First National Bank Modaraba

(An Islamic Financial Institution)
Managed By: National Bank Modaraba Management Company Limited
(A subsidiary of National Bank of Pakistan)

Ms Zeest Zehra Jatoi,
Assistant Manager,
Listed Companies Compliance-(RAD),
Pakistan Stock Exchange Limited,
Stock Exchange Building, Stock Exchange Road,
Karachi-74000

FNBM/04-25/
April 04, 2025

Dear Madam:

Re: Quarterly Progress Report for the Quarter Ended March 2025

In compliance of clause 5.11.2(b) of PSX Regulations, quarterly progress report of First National Bank Modaraba (FNBM) for the quarter ended March 2025 and measures being taken for commencement/resumption of its business operations and 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 are as under:

Nature of Non-compliance:

- FNBM incurred losses due to provisioning charged on its Non-Performing Loans (NPLs) in compliance with SECP's Modaraba Regulations. Gradually, its accumulated losses exceeded threshold limit of 50% of its paid up capital.
- On the basis of one accounting figure of accumulated losses which we believe could be temporary, the Registrar Modaraba (SECP) has technically triggered Section 23(I)(ii)(b) the Modaraba Companies and Modaraba (Floatation and Control) Ordinance 1980, and filed a winding up application in the Modaraba Tribunal Lahore.

Nature of FNBM's accumulated losses:

- Accumulated losses mostly comprised of provisioning charged against NPLs. Provisioning is not a permanent expense/loss but it is building of a reserve and this loss attains finality only when recovery efforts from NPLs fail.

Progress made for rectification of the non-compliance:

- FNBM has filed recovery suits against all its NPLs in the Court. Decree orders have been obtained in all the recovery suits in favour of FNBM from respective Banking Courts and execution proceedings of decree are underway in the Court. The chances of recoveries from these cases are quite optimistic.

- After suspension in trading in certificates of FNBM by Pakistan Stock Exchange (PSX) in April 2018, FNBM has made considerable cash recoveries from its NPLs through court and

out of court settlement/restructuring arrangements and provision has been reversed accordingly. Consequently, FNBM is posting net operating profit annually since last four consecutive years from FY 2021 and its accumulated losses are being reduced steadily. These financial statements were timely transmitted to PSX.

- FNBM is managed by a wholly owned subsidiary of National Bank of Pakistan (NBP). We expect more cash recoveries from NPLs in the coming years which will help in further reversal of provisioning. 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 give 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

Nadia Jalil
Chief Risk Officer/Company Secretary (A)