORMATION

1.1 Legal status and operations

Pakistan Microfinance Investment Company Limited ("the Company") was incorporated on August 10, 2016 under the Companies Ordinance, 1984 (now the Companies Act, 2017) as a public unlisted company. The Company is licensed to carry out investment finance services as a Non-Banking Finance Company ("NBFC") under Section 282C of the Companies Ordinance, 1984, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 ("the NBFC Rules") and Non-Banking Finance Companies and Notified Entities Regulations 2008 ("the NBFC Regulations").

The Company was setup jointly by Pakistan Poverty Alleviation Fund (PPAF), Karandaz Pakistan and KfW, a German development company, to catalyze and lead the next phase of growth in the microfinance sector of Pakistan. The purpose of the Company is to provide a wide range of financial services, including wholesale funding to microfinance institutions and microfinance companies to promote financial inclusion in Pakistan in order to alleviate poverty and contribute to broad based development.

The registered office of the Company is situated at 21st floor, Plot 55 C, Ufone Tower, Jinnah Avenue (Blue Area), Islamabad, Pakistan.

The Pakistan Credit Rating Agency (PACRA) has maintained the Company a rating of 'AA' (long term credit rating) and 'A1+' (short term credit rating) on June 30, 2025.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- The Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and notified entities Regulations, 2008 (here-in-after mentioned as 'the NBFC rules and NBFC regulations');
- Directives issued by the Securities and Exchange Commission of Pakistan ("SECP"); and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of the Companies Act, 2017, the NBFC rules and NBFC regulations and the directives issued by the SECP differ with the provisions of IFRSs, the provisions of the Companies Act, 2017, the NBFC Rules and NBFC Regulations, or the provisions of the said directives have been followed.

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

2.2 Standards, amendments and interpretations to approved accounting standards that will be effective for accounting periods beginning on or after 1 January 2026

The following accounting and reporting standards as applicable in Pakistan and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 1 January 2026:

General

Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures:

- Financial Assets with ESG-Linked features:

Under IFRS 9, it was unclear whether the contractual cash flows of some financial assets with ESG-linked features represented SPPI. This could have resulted in financial assets with ESG-linked features being measured at fair value through profit or loss.

Although the new amendments are more permissive, they apply to all contingent features, not just ESG-linked features. While the amendments may allow certain financial assets with contingent features to meet the SPPI criterion, companies may need to perform additional work to prove this. Judgement will be required in determining whether the new test is met.

The amendments introduce an additional SPPI test for financial assets with contingent features that are not related directly to a change in basic lending risks or costs – e.g., where the cash flows change depending on whether the borrower meets an ESG target specified in the loan contract.

The amendments also include additional disclosures for all financial assets and financial liabilities that have certain contingent features that are:

- not related directly to a change in basic lending risks or costs; and
- are not measured at fair value through profit or loss.

The amendments apply for reporting periods beginning on or after 1 January 2026. Companies can choose to early-adopt these amendments (including the associated disclosure requirements), separately from the amendments for the recognition and derecognition of financial assets and financial liabilities.

Recognition / Derecognition requirements of Financial Assets / liabilities by Electronic Payments:

The amendments to IFRS 9 clarify when a financial asset or a financial liability is recognized and derecognized and provide an exception for certain financial liabilities settled using an electronic payment system. Companies generally derecognize their trade payables on the settlement date (i.e., when the payment is completed). However, the amendments provide an exception for the derecognition of financial liabilities. The exception allows the company to derecognize its trade payable before the settlement date, when it uses an electronic payment system that meets all of the following criteria:

- no practical ability to withdraw, stop or cancel the payment instruction;
- no practical ability to access the cash to be used for settlement as a result of the payment instruction; and
- the settlement risk associated with the electronic payment system is insignificant.

The amendments apply for reporting periods beginning on or after 1 January 2026. Earlier application is permitted.

Other related amendments:

Contractually linked instruments (CLIs) and non-recourse features:

The amendments clarify the key characteristics of CLIs and how they differ from financial assets with non-recourse features. The amendments also include factors that a company needs to consider when assessing the cash flows underlying a financial asset with non-recourse features (the 'look through' test).

Disclosures on investments in equity instruments:

The amendments require additional disclosures for investments in equity instruments that are measured at fair value with gains or losses presented in other comprehensive income (FVOCI).

The amendments apply for reporting periods beginning on or after 1 January 2026. Earlier application is permitted.

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

Annual Improvements to IFRS Accounting Standards – Amendments to:

- IFRS 1 First-time Adoption of International Financial Reporting Standards;
- IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7;
- IFRS 9 Financial Instruments;
- IFRS 10 Consolidated Financial Statements; and
- IAS 7 Statement of Cash flows

The amendments to IFRS 9 address:

- a conflict between IFRS 9 and IFRS 15 Revenue from Contracts with Customers over the initial measurement of trade receivables:

Under IFRS 15, a trade receivable may be recognized at an amount that differs from the transaction price – e.g. when the transaction price is variable. Conversely, IFRS 9 requires that companies initially measure trade receivables without a significant financing component at the transaction price. The IASB has amended IFRS 9 to require companies to initially measure a trade receivable without a significant financing component at the amount determined by applying IFRS 15; and

- how a lessee accounts for the derecognition of a lease liability under paragraph 23 of IFRS 9:

When lease liabilities are derecognized under IFRS 9, the difference between the carrying amount and the consideration paid is recognized in profit or loss.

The amendment on trade receivables may require some companies to change their accounting policy.

The amendments apply for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.

The amendment on derecognition of lease liabilities applies only to lease liabilities extinguished on or after the beginning of the annual reporting period in which the amendment is first applied.

Contracts Referencing Nature-dependent Electricity – (Amendments to IFRS 9 and IFRS 7)

Adoption of IFRS 18 and IFRS 19

The Securities and Exchange Commission of Pakistan (SECP), vide S.R.O. 2444(I)/2025 dated December 12, 2025 has notified that "IAS-1, Presentation of Financial Statements", as referred to in the earlier notification S.R.O. No. 633(I)/2014, shall be replaced with "IFRS-18, Presentation and Disclosure in Financial Statements" and "IFRS-19, Subsidiaries without Public Accountability: Disclosures", and shall be followed for the preparation of financial statements for annual reporting periods beginning on or after January 01, 2027:

Provided that only unlisted subsidiaries without public accountability (i.e. unlisted companies other than those mentioned in clauses 1(b)(ii), 1(b)(ia) and 1(b)(iii) of the Third Schedule to the Act) may follow "IFRS-19, "Subsidiaries without Public Accountability: Disclosures" in preparation of their financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

For companies holding financial assets due or ultimately due from the Government of Pakistan in respect of circular debt:

SECP vide S.R.O. 1784 (I)/2024 (dated November 04, 2024 extended exemption till financial years ending on or before 31 December 2025, from requirements contained in IFRS 9 relating to application of Expected Credit Loss Method for companies holding financial assets due or ultimately due from the Government of Pakistan in respect of circular debt. However, such companies are required to follow relevant requirements of IAS 39-Financial Instruments: Recognition and Measurement, in respect of above referred financial assets during the exemption period.

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

SECP vide S.R.O. 742 (I)/2025 (dated April 16, 2025) notified that International Financial Reporting Standard (IFRS)-7, 'Financial Instruments: Disclosures' shall be followed by Non-Banking Finance Companies engaged in investment finance services, discounting services, and housing finance services for the preparation of financial statements from the annual reporting periods beginning on or after January 1, 2026 (earlier application is permitted)

The management anticipates that, the adoption of above standards, amendments and interpretations in future periods, will not have material impact on financial statements other than in presentation / disclosures. The Company is still assessing the impact of the new accounting, particularly with respect to the structure of the Company's statement of profit or loss, the statement of cashflows and the additional disclosures required. There are a number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Company and therefore, have not been presented.

2.3 Basis of measurement and preparation

2.3.1 Accounting convention

These financial statements have been prepared under historical cost convention except as otherwise stated in respective notes.

2.4 Significant estimates and judgments

In preparing these financial statements in accordance with approved accounting standards, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Not all of these significant accounting policies require management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies that management considers critical because of the complexity, judgment of estimation involved in their application and their impact on these financial statements.

Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates.

The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

- (i) Employee benefit obligations - note 3.17 and 21
- (ii) Recognition of deferred tax and estimation of income tax provision - note 3.6, 9 and 35
- (iii) Classification and measurement of financial assets - note 3.4, 7 and 15
- (iv) Measurement of fair value of derivative financial statements - note 3.4, 11 and 34
- (v) Allowance for expected credit losses - note 3.8 and 30
- (vi) Use of discount rates and interpretation of lease terms - note 3.2 and 23

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

3 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise specified except for the changes described below;

During the year ended 31 December 2025, the Company reassessed its business model for managing certain debt instruments. As a result of this reassessment, management determined that these financial assets are now held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Accordingly, in accordance with IFRS 9 Financial Instruments, the Company reclassified certain debt investments from amortised cost to fair value through other comprehensive income (FVOCI) with effect from 01 January 2025. The reclassification has been applied prospectively from the reclassification date, and therefore comparative information has not been restated. The carrying amount of the financial assets reclassified on the date of reclassification was as follows:

From	To	Carrying amount as at 31 December 2025
Amortised cost	FVOCI	620,467,647

3.1 Property, plant and equipment

3.1.1 Owned

Recognition and measurement

Items of Property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses except for advances for capital expenditures which are stated at cost less impairment loss, if any. Cost comprises of purchase price and other directly attributable costs less refundable taxes.

Advances for capital expenditures are transferred to the respective item of Property, plant and equipment when available for intended use.

Subsequent expenditure

Subsequent expenditure is included in the assets carrying amount or recognized as separate asset only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of the replaced part is derecognized. All other repairs and maintenance is charged to the statement of profit or loss.

Depreciation

Depreciation is calculated to charge the cost of items of Property, plant and equipment less their estimated residual values using the straight line method and is generally recognized in statement of profit or loss at rates given in note 4 to these financial statements.

Depreciation of an asset begins when it is available for intended use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the date that the asset is derecognised.

The Company reviews the residual values and useful lives of Property, plant and equipment on a regular basis. Any change in such estimates in future years might affect the carrying amounts of the respective items of Property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

Useful lives are determined by the management based on the expected usage of an asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of assets and other similar factors.

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

3.2 Lease Liability

3.2.1 Lease liability

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognized as a right of use asset and a corresponding liability at the date at which a leased asset is available for use by the Company.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments include fixed payments that are based on an index or a rate as at the commencement date, amounts expected to be payable by the Company under residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the Company expects to exercise that, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in statement of profit or loss if the carrying amount of right of use asset has been reduced to zero.

3.2.2 Right of use of asset

The right of use asset is initially measured based on the initial amount of the 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 dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

Right of use assets are depreciated using the straight-line method over a period starting from the commencement date of the lease contract to the end of the estimated useful life of the ROU asset or the end of the lease term, whichever is earlier.

3.3 Lending to or borrowing from financial institutions

The Company 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 short term borrowings from financial institutions. The differential in sale and re-purchase value is accrued on a pro-rata basis and recorded as markup expense.

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

b. Purchase under resale agreements

Securities purchased under agreement to resell (reverse re-purchase) are included in Lending to 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.

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.

3.4 Financial instruments

Financial assets and financial liabilities are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the assets.

3.4.1 Financial Assets

Financial assets that are held for collection of contractual cash flows where the contractual terms of the financial assets give rise on specified dates to cash flows that represent solely payments of principal and interest, are measured at amortized cost. Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Company's financial assets at amortized cost include security deposits, trade debts, other receivables and cash and bank balances.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- (i) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding in amortised cost.

3.4.1.1 Initial Recognition

All financial assets and liabilities are initially measured at fair value. For financial assets classified at FVTPL, transaction costs are expensed immediately in profit or loss. For financial assets classified at amortized cost or FVOCI, transaction costs are included in the initial carrying amount. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the assets.

3.4.1.2 Classification & Measurement

The Company classifies its financial assets based on the business model for managing the financial assets and their contractual cash flow characteristics in the following measurement categories:

- at amortised cost,
- at fair value through other comprehensive income ("FVOCI")
- at fair value through profit and loss ("FVTPL")

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

Business model

The business model reflects how the Company manages the assets in order to generate cash flows, that is, whether the objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

The factors considered by the Company in determining the business model for a group of assets include:

- Past patterns of holding or selling similar financial assets,
- Performance evaluation metrics used by key management,
- Internal risk management strategies and,
- How returns on these assets are reported and monitored internally.

Sole Payments of Principal and Interest ("SPPI"):

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell the underlying asset, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). 'Principal' is defined as the fair value of the financial asset on initial recognition and 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as interest margin.

In assessing whether the contractual cash flows are SPPI, the company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

A prepayment feature aligns with SPPI if it mainly represents unpaid principal and profit.

Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The classification requirements for debt and equity instruments are described below:

(i) Debt instruments

(a) Amortised cost

Financial assets that meet the following conditions are measured at amortised cost:

-The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

-The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

(b) Fair value through other comprehensive income

Financial assets that meet the following conditions are subsequently measured at FVOCI:

-The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

-The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(c) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in the statement of profit or loss and presented net within other operating income/expenses in the period in which it arises.

(ii) Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective and are instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

All equity investments are required to be measured in the statement of financial position at FVTPL, with gains and losses recognized in the profit or loss, except where an irrevocable election has been made at the time of initial recognition to measure the investment at FVOCI.

3.4.1.3 Subsequent measurement and gains and losses

(i) Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest rate method. Interest income from these financial assets is included in markup income using the effective interest rate method. Any gain or loss arising on derecognition, foreign exchange gains and losses and impairment is recognized directly in profit or loss and presented in other income/ expenses. Impairment losses are presented as separate line item in the statement of profit or loss.
(ii) Financial assets at FVOCI	Debt instruments are subsequently measured at fair value. Interest income is calculated using effective interest rate method. Movements in the carrying amount are taken through OCI except for recognition of impairment gains or losses, markup income and foreign exchange gains & losses on the instrument which are recognized in the statement of profit or loss.
	Equity investments are subsequently measured at fair value. Net gains and losses are recognized in other comprehensive income.
(iii) Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the statement of profit or loss.

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset.

3.4.1.4 Modification of Financial asset

If the terms of a financial asset are modified, then the Company evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value plus any eligible transaction costs.

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FOR THE YEAR ENDED DECEMBER 31, 2025

If the cashflows are not substantially different i.e., modification of a financial asset does not result in derecognition of the financial asset, then the Company first recalculates the gross carrying amount of the financial asset using the original effective interest rate (EIR) of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating rate financial assets, the original EIR used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the terms and conditions of the financial asset are not substantially different, the Company recalculates the new gross carrying amount of the financial asset by discounting the modified cash flows of the financial asset using the original EIR. The difference between the new gross carrying amount and the original gross carrying amount is recognized as a modification gain or loss in statement of profit or loss.

3.4.1.5 Reclassifications

The Company reclassifies financial assets when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting year following the change. During the year, Pakistan Investment Bonds were reclassified from amortised cost to fair value through other comprehensive income as our business model for PIBs changed as per the change in intention from Hold to collect to Hold to sell.

3.4.1.6 Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which:

-Substantially all of the risks and rewards of ownership of the financial asset are transferred.

-The Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Amortised cost

On derecognition, the cumulative gain or loss is recognized in the statement of profit or loss.

Fair value through other comprehensive income

On derecognition, the cumulative gains or losses previously recognized in OCI are reclassified from equity to the statement of profit or loss and recognized in other income/expenses.

Fair value through profit or loss

On derecognition, the cumulative gain or loss is recognized in the statement of profit or loss.

3.4.1.7 Write-offs

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. Against each customer's outstanding exposure which stands as impaired, the Company makes an assessment with respect to the timing and amount of write-off based on the expectation of recovery. However, financial assets that are written off remain subject to legal enforcement activities for recovery of amounts due.

3.4.1.8 Financing

Financing comprises of long term facilities extended to microfinance institutions, banks and rural support networks. The Company's objective for financing facilities provided is to collect contractual cashflows and accordingly books income on effective interest rate. The Company classifies its outstanding exposure as performing, under-performing and non-performing loans. Financing is stated net of provision for performing, underperforming and non-performing financing, if any, determined as per the policy of the Company.

The classifications of performing, underperforming and non-performing relates to ECL stage 1, stage 2 and stage 3 respectively. In case of a financial asset being classified in stage 3 ECL, the income on such outstanding exposure is calculated on net-basis using credit-impaired effective interest rate. The Company applies 100% provision on stage 3 ECL financial assets.

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The classification of financing under the ECL model adopted by the Company is as follows:

Stage 1 – 12-month ECL (Performing)

Applies to performing financial assets with no significant increase in credit risk.

Stage 2 – Lifetime ECL (Underperforming)

Applies to financial assets with a significant increase in credit risk since initial recognition.

Stage 3 – Lifetime ECL (Non-performing)

Applies to financial assets that are credit-impaired.

For details on impairment of financial assets, refer to note 3.8.

Calculating interest income under IFRS 9

	No objective evidence of impairment exists (Stage 1)	Objective evidence of impairment (Stage 2)	Credit adjusted approach (Stage 3)
Base on which interest income is calculated	Carrying amount of the asset at the beginning of the period before allowance for ECLs	Carrying amount of the asset at the beginning of the period before allowance for ECLs	Carrying value of the asset at the beginning of the period after allowance for ECLs
Interest rate to apply to base	Effective interest rate	Effective interest rate	Credit adjusted effective interest rate

The effective interest rate is the rate that discounts the estimated future cash flows from the asset to the asset's Amortized Cost before any allowance for expected credit losses. The credit adjusted effective interest rate differs from the effective interest rate in that estimates of future cash flows includes an adjustment for expected credit losses.

3.4.2 Financial liabilities

3.4.2.1 Initial Recognition

Financial liabilities are recognized at the time the Company becomes a party to the contractual provisions of the instrument. These are initially recognized at fair value less any directly attributable transaction cost.

3.4.2.2 Classification

The Company determines the classification of its financial liabilities at initial recognition. The classification of financial liabilities is as follows:

- At fair value through profit and loss ("FVTPL"), or
- At amortised cost.

A financial liability is classified as FVTPL if it is classified as held for trading or it is designated as such on initial recognition. Other financial liabilities are measured at amortised cost using the effective interest rate method.

3.4.2.3 Subsequent measurement and gains and losses

(i) Financial liabilities at amortised costs	After initial recognition, financial liabilities which are interest bearing are subsequently measured at amortised cost using the effective interest rate method. Gain and loss is recognized in the statement of profit or loss.
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3.4.2.4 Derecognition

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Any gain or loss on derecognition of financial liabilities is taken to the statement of profit or loss.

3.4.3 Compound instruments

In accordance with requirements of IAS 32 "Financial Instruments: Presentation", the Company assesses whether a financial instrument contains both a liability and an equity component i.e. a compound financial instrument. If the financial instrument is a compound instrument, the Company recognizes each component separately with the equity component representing the residual amount after deducting the fair values of liabilities component from the consideration. Such equity component is recognized as 'Contribution by shareholder' and presented net of related tax.

3.4.4 Derivative financial instruments

The Company holds derivative financial instrument to hedge its foreign currency and interest rate risk exposures. Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value using valuation techniques. Such instrument is carried as an asset when fair value is positive and liability when fair value is negative. Any change in the fair value of derivative financial instrument is taken to the statement of profit or loss.

3.4.5 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

3.5 Provisions

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessment of time value of money and risk specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

3.6 Taxation

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case it is recognized in equity or other comprehensive income as the case may be.

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Current tax

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years. Where there is uncertainty in income tax accounting i.e. when it is not probable that the tax authorities will accept the treatment, the impact of the uncertainty is measured and accounted for using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty. Such judgements are reassessed whenever circumstances have changed or there is new information that affects the judgements. Where, at the assessment stage, the taxation authorities have adopted a different tax treatment and the Company considers that the most likely outcome will be in favour of the Company, the amounts are shown as contingent liabilities. The Company takes into account the current income tax laws and decisions taken by the taxation authorities.

In making a judgment and / or estimate relating to probability of outcome, the management considers laws, statutory rules, regulations and their interpretations. Where, based on management's estimate, a provision is required, the same is recorded in the financial statements.

Deferred tax

Deferred tax is accounted for using the liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax assets and liabilities are calculated at the rates that are expected to apply to 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 substantively enacted by the reporting date. Deferred tax is charged or credited to the statement of profit or loss, except in the case of items charged or credited to equity or other comprehensive income, in which case it is included in the statement of changes in equity or statement of other comprehensive income as the case may be.

The Company takes into account the current income tax laws and decisions taken by the taxation authorities. Instances where the Company's view differs from the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

Levies

In accordance with the Income Tax Ordinance, 2001, computation of minimum taxes and final taxes are not based on taxable income. Therefore, as per IAS 12 Application Guidance on Accounting for Minimum Taxes and Final Taxes issued by the ICAP, these fall within the scope of IFRIC 21 / IAS 37.

Amount calculated on taxable income using the notified tax rates is designated as 'income tax' within the scope of IAS 12 'income taxes'. Any excess over the amount designated as income tax, is recognised as a levy falling under the scope of IFRIC 12 / IAS 37.

Amount calculated on taxable income using the notified tax rates is designated as 'income tax' within the scope of IAS 12 'income taxes'. Any excess over the amount designated as income tax, is recognised as a levy falling under the scope of IFRIC 12 / IAS 37.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

3.7 Revenue recognition and Finance Cost

(a) Revenue Recognition

Revenue comprises of the following:

Mark-up / income on financing

Markup income / return on financing is recognized on a effective interest rate.

Income on Mudarabah Financing

Markup under Mudaraba arrangement is accounted for on effective interest rate.

Income from investment

Mark-up / return on investments is recognized on effective interest rates

Income on bank deposits

Return on bank deposits are recognized on time proportionate basis.

Service fee

Service fee is taken to the profit or loss when the Company transfer control of services under the contract, which is either at a point in time or over the time if the customers simultaneously receives and consumes the benefits provided by the Company's performance.

(b) Finance Cost

Finance cost comprise of markup expense on subordinated loans, repurchase transactions, borrowings, derivative, unwinding of subsidy payable, bank charges and foreign exchange gain/loss on any foreign currency denominated loan/ borrowing. Finance costs (except on subordinated loan from KfW and unwinding subsidy payable) are recognized in profit or loss using contractual rates. Unwinding of subsidy payable and finance cost on subordinated loan are recognized in profit or loss using effective markup method.

3.8 Impairment

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective markup rate. Losses are recognized in the statement of profit or loss and moved to an allowance account.

3.8.1 Financial assets

The Company assesses on a forward-looking basis the expected credit losses ('ECL') associated with its financial assets. The Company recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

- The time value of money; and

- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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The Company computes historical loss rates using the historical credit losses which are then adjusted to reflect current and forward looking information on macro-economic factors. The Company recognises in the statement of profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- (a) Determining criteria for significant increase in credit risk (SICR);
- (b) Choosing appropriate models and assumptions for the measurement of ECL;
- (c) Establishing the number and relative weightings of forward-looking scenarios for each type of market and the associated ECL.

The Company recognizes loss allowance for expected credit losses (ECL) for the following financial instruments:

- Financials assets that are debt instruments;
- Loans, advances and financings; and
- Bank balances and money market placements

3.8.1.1 Significant increase in credit risk ("SICR")

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the instrument as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are considered while assessing credit risk:

- a) Obligor Risk Rating (ORR): An obligor rating is based on the risk of borrower default and represents the probability of default by a borrower or group in repaying its obligation in the normal course of business. The ORR as per the Company is based on the credit risk rating of the borrower and the rank notch movement.

Stage	ORR / Rank	Rating Scale	Notch Movement
Stage 01 to Stage 02	1-4	AAA to AA-	3 notches downgrade
	5-11	A+ to BB+	2 notches downgrade
	12-16	BB to B-	1 notch downgrade
Stage 03	17-19	CCC to C	-

- b) Delinquency Status: All financing facilities in which any instalment or part thereof is overdue for a period of 30 days or more at reporting date irrespective of the ORR are classified under SICR.

- c) External credit rating

- d) Subjective Evaluation: The subjective evaluation includes restructuring/rescheduling due to credit reasons or expectation regarding such restructuring, unavailable/inadequate financial information/financial statements, qualified report by external auditors, significant contingent liabilities, pending litigation resulting in a detrimental impact, loss of key staff to the organisation, increase in operational risk and higher occurrence of fraudulent activities, continued delay and non-cooperation by borrower in providing key relevant documentation and any other factors considered by the Company or identified by SECP, based on its discretion.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

3.8.1.2 Definition of default

The Company considers regulatory requirements defined by SECP, State Bank of Pakistan and IFRS 9 for definition of default. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3.8.1.3 Measurement of Expected Credit Loss (ECL)

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition. Expected credit loss is a probability weighted estimate of credit-impairment. It is measured as follows:

- (a) Financial assets that are not credit-impaired at the reporting date: As the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). IFRS 09 classifies such assets in the following classes:

(i) A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1'. The credit risk of such financial instrument is continuously monitored by the Company.

(ii) If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2'. A financial instrument in Stage 2 is not yet deemed to be credit-impaired.

- (b) Financial assets that are credit-impaired at the reporting date: As the difference between the gross carrying amount and the present value of estimated future cash flows. Such a financial instrument is moved to "Stage 3".

Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

3.8.1.4 Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- a) The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "definition of default" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. IFRS 9 allows relevant proxies using external sources. Since Company is limited by the availability of historical and industry peer data, the Company has used the default rates as published by the external rating research and market intelligence agency which is then calibrated to forward looking PD using macro-economic variables.
- b) EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months or over the remaining lifetime (Lifetime EAD). The expected amount to be drawn up is computed after adjustment of the appropriate credit factor.

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c) Loss Given Default (LGD) represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of financial instrument, counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). The Company has used relevant proxies using the external sources due the reasons as stated above.

The Company has used an LGD percentage of 45% for secured claims and 75% for un-secured claims, as prescribed by the BASEL Committee for banking supervision under the Internal Rating Based (IRB) approach for credit risk modelling.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

PDs have been calculated by using external credit ratings of the borrowers. The external credit ratings of the borrowers have been sought from PACRA and VIS. These ratings have been mapped with the ratings from credible sources including Moody's S&P and Fitch. Forward looking PDs have been estimated through Vasicek model in which multivariate factor model is utilized to estimate expected credit losses.. This factor (also termed as "y-factor") includes Historical Default Rates as a dependent variable while the independent variables are change in Consumer Price Index (CPI), Interest rates and Gross Domestic Product (GDP).

3.8.1.5 Forward-looking information incorporated in the ECL model

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Company has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Forecasts of these economic variables (the "base economic scenario") are provided by the Company's Risk team on an annual basis and provide the best estimate view of the economy over the next five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical Vasicek model to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

The Company recognizes that IFRS 9 requires expected credit losses (ECL) to be estimated using an unbiased and probability-weighted approach. This means that the Company does not rely on a single economic forecast but instead considers a range of possible outcomes when estimating ECL. To incorporate forward-looking information, the Company considers key macro-economic indicators that have historically influenced credit risk and default probabilities. These macro-economic indicators include but not limited to:

- Consumer Price Index (CPI)
- Gross Domestic Product (GDP)
- Interest Rate fluctuations

The Company's Risk Management team assesses the impact of these variables on credit risk and expected credit losses, using both internal and external sources of economic data.

The Company employs a multi-scenario approach in line with IFRS 9 guidance. At each reporting date, ECL is calculated for at least three economic scenarios; "base case", "improved case" and "worst case":

- Base case is the most likely outcome and represents the central expectation of future economic conditions.
- Improved case assumes better-than-expected economic growth and improved borrower performance.
- Worst case reflects economic downturn, rising unemployment, and increased borrower defaults.

The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The number of scenarios and their attributes are reassessed at each reporting date based on market developments and risk factors.

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The assessment of SICR is performed using the Lifetime PD under each of the base, improved and worst case, multiplied by the associated scenario weighting. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Company measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Company's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Calculation of Impairment loss

When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

An impairment loss is recognized in profit or loss and is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

3.8.2 Non-financial assets

At each reporting date, the Company reviews the carrying amount of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs).

The recoverable amount of an asset or CGU is greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in the statement of profit or loss. They are allocated first to reduce the carrying amounts of any goodwill allocated to CGU, and then to reduce the carrying amounts of other assets in the CGU on a pro-rata basis. 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 recognised.

3.9 Contingent liabilities

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

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3.10 Cash and cash equivalents

Cash and cash equivalents are carried at cost in case of local currency and at closing exchange rate in case of foreign currency. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand, bank balances and reverse repo transactions.

3.11 Markup bearing borrowings

Markup bearing borrowings are initially measured at cost being the fair value of consideration received, less attributable transaction cost. Subsequent to initial recognition, they are measured at cost less subsequent payments.

3.12 Dividend and appropriation to reserves

Dividend and other appropriation to reserves are recognized in the financial statements in the period in which these are approved.

3.13 Functional and presentation currency

These financial statements are presented in Pakistani Rupees (Rupee or PKR), which is the company's functional currency. All amounts have been rounded off to the nearest rupee, unless otherwise indicated.

3.14 Foreign currency transactions and translation

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 reporting 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 statement of profit or loss.

3.15 Grant income receivable from related party

Grants received for specific expenditures are recognized as income in the statement of profit or loss as the related expenses are incurred. When the expenses are incurred, the corresponding grant income is recognized to the extent of the actual expenditure. If expenditures related to a committed grant have been incurred but the grant funds have not yet been received, the grant is accrued and recognized as income in profit or loss and a grant receivable is recognized in statement of financial position, provided that all conditions stipulated in the grant agreement have been met.

3.16 Employee benefits

The accounting policies for employee benefits are described below:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

3.17.1 Employee benefits obligations

Employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.17.2 Defined contribution plan — Provident fund

The Company operates a defined contribution provident fund scheme for permanent employees. Contributions to the fund are made monthly by the Company and employees at an agreed rate of salary. The fund is managed by its Board of Trustees. The contributions of the Company are charged to statement of profit or loss.

3.17.3 Defined benefit plan — Gratuity fund

The Company operates a defined benefit plan comprising a funded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Annual provisions to cover the obligations under the scheme are based on actuarial estimates and are charged to statement of profit or loss. Actuarial valuations are carried out by a qualified actuarial expert using the Projected Unit Credit (PUC) Actuarial Cost Method. Net markup expense and other expenses related to defined benefit plan is recognized in profit or loss.

The present value of the obligation for gratuity depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the charge for the year include the discount rate, expected increase in eligible salary and mortality rate as per note 22.3. Any changes in these assumptions will impact the carrying value of obligations for gratuity.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses are recognized immediately in statement of other comprehensive income. The Company determines the net interest expense on the net defined benefit liability for the year by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the year as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plan are recognized in statement of profit or loss.

3.17.4 Compensated leave absences

The Company operates unfunded compensated leave absences scheme covering all eligible employees completing the minimum qualifying period of service as specified in the policy of the Company. Annual provisions to cover the obligations under the scheme are based on actuarial estimates and are charged to statement of profit or loss. Actuarial valuations are carried out by a qualified actuarial expert using the Projected Unit Credit (PUC) Actuarial Cost Method. Net markup expense and other expenses related to other long-term employee benefit scheme is recognized in statement of profit or loss.

3.18 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, if any.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

4	Property, plant and equipment	Note	2025	2024
			(Rupees)	(Rupees)
	Property, plant and equipment	4.1	25,487,773	6,230,088
	Advance against capital expenditure	4.2	-	7,183,220
			<u>25,487,773</u>	<u>13,413,308</u>

4.1	Office equipment	Computers	Furniture	Leasehold Improvements	Vehicles	Total
	(Rupees)					

Cost

Balance at 1 January 2024	4,361,143	25,257,976	9,052,147	17,294,219	4,327,588	60,293,073
Additions	341,013	150,159	68,552	-	-	559,724
Disposals	-	-	-	-	-	-
Balance at 31 December 2024	<u>4,702,156</u>	<u>25,408,135</u>	<u>9,120,699</u>	<u>17,294,219</u>	<u>4,327,588</u>	<u>60,852,797</u>
Balance as at 1 January 2025	4,702,156	25,408,135	9,120,699	17,294,219	4,327,588	60,852,797
Additions	515,531	8,957,825	22,500	-	19,289,863	28,785,719
Disposals	-	(1,810,295)	-	-	(1,710,104)	(3,520,399)
Balance as at 31 December 2025	<u>5,217,687</u>	<u>32,555,665</u>	<u>9,143,199</u>	<u>17,294,219</u>	<u>21,907,347</u>	<u>86,118,117</u>

Accumulated Depreciation and Impairment Losses

Balance as at 1 January 2024	3,698,610	16,693,347	7,840,690	17,237,203	4,327,588	49,797,438
Depreciation	248,202	4,225,173	311,572	40,324	-	4,825,271
Disposals	-	-	-	-	-	-
Balance as at 31 December 2024	<u>3,946,812</u>	<u>20,918,520</u>	<u>8,152,262</u>	<u>17,277,527</u>	<u>4,327,588</u>	<u>54,622,709</u>
Balance as at 1 January 2025	3,946,812	20,918,520	8,152,262	17,277,527	4,327,588	54,622,709
Depreciation	314,655	6,174,051	277,293	16,692	2,640,733	9,423,424
Disposals	-	(1,705,685)	-	-	(1,710,104)	(3,415,789)
Balance as at 31 December 2025	<u>4,261,467</u>	<u>25,386,886</u>	<u>8,429,555</u>	<u>17,294,219</u>	<u>5,258,217</u>	<u>60,630,344</u>

Carrying Amounts

As at 1 January 2024	662,533	8,564,629	1,211,457	57,016	-	10,495,635
As at 31 December 2024	<u>755,344</u>	<u>4,489,615</u>	<u>968,437</u>	<u>16,692</u>	<u>-</u>	<u>6,230,088</u>
As at 31 December 2025	<u>956,220</u>	<u>7,168,779</u>	<u>713,644</u>	<u>-</u>	<u>16,649,130</u>	<u>25,487,773</u>
Depreciation rate per annum	20%	33.33%	20%	20%	20%	

4.2 This represents the advance payment made against the purchase of a car for office use on December 24, 2024.

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5	RIGHT OF USE ASSET	Note	2025 (Rupees)	2024 (Rupees)
	Cost			
	As at 1 January 2025		344,371,914	195,374,460
	Modification during the period		-	148,997,454
	Balance as at 31 December 2025		<u>344,371,914</u>	<u>344,371,914</u>
	Accumulated depreciation			
	As at 1 January 2025		211,929,733	170,027,211
	Charge for the year	31	49,665,817	41,902,522
	Balance as at 31 December 2025		<u>261,595,550</u>	<u>211,929,733</u>
	Carrying value		<u>82,776,364</u>	<u>132,442,181</u>
	Depreciation rate per annum		<u>33.3%</u>	<u>33.3%</u>

5.1 This represents office premises obtained on lease for a period of 3 years.

6	LONG TERM INVESTMENTS	Note	2025 (Rupees)	2024 (Rupees)
	At Fair Value through Other Comprehensive Income			
	Pakistan Investment Bonds	6.1	1,078,148,661	558,174,136
	At Amortised Cost			
	Term Finance Certificates			
	- Askari Bank Limited	6.2	-	100,000,000
	- JS Bank Limited	6.3	99,939,999	99,966,665
	Current Portion of JS Bank Limited TFC		(26,668)	(26,668)
			99,913,331	99,939,997
	Less: Provision against expected credit losses		(47,514)	(21,281)
			<u>1,178,014,478</u>	<u>758,092,852</u>
	Principal amount		1,178,014,478	758,092,852
	Markup receivable	12	1,150,433	74,486,918
	Carrying amount at amortised cost		<u>1,179,164,912</u>	<u>832,579,770</u>

6.1 The face value of these Pakistan Investment Bonds (PIBs) amounts to Rs. 1,266 million (2024: Rs. 642 million). These carry effective markup rates ranging from 11.30% to 16.72% (2024: 15.25% to 19.50%) per annum having maturity dates falling in the months of January 2027 to July, 2027 (2024: month of July, 2026 and February 2027). These PIBs are classified as fair value through other comprehensive income.

6.2 This represents investment in rated, unsecured, subordinated and privately placed Term Finance Certificates (TFCs) issued by Askari Bank Limited with a face value of Rs. 1,000,000 each, carrying markup of 3 months KIBOR plus 1.2 % per annum for a tenor of 10 years payable on quarterly basis. This investment was redeemed during the year as Askari Bank Limited exercised its call option in respect of the Term Finance Certificate.

6.3 This represents investment in Term Finance Certificates issued by JS Bank Limited, each having a face value of Rs. 100,000 each. The certificates offer a markup of 3-month KIBOR plus 2% per annum. The principal will be redeemed quarterly, started from November 2023 till August 2033.

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7 FINANCING - NET

Financing to microfinance institutions and microfinance banks markup bearing:

	Note	2025		2024	
		(Number of loans)	(Rupees)	(Number of loans)	(Rupees)
Financing - net of upfront fee	7.1 & 7.2	59	36,758,799,098	39	31,835,654,700
Less:					
Current maturity			(13,457,360,027)		(15,734,502,627)
Provision for expected credit loss:					
Stage 1 & 2 ECL	7.4	54	(1,541,069,272)	34	(1,187,355,466)
Stage 3 ECL	7.4	5	(258,660,943)	5	(481,160,942)
Total Provision			(1,799,730,215)		(1,668,516,408)
			<u>21,501,708,856</u>		<u>14,432,635,665</u>
Principal amount			36,758,799,098		31,835,654,700
Markup receivable	12		2,158,365,971		1,980,228,688
Carrying amount at amortised cost			<u>38,917,165,069</u>		<u>33,815,883,387</u>

- 7.1 This includes unsecured loans extended to Abhi Microfinance Bank Limited (previously FINCA Microfinance Bank Limited) amounting to Rs. 800 million (2024: Rs 800 million) and Khushhali Microfinance Bank Limited amounting to Rs. 1,400 million (2024: Rs 1,400 million) under subordinated loan agreements. The loan terms are mentioned below:

	Abhi Microfinance Bank Limited (previously FINCA Microfinance Bank Limited)		Khushhali Microfinance Bank Limited	Khushhali Microfinance Bank Limited
	Existing Terms	Revised Terms		
Disbursement date	December 20, 2019	December 20, 2019	December 27, 2019	June 18, 2021
Total loan facility (Rs.)	800,000,000	800,000,000	800,000,000	600,000,000
Outstanding balance (Rs.)	800,000,000	800,000,000	800,000,000	600,000,000
Mark-up rate	6m KIBOR + 3.00%	6m KIBOR + 3.00%	3mK + 2.70%	6mK + 2.70%
Grace period	5 years and 6 months	5 years and 6 months	5 years	5 years
Repayment method	6 semi-annual installments	4 semi-annual installments starting June 30, 2030	12 quarterly instalments	12 quarterly installments
Due date of last instalment	September 30, 2027	December 31, 2031	December 31, 2027	June 30, 2029

- 7.2 This includes Mudarabah financing facility provided to multiple borrowers as per the agreement entered into by the company ("Rab-ul-Maal") and borrower ("Mudarib").

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7.3 IFRS 9 prescribes a risk-sensitive impairment methodology based on a three-stage ECL model, which classifies financial assets into the following categories:

- Stage 1 – 12-month ECL: Applies to performing financial assets with no significant increase in credit risk.
 Stage 2 – Lifetime ECL: Applies to under-performing financial assets with a significant increase in credit risk since initial recognition.
 Stage 3 – Lifetime ECL (Credit-Impaired): Applies to non-performing financial assets that are credit-impaired.

The ECL model incorporates historical data, current conditions, and forward-looking macro-economic factors to estimate credit losses.

	Note	2025			2024		
		Stage 3	Stage 1 & 2	Total	Stage 3	Stage 1 & 2	Total
7.4 Particulars of provision for ECL against financing		(Rupees)			(Rupees)		
Balance as at 1 January 2025		481,160,942	1,187,355,466	1,668,516,408	254,000,541	1,121,542,070	1,375,542,611
Provision charge	7.4.1	(222,500,000)	353,713,806	131,213,807	227,160,401	65,813,396	292,973,797
Balance as at 31 December 2025		258,660,942	1,541,069,272	1,799,730,215	481,160,942	1,187,355,466	1,668,516,408

7.4.1 On November 7, 2024, the Company entered into a restructuring agreement with Abhi Microfinance Bank Limited (previously FINCA Microfinance Bank Limited), which became effective in January. Under the terms of the agreement, the original maturity of the loan was extended from 2027 to 2031. In addition, Abhi Microfinance Bank Limited was granted an interest holiday from 2025 to 2027, due to which markup (coupon interest) on this loan will not be received till 31 December 2027. Additionally, the markup accrued before its restructuring is written off.

As a result of the restructuring arrangement, an amount of Rs. 220 million, included in financing to customers, was classified as Stage 3 and an expected credit loss (ECL) allowance was recognized against the same in 2024.

Upon the effectiveness of the restructuring on 1 January, 2025, the Company assessed the modification in accordance with IFRS 9 Financial Instruments and concluded that the modification constituted a substantial modification, resulting in the derecognition of the original financial asset. Accordingly, the impairment allowance recognized in 2024 was reversed, the original asset was derecognized, and a new financial asset was recognized at its fair value based on the revised contractual cash flows. Consequently, a derecognition loss amounting to Rs. 228 million was recognized during the year.

7.5 This includes financing amounting to Rs. 53.6 million (2023: Rs. 53.6 million) to BRAC-Pakistan (BRAC-PK). On March 05, 2019, the Securities and Exchange Commission of Pakistan (SECP) issued a show cause notice to BRAC-PK for revocation of its license. On April 04, 2019, SECP revoked BRAC-PK's license and its operations were suspended. On May 27, 2019, SECP appointed an administrator to manage the affairs of BRAC-PK and to transfer its assets and liabilities to another similar entity. The transfer of assets and liabilities could not materialize. SECP has filed a lawsuit for the liquidation of BRAC-PK, whereby the High Court appointed an official liquidator. Considering the above-mentioned factors and the uncertainty regarding the recoverability of the receivable amount, the portfolio was classified on a subjective basis. Accordingly, Rs. 65.8 million was written off during the year 2023, and a 100% provision is maintained on the outstanding portfolio. The Company had also filed a recovery lawsuit in the Islamabad High Court in December 2019, which is sub-judice. In December 2025, subsequent to the order of the Islamabad High Court, the Official Liquidator offered an amount of Rs. 36.8 million to the Company as full and final settlement of its claim in accordance with the priority framework approved by the Court. On 23rd December 2025, The Board of Directors approved the acceptance of the said offer and authorized the management to complete all necessary formalities for recovery of the same.

7.6 As at 31 December 2025, the accumulated balance of Expected Credit Loss (ECL) amounts to PKR 1,799,730,215, which includes accrued mark-up of PKR 914 million and principal of PKR 420 million relating to exposure against Khushali Microfinance Bank Limited (KMBL).

Due to breach of the Capital Adequacy Ratio (CAR) of KMBL, the State Bank of Pakistan (SBP) imposed certain restrictions on KMBL, including limitations on payments to its lenders until the CAR is restored to the required level. KMBL continues to record mark-up payable to the Company in its accounting records.

The Company's total outstanding principal exposure to KMBL amounts to PKR 1.4 billion. In consideration of the prevailing regulatory circumstances and to facilitate an orderly recognition of credit risk, the Company obtained regulatory relaxation from the Securities and Exchange Commission of Pakistan (SECP) through Letter No. SC/NBFC-132/PMIC/2023/325 dated 18 December 2025. Under this approval, the Company has been permitted to recognize the Expected Credit Loss on the principal exposure relating to KMBL on a phased basis over three years commencing from 2025.

Accordingly, 30% of the principal exposure (PKR 420 million) has been recognized during the year ended 31 December 2025 in accordance with the schedule approved by SECP.

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	Note	2025 (Rupees)	2024 (Rupees)
8 LONG TERM ADVANCES, PREPAYMENTS AND DEPOSITS			
Advances against salary	8.1	48,112,778	55,365,189
Less: Current portion	11	(3,948,220)	(24,655,258)
		44,164,558	30,709,931
Long term prepayment - transaction charges	8.2	39,661,729	48,207,919
Less: Current portion	11	(6,316,490)	(7,297,559)
		33,345,239	40,910,360
Security deposits	8.3	7,004,720	6,004,720
Less: Provision against expected credit losses - advances against salary	30	(7,200)	(7,149)
		<u>84,507,317</u>	<u>77,617,862</u>

8.1 This represents markup free advances against salaries extended to employees including key management personnel; repayable within a period of twenty four to thirty six months from the month of disbursement, in accordance with the human resource policy of the Company.

8.1.1 Long-term advances include advances to key management personnel of Rs. 38,878,268. (2024: Rs 44,658,110).

8.2 This includes an upfront fee of Rs 35.21 million (2024: Rs. 41.73 million) to the U.S International Development Finance Corporation (DFC) on October 23, 2024. This amount is being amortized over the term of loan agreement. The payment was made under an agreement entered into by the Company with DFC in July 2024, for a period of 8 years, whereby, DFC provides a guarantee to the Company in the event of a default by a party to whom the Company has extended financing.

8.3 This includes security deposits against leased premises and employee fuel cards.

	2025 (Rupees)	2024 (Rupees)
9 DEFERRED TAX ASSET		
The deferred tax asset is attributable to the following items:		
Accelerated tax depreciation & amortization	(36,914,975)	(48,481,295)
Unwinding of subsidy payable	96,562,574	15,704,539
Loss allowance on financing to microfinance institutions	815,617,264	650,721,399
Lease Liability	22,573,295	39,584,849
Allowance for ECL on other financial assets	501,735	82,091
Unrealized gain on investments at FVTOCI	(8,068,697)	(286,793)
Capital contribution under below-market loan	(14,678,787)	(33,333,066)
Initial tax on Capital contribution as per 23 and 61A	(121,897,089)	-
Employee benefit obligations	21,437,402	8,410,593
	<u>775,132,722</u>	<u>632,402,317</u>

9.1 The gross movement in net deferred tax asset during the period is as follows:

Opening balance	632,402,317	500,846,138
Charged to statement of profit or loss	273,998,628	131,851,272
Charged to other comprehensive income	(9,371,134)	(295,093)
Charged to equity	(121,897,089)	-
Closing balance	<u>775,132,722</u>	<u>632,402,317</u>

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

	Note	2025 (Rupees)	2024 (Rupees)
10 DERIVATIVE FINANCIAL INSTRUMENT			
Mark to Market gain	10.1 & 10.2	<u>440,359,407</u>	<u>478,914,632</u>
10.1	This represents mark to market gain on cross currency interest rate swap - I amounting to Rs. 106,945,207. The Company entered into a cross currency interest rate swap agreement on December 01, 2020 against its exposure on fixed rate foreign currency borrowing from KfW for a period of ten years. Under the cross currency swap agreement, the Company will pay interest semi-annually at 6-months KIBOR minus 1.75% per annum to Habib Bank Limited (HBL) and will receive fixed rate at 1% on the date of payment to KfW. Fair value of derivative represents present value of future cash flows of cross currency interest rate swap. Also refer to note 19.3 for further details on arrangement with KfW.		
10.2	This represents mark to market loss on cross currency interest rate swap - II amounting to Rs. 145,500,372. The Company entered into a cross currency interest rate swap agreement on December 08, 2025 against its exposure on fixed rate foreign currency borrowing from KfW for a period of four years. Under the cross currency swap agreement, the Company will pay interest semi-annually at 6-months KIBOR minus 2.25% per annum to Habib Bank Limited (HBL) and will receive fixed rate at 1% on the date of payment to KfW. Fair value of derivative represents present value of future cash flows of cross currency interest rate swap. Also refer to note 19.3 for further details on arrangement with KfW.		
11 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Advances			
- Suppliers	11.1	6,590,888	4,850,599
- Employees	11.2	90,000	1,006,546
- Current portion of long term advances to employees	8	3,948,220	24,655,258
		<u>10,629,108</u>	<u>30,512,403</u>
Prepayments			
- Insurance		6,888,492	2,761,259
- Subscriptions		979,367	1,327,779
- Guarantee fee	11.4	150,704,811	128,029,392
- Current portion of long term prepayment - transaction charges	8	6,316,490	7,297,559
		<u>164,889,160</u>	<u>139,415,989</u>
Other receivables	11.3	<u>137,902,593</u>	<u>69,619,807</u>
		<u>313,420,861</u>	<u>239,548,199</u>
11.1	This represents advances for office supplies and advances to consultants / service providers.		
11.2	This represents advances given to employees for official purposes.		
11.3	This includes an amount of Rs. 132,206,649 (2024: Rs. 60,053,694) receivable from State Bank of Pakistan on account of guarantee fee reimbursable as mentioned in note 20 to these financial statements.		
11.4	This represents prepaid fee in respect of guarantee obtained from various commercial banks against the finance facility from State Bank of Pakistan as mentioned in note 20 to these financial statements.		
12 MARKUP ACCRUED - RECEIVABLE			
Markup receivable on financing	12.1	2,161,760,190	2,393,279,290
Mudarabah Unearned Profit		8,203,965	1,489,014
Profit on deposit accounts and term deposit certificates		-	72,601,105
Profit on investment in Treasury Bills		136,427,527	4,756,290
Profit on investment in Pakistan Investment Bonds		65,993,313	70,619,520
Profit on reverse repo transaction		1,074,406	154,453
Profit on Term Finance Certificates		1,150,433	1,885,813
Profit on Short Term Investments		28,537,425	3,172,852,628
		<u>241,387,059</u>	<u>3,324,358,823</u>
Write off - markup accrued receivable	12.2	<u>(11,598,184)</u>	<u>(414,539,616)</u>
		<u>2,391,549,075</u>	<u>5,303,098,497</u>
12.1	This represents markup accrued on financing to microfinance institutions and banks.		
12.2	At the beginning of the financial year, the outstanding principal of SSSF amounted to PKR 148.75 million, with accrued mark-up of PKR 7.021 million. During the year up to 30 June 2025, additional mark-up of PKR 4.58 million was accrued, bringing the total accrued mark-up to PKR 11.6 million as at 30 June 2025. Subsequently, SSSF was restructured on 30 June 2025, and as part of the restructuring arrangement, the total accrued mark-up of PKR 11.6 million was written off.		

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

	Note	2025 (Rupees)	2024 (Rupees)
13 DUE FROM RELATED PARTY - UNSECURED			
Grant income receivable - KfW	13.1	<u>31,526,970</u>	<u>34,190,532</u>

13.1 This represents amount claimable from KfW, a German development company (an associated undertaking) as per the agreement against consultancy services and trainings (Local and international).

13.2 Aging analysis of due from related parties:

	Amount past due			Maximum amount outstanding at any time during the year
	Not yet due*	Past due 0-30 days	Past due 31-365 days	
Balance at 31 December 2025				
(Rupees)				
Name of related party				
KfW	<u>31,526,970</u>	<u>-</u>	<u>-</u>	<u>36,440,955</u>
Balance at December 31, 2024				
Name of related party				
KfW	<u>34,190,532</u>	<u>-</u>	<u>-</u>	<u>34,190,532</u>

* The amount will become due once it will be invoiced as per the agreement.

	Note	2025 (Rupees)	2024 (Rupees)
14 LENDING TO FINANCIAL INSTITUTIONS (REVERSE REPO) - CONSIDERED GOOD			
Repurchase agreement lendings (Reverse repo) - with financial institutions	14.1	<u>1,822,970,314</u>	<u>499,999,047</u>
Less: Provision against expected credit losses	30	<u>(246,246)</u>	<u>(67,524)</u>
		<u>1,822,724,068</u>	<u>499,931,523</u>
Principal amount		<u>1,822,724,068</u>	<u>499,931,523</u>
Markup receivable	12	<u>1,074,406</u>	<u>154,453</u>
Carrying amount at amortised cost		<u>1,823,798,474</u>	<u>500,085,976</u>

14.1 These carry effective markup rate of 10.76% (2024: 12.90%) per annum having maturity falling in January 2026 (2024: January 2025).

	Note	2025 (Rupees)	2024 (Rupees)
15 SHORT-TERM INVESTMENTS			
Amortised cost			
Term deposit certificates	15.1	<u>-</u>	<u>350,000,000</u>
Short term finance	15.2	<u>39,999,909,488</u>	<u>149,725,519,222</u>
Treasury Bills	15.3	<u>1,061,852,900</u>	<u>290,721,902</u>
Current Portion of JS Bank Limited TFC		<u>26,668</u>	<u>26,668</u>
		<u>41,061,789,056</u>	<u>150,366,267,792</u>
Principal amount		<u>41,061,789,056</u>	<u>150,366,267,792</u>
Markup receivable	12	<u>28,537,425</u>	<u>3,172,852,628</u>
Carrying amount at amortised cost		<u>41,090,326,481</u>	<u>153,539,120,420</u>
At fair value through Other Comprehensive Income (FVOCI)			
Treasury Bills	15.4	<u>2,755,255,308</u>	<u>1,037,757,498</u>
		<u>43,817,044,364</u>	<u>151,404,025,290</u>

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

- 15.1** The face value of Term Deposit Certificate from the Bank of Punjab amounts to Rs. Nil (2024: Rs. 350,000,000). This carries the markup rate of 20.7%. This instrument has matured during the year.
- 15.2** The face value of these Government securities under short term financing arrangement amounts to Rs. 39,797,200,000 (2024: Rs. 154,617,400,000). These carry markup ranging from 13.13% to 15.15% (2024: 12.25% to 14.35%) per annum having maturity falling in the month of January, 2026. (2024: January, February and March 2025).
- 15.3** The face value of these Treasury Bills amounts to Rs. 1,100,000,000 (2024: Rs. 300,000,000). These carry effective markup rate at 10.74% to 10.9% (2024: 13% o 13.87%) per annum. The instruments will mature in March and June, 2026 (2024: January, 2025).
- 15.4** The face value of these Treasury Bills amounts to Rs. 3,050,000,000 (2024: Rs. 1,150,000,000). These carry effective markup rates ranging from 10.24% to 12.01 % (2024: 11.99% to 13.87% per annum) having maturity falling in April, June, August and December, 2026 (2024: January 2025 and December 2025).The fair value of Treasury Bills are calculated using available market rates. For fair value categorization, refer to note 42 to these financial statements.

		2025	2024
	Note	(Rupees)	(Rupees)
16	ADVANCE TAX - NET		
		1,274,038,638	891,640,752
		(635,885,326)	(609,419,874)
		778,672,363	991,817,760
		<u>1,416,825,675</u>	<u>1,274,038,638</u>
17	CASH AND BANK BALANCES		
		25,177	75,000
	Cash at banks - Local currency		
	- Deposit accounts	1,931,787,488	994,367,350
	- Current account	10,557,229	164,827
		1,942,344,716	994,532,177
	less: Provision for expected credit losses	(1,033,056)	(134,261)
		<u>1,941,336,837</u>	<u>994,472,916</u>

- 17.1** These represent deposit accounts with banks carrying markup ranging from 4.0% to 10.60% (2024: 13.50% to 20.50%) per annum.

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

		2025	2024
		(Rupees)	(Rupees)
18	SHARE CAPITAL		
	Authorized capital		
	6,500,000 ordinary shares of Rs. 1,000 each	<u>6,500,000,000</u>	<u>6,500,000,000</u>
18.1	Issued, subscribed and paid up share capital		
		2025	2024
		(Number of shares)	(Number of shares)
		<u>5,884,222</u>	<u>5,884,222</u>
		(Rupees)	(Rupees)
	Ordinary shares of Rs.1,000 each fully paid in cash	<u>5,884,222,000</u>	<u>5,884,222,000</u>

18.1.1 Pattern of Shareholding

Shareholders	Nature of relationship	Number of shares as at December 31, 2025	Number of shares as at December 31, 2024	Percentage of shareholding as at December 31, 2025	Percentage of shareholding as at December 31, 2024
Pakistan Poverty Alleviation Fund	Associated undertaking	2,883,256	2,883,256	48.9998%	48.9998%
Karandaaz Pakistan	Associated undertaking	2,224,243	2,224,243	37.8001%	37.8001%
KfW	Associated undertaking	776,719	776,719	13.2000%	13.2000%
Directors	Directorship	4	4	0.0001%	0.0001%
Total		<u>5,884,222</u>	<u>5,884,222</u>	<u>100.0000%</u>	<u>100.0000%</u>

18.1.2 There has been no movement in ordinary share capital during the year ended December 31, 2025.

18.1.3 All ordinary shares rank equally with regard to the Company's residual assets. Holders of these shares are entitled to dividends as declared from time to time and are entitled to votes in proportion to their shareholding at the meetings of the Company.

		2025	2024
		(Rupees)	(Rupees)
19	SUBORDINATED LOANS - UNSECURED		
	Subordinated loan from Pakistan Poverty Alleviation Fund	2,988,790,158	4,052,255,784
	Subordinated loan from Karandaaz Pakistan	2,800,000,000	2,800,000,000
	Subordinated loan from KfW	2,513,649,679	1,281,116,671
		<u>8,302,439,837</u>	<u>8,133,372,455</u>
	Less: Current portion of subordinated loans	<u>(1,063,465,621)</u>	<u>(1,063,465,621)</u>
		<u>7,238,974,216</u>	<u>7,069,906,834</u>
	Principal amount	8,302,439,837	8,133,372,455
	Markup payable	177,273,097	366,458,524
	Carrying amount at amortised cost	<u>8,479,712,933</u>	<u>8,499,830,979</u>

19.1 This represents the outstanding balance of subordinated loan, under the agreement between Pakistan Poverty Alleviation Fund (an associated undertaking) and the Company dated November 17, 2016 with prior approval of SECP for disbursement of each tranche to the Company. The subordinated loan tenure is 15 years and carries markup of 6-months KIBOR plus 1% per annum payable quarterly. The principal repayments have started from October 2018. The loan is subordinated to other indebtedness of the Company.

19.1.1 The purpose of the loan is mainly to pilot and upscale microenterprise financing through MFIs and MFBs for different sectors and to enhance the capitalization of the Company.

19.2 This represents the outstanding balance of subordinated loan, under the agreement between Karandaaz Pakistan (an associated undertaking) and the Company dated December 28, 2017 with prior approval of SECP for disbursement of each tranche to the Company. The subordinated loan tenure is 10 years and carries markup of 6-months KIBOR plus 1% per annum payable quarterly starting from June 2027. The loan is subordinated to other indebtedness of the Company.

19.2.1 The purpose of the loan is mainly to pilot and upscale microenterprise financing through MFIs and MFBs for different sectors and to enhance the capitalization of the Company.

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

19.3 This includes the first tranche amounting to USD 5.5 million and second tranche amounting to USD 5.8 million, of total non-revolving subordinated loan of USD equivalent Euro 15 million, under the agreement between KfW (an associated undertaking) and the Company dated December 30, 2019, with prior approval of SECP for disbursement of each tranche to the Company. The receipt of first tranche was translated at the exchange rate of Rs. 159.75/USD; i.e. Rs. 878.6 million, and the receipt of second tranche was translated at the exchange rate of Rs 280.45/USD; i.e Rs 1,626 million. Markup rate is 1% per annum. The agreement tenure is 10 years with principal and markup bullet repayment at the time of maturity on December 30, 2029. The Company has also entered into cross currency swap agreement with Habib Bank Limited, in respect of this subordinated loan. Refer to note 10 for further details on the cross currency swap arrangement.

The fair value of the subordinated loan has been calculated with reference to the present value of future cash outflows using a discount rate of 5.46% for 1st tranche and 9.98% for 2nd tranche (being the Company's estimate for market rate of interest for a similar instrument in respect of currency, term, type of interest rate and other factors) with a similar credit rating. Under the terms of loan agreement with KfW, the subsidy will be spent as per prior approval of KfW. Also refer to note 22 to these financial statements for understanding of subsidy payable.

	2025	2024
	(Rupees)	(Rupees)
Opening Balance	1,281,116,671	1,229,062,920
Finance cost	80,175,818	66,458,012
	<u>1,361,292,489</u>	<u>1,295,520,932</u>
Addition	1,148,117,644	-
Exchange loss/(gain)	4,239,546	(14,404,261)
Closing Balance	<u>2,513,649,679</u>	<u>1,281,116,671</u>

19.3.1 The purpose of the loan is mainly to support the Company's capital base aimed at provision of loans to Microfinance partners in Pakistan for the purpose of providing financing in respect to the energy project. For assessment of fair value, refer to note 42 to these financial statements.

	Note	2025	2024
		(Rupees)	(Rupees)
20	LOANS AND BORROWINGS		
Term Finance			
JS Bank Limited		847,426,470	1,068,750,000
Askari Bank Limited		1,500,000,000	1,250,000,000
Allied Bank Limited		3,166,666,666	4,083,333,334
National Bank of Pakistan		2,069,444,446	2,998,611,112
MCB Bank Limited		468,750,000	499,999,999
State Bank of Pakistan		10,697,132,739	7,157,312,128
Habib Bank Limited		2,633,333,335	1,700,000,001
Bank of Punjab		233,333,334	350,000,000
Habib Metropolitan		1,187,500,000	500,000,000
Soneri Bank		500,000,000	500,000,000
Samba Bank Limited		1,000,000,000	-
Transaction cost		(7,655,085)	-
		<u>24,295,931,904</u>	<u>20,108,006,574</u>
Less: Current portion of loans and borrowings		<u>(5,326,265,852)</u>	<u>(3,823,740,098)</u>
		<u>18,969,666,052</u>	<u>16,284,266,476</u>
Principal amount		24,295,931,904	20,108,006,574
Markup payable	26	727,471,649	729,444,145
Carrying amount at amortised cost		<u>25,023,403,554</u>	<u>20,837,450,719</u>

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

20.1 The terms and conditions of outstanding loans and borrowings are as follows:

Term Finance Facility	Note	2025			Date of final repayment
		Markup	Total facility amount	Instalments outstanding	
			(Rupees)		
Askari Bank Limited - III		3mK + 0.6%	1,000,000,000	4 half yearly	15-Dec-27
Askari Bank Limited - IV		3mK + 0.85%	500,000,000	8 half yearly	08-Nov-29
Askari Bank Limited - V		3mK + 0.85%	500,000,000	10 half yearly	24-Dec-30
Allied Bank Limited - III		6mK + 0.6%	1,000,000,000	02 half yearly	24-Nov-26
Allied Bank Limited - IV		3mK + 0.6%	1,000,000,000	6 quarterly	07-Jun-27
Allied Bank Limited - V		3mK + 0.75%	500,000,000	8 quarterly	26-Dec-27
Allied Bank Limited - VI		3mK + 0.85%	1,000,000,000	12 quarterly	27-Dec-28
Allied Bank Limited - VII		3mK + 0.85%	1,000,000,000	12 quarterly	17-Dec-29
National Bank of Pakistan - III		3mK + 0.85%	2,000,000,000	02 half yearly	31-Dec-26
National Bank of Pakistan - IV		3mK + 0.85%	1,000,000,000	10 quarterly	30-Jun-28
National Bank of Pakistan - V		3mK + 0.85%	1,000,000,000	16 quarterly	31-Dec-29
MCB Bank Limited		3mK + 0.85%	500,000,000	15 quarterly	09-Sep-29
State Bank of Pakistan - LoC II	20.2	6mK - 1.00%	628,000,000	Bullet repayment	12-Jan-26
State Bank of Pakistan - LoC III	20.3	6mK - 1.00%	1,535,930,000	Bullet repayment	28-Apr-28
State Bank of Pakistan - LoC IV	20.4	6mK - 1.00%	1,269,790,286	Bullet repayment	30-Jun-29
State Bank of Pakistan - LoC V	20.5	6mK - 1.00%	1,533,000,000	Bullet repayment	30-Jun-27
State Bank of Pakistan - LoC VI	20.6	6mK - 1.00%	513,164,370	Bullet repayment	27-May-28
State Bank of Pakistan - F&R I	20.7	6mK - 1.00%	890,000,000	Bullet repayment	26-Jun-27
State Bank of Pakistan - F&R II	20.8	6mK - 1.00%	25,821,015	Bullet repayment	14-Jun-27
State Bank of Pakistan - F&R III	20.9	6mK - 1.00%	169,257,516	Bullet repayment	31-Dec-27
State Bank of Pakistan - F&R IV	20.10	6mK - 1.00%	750,000,000	Bullet repayment	30-Jun-28
State Bank of Pakistan - F&R V	20.11	6mK - 1.00%	373,656,241	Bullet repayment	23-May-28
State Bank of Pakistan - ADB CLF I	20.12	6mK - 1.00%	2,600,000,000	Bullet repayment	28-Jun-29
State Bank of Pakistan - ADB CLF II	20.13	6mK - 1.00%	2,232,000,000	Bullet repayment	28-Feb-29
JS Bank Limited - II		3mK + 0.85%	750,000,000	10 quarterly	30-Jun-28
JS Bank Limited - III		3mK + 0.85%	500,000,000	15 quarterly	06-Sep-29
Habib Bank Limited - I		3mK + 0.70%	2,000,000,000	01 half yearly	21-Apr-26
Habib Bank Limited - II		3mK + 0.85%	1,000,000,000	5 half yearly	13-Mar-28
Habib Bank Limited - III		3mK + 0.70%	2,000,000,000	9 half yearly	19-May-30
Bank of Punjab		6mK + 0.8%	1,000,000,000	04 half yearly	17-Dec-27
Samba Bank Limited		3mK + 0.85%	1,000,000,000	12 quarterly	24-Dec-30
Habib Metropolitan Bank - II		6mK + 0.75%	500,000,000	07 half yearly	25-Feb-29
Habib Metropolitan Bank - III		6mK + 0.75%	750,000,000	08 half yearly	07-May-30
Soneri Bank Limited		3mK + 0.85%	500,000,000	12 quarterly	06-Sep-29

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

		2024			
Term Finance Facility	Note	Markup	Total facility amount (Rupees)	Instalments outstanding	Date of final repayment
Askari Bank Limited - III		3mK + 0.6%	1,000,000,000	6 half yearly	15-Dec-27
Askari Bank Limited - IV		3mK + 0.85%	500,000,000	8 half yearly	08-Nov-29
Allied Bank Limited - II		6mK + 0.7%	500,000,000	01 half yearly	24-Mar-25
Allied Bank Limited - III		6mK + 0.6%	1,000,000,000	03 half yearly	24-Nov-26
Allied Bank Limited - IV		3mK + 0.6%	1,000,000,000	10 quarterly	07-Jun-27
Allied Bank Limited - V		3mK + 0.75%	500,000,000	12 quarterly	26-Dec-27
Allied Bank Limited - VI		3mK + 0.85%	1,000,000,000	12 quarterly	27-Dec-28
Allied Bank Limited - VII		3mK + 0.85%	1,000,000,000	12 quarterly	17-Dec-29
National Bank of Pakistan - III		3mK + 0.85%	2,000,000,000	05 half yearly	31-Dec-26
National Bank of Pakistan - IV		3mK + 0.85%	1,000,000,000	15 quarterly	30-Jun-28
National Bank of Pakistan - V		3mK + 0.85%	1,000,000,000	16 quarterly	31-Dec-29
MCB Bank Limited		3mK + 0.85%	500,000,000	16 quarterly	09-Sep-29
State Bank of Pakistan - LoC II	20.2	6mK - 1.00%	628,000,000	Bullet repayment	12-Jan-26
State Bank of Pakistan - LoC III	20.3	6mK - 1.00%	1,535,930,000	Bullet repayment	28-Apr-28
State Bank of Pakistan - LoC IV	20.4	6mK - 1.00%	1,269,790,286	Bullet repayment	30-Jun-29
State Bank of Pakistan - LoC V	20.5	6mK - 1.00%	1,533,000,000	Bullet repayment	30-Jun-27
State Bank of Pakistan - Flood I	20.7	6mK - 1.00%	890,000,000	Bullet repayment	26-Jun-27
State Bank of Pakistan - Flood II	20.8	6mK - 1.00%	25,821,015	Bullet repayment	14-Jun-27
State Bank of Pakistan - Flood III	20.9	6mK - 1.00%	169,257,516	Bullet repayment	31-Dec-27
State Bank of Pakistan - ADB CL	20.12	6mK - 1.00%	2,600,000,000	Bullet repayment	28-Jun-29
JS Bank Limited - II		3mK + 0.85%	650,000,000	14 quarterly	30-Jun-28
JS Bank Limited - III		3mK + 0.85%	500,000,000	17 quarterly	06-Sep-29
Habib Bank Limited - I		3mK + 0.70%	2,000,000,000	03 half yearly	21-Apr-26
Habib Bank Limited - II		3mK + 0.85%	1,000,000,000	7 half yearly	13-Mar-28
Bank of Punjab		6mK + 0.8%	1,000,000,000	06 half yearly	17-Dec-27
Habib Metropolitan Bank		6mK + 0.75%	500,000,000	08 half yearly	25-Feb-29
Soneri Bank Limited		3mK + 0.85%	500,000,000	12 quarterly	06-Sep-29

20.2 This represents the term finance loan facility of Rs. 628 million, carrying markup at 6-months KIBOR minus 1% (2024: 6-months KIBOR minus 1%) for a tenor of five years, started from 2020, payable semi-annually, i.e., June 30 and December 31. The outstanding balance amounts to Rs. 24 million (2024: Rs. 317 million). The loan is provided against the targets set by SBP. The associated cost of guarantee is claimable from SBP.

20.2.1 The Company has provided a guarantee against the finance facility of Rs. 628 million obtained from SBP. This guarantee has been obtained from Bank Alfalah Limited and is secured against first pari passu charge on present and future assets (excluding land and buildings) of Rs. 342.92 million inclusive of 25% margin (2024: Rs. 837.33 million inclusive of 25% margin).

20.3 This represents the term finance loan facility of Rs. 1,536 million, carrying markup at 6-months KIBOR minus 1% (2024: 6-months KIBOR minus 1%) for a tenor of five years, started from 2021, payable semi-annually, i.e., June 30 and December 31. The outstanding balance amounts to Rs. 1,536 million (2024: Rs. 1,536 million). The loan is provided against the targets set by SBP. The associated cost of guarantee is claimable from SBP.

20.3.1 The Company has provided a guarantee against the finance facility of Rs. 1,536 million obtained from SBP. This guarantee has been obtained from Bank Alfalah Limited of Rs. 1,343 million, which is secured against first pari passu charge on present and future assets (excluding land and buildings), and Bank of Punjab of Rs. 419.86 million, which is secured against present and future current assets including long term financing, inclusive of 25% margin (2024: Rs. 3,220 million inclusive of 25% margin).

20.4 This represents the term finance loan facility of Rs. 1,270 million, carrying markup at 6-months KIBOR minus 1% (2024: 6-months KIBOR minus 1%) for a tenor of five years, started from 2023, payable semi-annually, i.e., June 30 and December 31. The outstanding balance amounts to Rs. 1,187 million (2024: Rs. 793 million). The loan is provided against the targets set by SBP. The associated cost of guarantee is claimable from SBP.

20.4.1 The Company has provided a guarantee against the finance facility of Rs. 1,187 million obtained from SBP where total facility amount is Rs. 1,270 million. This guarantee has been obtained from Saudi Pak Industrial and Agricultural Company Limited of Rs. 968 million, which is secured against first pari passu charge on present and future current and fixed assets, and JS Bank Limited of Rs. 465.5 million, which is secured against present and future current assets, inclusive of 25% margin (2024: Rs. 1,334 million inclusive of 25% margin).

20.5 This represents the term finance loan facility of Rs. 1,533 million, carrying markup at 6-months KIBOR minus 1% (2024: Nil) for a tenor of three years, starting from 2024, payable semi-annually, i.e., June 30 and December 31. The outstanding balance amounts to Rs. 1,533 million (2024: Nil). The loan is provided against the targets set by SBP. The associated cost of guarantee is claimable from SBP.

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

- 20.5.1** The Company has provided a guarantee against the finance facility of Rs. 1,533 million obtained from SBP. This guarantee has been obtained from Bank of Punjab of Rs. 649.9 million which is secured against present and future current assets including long term financing, inclusive of 25% margin, JS Bank Limited of Rs. 34.4 million which is secured against present and future current assets, inclusive of 25% margin and Askari Bank Limited of Rs. 1,053 million which is secured against current assets of the Company, inclusive of 25% margin (2024: Nil).
- 20.6** This represents the term finance loan facility of Rs. 513 million, carrying markup at 6-months KIBOR minus 1% (2024: Nil) for a tenor of three years, starting from 2025, payable semi-annually, i.e., June 30 and December 31. The outstanding balance amounts to Rs. 513 million (2024: Nil). The loan is provided against the targets set by SBP. The associated cost of guarantee is claimable from SBP.
- 20.6.1** The Company has provided a guarantee against the finance facility of Rs. 513 million obtained from SBP. This guarantee has been obtained from Pak Oman Investment Company of Rs. 500 million which is secured against current assets and non-current assets (excluding land and building) inclusive of 25% margin, MCB Limited of Rs. 75 million which is secured against current assets and non-current assets (excluding land and building) inclusive of 25% margin. (2024: Nil)
- 20.7** This represents the term finance loan facility of Rs. 890 million, carrying markup at 6-months KIBOR minus 1% for a tenor of three years, started from June 2023, payable semi-annually, i.e., June 30 and December 31. The outstanding balance amounts to Rs. 832.8 million (2024: 832.8 Million). The loan is provided against the targets set by SBP. The associated cost of guarantee is claimable from SBP.
- 20.7.1** The Company has provided a guarantee against the finance facility of Rs. 890 million obtained from SBP. This guarantee has been obtained from Pak Libya Holding Company Limited of Rs. 430 million, (2024:1,066 million) which is secured against current and fixed assets (excluding land and buildings), and Bank of Punjab of Rs. 580 million, which is secured against present and future current assets including long term financing, inclusive of 25% margin (2024: Rs. 1,334 million inclusive of 25% margin).
- 20.8** This represents the term finance loan facility of Rs. 25.8 million, carrying markup at 6-months KIBOR minus 1% for a tenor of three years, started from December 2023, payable semi-annually, i.e., June 30 and December 31. The outstanding balance amount to Rs. 25.8 million. The loan is provided against the targets set by SBP. The associated cost of guarantee is claimable from SBP.
- 20.8.1** The Company has provided a guarantee against the finance facility of Rs. 25.8 million obtained from SBP. This guarantee has been obtained from Saudi Pak Industrial and Agricultural Company Limited of Rs. 31.7 million which is secured against first pari passu charge on present and future current and fixed assets, inclusive of 25% margin.
- 20.9** This represents the term finance loan facility of Rs. 169 million, carrying markup at 6-months KIBOR minus 1% for a tenor of three years, starting from December 2024, payable semi-annually, i.e., June 30 and December 31. The outstanding balance amount to Rs. 169 million (2024: Rs. 169 million). The loan is provided against the targets set by SBP. The associated cost of guarantee is claimable from SBP.
- 20.9.1** The Company has provided a guarantee against the finance facility of Rs. 169 million obtained from SBP. This guarantee has been obtained from Bank of Punjab of Rs. 190 million which is secured against present and future current assets including long term financing, inclusive of 25% margin.
- 20.10** This represents the term finance loan facility of Rs. 750 million, carrying markup at 6-months KIBOR minus 1% for a tenor of three years, starting from March 2025, payable semi-annually, i.e., June 30 and December 31. The outstanding balance amount to Rs. 750 million (2024: Nil). The loan is provided against the targets set by SBP. The associated cost of guarantee is claimable from SBP.
- 20.10.1** The Company has provided a guarantee against the finance facility of Rs. 750 million obtained from SBP. This guarantee has been obtained from Askari Bank Limited of Rs. 350 million which is secured against current assets of the Company, inclusive of 25% margin. (2024: Nil) and MCB Limited of Rs. 500 million which is secured against current assets and non-current assets (excluding land and building) inclusive of 25% margin. (2024: Nil)
- 20.11** This represents the term finance loan facility of Rs. 374 million, carrying markup at 6-months KIBOR minus 1% for a tenor of three years, starting from March 2025, payable semi-annually, i.e., June 30 and December 31. The outstanding balance amount to Rs. 374 million (2024: Nil). The loan is provided against the targets set by SBP. The associated cost of guarantee is claimable from SBP.
- 20.11.1** The Company has provided a guarantee against the finance facility of Rs. 374 million obtained from SBP. This guarantee has been obtained from MCB Limited of Rs. 418.8 million which is secured against current assets and non-current assets (excluding land and building) inclusive of 25% margin. (2024: Nil)
- 20.12** This represents the term finance loan facility of Rs. 2,600 million, carrying markup at 6-months KIBOR minus 1% (2024: 6-months KIBOR minus 1%) for a tenor of five years, starting from June 2024, payable semi-annually, i.e., June 30 and December 31. The outstanding balance amount to 1,556 million (2024: 1,556 million). The loan is provided against the targets set by SBP. The associated cost of guarantee is claimable from SBP.

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

- 20.12.1** The Company has provided a guarantee against the finance facility of Rs. 2,600 million obtained from SBP. This guarantee has been obtained from Pak Libya Holding Company Limited of Rs. 370 million which is secured against current and fixed assets excluding Land and building inclusive of 25% margin, and from Pakistan Kuwait Investment Company Limited of Rs. 1,500 million (2024: Rs. 2,000 million) which is secured against current and non-current assets including long term financing inclusive of 25% margin.
- 20.13** This represents the term finance loan facility of Rs. 2,232 million, carrying markup at 6-months KIBOR minus 1% (2024: Nil) for a tenor of four years, starting from February 2025, payable semi-annually, i.e., June 30 and December 31. The outstanding balance amount to 2,196 million (2024: Nil). The loan is provided against the targets set by SBP. The associated cost of guarantee is claimable from SBP.
- 20.13.1** The Company has provided a guarantee against the finance facility of Rs. 2,232 million obtained from SBP. This guarantee has been obtained from Soneri Bank Limited of Rs. 1,500 million which is secured against current and fixed assets (excluding Land and building) inclusive of 25% margin, Askari Bank Limited of Rs. 96.7 million which is secured against current assets inclusive of 25% margin, Bank of Punjab of Rs. 160 million which is secured against present and future current assets including long term financing, inclusive of 25% margin, and Pakistan Brunei Investment Company Limited of Rs. 700 million which is secured against current and non-current assets (excluding land & building) inclusive of 25% margin.
- 20.14** These loans and borrowings are secured against present and future current and non-current receivables of the Company with margin ranging from 20% to 25% (2024: 20%-25% margin).

21	EMPLOYEE BENEFIT OBLIGATIONS	Note	2025	2024
			(Rupees)	(Rupees)
	Net defined benefit liability			
	- Compensated leave absences	21.1	24,106,513	21,565,623
	- Gratuity	21.2	30,861,186	22,923,383
			<u>54,967,699</u>	<u>44,489,006</u>
21.1	Net defined benefit liability - Compensated leave absences			
	The amounts recognized in the statement of financial position are as follows:			
	Present value of defined benefit obligation		<u>24,106,513</u>	<u>21,565,623</u>
	Movement in net defined benefit liability			
	Net liability as at 01 January		21,565,623	18,062,543
	Charge for the year in statement of profit or loss	21.1.1	5,490,328	5,494,523
	Charge for the year in OCI	21.1.2	(216,369)	(307,157)
	Payments made during the year		(2,733,070)	(1,684,286)
	Net liability as at 31 December		<u>24,106,513</u>	<u>21,565,623</u>
21.1.1	Charge for the year recognized in the statement of profit or loss			
	Current service cost		3,015,940	2,825,361
	Interest cost		2,474,388	2,669,162
			<u>5,490,328</u>	<u>5,494,523</u>
	Expense is recognized in the following line item in the statement of profit or loss			
	Administrative expenses	31	<u>5,490,328</u>	<u>5,494,523</u>
21.1.2	Re-measurement recognized in the statement of other comprehensive income			
	Actuarial gain on obligation	21.1	(216,369)	(307,157)

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

21.1.3 Key actuarial assumptions

The latest actuarial valuation was carried out on 31 December, 2025 using the Projected Unit Credit (PUC) method with the following assumptions:

	2025	2024
Discount rate (per annum)	11.00%	12.25%
Salary increase rate (per annum)	10.00%	10.00%
Leave accumulation factor (per annum)	10 days	10 days
Normal retirement age (years)	60	60
Effective salary increase date	01-Jan-26	01-Jan-25
Mortality rate	SLIC 2001-2005	SLIC 2001-2005
Duration	6.9 years	6.9 years

21.1.4 Sensitivity analysis

For a change of 100 basis points, present value of defined benefit liability at the reporting date would have been different:

	2025 (Rupees)		2024 (Rupees)	
	Increase	Decrease	Increase	Decrease
Discount rate	(1,534,779)	1,737,984	(1,443,329)	1,635,042
Salary increase rate	1,816,204	(1,632,781)	1,711,966	(1,537,076)

21.1.4.1 Although the analysis does not take into account full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

21.2 Net defined benefit liability-gratuity

21.2.1 The Company operates a funded gratuity scheme for its employees, details of which are as follows:

The amounts recognized in the statement of financial position are as follows:	Note	2025 (Rupees)	2024 (Rupees)
Present value of defined benefit obligation	21.2.1.1	109,523,518	88,692,227
Benefits Payable		-	-
Fair value of plan assets	21.2.1.1	(78,662,335)	(65,768,844)
Net liability		30,861,183	22,923,383

Movement in net defined benefit liability

Net liability as at 01 January		22,923,383	15,619,060
Charge for the year recognized in the statement of profit or loss	21.2.2	23,870,064	19,488,661
Re-measurement recognized in the statement of other comprehensive income	21.2.3	956,018	2,804,048
Contributions		(16,888,282)	(14,988,386)
Net liability as at 31 December		30,861,183	22,923,383

21.2.1.1 Reconciliation of liability recognised in the statement of financial position

December 31, 2025	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability / (asset)
	(Rupees)		(asset)
Balance as at 01 January 2025	88,692,227	(65,768,844)	22,923,383
Charge for the year	31,556,682	-	31,556,682
Expected return on plan assets		(7,686,618)	(7,686,618)
Charge to profit or loss net of return on plan assets	31,556,682	(7,686,618)	23,870,064
Experience adjustments on defined benefit liability	121,015	835,003	956,018
Benefits paid	(10,846,407)	10,846,407	-
Contributions to gratuity fund	-	(16,888,282)	(16,888,282)
Balance as at 31 December 2025	109,523,517	(78,662,334)	30,861,183

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

21.2.4 Sensitivity analysis

For a change of 100 basis points, present value of defined benefit liability at the reporting date would have been different:

	2025		2024	
	(Rupees)		(Rupees)	
	Increase	Decrease	Increase	Decrease
Discount rate	(6,610,129)	7,422,877	(5,755,882)	6,490,034
Salary increase rate	7,790,967	(7,061,542)	6,810,078	(6,142,349)

For a change of 100 basis points, present value of defined benefit liability at the reporting date would have been different:

	2025		2024	
	(Rupees)		(Rupees)	
	Increase	Decrease	Increase	Decrease
Withdrawal rate	356,014	(379,268)	230,124	(244,147)

21.2.4.1 Although the analysis does not take into account full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

21.2.5 Expected benefit payments for the next 10 years and beyond;

	(Rupees)
FY 2026	9,835,733
FY 2027	12,516,072
FY 2028	6,917,759
FY 2029	7,307,340
FY 2030	7,466,206
FY 2031 to FY 2035	95,419,927
FY 2036 and above	156,983,220

21.2.6 Key actuarial assumptions

The latest actuarial valuation was carried out on December 31, 2025 using the Projected Unit Credit (PUC) method with the following assumptions:

	2025	2024
Discount rate (per annum)	12.25%	12.25%
Salary increase rate (per annum)	10.00%	10.00%
Return on planned asset (per annum)	11.00%	12.25%
Normal retirement age (years)	60	60
Effective salary increase date	01-Jan-26	01-Jan-25
Mortality rate	SLIC 2001-2005	SLIC 2001-2005
Duration	6.9 years	6.9 years

21.3 Risk associated with defined benefit plans

21.3.1 Salary risk - (linked to inflation risk)

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

21.3.2 Demographic risks

- **Mortality Risk** - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.
- **Withdrawal Risk** - The risk of actual withdrawals is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

	Note	2025 (Rupees)	2024 (Rupees)
22	SUBSIDY PAYABLE		
Opening balance		170,438,363	163,947,722
Unwinding of subsidy payable		14,526,139	14,050,282
Addition	22.2	163,431,290	-
Effect of change in estimate for cash outflows		(7,736,370)	(7,559,641)
		<u>340,659,423</u>	<u>170,438,363</u>
22.1	Under the subordinated loan agreement, the present value of future expected cash outflows for subsidy amounts to Rs. 141,958,164, using a discount rate of 8.69%. Where Company has disbursed loan to the customers, the gross subsidy amount is calculated at weighted average rate per annum applicable to other subordinated loans less the markup payable in cross currency swap arrangement entered for the tranche. Where loan is not yet disbursed to the customers by the Company, amount of subsidy represents the return accrued by placing and maintaining the undisbursed loan amount on the Company's bank account designated for the loan less the amount in Pak Rupees which is payable in cross currency swap arrangement with respect to loan tranche.		
22.2	Under the subordinated loan agreement, the present value of future expected cash outflows for subsidy amounts to Rs. 163,431,290, using a discount rate of 11.71%. Where Company has disbursed loan to the customers, the gross subsidy amount is calculated at weighted average rate per annum applicable to other subordinated loans less the markup payable in cross currency swap arrangement entered for the tranche. Where loan is not yet disbursed to the customers by the Company, amount of subsidy represents the return accrued by placing and maintaining the undisbursed loan amount on the Company's bank account designated for the loan less the amount in Pak Rupees which is payable in cross currency swap arrangement with respect to loan tranche.		
23	LEASE LIABILITY		
Lease liability		57,880,244	101,499,612
Current portion of lease liability		(57,880,244)	(58,703,040)
Non-current		-	42,796,572
Opening balance		101,499,612	-
Modification during the period		-	148,997,453
Finance cost		15,083,671	5,868,559
Repayments		(58,703,039)	(53,366,400)
		<u>57,880,244</u>	<u>101,499,612</u>
23.1	Maturity Analysis		
Less than one year		57,880,244	58,703,040
One to five years		-	64,573,344
		<u>57,880,244</u>	<u>123,276,384</u>
24	SHORT TERM BORROWINGS		
Running Finance - secured	24.1	499,987,047	499,678,802
Short term borrowings - secured	24.2	41,823,676,000	149,465,317,059
Commercial paper - unsecured	24.3	2,362,190,456	-
		<u>44,685,853,503</u>	<u>149,964,995,861</u>
Principal amount		44,685,853,503	149,964,995,861
Markup payable	26	120,906,088	2,757,060,419
Carrying amount at amortised cost		<u>44,806,759,591</u>	<u>152,722,056,280</u>

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

24.1 This represents utilized amount of running finance facility amounting to Rs. 500 million (2024: Rs. 500 million) and carries markup rate of 3-months KIBOR plus 0.40% (2024: 3-months KIBOR plus 0.40%) per annum, payable on quarterly basis. This facility is secured against first pari passu charge over present and future advances / receivables and investments of the Company along with 20% margin.

24.2 This represents short-term borrowings carrying a markup rate of 10.6% (2024: ranging from 3-months KIBOR minus 2.5% to 3-months KIBOR minus 3.98%). These borrowings have maturities falling in the first quarter of 2026 (2024: first quarter of 2025).

24.3 This represents privately placed, rated, unsecured commercial paper carrying a markup rate of 6-months KIBOR plus 0.8% (2024: Nil) with maturity falling in the first quarter of 2026.

		<u>2025</u>	<u>2024</u>
	Note	(Rupees)	(Rupees)
25	TRADE AND OTHER PAYABLES		
	Creditors and employees	1,628,009	6,180,524
	Accrued expenses	80,460,601	121,231,795
	Income tax deducted at source	10,515,293	3,731,325
	Sales tax payable	-	2,319,749
		<u>92,603,903</u>	<u>133,463,393</u>

25.1 This represents accruals made in respect of operational expenses of the Company including variable compensations.

		<u>2025</u>	<u>2024</u>
		(Rupees)	(Rupees)
25.2	Payable to employees' provident fund		
	Balance as at 01 January	-	20,045
	Contribution / withheld during the year	27,378,717	24,807,285
	Payments made during the year	<u>(27,378,717)</u>	<u>(24,827,330)</u>
	Balance as at 31 December	<u>-</u>	<u>-</u>

		<u>2025</u>	<u>2024</u>
	Note	(Rupees)	(Rupees)
26	MARKUP ACCRUED - PAYABLE		
	Markup payable on subordinated loans	177,273,097	366,458,524
	Markup payable on loans and borrowings	727,471,649	729,444,145
	Markup payable on short term borrowings	120,906,088	2,757,060,419
		<u>1,025,650,834</u>	<u>3,852,963,088</u>

26.1 This represents markup payable in respect of the subordinated loans.

26.2 This represents markup payable in respect of the loans and borrowings.

26.3 This represents markup payable in respect of the short term borrowings.

27 CONTINGENCIES AND COMMITMENTS

(a) Contingencies

(i) The Company extended facility of guarantee in favour of Agahe Pakistan and Rural Community Development Program amounting to Rs. Nil and Rs 100 million, respectively (December 31, 2024: Rs 49.5 million and Rs 200 million respectively).

(ii) For contingency related to tax matter refer note 35 to these financial statements.

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

(b) Commitments

- (i) The Company has commitment of Rs. 4.5 million for purchase of laptops as at December 31, 2025. (2024: Rs. 8.1 million)

28	INCOME	Note	2025	2024
			(Rupees)	(Rupees)
	Markup on financing	28.1	4,716,394,149	6,237,707,359
	Markup on Retail - financing	28.2	-	5,606,068
	Deferred Income on Mudarabah Financing	28.3	12,234,229	1,602,308
	Income from deposit accounts / certificates		83,196,692	215,746,266
	Income from short term financing		1,593,751,249	3,187,372,550
	Income on reverse repo transactions		322,839,230	290,656,677
	Income on Treasury Bills investment		369,061,259	236,171,428
	Income on Pakistan Investment Bonds		83,610,892	258,765,871
	Interest on investment in Term Finance Certificates		22,748,060	103,849,908
			7,203,835,760	10,537,478,435

28.1 This represents markup on financing to microfinance institutions and banks.

28.2 This represents markup on retail financing to farmers as per collaboration of the Company with Naymat Collateral Management Company and Growtech under Electronic Warehouse Receipt (EWR) arrangement. Under this arrangement, the farmers applied for loans by pledging their crops. The loans were provided at 6-months KIBOR plus 6% for a tenor upto 6 months.

28.3 This represents the profit earned on the Mudarabah finance arrangement.

29	FINANCE COST	Note	2025	2024
			(Rupees)	(Rupees)
	Markup / unwinding effect on subordinated loans	29.1	873,113,584	1,668,115,422
	Markup on loans and borrowings	29.2	2,755,509,994	3,230,840,574
	Markup on short term borrowings	29.3	1,299,757,981	2,757,060,419
	Markup on repurchase transactions		-	243,943,643
	Markup on derivative financial instruments	29.4	96,078,053	167,570,407
	Markup on Commercial paper		87,555,038	
	Amortized transaction cost		-	62,751
	Bank charges		193,448	343,201
	Foreign exchange loss/(gain) on subordinated loan & derivative		2,929,747	(7,645,135)
	Total Guarantee fee paid ammortized during the year		275,638,633	84,066,573
	Less: Guarantee fee rebate from State Bank of Pakistan		(248,138,089)	(60,053,694)
			27,500,544	24,012,879
			5,142,638,389	8,084,304,161

29.1 This represents (a) markup on subordinated loans from Pakistan Poverty Alleviation Fund (PPAF) & Karandaaz Pakistan and (b) unwinding of subsidy payable.

29.2 This represents markup on loans and borrowings as mentioned in note 20 to these financial statements.

29.3 This represents markup on short term borrowings.

29.4 This represents markup on the cross currency swap arrangement with HBL. Refer to note 10 for this arrangement.

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

30 Net impairment loss on financial assets

	Note	2025 (Rupees)	2024 (Rupees)
Provision for expected credit loss on financial assets	30.1	132,317,608	293,204,012
Write off - markup accrued receivable	12	11,598,184	414,539,616
		<u>143,915,792</u>	<u>707,743,628</u>

30.1	Note	2025					Total
		Financing	Investments	Lending to Financial Institutions	Balances with other banks	Staff loans	
		1,668,516,408	21,281	67,524	134,261	7,149	1,668,746,623
Balance as at 1 January 2025							
Provision charge for the year	7.4	131,213,807	26,233	178,722	898,795	51	132,317,608
Reversal made during the year		-	-	-	-	-	-
Balance as at 31 December 2025		<u>1,799,730,215</u>	<u>47,514</u>	<u>246,246</u>	<u>1,033,056</u>	<u>7,200</u>	<u>1,801,064,231</u>

	2024					Total
	Financing	Investments	Lending to Financial Institutions	Balances with other banks	Staff loans	
Balance as at 1 January 2024	1,375,542,611	-	-	-	-	1,375,542,611
Provision charge for the year	292,973,797	21,281	67,524	134,261	7,149	293,204,012
Balance as at 31 December 2024	<u>1,668,516,408</u>	<u>21,281</u>	<u>67,524</u>	<u>134,261</u>	<u>7,149</u>	<u>1,668,746,623</u>

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

30.2 Particulars of Credit Loss Allowance

30.2.1 Financing - Exposures

	2025			
	Stage 1	Stage 2	Stage 3	Total
Opening Balance	24,608,718,758	6,745,775,000	481,160,942	31,835,654,700
				-
Additions	5,944,416,667	959,000,000	-	6,903,416,667
Financing derecognised or repaid	(427,280,603)	(1,437,777,526)	(2,500,000)	(1,867,558,129)
Transfer to Stage 1	1,000,000,000	(1,000,000,000)	-	-
Transfer to Stage 2	-	220,000,000	(220,000,000)	-
Transfer to Stage 3	-	-	-	-
	1,000,000,000	(780,000,000)	(220,000,000)	-
Closing Balance	31,125,854,822	5,486,997,474	258,660,942	36,871,513,238

30.2.2 Financing - Credit Loss Allowance

	2025			
	Stage 1	Stage 2	Stage 3	Total
Opening Balance	924,924,589	262,430,877	481,160,942	1,668,516,408
				-
Additions	26,496,343	2,442,550,355	-	2,469,046,698
Financing derecognised or repaid	(922,350,922)	(1,192,981,969)	(222,500,000)	(2,337,832,891)
Transfer to Stage 1	48,764,884	(48,764,884)	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
	48,764,884	(48,764,884)	-	-
Closing Balance	77,834,894	1,463,234,379	258,660,942	1,799,730,215

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

30.2.3 Financing - Exposures

Opening Balance
Additions
Financing derecognised or repaid
Transfer to Stage 1
Transfer to Stage 2
Transfer to Stage 3

Closing Balance

2024			
Stage 1	Stage 2	Stage 3	Total
25,481,839,927	3,339,375,000	261,660,942	29,082,875,869
8,640,473,961	1,780,800,000	-	10,421,273,961
(7,343,895,130)	(324,100,000)	(500,000)	(7,668,495,130)
-	-	-	-
(2,169,700,000)	2,169,700,000	-	-
-	(220,000,000)	220,000,000	-
(2,169,700,000)	1,949,700,000	220,000,000	-
24,608,718,758	6,745,775,000	481,160,942	31,835,654,700

30.2.4 Financing - Credit Loss Allowance

Opening Balance

Additions
Financing derecognised or repaid
Transfer to Stage 1
Transfer to Stage 2
Transfer to Stage 3

Closing Balance

2024			
Stage 1	Stage 2	Stage 3	Total
991,594,406	129,947,664	254,000,541	1,375,542,611
-	-	-	-
324,970,273	67,622,482	227,660,401	620,253,156
(310,120,743)	(16,658,616)	(500,000)	(327,279,359)
-	-	-	-
(81,519,347)	81,519,347	-	-
-	-	-	-
(81,519,347)	81,519,347	-	-
924,924,589	262,430,877	481,160,942	1,668,516,408

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

30.2.5 Financing - Credit Loss Allowance Details

	2025	2024
Outstanding Gross Exposure	36,871,513,238	31,835,654,700
Performing - Stage 1	31,125,854,822	24,608,718,758
Under Performing - Stage 2	5,486,997,474	6,745,775,000
Non Performing - Stage 3		
-Substandard	-	-
-Doubtful	-	-
-Loss	258,660,942	481,160,942
	258,660,942	481,160,942
Total	36,871,513,238	31,835,654,700
Corresponding ECL		
Stage 1	77,834,894	924,924,589
Stage 2	1,463,234,379	262,430,877
Stage 3	258,660,942	481,160,942
	1,799,730,215	1,668,516,408

30.3 Category of classification in stage 3

	2025		2024	
	Non performing loans	Credit loss allowance	Non performing loans	Credit loss allowance
Domestic				
Other Assets Especially Mentioned (OAEM)	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	258,660,942	258,660,942	481,160,942	481,160,942
Total	258,660,942	258,660,942	481,160,942	481,160,942

30.4 Particulars of credit loss allowance against financing

	2025		
	Stage 1 & 2	Stage 3	Total
Opening balance	1,187,355,466	481,160,942	1,668,516,408
New addition	2,469,046,698	-	2,469,046,698
Charge for the year	(48,764,884)	-	(48,764,884)
Reversals	48,764,884	-	48,764,884
	-	-	-
Derecognized	(2,115,332,891)	(222,500,000)	(2,337,832,891)
Closing balance	1,541,069,273	258,660,942	1,799,730,215

30.4.1 Particulars of credit loss allowance against financing

In local currency	1,541,069,273	258,660,942	1,799,730,215
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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

31	ADMINISTRATIVE EXPENSES	Note	2025	2024
			(Rupees)	(Rupees)
	Salaries, wages and other benefits	31.1	383,459,577	335,354,010
	Traveling and conveyance	31.2	43,488,078	34,673,125
	Legal and professional fees		5,194,649	13,009,252
	Advertisement and promotion		9,148,641	15,340,851
	Utilities		7,918,274	9,036,357
	Telecommunication and postage		2,060,188	2,173,331
	Director's fee		9,650,000	8,875,000
	Printing and stationery		812,143	1,559,710
	Repair and maintenance		9,764,639	7,568,721
	Auditors remuneration	31.3	5,409,186	3,131,123
	Insurance		2,538,364	2,277,678
	Office supplies and meeting expenses		10,259,569	9,838,797
	IT Expenses		7,738,950	31,346,032
	Miscellaneous		5,176,785	6,548,417
	Depreciation on Property, plant and equipment	4	9,423,423	4,825,271
	Depreciation on ROUA	5	49,665,817	41,902,522
	Amortization on intangible assets		-	1,201,787
	Financial charges on lease liability		15,083,671	5,868,559
	Consultancy and outsourcing arrangements	31.4	18,900,236	20,251,296
	Trainings and workshops		22,060,123	25,734,428
			617,752,313	580,516,267

31.1 Salaries, wages and other benefits include staff retirement benefits amounting to Rs. 43,049,751 (2024: Rs. 37,386,828).

31.2 This includes cost of staff business traveling and operational monitoring field visits to the borrowers.

31.3	Auditors' remuneration	2025	2024
		(Rupees)	(Rupees)
	Statutory audit fee (inclusive of sale tax)	3,162,500	2,070,000
	Other certifications fee	1,930,436	681,623
	Out of pocket expenses	316,250	379,500
		5,409,186	3,131,123

31.4 This includes expenses on account of consultancies for capacity building, strategy formulation, actuarial valuations, taxation and other services.

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

		<u>2025</u>	<u>2024</u>
		(Rupees)	(Rupees)
32	OTHER EXPENSES		
	Crop value chain	6,473,500	9,299,027
	Renewable Energy	15,095,466	17,622,893
	Education	-	4,965,725
	Business revival initiative	(3,015,700)	-
	Women Empowerment	6,021,575	-
		<u>24,574,841</u>	<u>31,887,645</u>

32.1 These represent specific grants extended to borrowers of the Company as part of its Microfinance Plus (MF Plus) initiative. The Company records the related expense on disbursement as no further economic benefit is expected to be received.

32.2 No director or their spouse(s) had interest in any grant(s) irrespective of the amount of grant agreed or disbursed.

			<u>2025</u>	<u>2024</u>
		Note	(Rupees)	(Rupees)
33	OTHER INCOME			
	Grant income	33.1	34,378,891	33,162,844
	Advisory and arrangement fee	33.2	51,108,114	15,998,006
	Gain on sale of fixed assets		3,468,064	-
	Capital gain on PIBs		43,163,532	-
	Liabilities written back		31,094,193	-
	Others		-	14,079,536
			<u>163,212,794</u>	<u>63,240,386</u>

33.1 This represents amounts claimable from KfW, a German development company (an associated undertaking), as per the agreement against the consultancy services, trainings (local and international), and Solar Prime (renewable energy) project.

33.2 Advisory and arrangement fee has been charged on account of participation in and arrangement of private placement of Term Finance Certificates. This also includes the upfront fee received on lending to borrowers.

			<u>2025</u>	<u>2024</u>
		Note	(Rupees)	(Rupees)
34	FAIR VALUE (LOSS) / GAIN ON DERIVATIVE			
	Mark to market (loss) / gain on derivative	10	<u>(36,771,955)</u>	<u>(14,248,870)</u>

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

35 INCOME TAX EXPENSE

Income tax:			
- Current	16	635,885,326	609,419,874
- Prior		-	-
		<u>635,885,326</u>	<u>609,419,874</u>
Deferred tax	9.1	(273,998,628)	(131,851,272)
		<u>361,886,698</u>	<u>477,568,602</u>

35.1 Relationship between accounting profit and tax expense is as follows:

Accounting profit for the year		1,144,859,855	1,176,975,784
Applicable tax rate		<u>29%</u>	<u>29.00%</u>
Tax charge		332,009,358	341,322,977
Tax effect of super tax		170,400,181	156,261,505
Prior year effect		-	-
Tax effect of change in rate		-	-
Tax effect of permanent differences		119,877,520	21,187,907
Others		(260,400,361)	(41,203,787)
		<u>361,886,698</u>	<u>477,568,602</u>

35.2 The Company's tax assessments for the tax years 2018 and 2019 were reopened by the assessing officer raising an aggregate income tax demand of Rs. 58.44 million (Rs. 21.97 million for 2018 and Rs. 36.47 million for 2019) on account of super tax and default surcharge on mark-up income and business income. The Company filed an appeal with Commissioner Inland Revenue (Appeals) (CIR (Appeals)) who upheld the order of assessing officer and raised demand for only for tax year 2019. The Company filed an appeal to the Honorable Appellate Tribunal Inland Revenue, Islamabad Bench, Islamabad (ATIR) against the order of CIR (Appeals). The ATIR has concluded proceeding of assessment year 2019 in favour of the Company by annulling the orders passed by lower authorities. The Company is confident that year 2018 assessment will also be decided in its favour as arguments are same for the concerned assessment year.

35.3 The tax return for the tax year 2021 was submitted by the company declaring taxable income and tax chargeable at Rs 742.5 million and Rs 215 million, respectively. The company settled this tax liability through withholding tax payments aggregating to Rs. 490.9 million. An amount of Rs. 275.6 million is refundable to the Company. The assessing officer amended the deemed assessment vide assessment order under section 122(5A) of the ITO, 2001 dated 14 May, 2024 and reduced refundable tax by Rs 128 million through order. The Company has filed an appeal before ATIR on June 12, 2024. The case is yet to be fixed for hearing. The Company is confident that year 2021 assessment will also be decided in its favour as arguments are same for the concerned assessment year.

35.4 The tax return for the tax year 2022 was submitted by the company declaring taxable income and tax chargeable at Rs 708.8 million and Rs 244 million respectively. The company settled this tax liability through withholding tax payments aggregating to Rs. 361.8 million. An amount of Rs. 117.7 million is refundable to the Company. The CIRA annulled the super tax demand of Rs. 1.15 million created by the assessing officer in its order dated April 20, 2023. The assessing officer amended the deemed assessment vide assessment order under section 122 (5A) of ITO, 2001 and raised demand of Rs. 170 million. The Company is confident that year 2022 assessment will also be decided in its favour as arguments are same for the concerned assessment year.

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

35-5 The tax return for the tax year 2023 was submitted by the company declaring taxable income and tax chargeable at Rs 1.32 billion and Rs 429 million, respectively. The company settled this tax liability through withholding tax payments aggregating to Rs. 563.5 million. An amount of Rs. 134.2 million is refundable to the Company. The assessing officer amended the deemed assessment vide assessment order under section 122(5A) of the ITO,2001 dated 23 May, 2025 and raised demand of Rs 814 million through order. The Company has filed an appeal before ATIR on June 21, 2025. The case is yet to be fixed for hearing. The Company is confident that year 2023 assessment will also be decided in its favour as arguments are same for the concerned assessment year.

	Note	2025 (Rupees)	2024 (Rupees)
36 CASH FLOWS FROM OPERATING ACTIVITIES			
BEFORE WORKING CAPITAL CHANGES			
Profit before taxation		1,144,859,855	1,182,018,250
<i>Adjustments for non cash items and others:</i>			
Depreciation on Property, plant and equipment	31	9,423,423	4,825,271
Depreciation on ROUA	31	49,665,817	41,902,522
Amortization on intangible assets	31	-	1,201,787
Financial charges on lease liability	31	15,083,671	5,868,559
Net provision for expected credit loss on financial assets	30 & 7.4.1	372,258,804	707,743,628
Provision for leave encashment	21.1.1	5,490,328	5,494,523
Mark to market gain on derivative financial instrument	34	36,771,955	14,248,870
Foreign exchange loss on KfW loan	29	2,929,747	(7,645,135)
Provision for staff retirement benefit - gratuity	21.2.2	23,870,065	19,488,662
Markup on financing	28	(4,728,628,378)	(6,244,915,735)
Income from deposit accounts / certificates	28	(83,196,692)	(215,746,266)
Income from short term financing	28	(1,593,751,249)	(3,187,372,550)
Income on reverse repo transactions	28	(322,839,230)	(290,656,677)
Income on Treasury Bills investment	28	(369,061,259)	(236,171,428)
Income on Pakistan Investment Bonds	28	(83,610,892)	(258,765,871)
Interest on investment in TFCs	28	(22,748,060)	(103,849,908)
Finance cost other than foreign exchange loss on subordinated loan	29	5,139,708,642	8,096,991,762
Grant income	33	(34,378,891)	(33,162,844)
Advisory and arrangement fee	33	(51,108,114)	(15,998,006)
Gain on disposal of fixed assets	33	(3,468,064)	-
Capital gain	33	(43,163,532)	-
Liabilities written back	33	(31,094,193)	-
		<u>(566,986,245)</u>	<u>(514,500,585)</u>

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

37 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Note	2025			2024		
		Chief Executive	Directors (Rupees)	Executives	Chief Executive	Directors (Rupees)	Executives
Managerial remuneration		52,915,980	-	136,074,734	47,672,052	-	127,075,108
Performance bonus		10,000,000	-	26,422,786	10,000,000	-	18,761,160
Other perks and benefits	37.1	9,842,281	-	60,069,586	7,994,435	-	51,154,291
Contribution to provident fund		3,704,119	-	9,126,974	3,337,044	-	8,624,292
Gratuity		4,409,665	-	11,339,561	3,972,671	-	10,267,012
Meeting fee	37.2	-	9,650,000	-	-	8,875,000	-
		<u>80,872,045</u>	<u>9,650,000</u>	<u>243,033,641</u>	<u>72,976,202</u>	<u>8,875,000</u>	<u>215,881,863</u>
Number of persons		<u>1</u>	<u>5</u>	<u>36</u>	<u>1</u>	<u>3</u>	<u>32</u>

37.1 This includes allowances paid to the Chief Executive as per the Company's policy.

37.2 Remuneration of directors represents the meeting fee of one independent directors and two nominee directors. No other directors were paid any remuneration during the year.

37.3 Executives include employees, other than the chief executive and directors, whose basic salary exceeds Rs. 1,200,000 (2024: Rs 1,200,000) per annum.

38 EMPLOYEES PROVIDENT FUND

38.1 All the investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act 2017 and the rules formulated for this purpose.

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

**39 RECONCILIATION OF MOVEMENT OF LIABILITIES
TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES**

	Liabilities				Total
	Loans and borrowings and short term borrowings	Subordinated loans	Lease Liability	Subsidy Payable	
	(Rupees)				
Balance as at 01 January 2025	170,073,002,435	8,133,372,455	101,499,612	179,253,504	178,487,128,006
Changes from financing cash flows					
Proceeds/(repayments) of loans and borrowings	4,187,925,330	1,626,610,000	-	143,990,686	5,958,526,016
Repayments of short term borrowings	(105,279,142,358)	-	-	-	(105,279,142,358)
Rental paid for the building	-	-	(60,320,332)	-	(60,320,332)
Repayments of subordinated loans	-	(1,063,465,621)	-	-	(1,063,465,621)
Total changes from financing cash flows	(101,091,217,027)	563,144,379	(60,320,332)	143,990,686	(100,444,402,294)
Other changes					
Modification to Lease Liability on contract extension	-	-	-	-	-
Foreign currency gain on KfW loan	-	(2,897,530)	-	-	(2,897,530)
Remeasurement of subsidy payable	-	-	-	-	-
Unwinding of interest on subsidy payable	-	-	-	14,526,139	14,526,139
Financial charges on lease liability	-	-	15,083,671	-	15,083,671
Unwinding of interest on KfW Loan	-	80,175,818	-	-	80,175,818
Balance as at 31 December 2025	68,981,785,408	8,773,795,122	56,262,951	337,770,329	78,149,613,810
Balance as at 01 January 2024	15,802,677,907	9,144,784,329	-	167,720,398	25,115,182,634
Changes from financing cash flows					
Proceeds from loans and borrowings	9,363,661,113	-	-	-	9,363,661,113
Repayments of loans and borrowings	(4,558,389,668)	-	-	-	(4,558,389,668)
Proceeds from short term borrowings	149,465,053,083	-	-	-	149,465,053,083
Rental paid for the building	-	-	(53,366,400)	-	(53,366,400)
Repayments of subordinated loans	-	(1,063,465,626)	-	-	(1,063,465,626)
Total changes from financing cash flows	154,270,324,528	(1,063,465,626)	(53,366,400)	-	153,153,492,502
Other changes					
Modification to Lease Liability on contract extension	-	-	148,997,453	-	148,997,453
Foreign currency gain on KfW loan	-	(14,404,260)	-	-	(14,404,260)
Remeasurement of subsidy payable	-	-	-	(2,707,090)	(2,707,090)
Unwinding of interest on subsidy payable	-	-	-	14,240,197	14,240,197
Financial charges on lease liability	-	-	5,868,559	-	5,868,559
Unwinding of interest on KfW Loan	-	66,458,012	-	-	66,458,012
Balance as at 31 December 2024	170,073,002,435	8,133,372,455	101,499,612	179,253,505	178,487,128,007

40 CASH AND CASH EQUIVALENTS	Note	2025	2024
		(Rupees)	(Rupees)
Lending to financial institutions (reverse repo)	14	1,822,724,068	499,931,523
Cash and bank balances	17	1,941,336,837	994,472,916
		3,764,060,905	1,494,404,439

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

41 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties comprise associated undertakings, directors as well as their close family members, companies with common directorship, executives, key management personnel and major shareholders. Below is the list of related parties with whom the Company has entered into transactions during the year:

Related Party	Basis of relationship	Shareholding in the Company (%)
Pakistan Poverty Alleviation Fund	Associated undertaking	48.9998%
Karandaaz Pakistan	Associated undertaking	37.8001%
KfW	Associated undertaking	13.2000%
Directors	Director	0.0001%
Employees' provident fund	Employees contribution fund	0.0000%
Staff gratuity fund	Employees benefit fund	0.0000%

41.1 Following particulars relate to associated companies incorporated outside Pakistan with whom the Company had entered into transactions during the year:

Name of Party	KfW
Registered address	KfW Group Charlottenstrasse 33/33a 10117 Berlin
Country of incorporation	Germany

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

	2025 (Rupees)	2024 (Rupees)
Transactions with associated undertakings		
Grant income recognized during the year	34,378,891	33,162,844
Grant income received during the year	37,042,453	45,808,965
Subordinated loan repaid during the year	1,063,465,626	1,063,465,626
Subordinated loan received during the year	1,626,610,000	-
Markup on subordinated loan charged during the year	866,323,815	1,661,624,782
Markup on subordinated loan paid during the year	975,082,839	1,708,434,721
	<u>4,602,903,624</u>	<u>4,512,496,938</u>
Transactions with other related parties		
Employer contribution payable to provident fund	-	-
Total contribution paid to provident fund	27,378,717	24,807,285
Total contribution paid to gratuity fund	16,888,282	14,988,386
Disposable of asset to employee	3,434,583	-
	<u>47,701,582</u>	<u>39,795,671</u>
Transactions with key management personnel		
Remuneration and allowance		
Short term benefits	185,990,227	171,764,517
Defined contribution plan	8,332,341	7,984,962
Defined benefit plan	10,298,568	9,505,905
	<u>204,621,136</u>	<u>189,255,384</u>
Loan to key management personnel		
Loan to CEO/ Directors	9,472,278	20,838,999
Loan to other key management personnel	29,405,990	23,819,111
	<u>38,878,268</u>	<u>44,658,110</u>
Movement of loan to Key Management Personnel		
Opening Balance	44,658,110	36,304,017
Disbursements	25,818,572	33,559,558
Repayments during the year	(31,598,414)	(25,205,465)
Closing Balance	<u>38,878,268</u>	<u>44,658,110</u>

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

42 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

A FAIR VALUES

42.1 Classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

		December 31, 2025							
		Carrying value			Fair value				
		Amortised Cost	Fair Value through Other Comprehensive Income	Fair Value through Profit or Loss	Total	Level 1	Level 2	Level 3	Total
		(Rupees)							
<u>December 31, 2025</u>		Note							
On-balance sheet financial instruments									
Financial assets measured at fair value									
Long term investment - Pakistan Investment Bonds	6	-	1,078,148,661	-	1,078,148,661	-	-	-	-
Investment - Term Finance Certificates	6 & 15	99,939,999	-	-	99,939,999	-	-	-	-
Financing - net	7	34,959,068,883	-	-	34,959,068,883	-	-	-	-
Long term advances, prepayments and deposits	8 & 42.3	51,162,079	-	-	51,162,079	-	-	-	-
Advances prepayments and other receivable	11 & 42.4	148,441,701	-	-	148,441,701	-	-	-	-
Markup accrued - receivable	12	2,391,549,075	-	-	2,391,549,075	-	-	-	-
Due from related parties	13	31,526,970	-	-	31,526,970	-	-	-	-
Lending to financial institutions (reverse repo)	14	1,822,724,068	-	-	1,822,724,068	-	-	-	-
Short term investment - Short term finance	15	39,999,909,488	-	-	39,999,909,488	-	-	-	-
Short term investment - Treasury Bills	15	1,061,852,900	2,755,255,308	-	3,817,108,208	-	2,755,255,308	-	2,755,255,308
Cash and bank balances	17	1,941,336,837	-	-	1,941,336,837	-	-	-	-
Derivative Financial Instrument	10	-	-	440,359,467	440,359,467	-	-	440,359,467	440,359,467
		82,507,512,000	3,833,403,969	440,359,467	86,781,275,436	-	2,755,255,308	440,359,467	3,195,614,775
Financial liabilities measured at fair value									
Subordinated loan - KfW	19	2,513,649,679	-	-	2,513,649,679	-	-	-	-
Subordinated loan - Others	19	5,788,790,158	-	-	5,788,790,158	-	-	-	-
Loans and borrowings	20	24,295,931,904	-	-	24,295,931,904	-	-	-	-
Short term borrowings	24	44,685,853,503	-	-	44,685,853,503	-	-	-	-
Lease liability	23	57,880,244	-	-	57,880,244	-	-	-	-
Trade and other payables*	25 & 42.5	82,088,610	-	-	82,088,610	-	-	-	-
Subsidy payable	22	340,659,423	-	-	340,659,423	-	-	340,659,423	340,659,423
		77,764,853,521	-	-	77,764,853,521	-	-	340,659,423	340,659,423

*Trade and other payables include Creditors and accrued expenses.

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

On-balance sheet financial instruments		December 31, 2024							
		Carrying value			Fair value				
		Amortised Cost	Fair Value through Other Comprehensive Income	Fair Value through Profit or Loss	Total	Level 1	Level 2	Level 3	Total
December 31, 2024	Note	(Rupees)							
Financial Assets									
Long term investment - Pakistan Investment Bonds	6	558,174,136	-	-	558,174,136	-	-	-	-
Investment - Term Finance Certificates	6 & 15	199,966,665	-	-	199,966,665	-	-	-	-
Financing - net	7	30,167,138,292	-	-	30,167,138,292	-	-	-	-
Long term advances, prepayments and deposits	8 & 42.3	36,707,502	-	-	36,707,502	-	-	-	-
Advances prepayments and other receivable	11 & 42.4	99,125,664	-	-	99,125,664	-	-	-	-
Due from related parties	13	34,190,532	-	-	34,190,532	-	-	-	-
Lending to financial institutions (reverse repo)	14	499,999,047	-	-	499,999,047	-	-	-	-
Short term investment - Short term finance	15	149,725,519,222	-	-	149,725,519,222	-	-	-	-
Short term investment - Treasury Bills	15	290,721,902	1,037,757,498	-	1,328,479,400	-	1,037,757,498	-	1,037,757,498
Short term investment - Term deposit certificates	15	350,000,000	-	-	350,000,000	-	-	-	-
Cash and bank balances	17	994,472,916	-	-	994,472,916	-	-	-	-
Derivative Financial Instrument	10	-	-	478,914,632	478,914,632	-	-	478,914,632	478,914,632
		182,956,015,878	1,037,757,498	478,914,632	184,472,688,008	-	1,037,757,498	478,914,632	1,516,672,130
Financial liabilities									
Subordinated loan - KfW	19	1,281,116,671	-	-	1,281,116,671	-	-	-	-
Subordinated loan - Others	19	6,852,255,784	-	-	6,852,255,784	-	-	-	-
Loans and borrowings	20	20,108,006,574	-	-	20,108,006,574	-	-	-	-
Short term borrowings	24	149,964,995,861	-	-	149,964,995,861	-	-	-	-
Lease liability	23	58,703,040	-	-	58,703,040	-	-	-	-
Trade and other payables*	25 & 42.5	127,412,319	-	-	127,412,319	-	-	-	-
Markup accrued - payable	26	3,852,963,088	-	-	3,852,963,088	-	-	-	-
Subsidy payable	22	170,438,363	-	-	170,438,363	-	-	-	-
		182,415,891,700	-	-	182,415,891,700	-	-	-	-

*Trade and other payables include Creditors and accrued expenses.

42.2 **Treasury Bills:** Pakistan revaluation (PKRV) rate is average of the yield-to-maturity on government securities traded in the secondary market and determined at the end of day. The yield-to-maturity on government securities is quoted by the six brokerage houses keeping in view the yield-to-maturity on government securities traded in the secondary market.

Derivative Financial Instrument: The valuation by counterparty is carried out on the basis of projected assessment of PKR and USD cashflows over the life of the instrument.

Subsidy Payable: The revaluation is done by discounting the modified/revised cashflows to present value using the original effective interest rate (OEIR). The OEIR is used as the modification is not substantial.

42.3 It excludes long term prepayment - transaction charges.

42.4 It excludes prepaid expenses, advances to suppliers and advances to employees for official purposes.

42.5 It excludes accrued expenses, income tax deducted at source and sales tax payable.

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

42.6 Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair value, both for financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the approved accounting standards as applicable in Pakistan, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Federal securities	Government	Government debt securities denominated in Rupees are valued on the basis of rates announced by the Mutual Funds Association of Pakistan (MUFAP).
Non-Government securities	debt	Non-Government debt securities denominated in Rupees are valued on the basis of rates announced by the Mutual Funds Association of Pakistan (MUFAP). However, all non-government securities are measured at amortised cost method.
Derivatives		Derivative that is valued using valuation techniques based on market observable inputs are cross currency swaps. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations.

B FINANCIAL RISK MANAGEMENT

The Company has exposure to following risk from its use of financial instruments.

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks being faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training, management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

42.7 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Company maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

i. Concentration of credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	2025 (Rupees)	2024 (Rupees)
Long term investment - Pakistan Investment Bonds	6	1,078,148,661	558,174,136
Investment - Term Finance Certificates	6 & 15	99,939,999	199,966,665
Financing - net of transaction cost	7	36,758,799,098	31,854,514,072
Long term advances, prepayments and deposits	8 & 42.3	51,162,079	36,707,502
Advances prepayments and other receivable	11 & 42.4	148,441,701	99,125,664
Markup accrued - receivable	12	2,391,549,075	5,444,351,632
Due from related party	13	31,526,970	34,190,532
Lending to financial institutions (reverse repo)	14	1,822,724,068	499,931,523
Short term investment - Short term finance	15	39,999,909,488	149,725,519,222
Short term investment - Term deposit certificates	15	-	350,000,000
Short term investment - Treasury Bills	15	3,817,108,208	1,328,479,400
Cash and bank balances	17	1,941,336,837	994,472,916
		88,140,646,184	191,125,433,264

Geographically there is no concentration of credit risk. The maximum exposure to credit risk for financial assets at the reporting date by type of counter party is as follows:

	2025 (Rupees)	2024 (Rupees)
Related party	31,526,970	34,190,532
Banks and financial institutions	87,909,515,434	190,955,409,566
Others	199,603,780	135,833,166
	88,140,646,184	191,125,433,264

The Company establishes an allowance for impairment that represents its estimate of expected credit losses in respect of financial assets. For further details on impairment, refer to note 3.8 of these financial statements.

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

iii. Credit quality of financial assets

The credit quality of the Company's financial assets have been assessed below by reference to external credit rating of counterparties determined by the Pakistan Credit Rating Agency Limited (PACRA), VIS Credit Rating Company Limited (VIS) and Standard & Poor's.

An analysis of the credit quality of financial assets is as follows:

		2025	2024
	Ratings	(Rupees)	(Rupees)
Long term investment - Pakistan Investment Bonds			
Counterparties with credit rating	AA+	-	558,174,136
Long term investment - Term Finance Certificates			
Counterparties with credit rating	AA-	-	-
Counterparties with credit rating	AA-/AA	99,939,999	199,966,665
		99,939,999	199,966,665
Financing - gross*			
Counterparties with credit rating	AA/A/A-	13,806,683,501	10,254,453,130
Counterparties with credit rating	BBB/BBB-	18,499,750,000	16,418,125,000
Counterparties with credit rating	BB/B	2,346,900,000	2,910,500,000
Counterparties with credit rating	SIP3	2,197,039,109	2,051,435,942
Counterparties without credit rating		40,000,000	-
Adjustment for transaction cost and restructuring of loans		(112,714,140)	-
		36,777,658,470	31,634,514,072
Long term advances and deposits			
Counterparties without credit rating		51,162,079	36,707,502
Advances prepayments and other receivable			
Counterparties without credit rating		148,441,701	99,125,664
Derivative financial instrument			
Counterparty with credit rating	AAA	440,359,467	478,914,632
Markup accrued - receivable			
Counterparties with credit rating	AAA	-	72,601,105
Counterparties with credit rating	A/AA+/AA/AA-	216,255,761	269,454,873
Counterparties with credit rating	A-/A1+	1,313,446,859	4,088,607,988
Counterparties with credit rating	BBB/BBB-	627,705,853	663,310,120
Counterparties with credit rating	BB/BB+	87,712,005	142,486,444
Counterparties with credit rating	CCC	216,040,955	207,891,103
Counterparties with no credit rating		1,131,464	-
Adjustment for effective interest on restructured loans		93,184,731	-
		2,555,477,628	5,444,351,633
		2025	2024
	Ratings	(Rupees)	(Rupees)
Due from related party			
Counterparties with credit rating	A1+	31,526,970	34,190,532

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

ii- Impairment losses

Under the earlier approach, the Company created a general provision ranging from 3.25% to 5.5% based on historical loss trends and management judgment. However, IFRS 9 introduces a more risk-sensitive impairment methodology based on a three-stage ECL model, which classifies financial assets into the following categories:

Stage 1 – 12-month ECL: Applies to performing financial assets with no significant increase in credit risk.

Stage 2 – Lifetime ECL: Applies to under performing financial assets with a significant increase in credit risk since initial recognition.

Stage 3 – Lifetime ECL (Credit-Impaired): Applies to non performing financial assets that are credit-impaired.

The new ECL model incorporates historical data, current conditions, and forward-looking macro-economic factors to estimate credit losses. This transition may result in higher or lower impairment provisions compared to the previous general provision approach, depending on the credit risk assessment of the financing portfolio.

The Company calculated ECL on the exposures of Financing, Lending to Financial Institutions (reverse-repo), Cash and Bank balances and Short & Long term Investments.

	<u>2025</u>	<u>2024</u>
	<u>(Rupees)</u>	<u>(Rupees)</u>
Opening balance	1,668,746,623	1,375,542,611
Charge for the period:		
Stage 1 & 2	354,817,608	66,043,611
Stage 3	(222,500,000)	227,160,401
	132,317,608	293,204,012
	1,801,064,231	1,668,746,623

The provision account in respect of financing are used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrevocable is written off against the financial asset directly.

Based on past experience, the management believes that except as already provided for in these financial statements, no further impairment is required to be recognized against any financial assets of the Company.

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

Lending to financial institutions (reverse repo)

Counterparties with credit rating	A1+	<u>1,822,724,068</u>	<u>499,931,523</u>
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Short term investment - Pakistan Investment Bonds

Counterparties with credit rating	A1+	<u>39,999,909,488</u>	<u>140,884,139,222</u>
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Short term investment - Treasury Bills

Counterparties with credit rating	A1+	<u>3,817,108,208</u>	<u>10,169,859,400</u>
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Short term investment - Term deposit certificates

Counterparties with credit rating	A1+	<u>-</u>	<u>350,000,000</u>
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Ratings

Bank balances

United Bank Limited	A-1+ / AAA	<u>114,097,022</u>	<u>751,279,745</u>
Bank Alfalah Limited	A-1+/AAA	<u>52,826</u>	<u>31,567,007</u>
Bank Al Habib Limited	A-1+/AAA	<u>125,185,222</u>	<u>96,051,881</u>
Habib Bank Limited	A-1+/AAA	<u>8,119,582</u>	<u>114,929,925</u>
Telenor Microfinance Bank Ltd.	A-1/A	<u>60,965</u>	<u>57,777</u>
JS Bank Limited	A-1+/AA	<u>176,989</u>	<u>203,819</u>
National Bank of Pakistan	A-1+/AAA	<u>355,762</u>	<u>199,289</u>
Askari Bank Limited	A-1+/AA+	<u>5,555,557</u>	<u>-</u>
Bank Islami Pakistan Limited	A-1/AA-	<u>15,089</u>	<u>1,138</u>
Bank of Punjab	A-1+/AA+	<u>114,831,944</u>	<u>65,768</u>
Habib Metropolitan Limited	A-1+/AA+	<u>92,204</u>	<u>11,747</u>
MCB Bank Limited	A-1+/AAA	<u>568,942,612</u>	<u>109,666</u>
Meezan Bank Limited	A-1+/AAA	<u>4,798,387</u>	<u>11,000</u>
Soneri Bank Limited	A1+/AA-	<u>35,605</u>	<u>43,416</u>
Samba Bank Limited	AA/A-1	<u>1,000,024,950</u>	<u>-</u>
		<u>1,942,344,716</u>	<u>994,532,178</u>

*Financing has been taken gross for the purpose of determining the applicable credit risk.

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

42.8 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, prudent fund management practices and the ability to close out market positions due to dynamic nature of the business. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Exposure to liquidity risk

There were no defaults on loans payable during the year.

The maturity profile of the Company's financial liabilities based on the contractual amounts is as follows:

Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year and up to five years	Maturity after five years
(Rupees)				
31 December 2025				
Subordinated loan	8,302,439,837	8,302,439,837	1,063,465,621	7,238,974,216
Loans and borrowings	24,295,931,904	24,295,931,904	5,326,265,852	18,969,666,052
Short term borrowings	44,685,853,503	44,685,853,503	44,685,853,503	-
Trade and other payables	82,088,610	82,088,610	82,088,610	-
Markup accrued - payable	1,025,650,834	1,025,650,834	1,025,650,834	-
Subsidy payable	340,659,423	340,659,423	-	340,659,423
	78,732,624,111	78,732,624,112	52,183,324,420	26,208,640,268

31 December 2024

Subordinated loan	8,133,372,455	8,133,372,455	1,063,465,621	7,069,906,834
Loans and borrowings	20,108,006,574	20,108,006,574	3,823,740,098	16,284,266,476
Short term borrowings	149,964,995,861	149,964,995,861	149,964,995,861	-
Trade and other payables	8,500,273	8,500,273	8,500,273	-
Markup accrued - payable	3,852,963,088	3,852,963,088	3,852,963,088	-
Subsidy payable	170,438,363	210,233,777	111,797,685	98,436,092
	182,238,276,614	182,278,072,028	158,825,462,626	23,452,609,402

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

The contractual cash flows relating to subordinated loans, loans and borrowing and short term borrowings have been determined on the basis of expected mark up rates. The mark up rates have been disclosed in note 20, 21, 26 and 28 to these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

42.9 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market markup rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

42.9.1 Foreign currency risk

The PKR is the functional currency of the Company and as a result currency exposures arise from transactions and balances in currencies other than PKR. The Company's potential foreign currency exposure comprise:

- Transactional exposure in respect of non functional currency monetary items; and
- Transactional exposure in respect of non functional currency expenditure and revenues.

Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to PKR equivalent, and the associated gain or loss is taken to the profit or loss. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Transactional exposure in respect of non functional currency expenditure and revenues

Certain operating and capital expenditure is incurred by the Company in currencies other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Company. These currency risks are managed as part of overall risk management strategy. The Company does not enter into forward exchange contracts.

Exposure to foreign exchange risk on year end monetary balances:

	<u>2025</u>	<u>2024</u>
	(Rupees)	(Rupees)
Subordinated loan from KfW	<u>2,513,649,679</u>	<u>1,281,116,671</u>

The following significant exchange rate applied during the year:

	<u>Average rates</u>		<u>Balance sheet date rate</u>	
	<u>2025</u>	2024	<u>2025</u>	2024
US Dollars	<u>281.09</u>	278.42	<u>280.12</u>	278.55

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

Foreign Currency Sensitivity Analysis

Following is the demonstration of the sensitivity to a reasonably possible change in exchange rate of USD applied to assets at reporting date represented in foreign currency, with all other variables held constant, of the Company's profit before tax.

	2025	2024
	(Rupees)	(Rupees)
Increase in 10% USD rate	(251,364,968)	(128,111,667)
Decrease in 10% USD rate	251,364,968	128,111,667

42.9.2 Interest rate risk

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. The Company has financing and subordinated loan in Pakistani Rupees at variable rates. The financing and subordinated loan has variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR).

i. Exposure to markup rate risk

At the reporting date the markup rate profile of the Company's markup bearing financial instruments was as follows:

	2025	2024	2025	2024
	Effective rate %	Effective rate %	(Rupees)	(Rupees)
Fixed rate instruments				
Financial assets	10.24% - 16.72%	12.72%-20.7%	48,649,924,158	152,462,171,805
Financial liabilities	5.46%	5.46%	(2,513,649,679)	(1,281,116,671)
			46,136,274,479	151,181,055,134
Variable rate instruments				
Financial assets	KIBOR+2% to KIBOR+5%	KIBOR+1.2% to KIBOR+5%	36,758,799,098	29,778,132,058
Financial liabilities	KIBOR-1% to KIBOR+1%	KIBOR-3.98% to KIBOR+1%	(72,408,385,110)	(176,925,258,219)
			(35,649,586,012)	(147,147,126,161)

ii. Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not effect the statement of profit or loss.

iii. Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in markup rates at the reporting date would have increased / decreased markup income by Rs. 369.98 million (2024: Rs. . 297.78 million) and increased / decreased markup expense by Rs. 724.16 million (2024: Rs. 1,769.25 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for previous year.

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PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

42.9.3 Other market price risk

The primary goal of the Company's investment strategy is to maximize investment returns on surplus funds. The Company adopts a policy of ensuring to minimize its price risk by investing in securities having sound market performance.

43 Statutory minimum capital requirement and management of capital

Capital requirements applicable to the Company are set and regulated by the Securities and Exchange Commission of Pakistan ("SECP"). These requirements are put in place to ensure sufficient solvency margins. The Company manages its capital requirements by assessing its capital structure against the required level on a regular basis at the reporting date, the minimum equity requirement as per the NBFC Regulations for the non deposit taking NBFC is Rs. 100 million (2024: 100 million). As at December 31, 2025, the Company's total equity is Rs. 10,423.7 million (2024: Rs. 9,500 million)

The Company manages its capital structure and makes adjustments to it in light of the changes in regulatory and economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the return on capital to shareholders or issue new shares.

	2025	2024
44 NUMBER OF EMPLOYEES		
Number of employees at reporting date	47	46
Average number of employees during the year	45	43

45 Events after the reporting period

The Board of Directors have proposed a final dividend for the year ended December 31, 2025 of Rs. 14.6 per share (2024: Rs. 11.9 per share), amounting to Rs. 86 million (2024: Rs. 70 million) at their meeting held on March 17, 2026 for approval of the members at the Annual General Meeting to be held on April 16, 2026. These financial statements do not include the effect of the above dividend which will be accounted for in the period in which it is approved.

46 Corresponding figures

	As previously reported	Effect of restatement	Effect of reclassification	As restated
December 31, 2024				
-----Rupees-----				
Statement of financial position				
Non-current assets				
Financing - net	14,451,495,037	-	(18,859,372)	14,432,635,665
Current assets				
Markup accrued - receivable	5,444,351,632	(13,223,743)	(128,029,392)	5,303,098,497
Advances, prepayments and other receivables	111,518,807	-	128,029,392	239,548,199
Share capital and reserves				
Shareholder Contribution - kfW	52,136,326	33,099,877	-	85,236,203
Unappropriated profit	3,565,921,383	(37,004,230)	2,227,578	3,531,144,731
Non-current liabilities				
Unearned income	21,086,950	-	(21,086,950)	-
Subsidy payable	179,253,506	(8,815,143)	-	170,438,363

The corresponding figures have been restated / reclassified to improve presentation of the financial statements. The above restatements / reclassifications are not material in the context of overall financial statements, therefore a third balance sheet has not been presented.

KAM SIA

PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

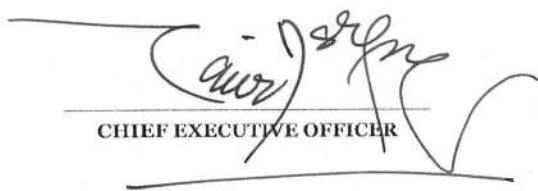
47 **GENERAL**

47.1 The Company has obtained fiduciary insurance for all of its employees as required under the NBFC Rules, 2003.

48 **APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were authorized for issue by the Board of Directors of the Company in its meeting held on 17-Mar-2026.

KPM GTM



CHIEF EXECUTIVE OFFICER



DIRECTOR