



First National Bank Modaraba

(An Islamic Financial Institution)

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

Mr. Tahseen Raza,
Assistant Manager,
Regulatory Affairs Department,
Pakistan Stock Exchange Limited,
Stock Exchange Building, Stock Exchange Road,
Karachi-74000

FNBM/01-25/
January 02, 2026

Dear Sir,

Re: Quarterly Progress Report for the Quarter Ended December 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 December 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 mainly 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, Securities & Exchange Commission of Pakistan (SECP) has technically triggered Section 23(I)(ii)(b) the Modaraba Companies and Modaraba (Floatation and Control) Ordinance 1980 and filed a winding up petition in the Modaraba Tribunal, Lahore.

Nature of FNBM's accumulated losses:

Accumulated losses of FNBM mostly comprised of provisioning charged against NPLs. Provisioning is not a permanent expense/loss but it is building of a reserve and is reversible once recoveries start coming in.

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 the respective Banking Courts and execution proceedings of decrees are underway in the Court for realization of the decretal amounts. After suspension of 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 proportionate provision has been reversed progressively. Resultantly, FNBM posted net operating profit during four consecutive years i.e from FY 2021 till FY 2024. However, due to consistent





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accrual of heavy finance cost on outstanding finance facility obtained from National Bank of Pakistan, cash recoveries from NPLs/ reversal of provisioning could not proportionately reduce the accumulated losses.

- FNB M 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) and anticipated restructuring of outstanding finance facility, it is expected that FNB M might be able to comply with the 50% threshold of section 23(I)(ii)(b) within next two years.
- FNB M has also prayed before Honorable Modaraba Tribunal, Lahore to set aside and remand the application back to SECP in order to give FNB M 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 (A)