



First National Bank Modaraba

(An Islamic Financial Institution)

Managed By: National Bank Modaraba Management Company Limited
(A subsidiary of National Bank of Pakistan)

Mr. Hafiz Maqsood Munshi,
Unit Head,
Listed Companies Compliance-RAD,
Pakistan Stock Exchange Limited,
Stock Exchange Building, Stock Exchange Road,
Karachi-74000

FNBM/09-24/ 73
September 18, 2024

Dear Sir: Re: Suspension of Trading in Shares of the Company

Please refer to your letter No. Gen-1277 dated September 13, 2024 regarding the captioned matter. Measures being taken by First National Bank Modaraba (FNBM) for rectification of causes of suspension in trading of its certificates due to non-compliance of clause 5.11.1(a) and 5.11.2(b) of PSX Regulations have been summarized as under:

- FNBM charged provisioning on its Non-Performing Loans (NPLs) in compliance with SECPs Modaraba Regulations, mostly in the textile sector. Consequently, it started booking losses and eventually its accumulated losses exceeded 50% of its paid up capital. To recover its default amounts and reduce the pool of its accumulated losses, FNBM proactively filed recovery suits against all its NPLs in Banking Court, Lahore. Decree orders have been obtained from the Banking Courts in all the recovery suits in favour of FNBM and execution proceedings of decree are underway in the Court. FNBM has made considerable cash recoveries from NPLs through court and out of court settlement/restructuring arrangements which resulted in reversal of provisioning. Consequently, FNBM is booking of net profits consistently for three consecutive years from FY 2021 onwards which has steadily reduced its accumulated losses. These financial statements were timely transmitted to PSX.
- FNBM is managed by a wholly owned subsidiary of National Bank of Pakistan (NBP). NBP in June, 2018 approved injection of further equity of Rs.300 Million in FNBM, however NBP has not yet received its requisite approvals from State Bank of Pakistan. We expect more cash recoveries from NPLs and reversal in provisioning in the coming years. If the current trend/pace of recoveries from NPLs continues and with support of National Bank of Pakistan (NBP), it is expected that FNBM might be able to comply with the 50% threshold of Section 23(I)(ii)(b) within around next two to three years.
- FNBM has also prayed before Honorable Modaraba Tribunal, Lahore to set aside and remand the application back to SECP in order to afford FNBM an opportunity to work out an amicable arrangement with the SECP in better interest of stakeholders, particularly the Modaraba Certificate Holders. The matter is pending adjudication.

In case you require further information in this regard then you may please contact us.

Best Regards,

Nadia Jalil

Chief Risk Officer/Company Secretary (Acting)