



# 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/04-26/

April 02, 2026

Dear Sir,

**Re: Quarterly Progress Report for the Quarter Ended March 2026**

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 2026 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 regulatory 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(l)(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 primarily comprise 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:***

- All legal recovery suits filed by FNBM against non-performing customers have been decreed in FNBM's favour and the recovery process is actively underway in the respective Banking Courts. Following the suspension of its certificates by the Pakistan Stock Exchange (PSX) in April 2018, FNBM has achieved significant cash recoveries from its non-performing loans (NPLs) through both court-awarded decrees 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 accrual of heavy finance cost on finance facility obtained from National Bank of Pakistan (NBP), cash recoveries



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from NPLs/ reversal of provisioning could not proportionately offset the accumulated losses.

- The Board and management have undertaken a strategic review of the FNBM's operations and are in the process of finalizing a structured revival plan aimed at addressing operational and financial challenges.
- FNBM is managed by a wholly owned subsidiary of NBP. We expect more cash recoveries from NPLs in the coming years which will facilitate further reversal of provisioning. If the current trend/pace of recoveries from NPLs continues and with patronage of NBP and restructuring of outstanding finance facility, it is expected that FNBM might be able to comply with the 50% threshold of section 23(I)(ii)(b) within next two years.
- FNBM has prayed before Honorable Modaraba Tribunal, Lahore to set aside and remand the winding up petition 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 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)