PMIC
Pakistan Microfinance Investment Company Limited

An Ecosystem Approach to Inclusive Finance

Annual Report **2025**

Passion for Progress

PMIC

Pakistan Microfinance Investment
Company Limited

Portfolio Highlights

847,782
Clients Served

95
Districts Covered

766,758
Active Borrowers

36%
Youth Clients

89%
Women Clients

63%
Rural Clients

PKR 37 billion
PMIC Portfolio

PKR 89.3 billion
Assets

1.2 million
Jobs Supported

Women: 58%
Youth: 54%

PKR 27.2 billion
Commercial Borrowing

PKR 138.6 billion
Incremental Revenue Generated

**Commercial borrowing includes SBP and commercial paper.*

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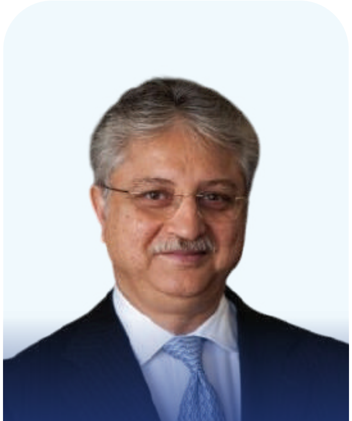
Company Information

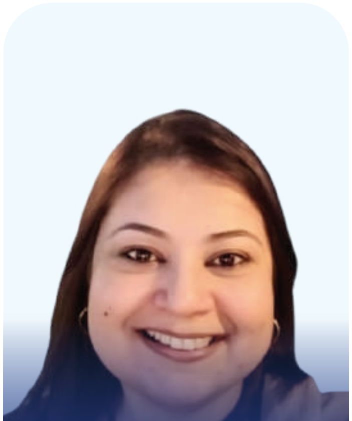
Board of Directors



Mr. Naved Abid Khan
Chairman/Independent Director

Mr. Tariq Maqbool
Independent Director

Mr. Mahfooz Ali Khan
Nominee Director



Ms. Mariam Kayani
Nominee Director

Mr. Navid Goraya
Nominee Director

Dr. Markus Aschendorf
Nominee Director

Mr. Yasir Ashfaq
CEO/Executive Director

Board Audit Committee

Mr. Tariq Maqbool
Chairman

Ms. Mariam Kayani
Member

Mr. Navid Goraya
Member

Board Risk Committee

Dr. Markus Aschendorf
Chairman

Mr. Naved Abid Khan
Member

Mr. Navid Goraya
Member

Board Human Resource Committee

Mr. Naved Abid Khan
Chairman

Mr. Mahfooz Ali Khan
Member

Ms. Mariam Kayani
Member

Acronyms

ADB	Asian Development Bank
ALCO	Assets & Liabilities Committee
BAC	Board Audit Committee
BCM	Business Correspondence Model
BHRC	Board Human Resource Committee
BII	British International Investment
BMZ	German Federal Ministry for Economic Cooperation and Development
BNPL	Buy Now Pay Later
BoD	Board of Directors
BRC	Board Risk Committee
CBO	Community-Based Organizations
CLM	Co-Lending Model
DFC	United States International Development Finance Corporation
DFI	Development Finance Institution
FCDO	Foreign, Commonwealth & Development Office
FIIP	Financial Inclusion and Infrastructure Project
FY	Financial Year
GDP	Gross Domestic Product
GLP	Gross Loan Portfolio
IFC	International Finance Corporation
ITSC	IT Steering Committee
KfW	German Development Bank
KRN	Karandaaz Pakistan
MANCOM	Management Committee
MFB	Microfinance Bank
MFI	Microfinance Institution
MFP	Microfinance Partner/Provider
MRC	Management Risk Committee
MSME	Micro, Small, and Medium Enterprise
NBFC	Non-Bank Microfinance Company
NCGCL	National Credit Guarantee Company Limited
OLP	Outstanding Loan Portfolio
PACRA	Pakistan Credit Rating Company Limited
PAR	Portfolio At Risk
PMIC	Pakistan Microfinance Investment Company Limited
PMIFL	Prime Minister's Interest Free Loan Program
PPAF	Pakistan Poverty Alleviation Fund
PRIME	PMIC KfW Renewable Energy Initiative through Microfinance
SBP	State Bank of Pakistan
SECP	Securities and Exchange Commission of Pakistan

About PMIC

Pakistan Microfinance Investment Company Limited (PMIC) serves as a national-level apex institution dedicated to advancing financial inclusion across Pakistan. It was established in August 2016 through a strategic collaboration among the Pakistan Poverty Alleviation Fund (PPAF), Karandaaz Pakistan (KRN), and the German Development Bank (KfW). PMIC operates as a for-profit, non-banking finance company, licensed under the Companies Act 2017.

PMIC's mission is to provide financial and institutional services that strengthen and scale sustainable, responsible access to finance for individuals, micro-entrepreneurs, and micro enterprises across Pakistan. By doing so, it aims to enhance employment opportunities and improve the livelihoods of economically disadvantaged and underserved citizens.

Beyond financing, PMIC plays a pivotal role in shaping national policies and strategies related to financial inclusion. It advocates systems that empower individuals and communities, ensuring that financial services serve to achieve broader socio-economic development goals.

As of February 2026, PMIC has achieved the following:

Partnered with
29
microfinance providers.

Reached over
800,000
clients nationwide,
including **89%** women and **38%** youth.

Loan portfolio of
PKR 37 billion

Created employment opportunities for
1.2 million
community members/people.

Brand Statement

Passion for Progress

Our Vision

“A Pakistani society where the underserved are empowered”

Our Mission

“Provide financial and institutional services to strengthen and scale up the provision of sustainable and responsible access to finance to individuals, micro-entrepreneurs, and micro-enterprises in Pakistan to enhance employment and income opportunity for economically poor and underserved citizens and improve the lives of the poor”

Strategic Objectives

Create a financially sustainable
wholesale organization

Build a strong, professional and
innovative organization

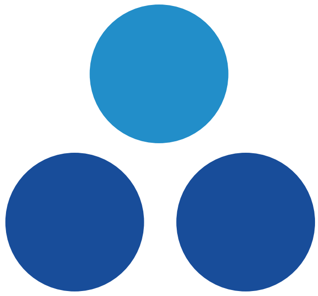
Ensure compliance with
ES Guidelines
in the organization

Build a robust financial ecosystem
for the growth of sustainable
microfinance in Pakistan

Provide innovative and customized support to PMIC investees;
develop capacity to access commercial credit markets

Core Values

Transparency & Merit



Teamwork

Respect & Integrity

Passion, Innovation & Creativity

Inclusion

Shareholders' Profile

Pakistan Microfinance Investment Company Limited (PMIC) was established as a key institutional response under the National Financial Inclusion Strategy, with the objective of expanding access to finance for underserved and marginalized segments of the population. The company's inception reflects a strategic collaboration among three distinguished shareholders: the Pakistan Poverty Alleviation Fund (PPAF), Karandaaz Pakistan, and the KfW Development Bank. These entities have not only provided equity capital but also contributed subordinated debt, reinforcing their long-term commitment to PMIC's mission.

The collective vision of PMIC's shareholders is closely aligned with sustainable development goals, particularly those related to poverty alleviation, gender equality, and broad-based economic empowerment. Their financial and intellectual contributions underscore a shared belief in the transformative potential of responsible finance. As of December 31, 2025, the shareholding structure of PMIC is as follows:

49.0%

Pakistan Poverty Alleviation Fund (PPAF)

Established in 2000 by the Government of Pakistan, PPAF operates as an autonomous not-for-profit organization. PPAF's initiatives span various sectors, including social mobilization, livelihoods, enterprise development, infrastructure, energy, health, education, and disaster management. These programs are executed through a network of over 100 partner organizations nationwide. PPAF's strategic focus is on improving the quality of life and broadening opportunities for the poor and disadvantaged, with a particular emphasis on women's empowerment.

37.8%

Karandaaz Pakistan

Karandaaz Pakistan, a not-for-profit company established in August 2014 under Section 42, is dedicated to promoting access to finance for small businesses and promoting financial inclusion through technology-enabled digital solutions. The organization operates with financial and institutional support from prominent international development finance institutions, notably the UK's Foreign, Commonwealth & Development Office (FCDO) and the Bill & Melinda Gates Foundation. Karandaaz's operations are structured around three core work streams: Digital Financial Services, Corporate Investment and Credit, and Knowledge Management and Communications.

13.2%

KfW Development Bank

KfW Development Bank, a German government-owned development bank, has been instrumental in supporting the German Federal Government's development policy and international cooperation objectives for over five decades. With a dual role as a bank and a development institution, KfW offers financing expertise and deep knowledge of development policy, backed by extensive national and international experience. Operating primarily on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), KfW finances and supports programs aimed at poverty reduction, peace maintenance, environmental protection, and climate change mitigation in developing countries and emerging economies.

Chairman's Message

Dear Stakeholders,

The year 2025 marked a defining point in Pakistan Microfinance Investment Company's institutional journey. Nearly a decade since its establishment, PMIC has transitioned from a formative phase into a mature, systemically relevant institution, equipped with scale, credibility, and a clear mandate for the future. This Annual Report reflects not only our performance during the year, but our readiness to enter the next phase of inclusive finance in Pakistan.

The broader economic context during 2025 remained complex. While early signs of stabilization emerged at the national level, vulnerabilities persisted for low-income households, particularly those exposed to climate stress, cost-of-living pressures, and constrained access to formal finance. In this environment, the role of a strong, patient, and market-anchored apex institution was more critical than ever.

Against this backdrop, PMIC consolidated its position as a capital mobilizer and sector enabler. By the end of 2025, our asset base had grown substantially, supported by sustained shareholder confidence and the successful mobilization of funding from a diversified set of financial institutions. The issuance of commercial paper, the structuring of portfolio guarantee facilities, and progress toward additional risk-sharing arrangements marked important milestones in strengthening PMIC's access to market-based finance. These developments reflect a growing trust in PMIC's governance, risk management, and long-term relevance.

With wholesale lending firmly established as a core strength, 2025 also served as a year of strategic preparation. The future will require innovation in how capital is mobilized, risks are shared, and how technology is harnessed to reach underserved communities more effectively. Climate vulnerability, technological disruption, and shifting global and regional dynamics are no longer peripheral risks; they are defining features of the operating landscape. PMIC's strategy is increasingly shaped by this reality. Strengthening climate resilience for farming households, supporting responsible energy access, and enabling financial institutions to adapt to these structural challenges remain central to our long-term vision.

As we approach PMIC's tenth year, the focus is firmly on building an organization that can endure rapid shifts, crowd in long-term capital, be financially stable and sustainable, and contribute meaningfully to Pakistan's development priorities.

I would like to express my sincere appreciation to our shareholders, partners, regulators, and investors for their continued trust and to the PMIC team for their dedication and professionalism.

As we look ahead to 2026 and beyond, I'm confident that PMIC is well-positioned to turn emerging challenges into opportunities and to play a deeper, more catalytic role in shaping the future of microfinance and inclusive finance in Pakistan.

Best regards,

Naved A. Khan
Chairman, Board of Directors
Pakistan Microfinance Investment Company Limited

CEO’s Message

Dear Stakeholders,

In 2025, PMIC remained focused on execution, strengthening its balance sheet, expanding access to market-based capital, and translating wholesale finance into tangible outcomes for microfinance institutions, enterprises, and households across Pakistan. The year was characterized by disciplined growth, deeper market engagement, and continued alignment between financial performance and development impact.

During the year, PMIC’s total assets increased to PKR 89.3 billion, supported by funding mobilization of PKR 27.2 billion, resulting in balance sheet expansion and market engagement. The highlights of the year were the issuance of commercial paper amounting to PKR 2.5 billion, alongside the launch of the PKR 3 billion “Azm-e-Nisa Syndicate” Term Finance Facility for ASA Microfinance Bank (Pakistan) Ltd and portfolio guarantee facilities from various multilaterals that strengthened PMIC’s risk-sharing capacity and reinforced confidence among investors and lenders. These developments represent an important step in broadening the range of financing instruments available to support the microfinance sector.

Wholesale lending continued to anchor our operations. By the end of 2025, PMIC-supported institutions were serving approximately 760,000 active borrowers across 95 districts nationwide, with 89% women, 63% rural households, and 36% youth among the clients reached. Through these institutions, PMIC-enabled financing supported and generated approximately 1.1 million jobs across agriculture, services, trade, and value-chain activities.

This linkage between finance, enterprise activity, and employment is particularly important in the current economic context. As household-level pressures persist, access to productive capital plays a critical role in stabilizing incomes and mitigating reductions in consumption, especially among lower-income households. When micro and small enterprises are able to invest, expand, or simply remain operational, the effects extend beyond individual borrowers to workers, suppliers, and local economies.

Climate vulnerability continued to influence both demand and risk during the year. PMIC deepened its focus on climate-responsive financing, particularly in renewable energy, climate-smart agriculture, and rural livelihoods. Through initiatives such as PRIME and related ecosystem interventions, PMIC-supported financing enabled 41,000 renewable energy solutions and supported farming households in reducing input costs, improving productivity, and strengthening resilience to climate shocks. These interventions reflect PMIC’s approach of integrating climate adaptation directly into financial inclusion rather than treating it as a standalone objective.

Alongside portfolio growth, 2025 was a year of operational preparation for scaling new solutions, reinforced by the Board’s approval of PMIC’s new strategy. PMIC advanced work on fintech partnerships, co-lending models, securitization structures, and climate and social impact bonds, recognizing that the next phase of financial inclusion will require more efficient capital deployment, broader investor participation, and innovative risk-sharing mechanisms. PMIC continued targeted handholding of partner institutions adversely impacted by floods and climate-related shocks, helping them stabilize operations and maintain credit flows to vulnerable communities. These efforts are central to our ambition to significantly expand outreach over the years ahead while safeguarding institutional sustainability.

Our progress throughout the year was underpinned by strong governance, prudent risk management, and continued engagement with regulators, shareholders, and development partners. PMIC's capital base was further strengthened through subordinated debt support from its shareholders, reinforcing the institution's long-term financial resilience. PMIC further strengthened its internal systems and policies to ensure that growth remains aligned with fiduciary responsibility and long-term impact.

I would like to extend my sincere appreciation to our shareholders, Board of Directors, regulators, our lenders and borrowers, investors, and development partners for their continued trust and collaboration. I am especially grateful to the PMIC team, whose commitment and professionalism translate strategy into delivery during a demanding year.

Looking ahead, PMIC enters the next phase with a strong platform to scale inclusive finance in ways that support enterprise growth, employment generation, and household resilience. With disciplined execution and continued innovation, we remain committed to advancing financial solutions that are responsible, market-linked, and impactful for the communities we serve.

Sincerely,

Yasir Ashfaq
Chief Executive Officer
Pakistan Microfinance Investment Company Limited

Management Team

Yasir Ashfaq
Chief Executive Officer

Saqib Siddiqui
Chief Operating Officer

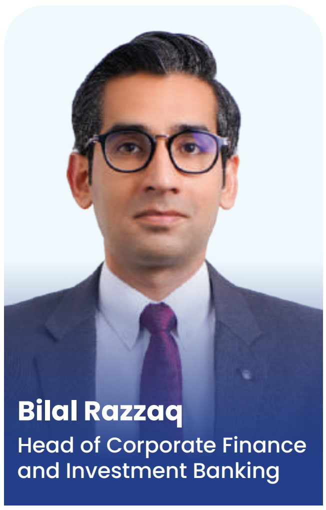
Neelum Aamir
Chief Financial Officer

Rashid Imran
Chief Risk and Compliance Officer

Yasir Masud
Head of Legal, Procurement and Company Secretary

Zainab Kakar
Head of People and Communications

Asif Rashid
Head of Internal Audit



Bilal Razzaq
Head of Corporate Finance and Investment Banking

DIRECTORS' REPORT

The Board of Directors of Pakistan Microfinance Investment Company Limited (PMIC) is pleased to present the Annual Audited Financial Statements for the year ended December 31, 2025.

Economic Review[2]

Pakistan's macroeconomic environment in FY2025 reflected a phase of gradual stabilization amid persistent structural constraints. Real GDP growth is estimated at around 3.0–3.5%, supported primarily by services sector expansion (3.5%) and a recovery in large-scale manufacturing (4.7%), while agricultural growth slowed sharply to 0.6% due to floods and weather disruptions, and elevated input costs. Inflation remained in single digits during 2025. This disinflation enabled a measured easing in monetary policy, with the State Bank of Pakistan reducing the policy rate from 13.0% in December 2024 to 10.5% in December 2025, improving real borrowing conditions for households and enterprises.

Substantial growth in imports and a decline in exports have led to a widening in the trade deficit. Meanwhile, sustained growth in remittances has helped to contain the cumulative current account deficit to $1.2 billion during H1-FY26. Foreign exchange reserves increased to approximately $16 billion, strengthening short-term external buffers. However, high debt-servicing costs and rigid recurrent expenditures continued to constrain fiscal space for development spending.

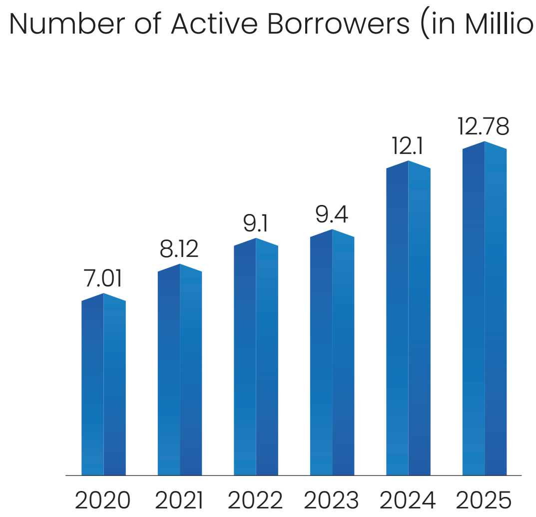
Despite these stabilization gains, economic recovery remained uneven and constrained by weak investment, with private investment stagnating at around 13% of GDP. While easing inflation and improved external balances supported household consumption and credit conditions, structural challenges in agriculture, trade competitiveness, and public finances continued to weigh on growth potential. Sustaining macroeconomic stability and translating it into inclusive, investment-led growth will require continued reforms, productivity-enhancing investments, and deeper financial intermediation, particularly for microenterprises, SMEs, and rural households that remain central to broad-based economic resilience.

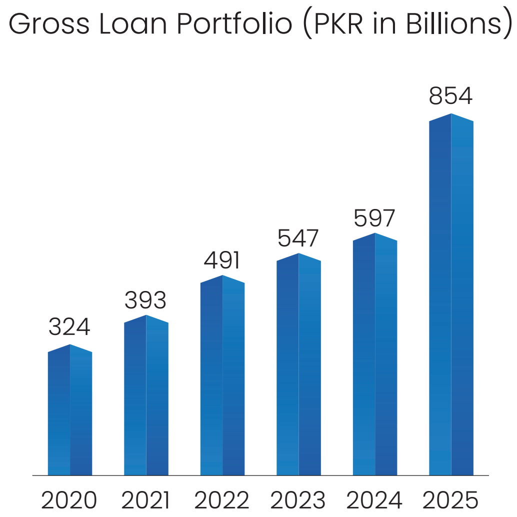
Microfinance Sector Update[3]

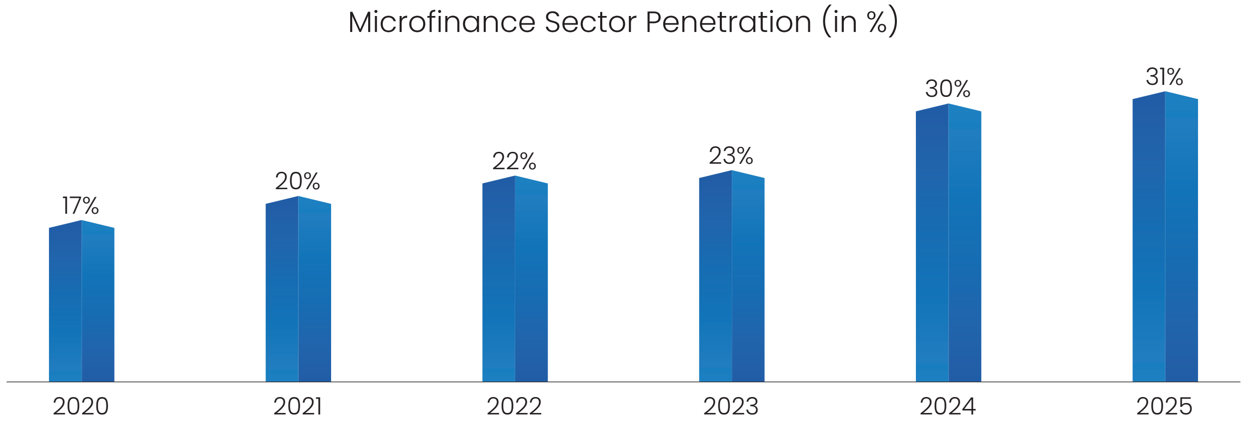
The microfinance industry reached PKR 840.7 billion in Gross Loan Portfolio (GLP) in 2025, representing a 40.6% increase from PKR 598.0 billion in the previous year. Active borrowers increased to 12.8 million from 12.1 million in December 2024 (up 5.6%). As a result, the microfinance sector reached about 31.3% of the estimated 40.9 million potential market by end-2025. The number of active female borrowers stood at 5.4 million, compared to 5.6 million at the end of 2024, indicating a slight decline in women's outreach over the year.

Deposit mobilization strengthened further, with the number of active depositors increasing to 136.9 million, marking a 15.4% rise from 118.7 million in 2024. The total value of deposits expanded sharply to PKR 874.6 billion, reflecting a 38.9% year-on-year increase from PKR 629.7 billion at end-2024, underscoring growing confidence in microfinance institutions as savings intermediaries.

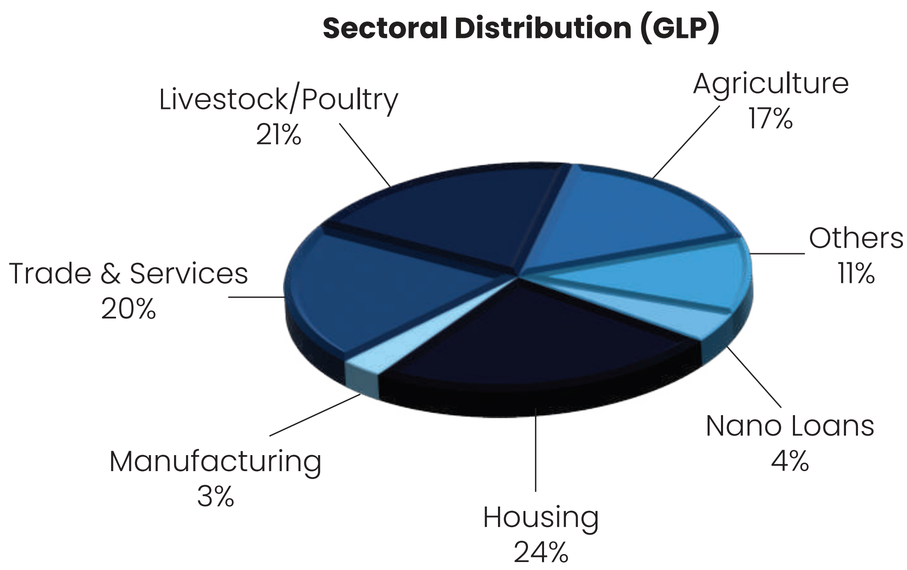
[2] *Pakistan Bureau of Statistics, Ministry of Finance.*
[3] *Pakistan Microfinance Network: 2025 figures are based on PMN Micro Month (November 2025); growth rates are calculated against end-2024 level*







Growth in outreach and portfolio volumes during 2025 was largely driven by the continued expansion of nano loans. Nano lending, primarily undertaken by Microfinance Banks (MFBs), accounted for approximately 53% of the active borrower base, reaching around 6.81 million borrowers.



The composition of the Gross Loan Portfolio remained broadly consistent over the year. Lending to livestock/poultry, trade and agriculture continued to decline in relative terms, while loans for services, housing, and other purposes increased steadily, reflecting a gradual shift in portfolio orientation. The sector's average loan size declined further, driven by the rising share of small-ticket nano loans. Nano loan portfolio (GLP) grew by 17% (compared to Dec 24) to PKR 34 billion, indicating deeper outreach through smaller average ticket sizes.

Portfolio quality indicators improved over the year, with PAR >30 days declining to 6.2% at the sector level, while MFBs recorded PAR >30 days of 8.7%, compared to 1.3% for MFIs and RSPs, highlighting divergent risk.

PMIC Review

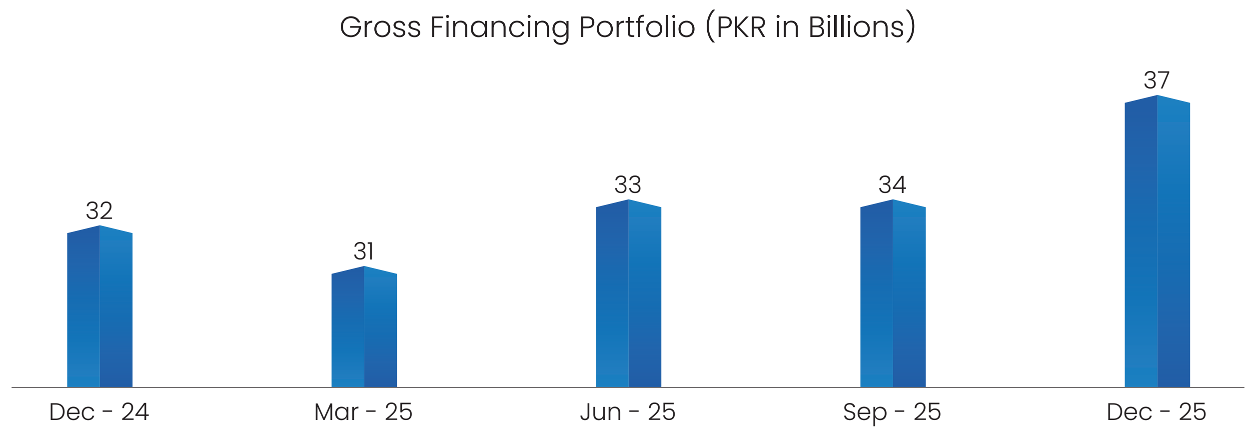
i. Operational and Financial Review

The financial results of PMIC are as follows:

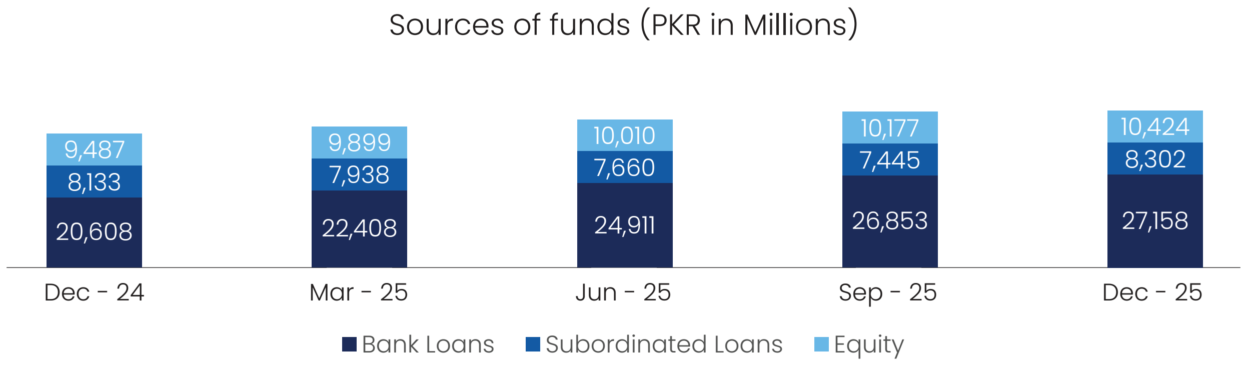
	2025 (PKR)	2024 (PKR)	Variation %
Income	**7,203,835,760**	**10,537,478,435**	**-32%**
Restructuring impact	(256,535,409)	-	-100%
Finance cost	(5,142,638,389)	(8,084,304,161)	-36%
	1,804,661,962	**2,453,174,274**	**-26%**
Administrative expenses	(617,752,313)	(580,516,267)	6%
Impairment loss on financial assets	(143,915,792)	(707,743,628)	-80%
Profit before taxation	1,144,859,855	1,182,018,250	-3%
Profit after taxation	**782,973,158**	**704,449,648**	**11%**
Earnings per share	133.06	119.72	11%

The Company earned net markup income of PKR 1,805 million for the year 2025, as compared to PKR 2,453 million in 2024. Despite an increase in financing portfolio, the decrease in policy rate has contributed to lower net markup income as compared to last year.

Gross financing (including non-funded exposure) increased during the year by approximately PKR 5 billion and exposure as of December 31, 2025, stood at PKR 37 billion with 28 financial institutions including 4 MFBs.



PMIC raised PKR 8.1 billion from commercial banks and PKR 2.4 billion through commercial paper during 2025 with total outstanding borrowing amounting to PKR 27 billion. Growth in 2025 was primarily driven by commercial funding which increased by 32%. The Company remained well-capitalised as of year-end 2025, with PKR 10.4 billion equity and subordinated loans of PKR 8.3 billion.

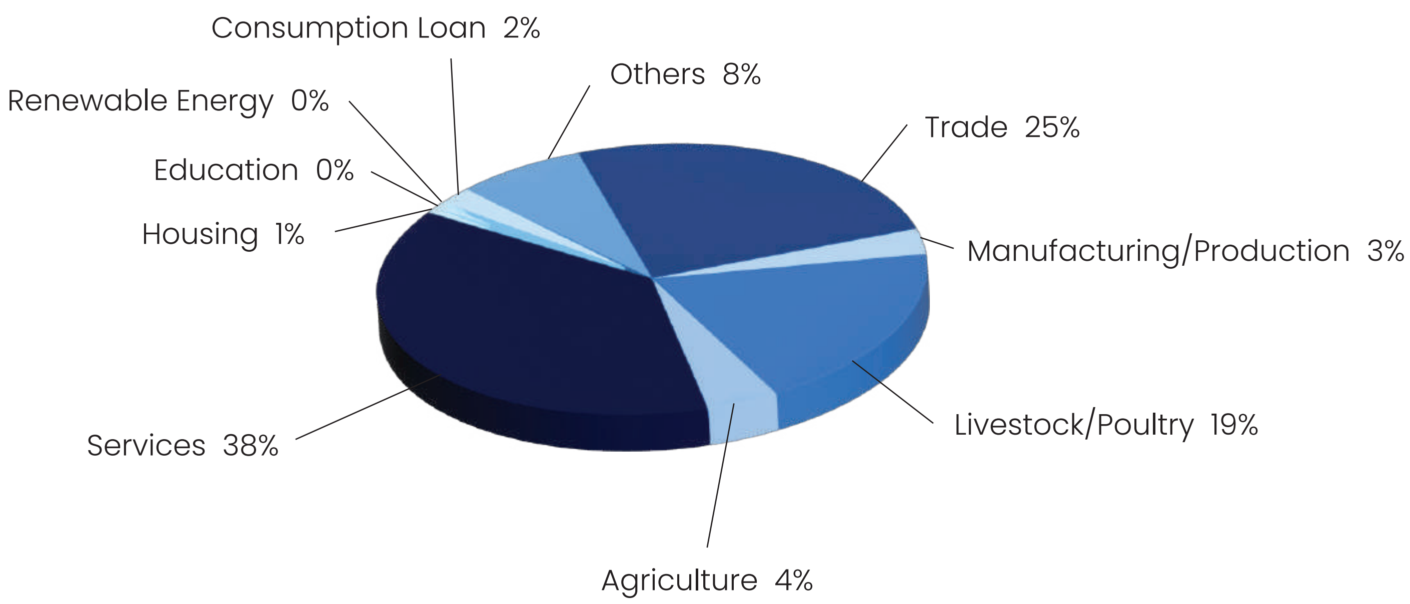


ii. Business and Outreach Review

During the year, PMIC continued to play a central role in expanding access to finance for underserved communities across Pakistan, while maintaining portfolio quality amid a challenging economic environment. Through its partner institutions, PMIC's financing reached approximately 770,000 microfinance active clients, of whom 89% were women and 36% were youth. Consistent with its development mandate, PMIC deployed around PKR 3.9 billion financing (11.9% of PMIC's entire portfolio) in extreme poverty zones and 63% of the portfolio remained deployed in rural areas, supporting income generation, employment, and livelihood resilience in underserved regions.

PMIC's portfolio continued to support a diversified range of economic activities. Nearly 38% of financing was directed toward services, followed by trade and manufacturing (28%), and agriculture and livestock (23%). In addition, 11% of the portfolio was allocated to high-impact sectors such as education, renewable energy, housing, and consumer financing. The majority of loans supported micro and small businesses operating across 89 districts nationwide, reflecting PMIC's focus on job creation and sustainable enterprise growth. In addition, PMIC plans to use loans to promote digital growth, provide access to renewable energy, and expand access to formal loans for underserved individuals, especially women and youth.

PMIC Sectoral Distribution (by GLP)



In line with its approved strategy, PMIC continued to expand its geographical footprint beyond traditional markets. During FY 2025, PMIC established its presence in a completely new region, Gilgit-Baltistan, by onboarding a cooperative 'Baltistan Farmers Multipurpose Cooperative Society', marking a remarkable leap toward serving remote and historically underbanked regions.

During FY 2025, four new borrowers were added to the PMIC portfolio including a fintech and a cooperative, diversifying its partner base and delivery channels. This expansion also enabled PMIC to support emerging segments such as consumer durables financing through digital platforms, responding to evolving household needs and responsible consumption demand. PMIC is also facilitating transition of institutions engaged under Prime Minister's Interest-Free Loan Program (PMIFL) towards conventional microcredit lending. Currently, 10 out of the 24 PMIFL partners of PPAF are availing financing facilities from PMIC. This initiative is expected to contribute to strengthening financial inclusion and to support expansion of sustainable access to financial services across the country.

Beyond financing, PMIC continued to implement a blended finance approach under its Microfinance Plus initiatives, integrating credit, technical assistance, and grants to enhance client-level impact. Since inception, these initiatives have benefited over 175,000 clients across multiple sectors. In line with this objective, during the year, PMIC expanded its product offering by scaling up Islamic microfinance as a new financing stream, aligned with national priorities to promote Shariah-compliant financial services. Shariah-compliant funding was extended to eight (08) partner MFIs, enabling them to meet growing client demand for ethical financing solutions. To support effective rollout, PMIC put in place dedicated Shariah governance arrangements and provided partner institutions with ready-to-use product frameworks, reducing implementation costs and facilitating quicker market entry. These efforts allowed PMIC to broaden its outreach while strengthening its contribution to inclusive and responsible finance.

Under the PRIME Program, PMIC, through its borrowers, enabled the deployment of quality-certified solar solutions to more than 5,600 clients (93% women). Cumulatively, around 41,000 clients have benefited under PRIME, with total financing of PKR 313 million, resulting in approximately 1.25 MW of clean energy generation and an estimated carbon emission reduction of 163,062 tons of CO_2.

In line with the Business Strategy 2025–2030, approved by the Board, PMIC initiated the development of climate-smart crop and livestock value chains through the engagement of a third-party consultant, focusing on productivity enhancement, cost reduction, adoption of technology-enabled agricultural practices, emission reduction, and income growth for small farmers.

The Informal-to-International (I2I) initiative was completed, benefiting over 150 women entrepreneurs through capacity-building training sessions and financing. The education finance initiative added new partners under the programme and has now reached almost 1,100 schools.

During the year 2025, the Company strengthened partnerships with commercial banks, development finance institutions, and multilateral lenders, ensuring a steady flow of liquidity for onward lending to microfinance institutions. Additionally, PMIC remained a key beneficiary of the State Bank of Pakistan's Line of Credit facilities, supported through the World Bank's Financial Inclusion and Infrastructure Project (FIIP) and the Asian Development Bank's Women Inclusion Finance Program (WIFP). These facilities provided essential liquidity, furthering PMIC's mission of expanding financial access, particularly for underserved segments.

PMIC further diversified its funding by expanding its lender base and strengthening access to capital markets through the successful execution of its first unsecured, rated, privately placed Commercial Paper. For the first time in Pakistan's microfinance history, PMIC accessed the capital market and raised PKR 2.5 billion through issuance of commercial paper at a competitive cost, reflecting the capital market's strong confidence in PMIC. During the year, PMIC also continued to support sector stakeholders through structured finance and advisory mandates, including the successful arrangement of a syndicated term finance facility for a microfinance bank. During the year, based on opportunities available in the money market, treasury operations remained active which led to increased income from treasury operations.

In parallel, PMIC progressed multilateral financing and risk-sharing initiatives aimed at strengthening portfolio resilience and enabling increased exposure to eligible microfinance players, including the structuring of guarantee-based risk mitigation arrangements. PMIC has successfully mobilized loan portfolio guarantees from leading international and domestic institutions, strengthening its risk-sharing framework and enhancing lending capacity. The USD 30 million guarantee facility from the United States International Development Finance Corporation (DFC) was fully utilized during the year, enabling PMIC to expand its sectoral outreach while strengthening portfolio risk diversification. A domestic guarantee facility of PKR 2 billion from the National Credit Guarantee Company Limited (NCGCL) has been arranged to support projected portfolio growth in 2026. Negotiations with other international guarantee providers are at an advanced stage which will enable PMIC to further expand its outreach while enhancing portfolio risk mitigation.

PMIC Management remains mindful of risks posed by recent economic changes. While policy rates and inflation have dropped, core inflation remains a little high, calling for a cautious approach. The stabilization of the USD/PKR exchange rate has contributed to enhanced business confidence and market optimism. Encouragingly, repayment behavior of end clients remained stable through December 2025, with no material deterioration observed. As the national apex institution for microfinance providers, PMIC maintained satisfactory recovery trends and did not experience significant repayment delays from partner MFPs. Despite sector-wide challenges, including the 2025 floods, partner institutions sustained portfolio levels, preserved asset quality, and maintained operational resilience.

Overall, these initiatives, along with the accommodative monetary policy stance adopted by the SBP, reinforced PMIC's role as a key enabler in the microfinance sector, strengthening its balance sheet and advancing financial inclusion through sustainable growth.

iii. Board Committees

The following Board Committees functioned actively during the year:

Committee	Number of Meetings Held
Board Audit Committee (BAC)	04
Board Risk Committee (BRC)	06
Board Human Resource Committee (BHRC)	04
Board Building Committee	01

The Board Audit Committee (BAC) and Board Risk Committee (BRC) conducted one joint meeting during the year 2025.

iv. Management Committees

To implement prudent practices, foster joint decision-making and encourage participation from all areas, the following Management Committees functioned actively during the year:

- Management Committee (MANCOM)
- Management Risk Committee (MRC)
- Assets & Liabilities Committee (ALCO)
- IT Steering Committee (ITSC)

v. Adequacy of internal financial controls

The Board of Directors has instituted a rigorous internal financial control framework designed to uphold operational effectiveness, regulatory compliance, and financial integrity. This framework incorporates comprehensive policies, continuous monitoring, and adherence to statutory and regulatory requirements. The independent Internal Audit function systematically evaluates control mechanisms, while the Risk and Audit Committees of the Board exercise diligent oversight to reinforce financial discipline, governance, and risk management.

vi. Credit Rating

PMIC's long-term rating of "AA" and short-term rating of "A 1+" was maintained by the Pakistan Credit Rating Company Limited (PACRA). The ratings reflect the Company's financial strength, based on strong shareholders, good governance by the Board and management competency.

vii. Pattern of Shareholding

The shareholding as of December 31, 2025, is as follows:

Sr #	Shareholders	Shares	Percentage
1	Pakistan Poverty Alleviation Fund	2,883,256	49.00%
2	Karandaaz (Pakistan)	2,224,243	37.80%
3	KfW	776,719	13.20%
4	Directors (Qualification Shares)	4	0.00%
Total		5,884,222	100.00%

The following individuals acted as directors of the Company during the year:

Sr #	Name	Title
1	Mr. Naved Abid Khan	Chairman / Independent Director
2	Mr. Nadir Gul*	Director
3	Mr. Mohammad Tahseen*	Director
4	Mr. Navid Goraya	Director
5	Dr. Markus Aschendorf	Director
6	Mr. Tariq Maqbool	Director
7	Ms. Mariam Kayani	Independent Director
8	Mr. Mahfooz Ali Khan	Director
9	Mr. Yasir Ashfaq	CEO /Executive Director

** Mr. Nadir Gul- Resigned on October 21, 2025*
** Mr. Muhammad Tahseen - Resigned on September 10, 2025*

The Board has implemented a formal policy supported by transparent procedures for fixing Directors' remuneration. No Director is involved in the determination of his / her own remuneration package. The Company only pays remuneration to Independent Directors and PPAF nominee Directors. For information on the remuneration of Directors and the CEO for FY25 please refer to notes in the Financial Statements.

viii. Auditors

M/s A. F. Ferguson & Co., Chartered Accountants, served as auditors of the Company for the year ended December 31, 2024 and, being eligible, were re-appointed as statutory auditors of the Company for the year ended December 2025 during the AGM held in April 2025. However, in December 2025, they resigned due to a conflict-of-interest situation.

With the approval of the Board and Shareholders, KPMG Taseer Hadi & Co. were appointed as the auditors of the Company for the year ended December 31, 2025. Moreover, KPMG Taseer Hadi & Co. has expressed their willingness for appointment as auditors of the Company for the year ending December 31, 2026.

Future Outlook

The outlook for Pakistan's microfinance sector for 2026 is cautiously optimistic, supported by an improving macroeconomic environment but shaped by structural constraints and sector-specific risks. The stabilization of inflation, easing monetary conditions, and improved external balance provide a more predictable operating environment compared to recently preceding years. However, the recovery remains uneven across sectors and regions, with agriculture, rural livelihoods, and small-scale production continuing to face pressure from climate shocks, cost volatility, and subdued investment.

Easing inflation and a downward trajectory in policy rates are expected to gradually improve borrowing capacity and repayment behavior among low-income households and micro-entrepreneurs. As real incomes stabilize, demand for short-tenure, small-ticket credit (particularly nano and working-capital loans) is likely to remain strong, especially in urban and peri-urban markets.

On the external front, continued strength in workers' remittances and relative exchange rate stability are expected to support household liquidity, savings mobilization, and consumption. These trends are likely to sustain demand for microfinance services across both credit and deposit products. However, subdued export growth and limited private investment suggest that broader job creation and enterprise expansion may remain constrained, limiting the pace at which microfinance growth can translate into sustained income generation without complementary public and private investment.

Fiscal consolidation efforts are expected to continue, supported by lower interest costs and improved revenue performance. While this may enhance macroeconomic stability, constrained fiscal space is likely to limit large-scale public investment and targeted support for agriculture and small enterprises in the near term, indicating a burden of financing economic activity at the base of the pyramid.

Recent geopolitical tensions, particularly in the Middle East and Eastern Europe, continue to drive volatility in global oil and commodity prices. As a net importer of energy, Pakistan remains vulnerable to such external shocks, which can widen the trade deficit, strain foreign exchange reserves, and fuel inflation. Fluctuations in commodity prices also impact domestic production costs and overall economic stability. While recent policy measures have improved macroeconomic sentiment, the outlook remains sensitive to global developments, underscoring the need for prudent fiscal management and structural reforms.

Looking ahead, the microfinance industry is expected to emphasize portfolio quality, operational efficiency, and sustainable funding structures. The growing role of digital channels, deposit mobilization, and diversified products offers opportunities to deepen outreach, but also calls for stronger risk management and consumer protection frameworks.

PMIC will continue to advance financial inclusion by strengthening support to partner microfinance institutions through diversified funding, capacity building, and innovative financial solutions. The Company is also preparing to launch a co-lending model with MFIs to expand access to finance in priority sectors, enabling greater outreach to underserved segments while promoting sustainable and responsible sector growth.

Overall, while macroeconomic stabilization provides a necessary foundation, the sector's medium-term trajectory will depend on its ability to strengthen governance, enhance risk discipline, innovate responsibly and align growth with sustainable impact. With prudent management and with continued reform momentum, Pakistan's microfinance sector can remain a central pillar for financial inclusion, resilience, livelihood support, and economic empowerment in Pakistan's evolving economic landscape.

Acknowledgement

The Board of Directors would like to take this opportunity to express their gratitude to the shareholders
(PPAF, Karandaaz, KfW), the Ministry of Finance, the Ministry of Poverty Alleviation and Social Security, Securities and Exchange Commission of Pakistan, State Bank of Pakistan, our lenders, borrowers and microfinance clients for their support, inspiration and trust. We would also like to acknowledge the efforts and commitment of PMIC staff, who have contributed significantly toward the Company's success.

For and on behalf of the Board:

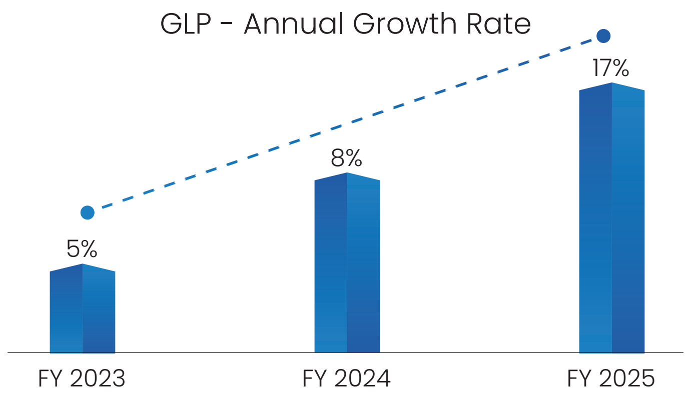
Director:	Chief Executive Officer:
Date:	Date:
Place:	Place:

Wholesale Lending and Portfolio Management

Pakistan Microfinance Investment Company Limited (PMIC) has firmly established itself as a leading wholesale financing institution, playing a central role in strengthening Pakistan's microfinance ecosystem. Through partnerships with Microfinance Institutions (MFIs) regulated by the Securities and Exchange Commission of Pakistan (SECP) and Microfinance Banks (MFBs) regulated by the State Bank of Pakistan (SBP), PMIC continues to deliver targeted financial solutions that promote inclusive growth, entrepreneurship, and social impact across the country.

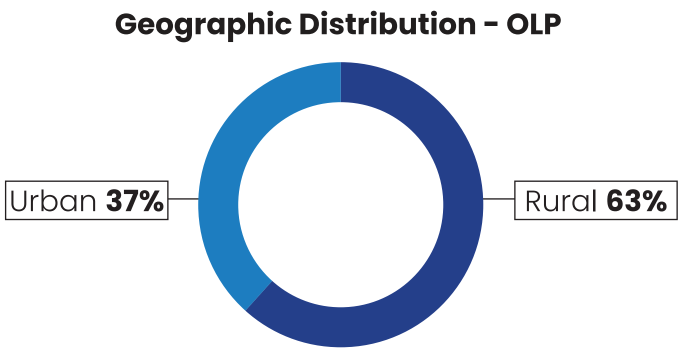
PMIC Portfolio Characteristics

As of December 2025, PMIC's outstanding portfolio stood at PKR 37 billion, extending to 29 borrowers, reflecting an average growth of approximately 17% during the year. During the same period, PMIC's average loan size to the end client or average end-client loan size increased from PKR 74,000 at the beginning of 2025 to PKR 79,000, indicating deeper financing support to end borrowers. Despite a challenging macroeconomic environment and sectoral pressures, PMIC maintained strong portfolio quality, supported by disciplined credit processes and enhanced risk management practices.



Geographic Footprint

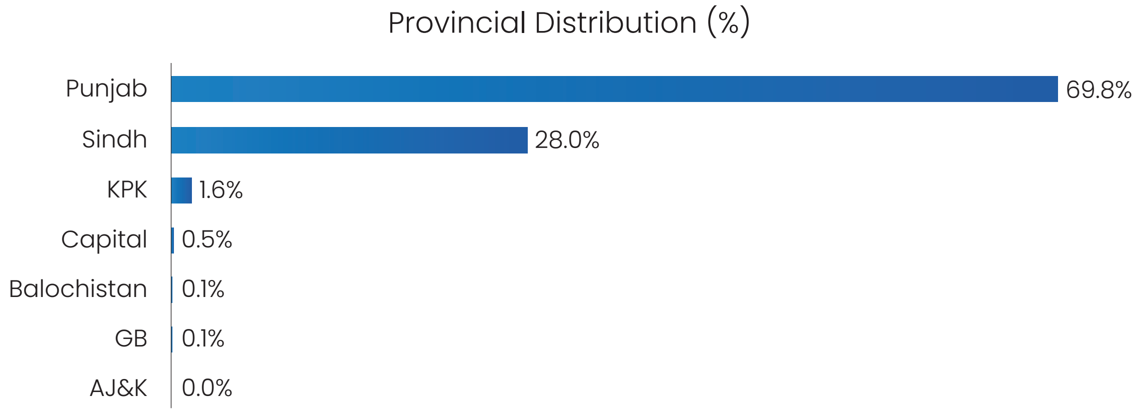
As of December 2025, PMIC, through its partner institutions, facilitated access to financial services for 766,758 active clients across 89 districts[4] of Pakistan. Due to the higher incidence of poverty in rural areas compared to urban areas, one of PMIC's key priorities is to strengthen its portfolio concentration in rural Pakistan. By December 2025, PMIC had allocated 63% of its portfolio to rural areas.



[4] *with PMIC portfolio*

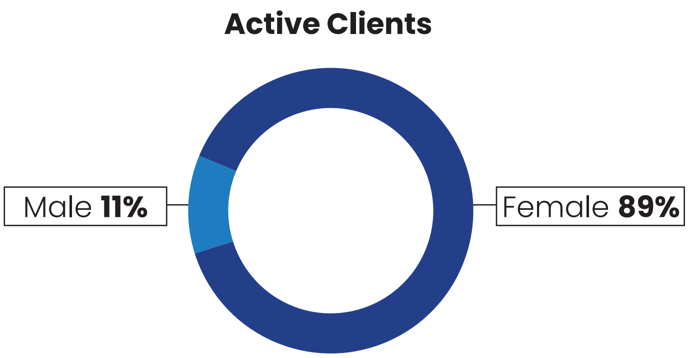
The microfinance portfolio remains concentrated in Punjab (70%) and Sindh (28%). A significant focus of this outreach was directed toward regions with the highest levels of deprivation, with PKR 3.9 billion, deployed in 17 districts falling within Extreme Poverty Zones, reflecting PMIC's strategic emphasis on geographic and socio-economic inclusion.

Given the higher poverty levels and development gaps in Balochistan, Khyber Pakhtunkhwa (KPK), and Gilgit-Baltistan (GB), PMIC is prioritizing targeted interventions in these regions. During the year 2025, PMIC expanded its footprint into Gilgit-Baltistan (GB), marking an important step toward serving remote regions that have historically remained outside the formal microfinance network.



Client Segmentation

PMIC recognizes that expanding access to microfinance for women plays a crucial role in promoting gender equality. PMIC's portfolio consists of 89% active female clients as of December 2025. This is ensured by covenants declaring that PMIC financing must prioritize women through allocating PMIC funds to not less than 60% women clients and representation of women in all tiers of management and the Board. These covenants are made part of the financing agreements to institutionalise PMIC's focus on gender equality.



PMIC Borrower Ecosystem

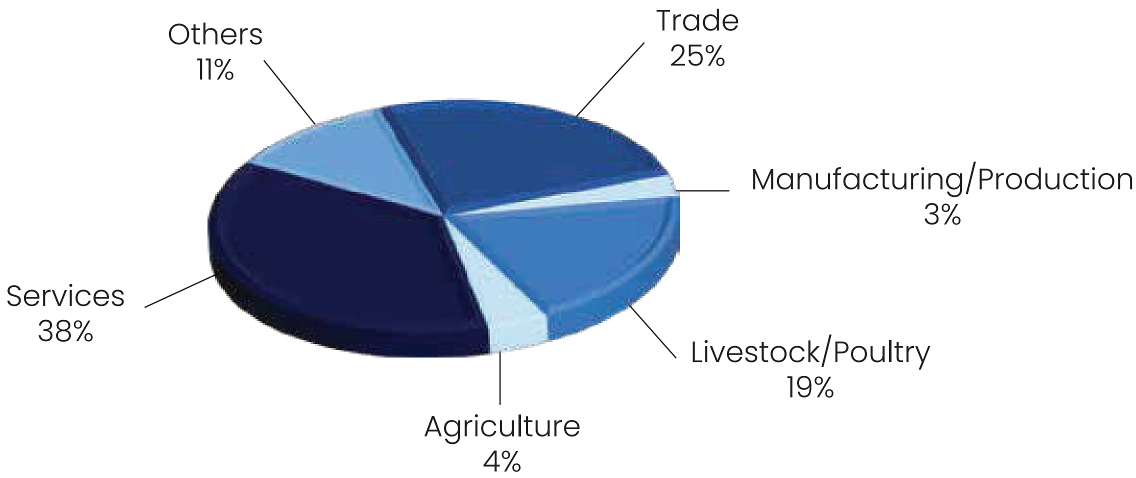
During 2025, PMIC broadened its reach by onboarding new borrowers, including a fintech and cooperative, thereby diversifying its partner base and delivery channels. This expansion enabled PMIC to support emerging financing segments such as consumer durables through digital platforms, responding to evolving household needs and promoting responsible consumption. In parallel, PMIC strengthened its outreach by partnering with government initiatives as well, such as BISP and PMIFL, extending access to financial services in underserved and remote regions.

Sr #	New Borrowers Onboarded in 2025	Entity Type / Segment
1	Farmer's Development Organization (FDO)	Rural-focused development organization
2	Baltistan Farmers Multipurpose Cooperative Society (BFMCS)	Cooperative / community finance institution
3	MG Financial Services	Non-Bank Microfinance Institution (NBFC)
4	Qist Bazaar	Fintech – BNPL / consumer-instalment finance

Sectoral Distribution

PMIC's end-clients are engaged in a range of income-generating activities, primarily categorized into agriculture, livestock, enterprise, retail, and services. The sectoral distribution of the portfolio as of year-end is outlined below.

Active Clients by Sector



Product Diversification

In 2025, a significant share of PMIC's financing was directed toward micro, small, and medium enterprises (MSMEs) across all provinces, including expanded outreach in Gilgit-Baltistan (GB). This financing supported entrepreneurship, income generation, and economic resilience in rural and underserved communities. Through MF Plus interventions and product innovations, PMIC has expanded into new sectors such as Renewable Energy and Education to address unmet demand.

PMIC Islamic Finance Operations

In response to the evolving needs of the microfinance sector and the Government of Pakistan's commitment to a Shariah-compliant financial system, PMIC formally launched its Islamic Microfinance Operations. To ensure full compliance with Shariah principles, a qualified Shariah Advisor has been appointed, and a suite of Shariah-compliant retail and wholesale products has been introduced for deployment by Microfinance Providers (MFPs).

Standardized product frameworks have been disseminated to partner institutions to reduce the time, cost, and complexity of developing their own Shariah-compliant offerings, enabling adoption upon approval by their respective Shariah Advisors. This initiative strategically expands PMIC's portfolio, allowing it to serve a broader market while reinforcing its role as an enabler of inclusive, ethical, and sustainable financial services in Pakistan.

Dedicated allocations for Shariah-compliant financing have been incorporated into all financing agreements with institutions piloting this approach. During FY25, eight MFIs were provided financing under Islamic finance and built a portfolio of PKR 515 million, marking a significant step in broadening access to Shariah-compliant financial services.

Consumer Durables

In response to the growing demand for household durables and electronic equipment, PMIC is entering the consumer durables segment. This initiative follows the inclusion of the digital platform Qist Bazaar in its portfolio, which facilitates access to responsible financing for essential household assets.

Microfinance Plus - Impact-Driven Initiatives

PMIC adopts a holistic blended finance approach that extends beyond the provision of capital. It integrates financing, technical assistance, and grant support to design high-impact interventions that create sustainable value for end clients. This support includes strengthening knowledge and skills, enabling technology adoption, and improving market access to foster business growth and enhance livelihood resilience.

PMIC remains firmly committed to generating measurable social, environmental, and economic impact. Its initiatives align with eight of the 17 Sustainable Development Goals, contributing tangible outcomes across multiple sectors. Since its inception in 2016, and in pursuit of its triple bottom line agenda, PMIC has supported more than 175,000 clients through its Microfinance Plus interventions across various product verticals.

1. Pakistan Renewable Energy (PRIME) Program

With KfW's approval, the PRIME Program subsidy scheme was relaunched in 2025, strengthening access to clean energy solutions. In response to market developments, partner Microfinance Provider (MFP) feedback, and changes in solar product pricing, PMIC, in collaboration with KfW, expanded the eligible product range to include 4 kW and 5 kW solar systems and 15 HP solar tube wells. Following consultations with 12 partner MFPs, a financing target of PKR 950 million was allocated under the scheme.

During the year, PMIC achieved a key geographic milestone by extending PRIME Program operations to Gilgit-Baltistan for the first time through a partnership with Baltistan Farmers Multipurpose Society Ltd. In parallel, KfW disbursed the second tranche of EUR 5 million (approximately PKR 1.6 billion) under the PRIME Program subordinate loan, further strengthening implementation capacity.

In 2025, over 5,600 loans were disbursed under the PRIME Program, deploying PKR 67 million in financing. Cumulatively, the program has supported the deployment of more than 41,000 clean energy systems with total financing of PKR 313 million, benefiting women in approximately 77% of cases.

To enhance implementation quality, the PRIME team conducted three capacity-building training courses for credit staff and renewable energy experts of partner MFPs. PMIC also engaged two firms as Independent Verification Agents to verify all solar installations above 500 watts. In addition, a web-based portal for tracking solar system installations was commissioned and is expected to become operational in 2026.

During the year, PMIC also developed and presented a concept note on electric vehicles (e-bikes) for inclusion under the PRIME Program; however, the proposal was not approved by KfW due to the program's exclusive focus on solar solutions. PMIC now plans to explore alternative avenues to pilot the initiative, including engagement with the Green Climate Fund or deployment of its own resources through partner MFPs.

2. Climate Smart Agriculture Value Chain

PMIC has adopted an ecosystem-based approach to the design and deployment of climate-smart agriculture value chains, fully aligned with its Board-approved strategy and Pakistan's climate and development priorities. To operationalize this framework, PMIC has engaged Concave Agri, a third-party agritech consultancy firm, to develop integrated, climate-resilient value-chain interventions aligned with proven regional models and international climate-finance principles. The assignment focuses on identifying high-impact interventions, delivery partners, financing structures, and technical assistance requirements, with a strong emphasis on low-carbon agricultural practices, climate adaptation and mitigation outcomes, and donor-aligned funding frameworks.

The assignment is expected to be completed in the first quarter of 2026, following which PMIC will pilot selected climate-smart agriculture interventions in collaboration with relevant stakeholders. In parallel, PMIC has submitted a concept note to KfW to mobilize concessional climate finance for the rollout of these value chains. PMIC is also engaging with World Wildlife Fund Pakistan (WWF) to explore partnerships focused on agroforestry restoration and nature-based solutions, further strengthening climate resilience and emissions reduction outcomes.

3. Women's Economic Empowerment Initiative

Women artisans and entrepreneurs in Pakistan face persistent barriers, including limited market access, financial exclusion, and skills gaps. To address these, PMIC implemented the Informal to International (I2I) Initiative, supporting women artisans in formalizing their businesses through capacity-building, access to finance, and strengthened market linkages. Implemented in partnership with Jazz, Daraz, MG Apparel, Agahe Pakistan and TCS, with support from the Champions of Change Coalition (CCC), the initiative benefited 150 women entrepreneurs, out of whom 16% were able to expand their business and create more jobs. A total of 88 indirect jobs were created including 66 women. The initiative contributed to SDG 5 (Gender Equality), and SDG 8 (Decent Work and Economic Growth).

4. Education Finance Program

In collaboration with Opportunity International (OI), PMIC's Education Finance Program supported 159 low-cost private schools in Southern Punjab through partner organizations Agahe Pakistan, Rural Community Development Programmes (RCDP), and Taleem Finance Company Limited (TFCL). The initiative provided PKR 125 million in financing to improve school infrastructure and student facilities, benefiting more than 57,000 students to date. In parallel, capacity-building activities, including school leadership training, cluster meetings, and teacher mentorship were delivered to over 150 school owners, principals, and 1,125 teachers. The three-year Education Quality Program also involved capacity-building training to strengthen teaching methodologies, contributing to improved learning outcomes and increased student enrollment.

5. Digital Credit Scoring Model

PMIC continued the development of a Digital Credit Scoring Model (DCSM) under the second round of its Challenge Fund in partnership with Qarar, a subsidiary of the Saudi Credit Bureau (Simah). The data-driven model supports MFPs in strengthening credit assessment through instant credit scores and risk categorization via an interactive dashboard. Pilot testing with AGAHE Pakistan and CEIP showed an 80% satisfaction rate, and the model is being further refined ahead of its commercial rollout for MFPs.

Geographic Footprint

PMIC also played an active role in extending support to partner institutions during flood-related disruptions, helping sustain lending operations and protect borrower livelihoods during periods of stress.

Beyond financing, PMIC continued to invest in handholding and capacity-building of MFIs to strengthen their long-term sustainability. PMIC provided need-based advisory support throughout the year, helping institutions improve financial performance, strengthen internal controls, and plan for sustainable expansion. During the year, PMIC conducted focused workshops on liquidity management and capital raising, supporting MFIs in understanding funding options, improving financial planning, and engaging more effectively with investors and lenders.

Outlook & Future Strategy

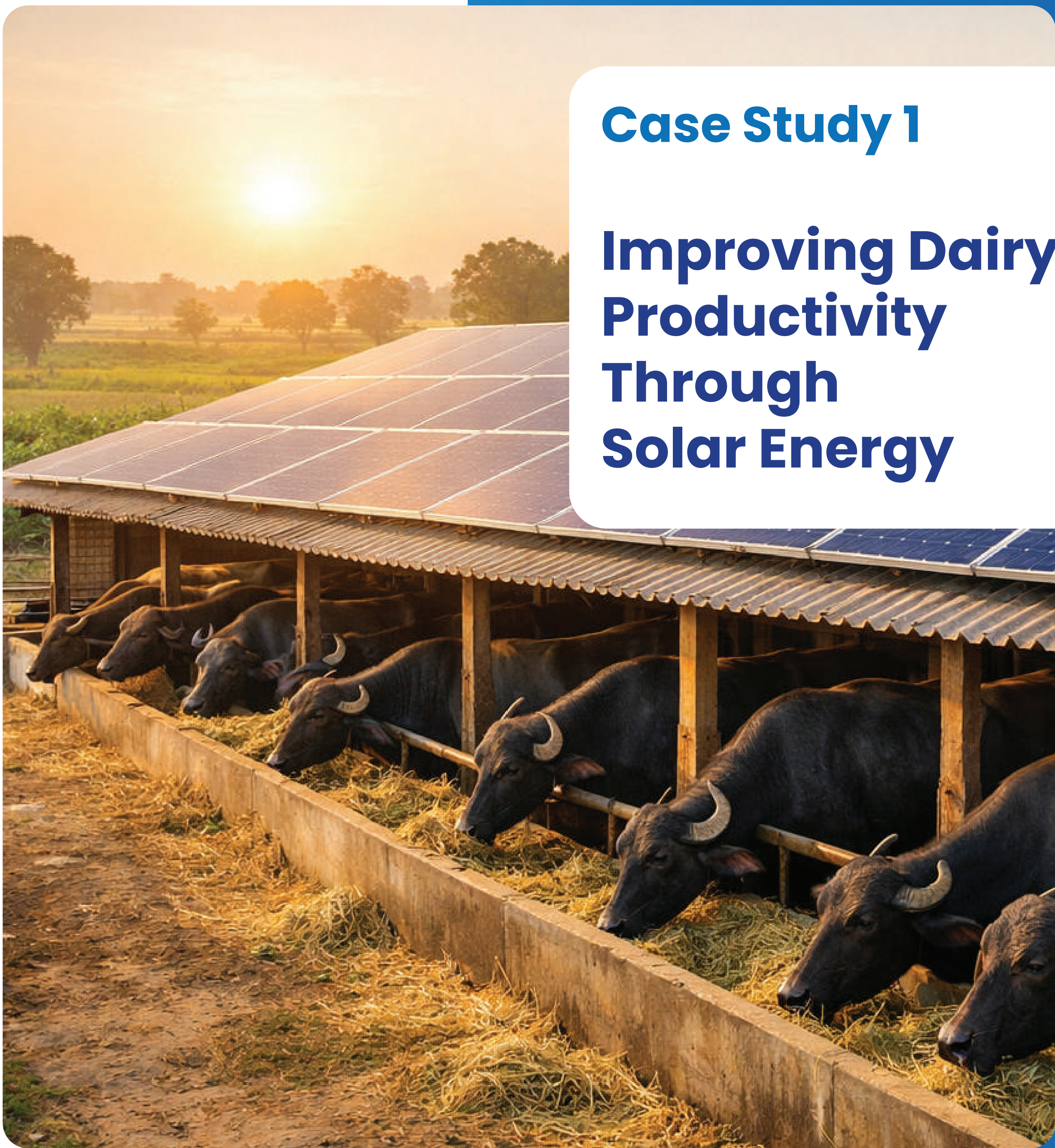
Under PMIC's recently approved five-year strategy (2026-2030), the institution will continue to strengthen its role as a key provider of funding to the microfinance sector, while gradually expanding into new partnership-based lending models. Building on this momentum, PMIC aims to further scale its operations in FY2026 by increasing its portfolio from PKR 37 billion to PKR 44 billion and extending outreach to around one million clients, of whom approximately 800,000 will be women. Around 65% of this financing will be deployed in rural areas, reinforcing PMIC's focus on equity, resilience, and grassroots economic participation.

To support this growth trajectory, PMIC plans to onboard new institutions including fintechs, agritechs, cooperatives, and community-based organizations (CBOs) operating in underbanked regions and partner with institutions that are actively working to promote financial inclusion through lending to low-income households, small businesses, women, and rural communities. These efforts are part of a broader strategy to expand financial inclusion, strengthen institutional capacity, and introduce innovative financial products and delivery models.

This growth will allow PMIC to finance a wider range of Microfinance Institutions (MFIs), Microfinance Banks (MFBs), and fintech partners. The expansion will be supported by attracting credit guarantees of up to PKR 20 billion from local and international partners, along with continued shareholder support through subordinated financing.

In parallel, PMIC continues to invest in capacity building, knowledge exchange, and the adoption of global best practices across its partner network, with a view to enhancing sectoral sustainability and impact.

MFIs have consistently shown strong repayment performance and deep outreach, especially in rural areas and among women borrowers. However, their ability to grow remains limited due to restricted access to commercial funding, limited product offerings, and challenges in expanding to new regions. To address these gaps, PMIC plans to work more closely with MFIs through partnership-based retail lending models including **Business Correspondence Model (BCM)** and **Co-Lending Model (CLM)**. Together, these approaches are expected to generate a retail portfolio of over PKR 10 billion between 2026 and 2030, helping expand access to finance for underserved households and small businesses across Pakistan. These models are already being implemented successfully in other countries. These are expected to help PMIC improve its financial sustainability and create a replicable model for commercial lenders to participate in the sector.



Case Study 1

Improving Dairy Productivity Through Solar Energy

Sajida Bibi, Kot Hakim Singh

Sajida Bibi is a small-scale dairy farmer from Kot Hakim Singh, near Phool Nagar. Like many rural livestock farmers, her household income depends heavily on the health of her animals and the efficiency of daily farm operations. However, frequent power outages and rising electricity costs made it increasingly difficult to manage routine activities, particularly the milking process, water pumping, and lighting for the shed.

Recognizing that unreliable energy was constraining her productivity, Sajida invested in a BB200 Solar System to power her dairy operations. The objective was straightforward: reduce operational costs and ensure uninterrupted energy supply for essential farm activities.

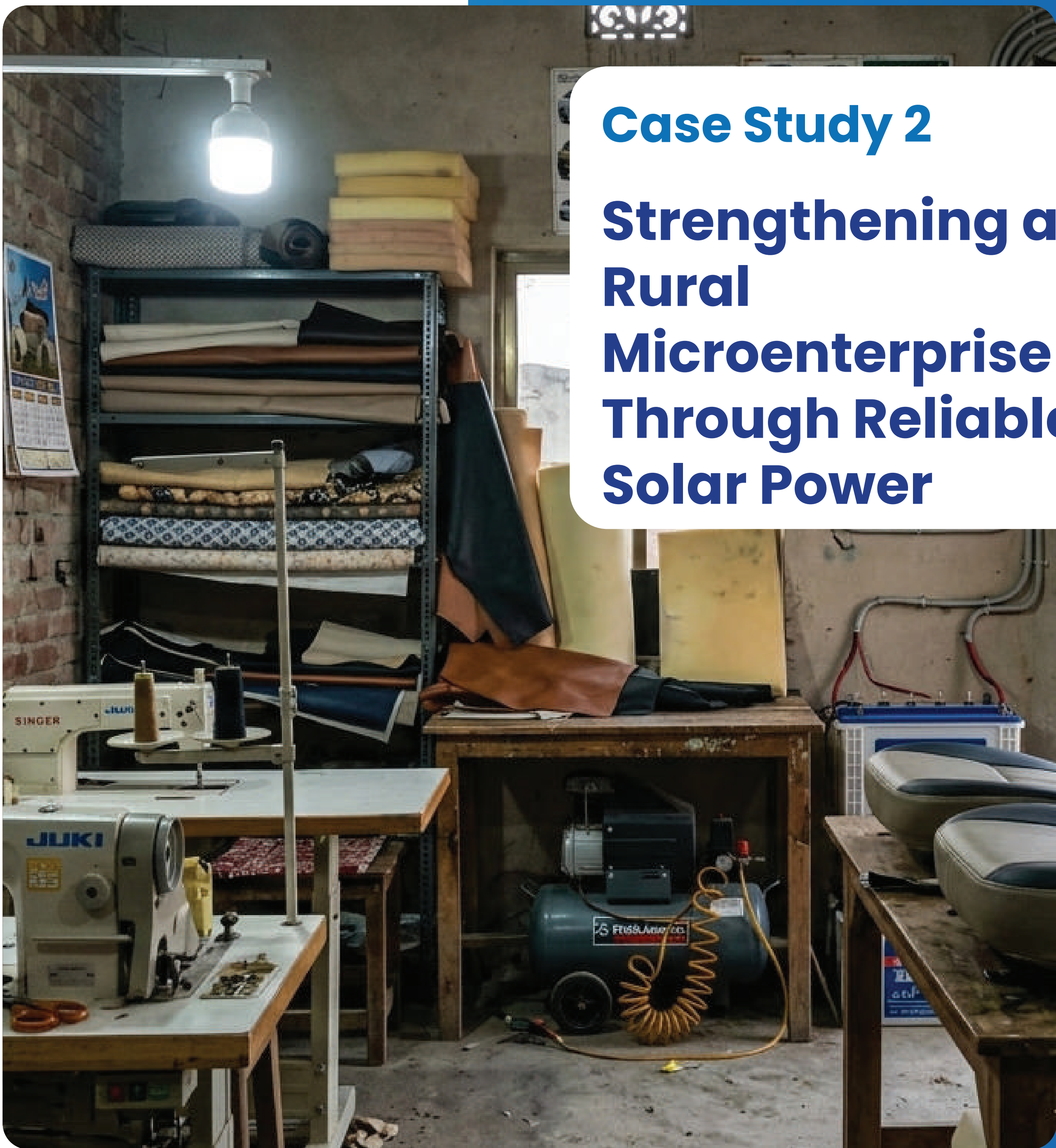
Within months of installation, the impact became visible. The solar system now reliably powers her milking equipment and water supply without disruption from load shedding. This has reduced stress during peak working hours and improved overall farm management. Most importantly, the predictability of energy has enabled Sajida to maintain consistent milking schedules, directly supporting livestock health and milk yield. In addition to operational stability, Sajida reports noticeable savings on monthly electricity expenses. Today, Sajida is exploring opportunities to gradually expand her herd, supported by lower operating costs and stable energy access.

“Earlier, we had to plan our entire day around electricity availability. Now the system runs without interruption. It has reduced our costs and given us confidence to grow,” Sajida shares.

With a dependable power source, Sajida no longer worries about voltage fluctuations damaging equipment or extended outages affecting her animals. The system has improved both efficiency and peace of mind. Her experience demonstrates how decentralized renewable energy can strengthen rural livelihoods, improve farm productivity, and enhance climate resilience for smallholder dairy farmers.

Case Study 2

Strengthening a Rural Microenterprise Through Reliable Solar Power



Ishrat Maqsood, Kot Radha Kishan **CEIP**

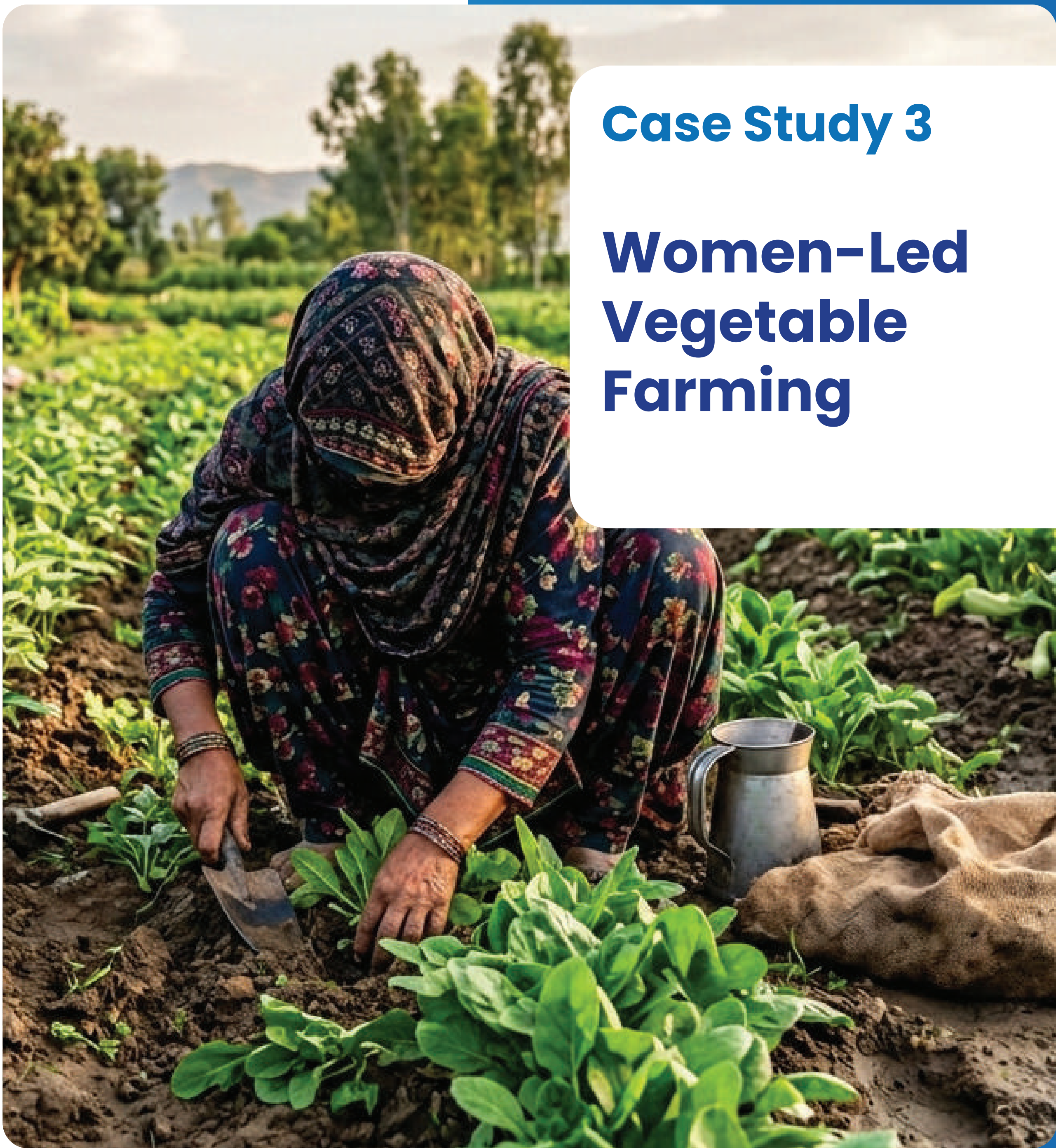
In Kot Radha Kishan, frequent and unpredictable power outages often disrupt daily life and small business operations. For Ishrat Maqsood's household, electricity reliability directly affects their primary source of income. Her husband operates a small auto upholstery business, restoring and customizing vehicle interior work that depends on sewing machines, cutting tools, compressors, and adequate lighting.

Load shedding often meant stalled production, delayed customer orders, and lost working hours. On days with extended outages, the business either slowed significantly or stopped altogether, affecting both productivity and income stability.

To address this challenge, the family installed a BB200 Solar System to ensure uninterrupted power supply. Designed for semi-off-grid environments, the system includes solar panels with battery backup, allowing the workshop to operate independently during grid failures.

Since installation, the impact has been immediate and practical. The workshop now runs consistently throughout the day, regardless of load shedding schedules. Equipment operates smoothly, and adequate lighting has improved working conditions and efficiency. With predictable energy access, the family reports greater confidence in accepting customer orders and managing deadlines.

"Before solar, power cuts would stop our work completely. Now we can continue without interruption. It has made our business more stable," Ishrat shares.



Case Study 3

Women-Led Vegetable Farming

Hafeeza Bibi, Muzaffargarh **FFO Support Program**

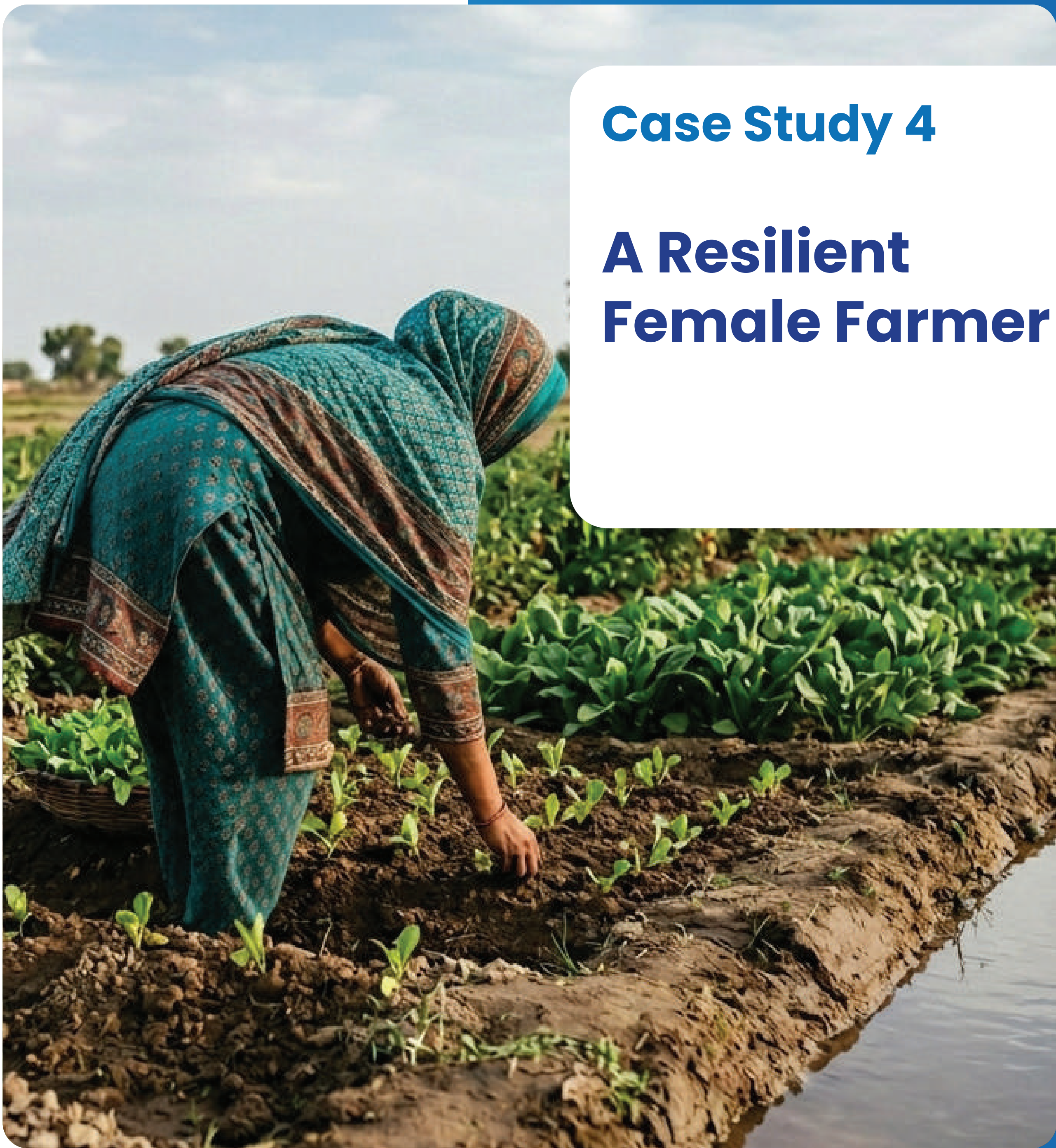
Hafeeza Bibi, a resident of Muzaffargarh, comes from a low-income household where meeting daily expenses was a constant challenge. With limited and irregular income sources, her family struggled to maintain financial stability. Determined to improve their situation, Hafeeza decided to utilize available land to start vegetable farming, which has local market demand but one that requires upfront investment she did not have.

At this critical stage, she learned about the FFO Support Program, which provides financial assistance to women seeking to establish or expand small businesses. Through the program, Hafeeza received her first loan of PKR 50,000. She used the funds to lease land, purchase seeds, and cover initial cultivation expenses. With consistent effort and careful management, her first harvest generated encouraging returns.

Building on this initial success, Hafeeza applied for a second loan of PKR 70,000 to expand production. The additional capital allowed her to increase cultivated area, improve input quality, and enhance crop output. As production volumes grew, so did her income, enabling her to contribute more reliably to household expenses.

With steady progress and a strong repayment record, Hafeeza later accessed a third loan of PKR 100,000. This financing further strengthened her operations by allowing greater scale, improved resource planning, and better market positioning. Over time, vegetable farming evolved from a small survival activity into a stable income-generating enterprise.

Today, Hafeeza has significantly improved her household’s financial stability. Her income supports essential expenses and provides a sense of security that was previously absent. Beyond financial gains, she has gained confidence and decision-making power within her household and community.



Case Study 4

A Resilient Female Farmer

Farzana Kausar, Muzaffargarh

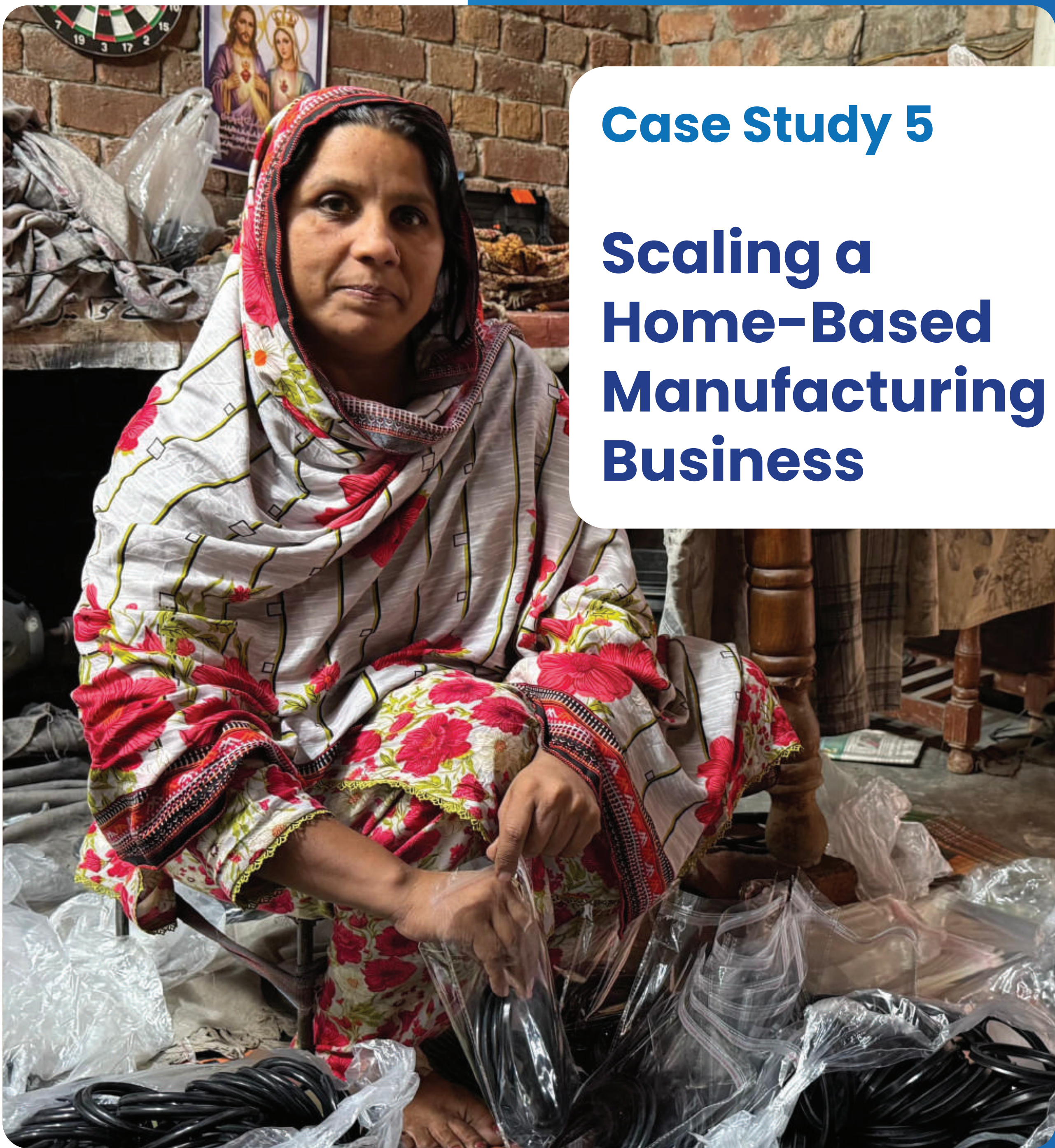
FFO Support Program

Farzana Kausar belongs to a low-income rural family where agriculture is the main source of livelihood. Determined to improve her family's situation, Farzana decided to expand her farming activities. However, due to lack of capital, she could not cultivate land or purchase quality seeds and inputs. Her plans remained limited until she received support from the FFO Support Program.

Through a first loan of PKR 45,000, she rented four canals of land and began cultivating seasonal and off-season vegetables and fruits. With careful planning and consistent effort, her farming activities started generating stable income. Recognizing her progress, she later received a second loan of PKR 55,000, which she invested in quality seeds and essential agricultural inputs. This improved crop yield, product quality, and overall productivity.

As her income increased, Farzana was able to manage household expenses more effectively, ensure food security for her family, and reinvest in her farming operations. Her financial position improved, reducing economic pressure and strengthening her confidence as an income earner.

Today, Farzana is a successful small-scale farmer. Her journey shows that timely financial support, combined with determination and proper resource management, can help female farmers build sustainable livelihoods and improve their family's well-being.



Case Study 5

Scaling a Home-Based Manufacturing Business

Asma Bibi, Sheikhupura

JWS Pakistan

In Sheikhupura, Asma Bibi operates a home-based rubber seal manufacturing unit that supplies components used in tractor assembly across Punjab. For over 20 years, she has steadily built this enterprise from a small household activity into a family business linked to an industrial value chain.

In the early years, growth was constrained by limited capital. Asma worked with a basic hydraulic press and relied heavily on manual labour for cutting, shaping, and moulding rubber seals. Raw materials were purchased in small quantities from Lahore, which restricted production volumes and reduced bargaining power on input prices. Although demand for her products was consistent, she lacked the resources to expand capacity.

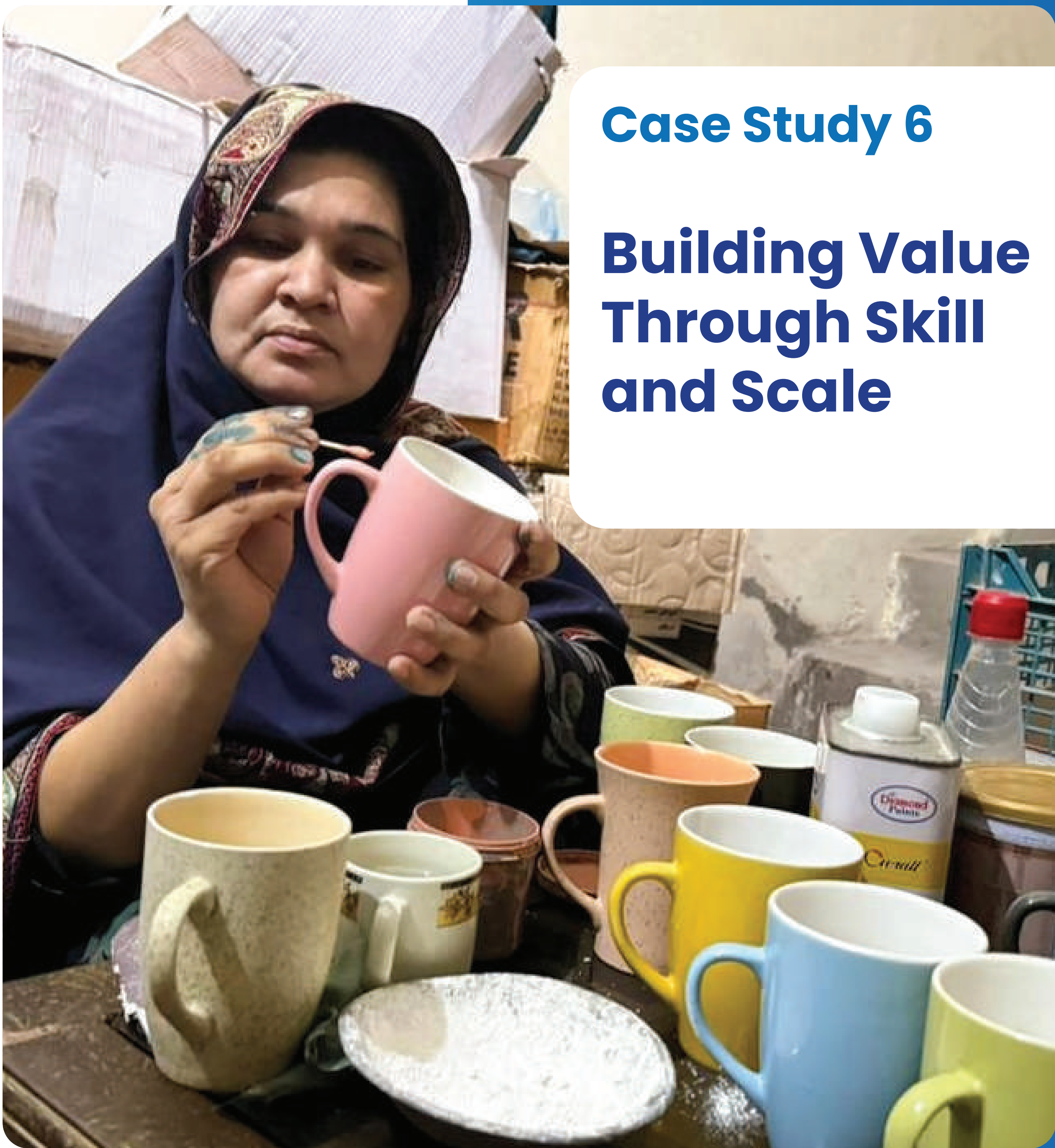
Access to financing through JWS Pakistan marked a turning point for the business. With structured financial support aligned to her working capital needs, Asma was able to invest in upgraded machinery and essential tools. The improved equipment increased production speed and ensured more consistent product finishing, strengthening her reliability with wholesale buyers.

The financing also enabled bulk purchasing of raw materials, lowering per-unit costs and ensuring uninterrupted production. As output increased, Asma hired four women from her neighborhood to assist with sorting and packaging, creating additional income opportunities within the community.

During the COVID-19 lockdown, when many small enterprises faced closure, Asma's business remained operational. Her two sons joined full-time, strengthening internal capacity. With working capital already secured, she was able to sustain and even increase production at a time when market supply was constrained.

Today, the business records monthly sales of approximately PKR 500,000. Her husband regularly supplies finished products to markets in Lahore, from where they are distributed across Punjab. In addition to wholesale channels, she now receives repeat orders directly from buyers, reflecting established market trust.

Asma's experience demonstrates how access to appropriate financial services can enable home-based manufacturers to increase productivity, generate local employment, strengthen resilience during economic shocks, and integrate more effectively into formal supply chains.



Case Study 6

Building Value Through Skill and Scale

Farhat Chirag, Gujranwala

JWS Pakistan

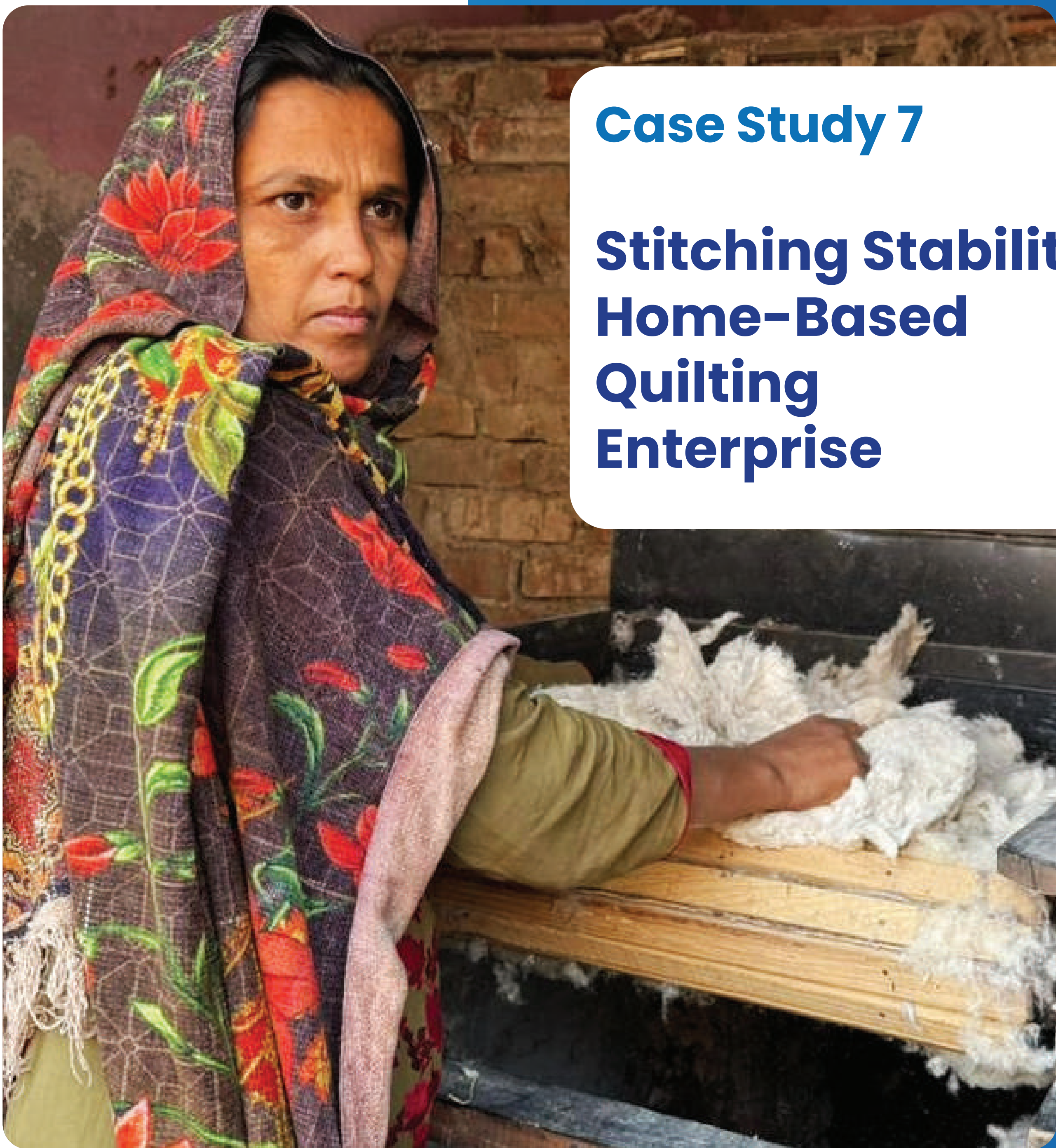
In Gujranwala, Farhat Chirag has built a microenterprise around a specialized skill: repairing and reselling damaged ceramic mugs. For the past ten years, she has worked alongside her husband to turn factory rejects into market-ready products, gradually transforming a home-based activity into a stable source of household income.

Her husband procures bulk lots of ceramic coffee and tea mugs from factories. Typically, batches containing chipped, cracked, or slightly imperfect pieces that cannot be sold as new. Working from home, Farhat restores these mugs. She repairs cracks and chips, reshapes uneven edges, and applies detailed colour shading and finishing techniques to match the original design. The quality of her work is such that customers are often unable to distinguish repaired pieces from new factory items. Once refurbished, the mugs are sold through local stalls in Gujranwala and distributed by five commission-based sellers who market the products across different areas of the city. Demand has remained steady due to the affordable pricing and consistent finishing quality.

Despite her skill and established market demand, Farhat's business faced limitations for several years. Restricted working capital meant she and her husband could only purchase small factory lots, limiting both sales volume and profit margins. She also lacked access to improved repair materials and finishing tools, which constrained productivity and quality enhancement. Seasonal demand fluctuations created cash-flow pressures, and expansion into other cities remained financially out of reach.

Her business began to scale after accessing financing through JWS Pakistan. With improved liquidity, she increased the size of factory purchases, securing better bulk rates and improving overall margins. The financing also enabled her to invest in better repair materials and shading tools, resulting in more consistent finishing and higher customer satisfaction. Greater financial stability allowed Farhat to strengthen her distribution network and plan gradual expansion beyond Gujranwala, targeting nearby markets such as Lahore, Sialkot, and Faisalabad.

Today, the enterprise records monthly sales of up to PKR 400,000. The income supports household expenses and ensures the continued education of her children, improving the family's financial resilience. In addition to strengthening her own household's stability, Farhat's work creates income opportunities for five commission-based sellers. Her business model also contributes to reducing industrial waste by restoring factory-discarded ceramic products and extending their usable life.



Case Study 7

Stitching Stability: Home-Based Quilting Enterprise

Shazia Kouser, Gujranwala **JWS Pakistan**

Shazia is a mother of one school-going child and manages her business from home with the support of her husband and mother-in-law. Shazia has developed a quilting enterprise. She specializes in velvet quilts and full bedding sets, products that see particularly high demand during the winter and wedding seasons. A key strength of her enterprise is vertical control over production. With a cotton spinning and filling machine installed at home, she manages the entire value chain, from preparing cotton filling to stitching, assembling, and finishing the final product. This setup ensures quality consistency, hygiene, and timely delivery.

However, growth was not without constraints. Limited working capital restricted her ability to purchase high-quality velvet in bulk, affecting both margins and consistency of supply. Rising seasonal orders often exceeded her available liquidity, and without sufficient financial buffers, scaling production to meet peak demand was challenging. Expansion into larger markets also required stronger inventory management and upfront raw material purchases.

Financing from JWS enabled her to purchase velvet fabric in larger quantities at better rates, lowering per-unit costs and improving profitability. She also upgraded components of her cotton spinning and filling setup, enhancing product durability and finishing quality. Over time, as orders increased, Shazia expanded her production capacity by engaging 10 women from her neighborhood on a daily-wage basis. These women support stitching, filling, hand-finishing, and packaging. The business has therefore evolved beyond household income generation into a small production unit creating employment for other women in the community.

To manage off-season fluctuations between June and August, when quilt demand declines, Shazia diversified her income streams. She began selling women's clothing from home and supplying garments to other local sellers. This diversification strategy has helped stabilize household income throughout the year and reduce dependence on a single seasonal product.

Today, Shazia's enterprise generates monthly sales of up to PKR 500,000 during peak seasons. She has strengthened supply relationships in Lahore and Faisalabad and established a reputation for quality bridal quilt sets. The business supports her household expenses, and provides regular income opportunities for women in her community.

Risk Management

PMIC's approach to risk management focuses on identifying risks, implementing mitigation strategies, and adapting to market changes, ensuring good governance, facilitating borrowers in navigating economic challenges, and promoting sustainable financial inclusion.

PMIC maintains a robust risk governance framework, with the Board of Directors holding ultimate responsibility for risk oversight. The Board is supported by the Board Risk Committee (BRC), Management Risk Committee (MRC), and the Asset-Liability Committee (ALCO), which collectively oversee key risk areas that are explained below. All activities are guided by a clearly defined Risk Appetite Framework and Board-approved policies covering all major risk domains.

Credit Risk

PMIC manages credit risk through its Institutional Rating System (IRS), developed by PACRA and certified by Microfinanza, which evaluates borrowers on governance, management, financial health, operations, and social impact.

Post-disbursement, exposures are closely monitored against internal and regulatory limits, with proactive engagement beyond traditional lending.

Regular field visits to borrower offices, branches, and client locations provide direct insights into operational and financial dynamics, enabling early risk identification and timely interventions to strengthen industry-wide risk management.

Liquidity Risk

Liquidity risk is managed through a structured policy to ensure PMIC meets its financial obligations on time. The Asset-Liability Committee (ALCO) oversees liquidity, balance sheet management, and disbursement planning while using stress testing to monitor funding mismatches.

Market Risk

Market risk, particularly interest rate fluctuations, is managed through set limits, regular assessments, and repricing gap analysis, helping PMIC stay ahead of potential risks.

Operational Risk

PMIC prioritizes operational risk management to keep its processes secure and efficient. A comprehensive policy guides the identification, assessment, and mitigation of risks, while regular reviews and process improvements help maintain resilience.

Environmental and Social Risk

The Environmental and Social Risk Management Policy offers a clear framework for identifying and managing E&S risks in microfinance operations. It includes an Exclusion List that avoids activities that could cause significant environmental or social harm. E&S factors are incorporated into lending decisions, ensuring sustainable financing and compliance with global impact standards.

Compliance Risk

Regulatory compliance is ensured by adhering to all applicable laws, regulations, and industry standards. Comprehensive policies and procedures are in place to monitor and manage compliance risks, ensuring that all transactions and operations align with these regulations. Regular reviews and ongoing staff training help maintain adherence to regulatory frameworks, supporting transparency and integrity in lending practices.

Strengthening Risk Management through Continuous Assessment

Risk assessment is a continuous process, with regular updates provided to the Board and its Risk Committee. Borrowers receive frequent guidance on risk mitigation to strengthen their institutional risk management. A strong focus is placed on developing and implementing relevant policies, risk frameworks, and tools to protect both borrowers and the sector from key risks. During 2025, the Risk Management Department strengthened PMIC's risk framework by updating key policies to reflect evolving business processes and regulatory requirements. The department also supported the onboarding of new partner institutions through risk assessments, enabling portfolio growth while prudently managing risks.

Outlook & Future Strategy

The Risk Management Department is aligned with PMIC's strategy by strengthening risk governance to support portfolio expansion and the piloting of new products, including partnership-based retail lending. Efforts are also underway to deepen sectoral and climate risk assessments and to enhance oversight of partner institutions.

In line with the strategy's focus on sustainable and inclusive growth, risk management practices will continue to promote prudent capital and liquidity management, responsible scaling of new business models, and effective risk-sharing mechanisms, ensuring portfolio resilience amid evolving market and systemic risks.

Corporate Secretariat, Legal and Procurement

In 2025, the Corporate Secretarial, Legal, and Procurement Department focused on enhancing governance effectiveness, enabling financial initiatives, and reinforcing operational resilience across the organization.

A key milestone during the year was the successful convening of PMIC's Strategy Session in Baku, which brought together the Board of Directors and Shareholders for in-depth strategic deliberations. The session provided a forum to assess PMIC's long-term direction, align stakeholder expectations, and refine strategic priorities in response to an evolving development finance landscape. The outcomes of the session contributed meaningfully to shaping PMIC's forward-looking roadmap.

Alongside strategic engagement, the department facilitated the Annual Board Evaluation for 2025, reinforcing PMIC's commitment to strong corporate governance. Conducted in collaboration with an external governance partner, the evaluation strengthened Board effectiveness by reinforcing regulatory awareness, fiduciary accountability, and performance oversight in line with best practice standards.

PMIC further embedded digital governance practices by expanding the use of secure digital board platforms, streamlining Board processes and improving document control, accessibility, and data security. This transition enhanced decision-making efficiency while supporting PMIC's sustainability objectives.

In 2025, the Legal function remained integral to structuring and executing complex transactions. The team supported the development and implementation of Islamic financing instruments and played a central role in progressing the Portfolio Guarantee Facility with the U.S. International Development Finance Corporation (DFC).

Through strategic sourcing, effective negotiations, and increased in-house delivery of corporate secretarial and legal services, the department achieved measurable cost efficiencies in 2025. These efforts directly contributed to optimized resource utilization while maintaining high standards of service delivery.

To support organizational maturity and risk preparedness, the Procurement function enabled the engagement of specialized consultants to review and enhance internal frameworks across key functions including Risk Management, Human Resources, Finance, and Sector Development. These initiatives strengthened PMIC's readiness to respond to emerging operational and regulatory challenges.

Throughout 2025, the Legal team remained a key enabler of PMIC's inclusive finance mandate. By proactively supporting strategic partnerships, the department ensured timely execution of priority initiatives while safeguarding PMIC's legal and reputational interests.

Outlook & Future Strategy

In 2026, the Company Secretarial function will continue to focus on ensuring timely completion of all regulatory and statutory requirements, maintaining updated statutory records, and updating the Board, as per need, to strengthen governance oversight and transparency. The Legal Department will strive for continued compliance across all agreements and transactions while proactively mitigating legal and contractual risks. The team will also monitor and pursue pending court cases to facilitate their timely resolution. Emphasis will continue to be placed on strengthening compliance frameworks, improving contract management, and safeguarding PMIC's legal and reputational interests through a preventive and structured legal approach. The Procurement Department will also continue to identify and engage reliable vendors at competitive rates while ensuring transparency and procurement which is value for money, while remaining technically viable. The function will also support the evolving operation of the ERP system to enhance procurement efficiency, monitoring, and reporting processes.

Corporate Finance and Investment Banking

PMIC's Corporate Finance & Investment Banking (CF&IB) function played a central role in strengthening the institution's funding resilience, broadening partnerships across the financial sector, and expanding the suite of financing and risk-sharing solutions available to PMIC and the wider microfinance ecosystem.

Funding Mobilization & Balance Sheet Strengthening

Throughout 2025, CF&IB remained focused on three core strategic priorities: (i) diversified funding mobilization, (ii) deepening access to capital markets through innovative instruments, and (iii) strengthening multilateral and risk-sharing arrangements to enhance portfolio resilience and enable greater outreach to underserved segments.

Commercial Borrowings: In 2025, PMIC successfully mobilized PKR 10.5 billion in commercial funding from a diversified pool of commercial banks, development finance institutions (DFIs), and capital market instruments. PMIC also executed short-term market transactions with JS Bank Ltd. and Allied Bank Ltd., optimizing its funding structure and supporting liquidity deployment in the microfinance sector. This performance reflected PMIC's strengthened institutional credibility, disciplined financial management, and the confidence of counterparties in PMIC's governance framework and strategic direction.

SBP Credit Facilities: PMIC remained a key beneficiary of funding limits under SBP's Line of Credit Facility under the Financial Inclusion and Infrastructure Project (FIIP), funded by the World Bank, as well as the Credit Line Facility under the Women Inclusive Finance Program (WIFP), funded by the Asian Development Bank. A total amount of PKR 3,833 million was disbursed during 2025 (compared to PKR 4,563 million in 2024), against repayment guarantees extended by multiple commercial banks and DFIs. These facilities continued to enhance liquidity access, particularly for underserved microfinance segments.

Expanding the Lender Base: As part of its ongoing efforts to diversify funding sources and strengthen its financial position, PMIC onboarded 04 new institutions under both direct (funded) and indirect (non-funded) credit facilities, including Samba Bank Limited, Pak Brunei Investment Company Limited, Pak China Investment Company Limited, and Pak Oman Investment Company Limited. The addition of Pak Brunei, Pak China, and Pak Oman marked a significant milestone, expanding PMIC's lender base beyond commercial banks to include a broader range of DFIs operating in Pakistan. With these new partnerships, PMIC increased the total number of institutions it works with to 18, comprising 12 commercial banks and 6 DFIs, thereby enhancing financial resilience and reducing concentration risk.

Capital Markets Development & Innovative Instruments: A key strategic theme for 2025 was the development of capital markets access as an institutional priority for PMIC. Recognizing the need to diversify funding beyond traditional bilateral bank facilities, CF&IB advanced PMIC's engagement with market-based instruments and structured solutions.

During the year, PMIC structured and executed its first unsecured, rated, privately placed Commercial Paper, raising PKR 2.5 billion, marking an important milestone in PMIC's evolution as a capital markets participant. The instrument achieved an external rating of A1+ and attracted strong investor participation, including leading asset management companies such as MCB Investment Management Limited, Alfalah Investments (Asset Management) Limited, JS Investments Limited, National Investment Trust Limited, NBP Fund Management Limited, and Pak China Investment

Company Limited. This transaction represented a strategic step toward building PMIC's market profile, expanding investor engagement, and creating an alternative funding channel that can be scaled over time.

Advisory, Syndications & Structured Finance Mandates: PMIC continued to strengthen its role as a structured finance partner for sector stakeholders, supporting the development of scalable funding solutions for microfinance institutions and related market participants.

During 2025, PMIC successfully structured and closed a PKR 3.0 billion Syndicated Term Finance Facility as Mandated Lead Arranger & Advisor for ASA Microfinance Bank (Pakistan) Limited. The facility titled "Azm-e-Nisa Syndicate" was subscribed by Pakistan Kuwait Investment Company (Private) Limited, Pak Libya Holding Company (Pvt.) Limited, Pak Brunei Investment Company Limited, and Allied Bank Limited. This mandate reinforced PMIC's positioning as a trusted arranger and advisor, capable of structuring bankable solutions aligned with sector needs.

Multilateral Financing & Risk-Sharing Arrangements: Given the evolving risk landscape and the importance of expanding outreach to smaller and underserved microfinance providers, PMIC continued to prioritize multilateral financing and risk-sharing arrangements as a key strategic lever. Such structures support portfolio diversification, reduce concentration risk, and enhance PMIC's ability to extend credit to segments that may otherwise face limited access to sustainable funding.

During 2025, PMIC advanced four (04) simultaneous multilateral due diligence processes with leading international development partners, including Asian Development Bank (ADB), Proparco (AFD), British International Investment (BII), and International Finance Corporation (IFC). These engagements focused on potential Risk Sharing Facilities aimed at strengthening PMIC's risk absorption capacity and enabling greater lending volumes to underserved market segments.

PMIC also successfully structured and executed a PKR 2.0 billion Loan Repayment Guarantee Facility with National Credit Guarantee Company Limited (NCGCL), featuring 50% pari passu loss absorption. This facility represents a meaningful addition to PMIC's risk mitigation toolkit and reflects continued progress toward institutionalizing credit enhancement mechanisms in support of microfinance market deepening.

Progress on Debt Securitization & Sector Market Development: In line with PMIC's long-term strategy to introduce innovative instruments that can unlock new pools of liquidity for the microfinance sector, CF&IB continued to advance the institution's debt securitization initiative during 2025. PMIC worked closely with the appointed consultant to progress structuring discussions and undertake market sounding with a broad range of stakeholders, including commercial banks, DFIs, mutual funds, regulators, legal advisors, and tax consultants. These engagements aimed to assess investor appetite, pricing expectations, transaction feasibility, and regulatory considerations for future securitized issuances. This initiative represents a strategic effort to develop sustainable and scalable market-based funding channels for microfinance, while also expanding the investor base for financial inclusion-linked assets.

Outlook & Future Strategy

Looking ahead, PMIC's Corporate Finance & Investment Banking (CF&IB) function will remain focused on strengthening PMIC's funding resilience and accelerating its transition from a predominantly bilateral borrowing model toward a more diversified, market-led funding profile. Building on PMIC's evolution from an equity-led institution to one with a commercial debt portfolio of approximately PKR 27 billion as of 2025, PMIC will continue to prioritize funding diversification and sustainable capital mobilization to support the growing liquidity needs of the microfinance ecosystem.

In 2026, PMIC will continue to maintain bilateral commercial bank financing as a key component of its funding strategy, while progressively expanding engagement with Islamic financial institutions to diversify liquidity sources and broaden market participation. PMIC will further strengthen relationships with existing partner banks and continue pursuing balance sheet growth through a prudent and sustainable capital structuring approach.

A key strategic priority for 2026 will be the expansion of PMIC's capital market footprint through innovative instruments. Building on the successful introduction of Commercial Paper, PMIC aims to scale market-based mobilization through repeat issuances of Commercial Paper, complemented by longer-tenor instruments such as medium to long-term bonds and exploration of Islamic Sukuk structures.

PMIC will also continue strengthening its risk-sharing and guarantee-based mechanisms to expand portfolio lending capacity, particularly for underserved microfinance segments. In 2026, the institution will remain engaged in advancing guarantee programs with multiple partners, with the objective of improving credit enhancement capacity and enabling increased outreach to smaller microfinance providers.

Through the continued execution of these strategic initiatives and strengthened partnerships across the financial sector, PMIC will further reinforce its role as a catalytic institution for microfinance in Pakistan. By expanding its funding base, enhancing market access, and advancing innovative financing and risk-sharing solutions, PMIC remains well-positioned to support sustainable growth and long-term financial inclusion outcomes.

Our People and Culture

At PMIC, our people remain central to advancing our mandate of strengthening Pakistan's microfinance ecosystem. In 2025, our people strategy continued to evolve in alignment with a mission of focusing on building a high-performance culture, strengthening organizational capability, and ensuring that talent, systems, and leadership are fully aligned with our impact ambitions.

Investing in Our People and Inclusion

As part of our commitment to diversity, inclusion, and talent development, HR continued to strengthen PMIC's workforce and brand presence. We maintained a female-to-male ratio of 33%. A key milestone was strengthening gender representation at senior decision-making level through appointment of a woman as Chief Financial Officer and increasing women's representation in senior leadership to 28%. Over the past year, out of the total employees advancing to higher roles, 40% were females, reflecting continued progress in internal mobility and leadership development.

Learning, Capability, and Inclusive Leadership

Investing in learning and leadership development remained a priority. With a workforce comprising Gen Z and Millennials, PMIC organized a Leadership workshop by Ghazi Taimoor to strengthen collaboration and value-based leadership. The program enhanced trust, communication, and teamwork through experiential activities, while helping participants recognize and leverage diverse working styles. It emphasized informal authority, building influence through credibility, initiative, professionalism, and ethics. Participants reflected on team dynamics and co-developed practical actions to improve cross-functional collaboration and internal processes.

Staff across the organization engaged in structured development initiatives, including leadership workshops, experiential learning programs, and specialized training at institutions such as LUMS and IBA, along with relevant online courses. With 87% of female employees participating in relevant training programs within Pakistan and internationally, including conferences and skill-based initiatives alongside their male colleagues. Members of the leadership team also participated in selected international executive education programs and financial sector forums, including courses at MIT and regional finance platforms, to strengthen strategic thinking and sector expertise.

Prioritizing Employee Voice and Well-being

Listening to our people remained central to how we work. In 2025, HR focused on translating employee feedback into action through initiatives that strengthened inclusivity, collaboration, and learning. Progress on these actions was shared through leadership forums and organization-wide discussions, reinforcing transparency, trust, and shared ownership across teams.

Inclusive policies and flexible work practices were further enhanced to meet diverse employee needs. Enhanced medical insurance coverage, including extended benefits for parents of unmarried employees, reflected PMIC's ongoing commitment to care. These efforts ensured employees felt heard, supported, and confident in accessing the resources available to them. A milestone achievement during the year was the introduction of wellbeing leave to support employees' mental and physical health. The leave provides female employees with additional flexibility to manage personal health and family responsibilities. This initiative reflects the organization's continued commitment to inclusive workplace practices and gender-sensitive policies.

Together, these measures contribute to a supportive work environment and sustained employee engagement.

Recognition, Connection, and Belonging

Throughout the year, a range of engagement initiatives created meaningful opportunities for teams to connect, celebrate milestones, and strengthen a shared sense of purpose and belonging. One of the initiatives was "Azadi with Impact: Challenge 2025," launched to commemorate Independence Day under the theme Climate Change and Environmental Responsibility. Aligned with PMIC's values of responsibility, sustainability, and inclusion, the challenge encouraged cross-functional collaboration and provided employees with a platform to contribute meaningfully to national celebrations while reinforcing our collective commitment to environmental sustainability.
In addition, PMIC organized internal sports events and competitions to promote teamwork, well-being, and team spirit across the organization. Social gatherings such as birthday celebrations, farewell events, potluck lunches, and Eid festivities further strengthened interpersonal connections and enabled a vibrant and inclusive workplace culture.

Strengthening Systems to Support Our People

The Human Resources function focused on digitally enhancing people's processes to create a more efficient and employee-friendly experience. Efforts were directed toward streamlining routine workflows, improving data accuracy, and reducing dependence on manual and paper-based processes. This work simplified day-to-day interactions for employees, strengthened information management, and helped establish more reliable operational foundations.

As part of ongoing efforts to strengthen digital capability, PMIC conducted an internal workshop on Artificial Intelligence to explore its potential applications in improving productivity and supporting decision making. The session provided employees with an opportunity to better understand the fundamentals of AI and to discuss how such tools could be applied within their respective functions.

Performance Alignment and Collaboration

Quarterly all-team engagements continued to serve as platforms for reviewing progress, reflecting on outcomes, and aligning priorities. Timely recognition was also embedded into these engagements through on-the-spot acknowledgements, appreciation cards, and formal expressions of gratitude, reinforcing a culture that values performance, contribution, and collaboration.

Strategy Enabled by People

Our people's strategy remained closely integrated with organizational strategy and execution. The HR function actively partnered with leadership and departments to support strategic priorities for the coming years by understanding workforce needs, strengthening capability planning, and enabling effective resourcing. As part of these efforts, HR facilitated a two-day strategy and team-building offsite that supported strategic alignment, collaboration, and shared understanding of organizational direction.

Outlook & Future Strategy

In the year ahead, Human Resources department at PMIC will continue to work with a clear focus on the well-being, growth, and development of our people. Through progressive policies, competitive benefits, and a supportive work environment, we have strived to keep our employees engaged, motivated, and comfortable, enabling them to focus on what matters most: serving the underserved.

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.

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.

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

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	**1,416,825,675**	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**	44,489,006
Subsidy payable	22	**340,659,422**	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	**44,685,853,503**	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**	182,508,724,106
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

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.

CHIEF EXECUTIVE OFFICER

DIRECTOR

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		**802,969,989**	702,414,327

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

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

STATEMENT OF CASH-FLOWS

FOR THE YEAR ENDED 31 DECEMBER, 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)
Changes in working capital:			
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 diposal 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

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 set up jointly by Pakistan Poverty Alleviation Fund (PPAF), Karandaaz 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's rating at '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:

- 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 (hereinafter 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.

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.

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)(iia) 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-Financal Instruments: Recognition and Measurement, in respect of above referred financial assets during the exemption period.

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 22
(ii) Recognition of deferred tax and estimation of income tax provision - note 3.6, 10 and 37
(iii) Classification and measurement of financial assets - note 3.4, 7 and 16
(iv) Measurement of fair value of derivative financial statements - note 3.4, 11 and 36
(v) Allowance for expected credit losses - note 3.8 and 32
(vi) Use of discount rates and interpretation of lease terms - note 3.2 and 25

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.

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.

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.

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"")

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.

(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	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.

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-preforming 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.

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.

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.

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.

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.

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.

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.

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.

(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.

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.

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:

3.16.1 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.

3.16.2 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.

3.16.3 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.

3.16.4 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 to 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.

3.17 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.

4 Property, plant and equipment

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

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	4,702,156	25,408,135	9,120,699	17,294,219	4,327,588	60,852,797
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	**5,217,687**	**32,555,665**	**9,143,199**	**17,294,219**	**21,907,347**	**86,118,117**
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	3,946,812	20,918,520	8,152,262	17,277,527	4,327,588	54,622,709
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	**-**	**(1,705,684)**	**-**	**-**	**(1,710,104)**	**(3,415,788)**
Balance as at 31 December 2025	**4,261,467**	**25,386,887**	**8,429,555**	**17,294,219**	**5,258,217**	**60,630,345**
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	755,344	4,489,615	968,437	16,692	-	6,230,088
As at 31 December 2025	**956,220**	**7,168,778**	**713,644**	-	**16,649,130**	**25,487,772**
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.

		Note	2025 (Rupees)	2024 (Rupees)
5	**RIGHT OF USE ASSET**			
	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		**344,371,914**	344,371,914
	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		**261,595,550**	211,929,733
	Carrying value		**82,776,364**	132,442,181
	Depreciation rate per annum		**33.3%**	33.3%

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

		Note	2025 (Rupees)	2024 (Rupees)
6	**LONG-TERM INVESTMENTS**			
	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)
			1,178,014,478	758,092,852
	Principal amount		**1,178,014,478**	758,092,852
	Markup receivable	12	**1,150,433**	74,486,918
	Carrying amount at amortised cost		**1,179,164,912**	832,579,770

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.

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)
			21,501,708,856		14,432,635,665
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			**38,917,165,069**		33,815,883,387

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").

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.

7.4 Particulars of provision for ECL against financing

		2025			2024		
	Note	**Stage 3**	**Stage 1 & 2**	**Total**	Stage 3	Stage 1 & 2	Total
			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 (2024: 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. 658 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.

8	Long-term ADVANCES, PREPAYMENTS AND DEPOSITS	Note	**2025 (Rupees)**	2024 (Rupees)
	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)
			84,507,317	77,617,862

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.

9	DEFERRED TAX ASSET	**2025 (Rupees)**	2024 (Rupees)
	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	**501,736**	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 63A	**(121,897,089)**	-
	Employee benefit obligations	**21,437,402**	8,410,593
		775,132,722	632,402,317
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	**775,132,722**	632,402,317

10 DERIVATIVE FINANCIAL INSTRUMENT

	Note	2025 (Rupees)	2024 (Rupees)
Mark to Market gain	10.1 & 10.2	**440,359,467**	478,914,632

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

	Note	2025 (Rupees)	2024 (Rupees)
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
		10,629,108	30,512,403
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
		164,889,160	139,415,989
Other receivables	11.3	**137,902,593**	69,619,807
		313,420,861	239,548,199

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 21 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

	Note	2025 (Rupees)	2024 (Rupees)
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		**0**	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
		241,387,069	3,324,358,823
Write off - markup accrued receivable	12.2	**(11,598,184)**	(414,539,616)
		2,391,549,075	5,303,098,497

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.

13 DUE FROM RELATED PARTY - UNSECURED

	Note	2025 (Rupees)	2024 (Rupees)
Grant income receivable - KfW	13.1	**31,526,970**	34,190,532

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

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

14 LENDING TO FINANCIAL INSTITUTIONS (REVERSE REPO) - CONSIDERED GOOD

	Note	2025 (Rupees)	2024 (Rupees)
Repurchase agreement lendings (Reverse repo) - with financial institutions	14.1	**1,822,970,314**	499,999,047
Less: Provision against expected credit losses	30	**(246,246)**	(67,524)
		1,822,724,068	499,931,523
Principal amount		**1,822,724,068.07**	499,931,523.27
Markup receivable	12	**1,074,405.58**	154,453.00
Carrying amount at amortised cost		**1,823,798,473.66**	500,085,976.27

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

15 SHORT-TERM INVESTMENTS

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

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.

16 ADVANCE TAX - NET

	Note	2025 (Rupees)	2024 (Rupees)
Balance as at 01 January		**1,274,038,638**	891,640,752
Current tax charge	35	**(635,885,326)**	(609,419,874)
Income tax withheld during the year		**778,672,363**	991,817,760
Balance as at 31 December		**1,416,825,675**	1,274,038,638

17 CASH AND BANK BALANCES

	Note	2025 (Rupees)	2024 (Rupees)
Cash in hand		**25,177**	75,000
Cash at banks - Local currency			
- Deposit accounts	17.1	**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	30	**(1,033,056)**	(134,261)
		1,941,336,837	994,472,916

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.

18 SHARE CAPITAL

	2025 (Rupees)	2024 (Rupees)
Authorized capital		
6,500,000 ordinary shares of Rs. 1,000 each	**6,500,000,000**	6,500,000,000

18.1 Issued, subscribed and paid up share capital

2025 (Number of shares)	2024 (Number of shares)		2025 (Rupees)	2024 (Rupees)
5,884,222	5,884,222	Ordinary shares of Rs.1,000 each fully paid in cash	**5,884,222,000**	5,884,222,000

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		**5,884,222**	5,884,222	**100.0000%**	100.0000%

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.

19 SUBORDINATED LOANS - UNSECURED

	Note	2025 (Rupees)	2024 (Rupees)
Subordinated loan from Pakistan Poverty Alleviation Fund	19.1	**2,988,790,158**	4,052,255,784
	19.2	**2,800,000,000**	2,800,000,000
Subordinated loan from Karandaaz Pakistan	19.3	**2,513,649,679**	1,281,116,671
Subordinated loan from KfW		**8,302,439,837**	8,133,372,455
		(1,063,465,621)	(1,063,465,621)
Less: Current portion of subordinated loans		**7,238,974,216**	7,069,906,834
Principal amount		**8,302,439,837**	8,133,372,455
Markup payable	26	**177,273,097**	366,458,524
Carrying amount at amortised cost		**8,479,712,933**	8,499,830,979

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.

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 11 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 23 to these financial statements for understanding of subsidy payable.

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

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.

20 LOANS AND BORROWINGS

	Note	2025 (Rupees)	2024 (Rupees)
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)**	-
		24,295,931,904	20,108,006,574
Less: Current portion of loans and borrowings		**(5,326,265,852)**	(3,823,740,098)
		18,969,666,052	16,284,266,476
Principal amount		**24,295,931,904**	20,108,006,574
Markup payable	26	**727,471,649**	729,444,145
Carrying amount at amortised cost		**25,023,403,554**	20,837,450,719

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

Term Finance Facility	Note	**Markup** (2025)	**Total facility amount** (2025)	**Instalments outstanding** (2025)	**Date of final repayment** (2025)
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**

Term Finance Facility	Note	2024			
		Markup	Total facility amount	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.

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.

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** **(Rupees)**	2024 (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
		54,967,699	44,489,006

21.1 Net defined benefit liability - Compensated leave absences

The amounts recognized in the statement of financial position are as follows:

	Note	**2025**	2024
Present value of defined benefit obligation		**24,106,513**	21,565,623
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		**24,106,513**	21,565,623

21.1.1	Charge for the year recognized in the statement of profit or loss	Note	2025 (Rupees)	2024 (Rupees)
	Current service cost		**3,015,940**	2,825,361
	Interest cost		**2,474,388**	2,669,162
			5,490,328	5,494,523
	Expense is recognized in the following line item in the statement of profit or loss			
	Administrative expenses	31	**5,490,328**	5,494,523

21.1.2 Re-measurement recognized in the statement of other comprehensive income

	Note	2025	2024
Actuarial gain on obligation	21.1	**(216,369)**	(307,157)

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	**1-Jan-26**	1-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)	
	Decrease	**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**

	Present value of defined benefit obligation	**Fair value of plan assets**	**Net defined benefit liability / (asset)**
December 31, 2025		Rupess	
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**
December 31, 2024			
Balance as at 01 January 2024	68,244,553	(52,625,493)	15,619,060
Charge for the year	27,177,447	-	27,177,447
Expected return on plan assets		(7,688,786)	(7,688,786)
Charge to profit or loss net of return on plan assets	27,177,447	(7,688,786)	19,488,661
Experience adjustments on defined benefit liability	2,217,760	586,288	2,804,048
Benefits paid	(8,947,533)	8,947,533	-
Contributions to gratuity fund	-	(14,988,386)	(14,988,386)
Balance as at 31 December 2024	88,692,227	(65,768,844)	22,923,383

21.2.1.2 Plan assets comprise of:

	2025		2024	
	Carrying amount	**Fair Value**	Carrying amount	Fair Value
Pakistan Investment Bonds (PIBs)	**63,500,000**	**66,685,447**	50,500,000	56,543,759
Cash at bank	**11,976,886**	**11,976,886**	9,225,085	9,225,085
	75,476,886	**78,662,333**	59,725,085	65,768,844

21.2.2 Charge for the year recognized in the statement of profit or loss

	2025 (Rupees)	2024 (Rupees)
Current service cost	**21,356,227**	17,292,975
Net interest	**10,200,455**	9,884,471
Expected return on plan assets	**(7,686,618)**	(7,688,785)
	23,870,064	19,488,661
Expense is recognized in the following line item in the statement of profit or loss		
Administrative expenses	**23,870,065**	19,488,662

21.2.3 Re-measurement recognized in the statement of other comprehensive income

Actuarial loss on obligation	**121,015**	2,217,760
Actuarial loss on assets	**835,003**	586,288
	956,018	2,804,048

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 Rupees		2024 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 Rupees		2024 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	**1-Jan-26**	1-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.

22 SUBSIDY PAYABLE

	Note	**2025** (Rupees)	2024 (Rupees)
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)
		340,659,423	170,438,363

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

	Note	2025 (Rupees)	2024 (Rupees)
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)
		57,880,244	101,499,612

23.1 Maturity Analysis

	2025	2024
Less than one year	**57,880,244**	58,703,040
One to five years	**-**	64,573,344
	57,880,244	123,276,384

24 SHORT TERM BORROWINGS

	Note	2025	2024
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**	-
		44,685,853,503	149,964,995,861
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		**44,806,759,591**	152,722,056,280

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.

25 TRADE AND OTHER PAYABLES

	Note	2025 (Rupees)	2024 (Rupees)
Creditors and employees		**1,628,009**	6,180,524
Accrued expenses	25.1	**80,460,601**	121,231,795
Income tax deducted at source		**10,515,293**	3,731,325
Sales tax payable		**-**	2,319,749
		92,603,903	133,463,393

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

25.2 Payable to employees' provident fund

	2025 (Rupees)	2024 (Rupees)
Balance as at 01 January	-	20,045
Contribution / withheld during the year	27,378,717	24,807,285
Payments made during the year	(27,378,717)	(24,827,330)
Balance as at 31 December	-	-

26 MARKUP ACCRUED - PAYABLE

	Note	2025 (Rupees)	2024 (Rupees)
Markup payable on subordinated loans	26.1	177,273,097	366,458,524
Markup payable on loans and borrowings	26.2	727,471,649	729,444,145
Markup payable on short term borrowings	26.3	120,906,088	2,757,060,419
		1,025,650,834	3,852,963,088

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.

(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 (Rupees)	2024 (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 (Rupees)	2024 (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.

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
		143,915,792	707,743,628

30.1

2025	Note	Financing	Investments	Lending to Financial Institutions	Balances with other banks	Staff loans	Total
Balance as at 1 January 2025		**1,668,516,408**	**21,281**	**67,524**	**134,261**	**7,149**	**1,668,746,623**
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		**1,799,730,215**	**47,514**	**246,246**	**1,033,056**	**7,200**	**1,801,064,231**

2024	Financing	Investments	Lending to Financial Institutions	Balances with other banks	Staff loans	Total
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	1,668,516,408	21,281	67,524	134,261	7,149	1,668,746,623

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**

30.2.3 Financing - Exposures

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

30.2.4 Financing - Credit Loss Allowance

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

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

30.5 Particulars of credit loss allowance against financing

In local currency	1,541,069,273	258,660,942	1,799,730,215

31 ADMINISTRATIVE EXPENSES

	Note	2025 (Rupees)	2024 (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 (Rupees)	2024 (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.

32 OTHER EXPENSES

	2025 (Rupees)	2024 (Rupees)
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**	-
	24,574,841	31,887,645

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.

33 OTHER INCOME

	Note	2025 (Rupees)	2024 (Rupees)
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
		163,212,794	63,240,386

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.

34 FAIR VALUE (LOSS) / GAIN ON DERIVATIVE

	Note	2025 (Rupees)	2024 (Rupees)
Mark to market (loss) / gain on derivative	10	**(36,771,955)**	(14,248,870)

35 INCOME TAX EXPENSE

	Note	2025 (Rupees)	2024 (Rupees)
Income tax:			
- Current	16	**635,885,327**	609,419,874
- Prior		**-**	-
		635,885,327	609,419,874
Deferred tax	9.1	**(273,998,628)**	(131,851,272)
		361,886,698	477,568,602

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

	2025 (Rupees)	2024 (Rupees)
Accounting profit for the year	**1,144,859,855**	1,176,975,784
Applicable tax rate	**29%**	29.00%
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	**(260,400,360)**	(41,203,787)
	361,886,698	477,568,602

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.

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.

36 CASH-FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES

	Note	2025 (Rupees)	2024 (Rupees)
Profit before taxation		**1,144,859,855**	1,182,018,250
Adjustments for non cash items and others:			
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)**	-
		(566,986,245)	(514,500,585)

37 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Note	2025			2024		
		Chief Executive	**Directors**	**Executives**	Chief Executive	Directors	Executives
			(Rupees)			(Rupees)	
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	-
		80,872,045	**9,650,000**	**243,033,641**	72,976,202	8,875,000	215,881,862
Number of persons		**1**	**5**	**36**	1	3	32

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.

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

	Liabilities				
	Loans and borrowings and short term borrowings	**Subordinated loans**	**Lease Liability**	**Subsidy Payable**	**Total**
			(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)**	**-**	**-**	**-**
Remeasurement of subsidy payable	**-**	**-**	**-**	**-**	**(2,897,530)**
Unwinding of interest on subsidy payable	**-**	**-**	**-**	**14,526,139**	**-**
Financial charges on lease liability	**-**	**-**	**15,083,671**	**-**	**14,526,139**
Unwinding of interest on KfW Loan	**-**	**80,175,818**	**-**	**-**	**15,083,671**
Balance as at 31 December 2025	**68,981,785,408**	**8,773,795,122**	**56,262,951**	**337,770,329**	**80,175,818**
					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 (Rupees)	2024 (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

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:

Transactions with associated undertakings	2025 (Rupees)	2024 (Rupees)
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
	4,602,903,624	4,512,496,938

Transactions with other related parties	2025 (Rupees)	2024 (Rupees)
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**	-
	47,701,582	39,795,671

Transactions with key management personnel	2025 (Rupees)	2024 (Rupees)
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
	204,621,136	189,255,384

Loan to key management personnel	**2025 (Rupees)**	2024 (Rupees)
Loan to CEO/ Directors	**9,472,278**	20,838,999
Loan to other key management personnel	**29,405,990**	23,819,111
	38,878,268	44,658,110

Movement of loan to Key Management Personnel	**2025 (Rupees)**	2024 (Rupees)
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	**38,878,268**	44,658,110

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.

On-balance sheet financial instruments December 31, 2025		**December 31, 2025**							
		Carrying value				**Fair value**			
Financial assets measured at fair value	**Notes**	**Amortised Cost**	**Fair Value through Other Comprehensive Income**	**Fair Value through Profit or Loss**	**Total**	**Level 1**	**Level 2**	**Level 3**	Total
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
		82,507,512,001	3,833,403,969	440,359,467	86,781,275,437	-	2,755,255,308	440,359,467	3,195,614,775
Financial assets 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.

On-balance sheet financial instruments		December 31, 2024							
		Carrying value				Fair value			
December 31, 2024	Notes	Amortised Cost	Fair Value through Other Comprehensive Income	Fair Value through Profit or Loss	Total	Level 1	Level 2	Level 3	Total
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	-	-	-	-

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 orignal 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.

*Trade and other payables include Creditors and accrued expenses.

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 Government securities	Government debt securities denominated in Rupees are valued on the basis of rates announced by the Mutual Funds Association of Pakistan (MUFAP).
Federal Government securities	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.
Federal Government securities	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.

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.

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.

	2025 (Rupees)	2024 (Rupees)
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.

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:

	Ratings	2025 (Rupees)	2024 (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

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

	Ratings	2025 (Rupees)	2024 (Rupees)
Due from related party			
Counterparties with credit rating	A1+	**31,526,970**	34,190,532
Lending to financial institutions (reverse repo)			
Counterparties with credit rating	A1+	**1,822,724,068**	499,931,523
Short term investment - Pakistan Investment Bonds			
Counterparties with credit rating	A1+	**39,999,909,488**	140,884,139,222
Short term investment - Treasury Bills			
Counterparties with credit rating	A1+	**3,817,108,208**	10,169,859,400
Short term investment - Term deposit certificates			
Counterparties with credit rating	A1+	**-**	350,000,000

	Ratings	2025 (Rupees)	2024 (Rupees)
Bank balances			
United Bank Limited	A-1+ / AAA	**114,097,022**	751,279,745
Bank Alfalah Limited	A-1+/AAA	**52,826**	31,567,007
Bank Al Habib Limited	A-1+/AAA	**125,185,222**	96,051,881
Habib Bank Limited	A-1+/AAA	**8,119,582**	114,929,925
Telenor Microfinance Bank Ltd.	A-1/A	**60,965**	57,777
JS Bank Limited	A-1+/AA	**176,989**	203,819
National Bank of Pakistan	A-1+/AAA	**355,762**	199,289
Askari Bank Limited	A-1+/AA+	**5,555,557**	-
Bank Islami Pakistan Limited	A-1/AA-	**15,089**	1,138
Bank of Punjab	A-1+/AA+	**114,831,944**	65,768
Habib Metropolitan Limited	A-1+/AA+	**92,204**	11,747
MCB Bank Limited	A-1+/AAA	**568,942,612**	109,666
Meezan Bank Limited	A-1+/AAA	**4,798,387**	11,000
Soneri Bank Limited	A1+/AA-	**35,605**	43,416
Samba Bank Limited	AA/A-1	**1,000,024,950**	-
		1,942,344,716	994,532,178

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**	**7,238,974,215**	**-**
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	**78,732,624,111**	**52,183,324,420**	**26,208,640,268**	**340,659,423**
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.

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:

	2025	2024
	(Rupees)	(Rupees)
Subordinated loan from KfW	**2,513,649,679**	1,281,116,671

The following significant exchange rate applied during the year:

	Average rates		**Balance sheet date rate**	
	2025	2024	**2025**	2024
US Dollars	**281.09**	278.42	**280.12**	278.55

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:

Fixed rate instruments	2025 Effective rate %	2024 Effective rate %	2025 (Rupees)	2024 (Rupees)
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)
			46,136,274,480	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.

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.

44 NUMBER OF EMPLOYEES

	2025	2024
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

December 31, 2024	As previously reported	Effect of restatement	Effect of reclassification	As restated
	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.

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-March-2026.

CHIEF EXECUTIVE OFFICER

DIRECTOR

PMIC

Pakistan Microfinance Investment
Company Limited

Address:
21st Floor, Ufone Tower, 55-C Main Jinnah Avenue, Blue Area, Islamabad 44000, Pakistan

Website:
www.pmic.pk

Email:
info@pmic.pk

Tel:
(+92-51) 8487820-45