September 15, 2026

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi.

TRANSMISSION OF THE ANNUAL REPORT
FOR THE YEAR ENDED JUNE 30, 2026

Dear Sir,

We would like to inform you that the Annual Report of First Habib Modaraba (FHM) for the year ended June 30, 2026 has been transmitted through PUCARS and is also available on the Modaraba's website from where it can be downloaded using the following link:

https://www.habibmodaraba.com/financial-statements

You may please inform the TRE Certificate Holders of the Exchange accordingly.

Yours truly,

Danish Liaquat Ali
Company Secretary

First Habib Modaraba
(AN ISLAMIC FINANCIAL INSTITUTION)

ANNUAL REPORT 2026

FIRST HABIB MODARABA

CONTINUOUS
JOURNEY OF SUCCESS

1985–2026

بسم الله الرحمن الرحيم

الحمد لله رب العالمين

41 YEARS

A JOURNEY OF CONTINUOUS SUCCESS

As First Habib Modaraba marks 41 remarkable years of operations, we reflect on a legacy defined by trust, integrity, and continuous innovation. Achieving this landmark reflects our enduring commitment to operational excellence—a standard that has enabled us to navigate changing economic landscapes, capitalize on strategic growth opportunities, and deliver consistent value to our stakeholders.

Our sustained progress is driven by the steadfast support of our customers, business partners, and shareholders. We express our sincere appreciation for your continued confidence in our governance and strategic direction. Equally, we recognize our dedicated team members, whose hard work, integrity, and focus remain the bedrock of our institutional strength.

As we enter in our 5th decade of successful business operation, we maintain a clear focus on sustainable expansion, digital innovation, and ethical financial practice. Guided by our core values and the support of our broader community, we are confident that, Insha'Allah, First Habib Modaraba will continue to scale new heights of performance and industry leadership.

We extend our warm congratulations to all our stakeholders on the celebration of 41 years of shared achievement.

INSIDE THIS REPORT

58 Organizational Overview & External Environment

184 Business Model

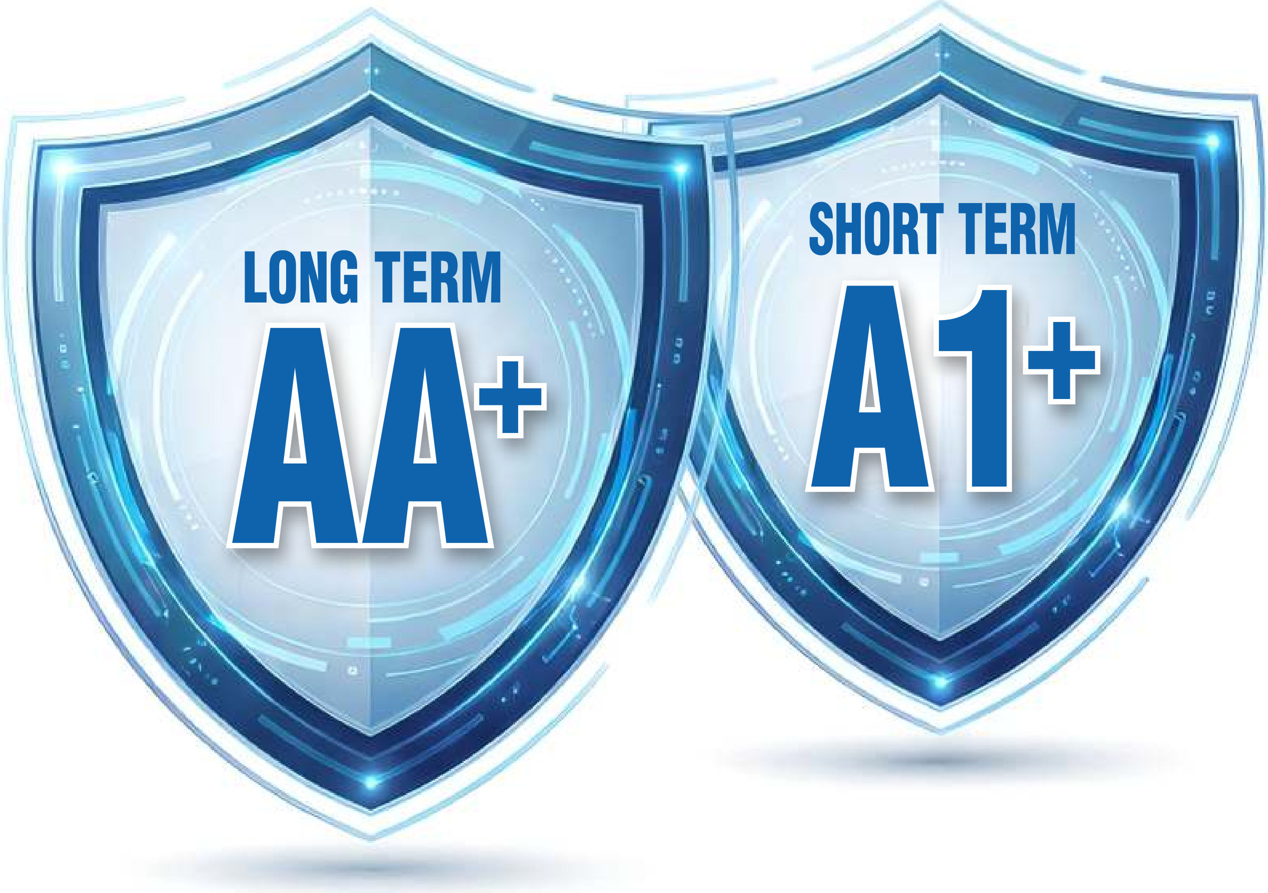
74 Strategy and Resource Allocation

88 Risks & Opportunities

128 Corporate Governance

160 Analysis of Financial Information

CREDIT RATINGS
BY PACRA



FHM has consistently maintained a long-term rating of AA+ for the past 18 years

CORPORATE INFORMATION

MODARABA MANAGEMENT COMPANY
Habib Metropolitan Modaraba Management Company (Private) Limited

BOARD OF DIRECTORS

Mr. Mohammad Shams Izhar	- Chairman Non-Executive Director
Mr. Muhammad Shoaib Ibrahim	- Chief Executive Officer
Mr. Saeed Uddin Khan	- Non-Executive Independent Director
Mr. Usman Nurul Abedin	- Non-Executive Director
Prof. Dr. Irum Saba	- Non-Executive Independent Director
Mr. Murtaza Ahmed Ali	- Non-Executive Director
Mr. Riaz Abdul Rehman	- Non-Executive Director

AUDIT COMMITTEE

Mr. Saeed Uddin Khan	- Chairman
Prof. Dr. Irum Saba	- Member
Mr. Mohammad Shams Izhar	- Member
Mr. Muhammad Babar	- Secretary

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Saeed Uddin Khan	- Chairman
Mr. Mohammad Shams Izhar	- Member
Mr. Usman Nurul Abedin	- Member
Mr. Muhammad Jehanzeb	- Secretary

LEGAL ADVISOR
Mohsin Tayebaly & Company

SHARES REGISTRAR
CDC Share Registrar Services Limited
Share Registrar Department
CDC House, 99-B, Block "B", S.M.C.H.S
Main Shahrah-e-Faisal, Karachi,
Pakistan. Tel: 111-111-500

AUDITORS
BDO Ebrahim & Co.
Chartered Accountants

COMPANY SECRETARY
Mr. Tehsin Abbas

SHARIAH ADVISOR
Mufti Faisal Ahmed

BANKERS
Al Baraka Bank Pakistan Limited
Bank Al-Habib Limited - (Islamic Banking)
Bank Islami Pakistan Limited
Dubai Islamic Bank Limited
Faysal Bank Limited
Habib Bank Limited - (Islamic Banking)
Habib Metropolitan Bank Limited - (Islamic Banking)
MCB Bank Limited - (Islamic Banking)
Meezan Bank Limited
Soneri Bank Limited - (Islamic Banking)

REGISTERED OFFICE
6th Floor, HBZ Plaza (Hirani Centre)
I.I. Chundrigar Road, Karachi.
Tel : 021-32635949-51
UAN : 111-346-346
Web : www.habibmodaraba.com
Email: fhm@habibmodaraba.com

GEOGRAPHICAL PRESENCE - BRANCH OFFICES

Karachi:
3rd Floor, Al-Manzoor Building,
Dr. Ziauddin Ahmed Road. Karachi.
Tel : 021-32635949-51

Lahore:
1st Floor, 5-Z Block, Phase III, Defence Housing Authority, Lahore.
Tel : 042-35693074-76

Islamabad:
Office No. 513, 5th Floor, ISE Towers, Jinnah Avenue Blue Area, Islamabad.
Tel : 051-28994571-73

Multan:
Office # 707, 7th Floor, United Mall,
Abdali Road, Multan
Tel: 061-4500121-22-23

BANKING PARTNERS

BUSINESS PARTNERS

AUDITING & ADVISORY PARTNERS

BDO

EY

Crowe

REGULATOR AND RATING PARTNERS

SECP

PSX
PAKISTAN STOCK EXCHANGE LIMITED

PACRA
Together. Creating Value.

LEGAL PARTNERS

MTC
MOHSIN TAYEBALY & CO.
CORPORATE LEGAL CONSULTANTS | BARRISTERS & ADVOCATES

VALUES

FHM upholds the highest moral standards in all areas in which it conducts business. Our commitment to professionalism, honesty, and transparency makes us unique. We prioritize the needs of our clients and seek to build enduring relationships founded on trust and respect. Our modaraba's values form the foundation of our business and guide our decision-making to ensure that we adhere to our core values.

PRODUCTS

To bring innovation in its product category is one of the priorities of FHM. Our emphasis on product innovation guarantees our clients' access to the newest resources and opportunities in the rapidly changing business environment.

SERVICES

At First Habib Modaraba, service quality is built on the foundation of trust, professionalism, and Shariah compliance. We are committed to deliver customized financial solutions and personalized customer service that meet the evolving needs of our clients. With the support of Shariah compliant financial services, we focus on building long-term relationships through ethical practices, prudent risk management and efficient support. Our team always emphasis high client value and innovation to ensure that every customer experiences along with service excellence aligned with the values of the Group.

ABOUT THE REPORT

First Habib Modaraba (FHM) is dedicated to upholding the principles of transparency and value creation. We prioritize strong corporate governance and exemplary leadership, while maintaining a transparent and prudent approaches.

As one of the leading Modaraba within the Modaraba sector, FHM plays a vital role in the economy. Our presence at the grassroots level and wide customer base contribute significantly to its growth.

In this Annual Report, our aim is to provide comprehensive insights into our endeavors. We wish to showcase how efficiently we utilize our resources and facilitate a thorough assessment of our business. Following the International Integrated Reporting (IIR) Framework, this report offers an understanding of our strategic thinking. It covers various aspects such as strategy, governance, performance, and prospects within the global environment.

Scope and Boundary of Reporting

To continuously enhance the quality of information shared with stakeholders, we conduct an annual review of the IIR Framework. This report incorporates all Content Elements of the IIR Framework which includes the following sections:

We are dedicated to continuously evaluating and improving our approach to reporting by adhering to the highest standards of reporting practices and fulfilling the expectations of our stakeholders. Our objective is to offer transparency into how we create sustainable value for the communities we serve. We take a systematic approach by presenting both financial and non-financial information that directly relates to our business activities, supported by relevant explanations.

Reporting Period

This report encompasses the timeframe from July 01, 2025 to June 30, 2026 and provides a comprehensive overview of FHM.

External Assurance

To ensure impartiality and objectivity as required by regulatory bodies, our independent external auditors M/s. BDO Ebrahim & Co. have carefully examined the First Habib Modaraba's Financial Statements. The external auditors are regularly rotated every five years, guaranteeing their independence and unbiased assessment.

Contact

For further clarification and feedback on this report, please contact via email:
fhm@habibmodaraba.com

ABOUT
FIRST HABIB MODARABA

Established in 1985, First Habib Modaraba (FHM) has completed 41 years of successful business operations, firmly sustaining its position as a leading entity within Pakistan's NBFI and Modaraba sector.

This 41-year journey of dedication, passion, and achievement stands on a foundational legacy of trust, integrity, and innovation. Our resilience and adaptability have enabled us to navigate market cycles, capitalize on strategic growth opportunities, and create enduring value for our stakeholders. By building relationships that extend beyond routine transactions, FHM has earned the loyalty and confidence of thousands of stakeholders nationwide.

Our long-term success is anchored in solid business fundamentals, prudent financial policies, and a disciplined approach to risk management and corporate governance. These core strengths have consistently driven sustainable growth, profitability, and value creation for society at large.

Above all, we attribute our sustained success to the blessings of Almighty Allah (SWT) and the tireless dedication of our entire team across all operational levels. As we step into our 5th decade of successful operation, we remain committed to upholding our ambition, discipline, and corporate governance to achieve even greater milestones.

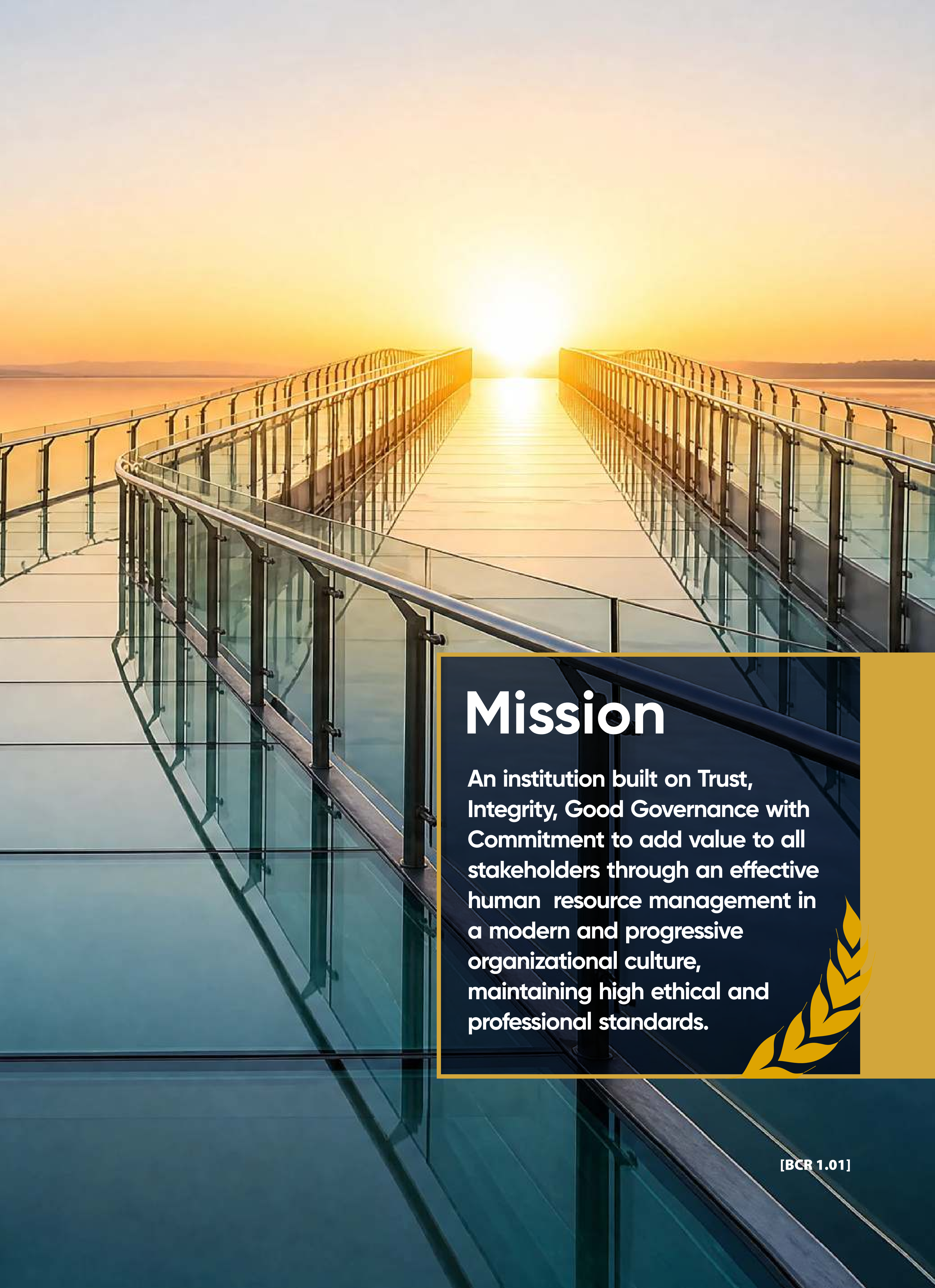
Ownership and Operating Structure

First Habib Modaraba (FHM) is managed by Habib Metropolitan Modaraba Management Company (Private) Limited which is the fully owned subsidiary of Habib Metropolitan Bank Limited. The bank is having high reputation within the banking sector of Pakistan, with asset size of more than Rs.1,650 billion with branch network of over 550+ as at December 31, 2025 throughout the country.

Vision

To be the leading Islamic Financial Institution within Modaraba sector by providing the best innovative Sharia'h Compliant financial solutions at maximum satisfaction of customers.

[BCR 1.01]



Mission

An institution built on Trust, Integrity, Good Governance with Commitment to add value to all stakeholders through an effective human resource management in a modern and progressive organizational culture, maintaining high ethical and professional standards.

[BCR 1.01]

CODE OF BUSINESS CONDUCT AND ETHICS

The Modaraba's Code of Conduct provides guidelines on ethical standards. It covers issues such as bribery and corruption, fraud, insider trading, legal compliance, conflicts of interests, human rights and discrimination. The Code of Conduct and business ethics are essential for every organization. It spells out the behavior expected from employees, reflecting fairness, transparency and accountability. It guides staff members to conduct themselves with honesty and integrity in all actions representing the organization.

We are committed to conduct our business in accordance with applicable laws, rules and regulations as defined by our regulators. It always abides by ethical standards and considers it to be a key business priority. Our Code of Ethics requires that it is necessary to ensure that the appropriate standards of behavior are followed to the letter and spirit in accordance with the approved and agreed Code of Conduct by the employees of FHM. Adherence of Code of Conduct is mandatory for all employees of FHM.

Following are the key areas of our code of conduct and business ethics:

- Deliver professional services in accordance with the institution's policies and relevant technical and professional standards.
- Do not engaged with any political party or take membership of such parties.
- Act with integrity, honesty, dignity and in an ethical manner when dealing with customers, regulators and other stakeholders.
- Uphold Shariah governance culture and atmosphere in line with Islamic principles.
- Not engage in any unprofessional conduct involving dishonesty, fraud, deceit or misrepresentation or commit any act that reflects adversely on honesty, trustworthiness or professional competency.
- Not make hindrances or restrain others from performing their professional obligations.
- Maintain update knowledge and comply with all applicable laws, rules and regulations.
- Maintain strong compliance culture.
- Respect confidentiality and privacy of customers, investors and others with whom they deal.
- Use reasonable care and exercise independent professional judgment.
- Should uphold fair view while choosing right and wrong.
- Abide with requirement of data security. Only access or update the system and data according to authority given by FHM.
- Speak up and inform the management any wrong doings/malpractices at any level. It is the obligations to report under whistle blowing policy.
- Hold and maintain the core values of Modaraba in day to day operational affairs.

[BCR 1.01]

Core Values

[BCR 1.01]

AWARDS & RECOGNITION

Sustainable institutional excellence is realized when every team member works with unified purpose and unwavering diligence toward our common goals. The strength of our organization is continuously nurtured by the hard work, relentless dedication, and deep commitment of our workforce. The prestigious awards and industry recognitions bestowed upon us stand as a direct reflection of this collective synergy and shared ambition.

Today, First Habib Modaraba (FHM) maintains its standing as the premier and most respected institution within Pakistan's Modaraba sector—a milestone achieved through the seamless collaboration of our extraordinary team and, above all, the continuous blessings of Almighty Allah (SWT).

"THE HIGHEST AWARD WINNING MODARABA WITHIN THE MODARABA SECTOR OF PAKISTAN"

FHM has received numerous accolades and awards for its corporate excellence, best corporate report, best corporate disclosure, and best performance from established organizations, including the Management Association of Pakistan, NBFI and Modaraba Association, FPCCI, ICAP and ICMAP, and SAFA, the apex body of SAARC.

Award and accolades are not only a mark of distinction and a great standing, but they also serve to inspire and motivate all team members to make additional efforts and strive for even greater accomplishments as an individual or as an organization.

ICAP and ICMAP	FHM has received "Best Corporate Report (BCR) 2024" under the category of NBFIs and Modaraba
The Management Association of Pakistan (MAP)	Corporate Excellence awarded to First Habib Modaraba (FHM) under the "Financial Category".
South Asian Federation of Accountants (SAFA)	FHM received "Certificate of Merit" from South Asian Federation of Accountants (SAFA) for overall category of Financial Services Sector.
NBFI & Modaraba Association of Pakistan	Received Best Performing Award (2nd Position) from NBFI & Modaraba Association of Pakistan
Islamic Retail Banking Award (IRBA)	Received Islamic Retail Banking Award (IRBA) by Cambridge IFA, UK for the "Strongest Modaraba" within Modaraba sector of Pakistan.

LAST 5 YEARS ACKNOWLEDGMENTS

CORPORATE EXCELLENCE AWARD

BEST PERFORMING MODARABA AWARD

SAFA AWARD

BEST CORPORATE REPORT AWARD

FHM AWARDS CALENDAR

1999
MAP

2000
MAP

2001
MAP

2002
MAP

2003
MAP

2004
MAP

2005
MAP

2006
MAP

2007
MAP

2008
MAP

2009
MAP
MAPP

2010
NBFI
MAPP
ICAP
SAFA

2011
NBFI
MAPP
ICAP
SAFA
BOY

2012
NBFI
ICAP
SAFA

2013
NBFI
MAPP
ICAP
SAFA

2014
NBFI
MAPP
ICAP
SAFA

2015
NBFI
MAPP
ICAP
OBSERVER
SAFA
FPCCI

2016
NBFI
MAPP
ICAP
SAFA

2017
NBFI
MAPP
ICAP
SAFA
FPCCI
IRBA

2018
NBFI
MAPP
ICAP
SAFA
COMSATS

2019
NBFI
MAPP
SAFA
COMSATS

2020
NBFI
ICAP
SAFA
FPCCI

2021
NBFI
ICAP
SAFA
MAP

2022
NBFI
ICAP
SAFA
MAP

2023
NBFI
ICAP
SAFA
MAP

2024
NBFI
MAPP
ICAP
SAFA

2025
NBFI
MAPP
ICAP
SAFA
IRBA

MAP	Modaraba Association of Pakistan
NBFI	NBFI & Modaraba Association of Pakistan
MAPP	Management Association of Pakistan
ICAP	Joint Committee of ICAP and ICMAP
SAFA	South Asian Federation of Accounts
BOY	Brand of the Year
FPCCI	Federation of Pakistan Chamber of Commerce and Industry
OBSERVER	The Pakistan Observer
IRBA	Islamic Retail Banking Awards - Cambridge IFA
COMSAT	The Commission on Science and Technology for Sustainable Development in the South

KEY HIGHLIGHTS
FOR THE YEAR

Disbursement
21.9
RUPEES IN BILLION

Balance Sheet Size
41.7
RUPEES IN BILLION

Fund Mobilization reached to
33.2
RUPEES IN BILLION

Total Financing Assets
40.2
RUPEES IN BILLION

Profit Before Tax
1,216
RUPEES IN MILLION

Profit After Tax
747.9
RUPEES IN MILLION

Reserves

5.1

RUPEES IN BILLION

Equity

6.2

RUPEES IN BILLION

Return on Equity

12%

PERCENTAGE

Return on Assets

2%

PERCENTAGE

Dividend Payout

22.5%

PERCENTAGE

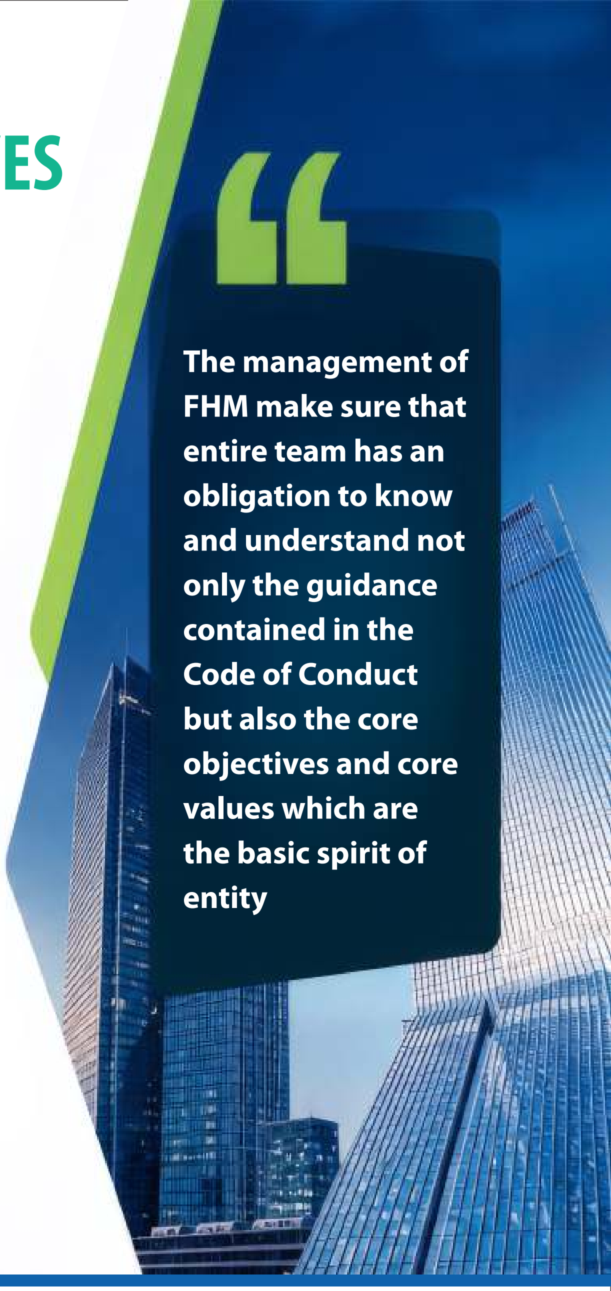
Earning per Certificate

6.75

RUPEES

STRATEGIC CORPORATE OBJECTIVES

- To carry out all business transactions in line with approved mode of Shariah principles of Islamic finance.
- To promote good corporate governance
- To maintain leading Modaraba within the Modaraba sector
- To maintain high ethical and professional standards.
- To build a high performance culture, with growth oriented focus.
- To achieve sustainable growth and profitability in all areas of business.
- To attract, retain and develop talented employees
- To provide state of art services to customers and develop service oriented culture.
- To broaden the area of technology to ensure operational efficiency, enhance delivering capability and high service standard.
- To develop strong compliance culture and sound risk management framework.
- To add Certificate Holders value through better performance and sound return on their investment.
- To become an employer of choice
- To foster a culture to boots the reputation of organization



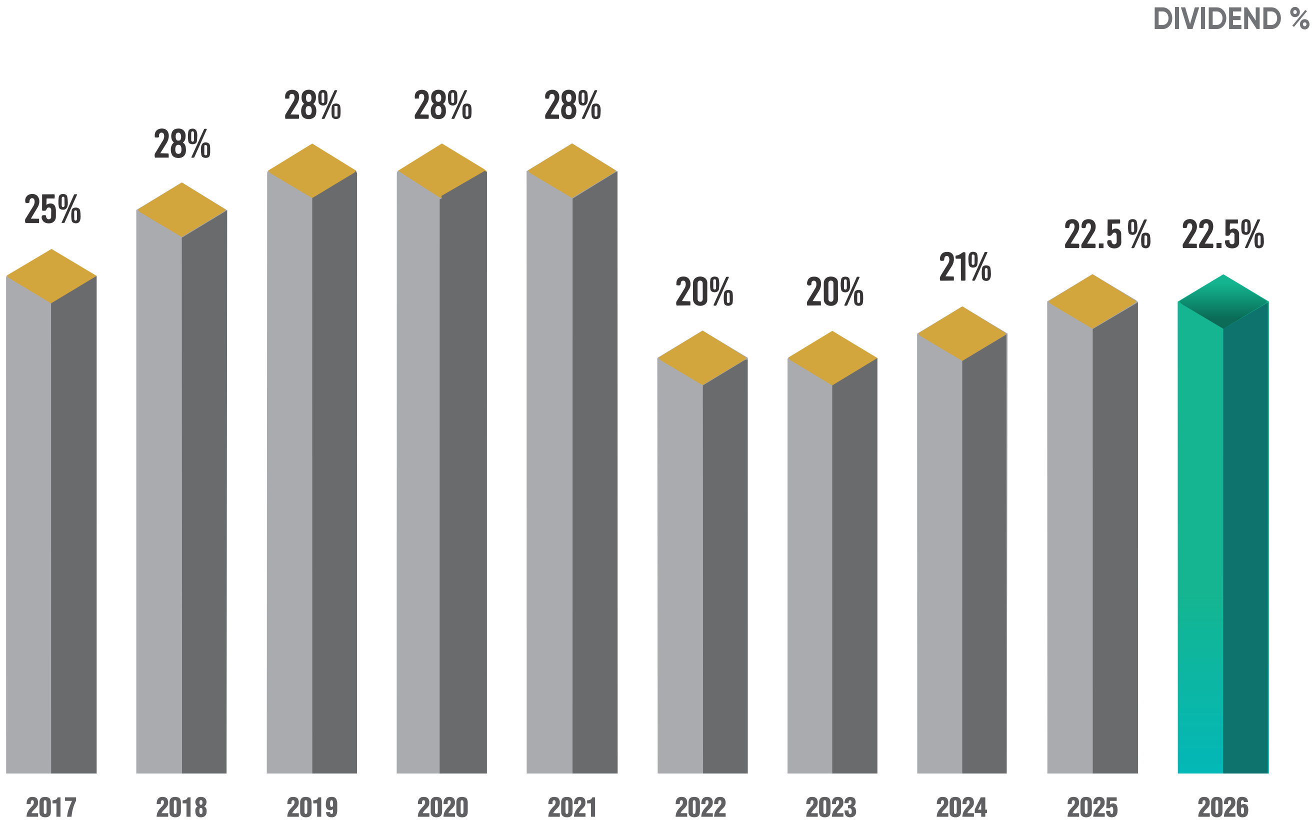
The management of FHM make sure that entire team has an obligation to know and understand not only the guidance contained in the Code of Conduct but also the core objectives and core values which are the basic spirit of entity

CORPORATE CULTURE

To maintain ethical culture based on Islamic principles.

- To uphold a well-founded ethical environment for our valued customers, regulators and other stakeholders.
- To build a strong organizational culture that is shaped by empowered employees who through collective wisdom
- To act with integrity, honesty, dignity and in an ethical manner when dealing with customers, regulators and other stakeholders.

LAST 10 YEARS AVERAGE DIVIDEND PAYMENT 23.50% PER ANNUM [BCR 10.08]



41 YEARS OF UNBROKEN DIVIDEND PAYOUT
FHM NEVER SKIPPED DIVIDEND SINCE INCEPTION

Financial Performance and Value Appreciation

FHM is pleased to share with its certificate holders an update on the growth and value appreciation of their investments over the past year. The trust and confidence placed in us by our certificate holders continue to be central to our success, and we remain committed to delivering sustainable value and returns.

Over the past fiscal year, FHM has recorded strong financial performance, driven by strategic initiatives, operational efficiency, and market expansion. As a result, the net book value of certificates has appreciated significantly, reflecting our ongoing commitment to enhancing certificate holder wealth.

Recognizing the importance of providing regular returns, we remain focused on maintaining consistent and attractive dividend payouts. In this regard, the Board of Directors of the Management Company has approved a cash dividend of 22.5% (Rs.2.25 per Modaraba Certificate of Rs.10/- each) for the financial year ended June 30, 2026.

Commitment to Long-term Growth

In addition to the distribution of dividends and returns, FHM continues to allocate resources toward key strategic priorities, namely technological advancement, infrastructural development, and innovation. This approach has been formulated with a view to ensuring long-term sustainability and continued growth, thereby further augmenting certificate holder value in the years ahead.

Looking forward, the Management remains confident that a well-defined strategic direction, sound execution, and a strong competitive position within the market will continue to yield superior returns and enhance the value of investment in the Modaraba.

CHAIRMAN'S REVIEW REPORT (BCR 5.04)

It is my privilege to present the Annual Financial Report of First Habib Modaraba (FHM) for the year ended 30th June, 2026. I am also pleased to share an overview of the Board of Directors' effectiveness, its governance practices, and its overall performance in steering the Modaraba towards the achievement of its strategic objectives during the year.

Effectiveness of the role played by the Board

The Board of Directors remained fully committed to providing strategic direction, maintaining robust governance standards, and ensuring effective oversight of the Modaraba's operations throughout the year. The Board discharged its fiduciary responsibilities with diligence and integrity, fostering a culture of accountability, transparency, and ethical business conduct.

During the year, the Board actively reviewed the Modaraba's strategic priorities, financial performance, risk management framework, and compliance with applicable regulatory requirements. Regular Board and Committee meetings were held to evaluate key business initiatives, monitor operational performance, and address emerging risks and opportunities in a timely manner.

The Board remains committed to safeguarding the interests of the Modaraba's shareholders while upholding the highest standards of corporate governance. Supported by its Board Committees, which operate under clearly defined objectives and Terms of Reference, the Board provides effective oversight and ensures sound governance practices. In fulfilling its responsibilities, the Board acts in good faith, exercises due diligence and care, and makes decisions in the best interests of the Modaraba and its shareholders. Recognizing that human capital is a key driver of long-term success and sustainability, the Board also promotes a high-performance culture by supporting strategic talent acquisition, on-the-job and off-the-job training, and leadership development, which continue to be key priorities for FHM's management.

During 2025–26, Pakistan's economy continued on a path of gradual stabilization, supported by improving macroeconomic indicators, easing inflationary pressures, and prudent fiscal and monetary measures. While challenges such as external financing requirements, structural reforms, and global economic uncertainties remain, the overall business environment has shown greater resilience and renewed investor confidence. The country's continued emphasis on economic reforms, fiscal discipline, export growth, and investment-friendly policies is expected to strengthen the foundations for sustainable and inclusive growth.

Performance of Modaraba

I am pleased to report that FHM achieved another year of exceptional financial performance, delivering strong growth in its balance sheet, financing assets, along with robust profitability. Alhamdulillah, all key business targets have been achieved with good growth. Balance sheet size grew by around 20% with a significant increase in financing assets base due to disbursement of around Rs.21.8 billion during the year which is the highest disbursement in any single year/operational history of Modaraba. FHM's strategic focus on expanding its financing portfolio across diversified sectors of the economy reflects a prudent approach to sustainable growth while effectively mitigating concentration risk through enhanced portfolio diversification.

FHM has secured several awards from national & international Prestigious institutions on Best Corporate Report Award from ICAP & ICMA, Corporate Excellence Award from the Management Association of Pakistan (MAP), SAFA Certificate of Merit & Best Performing Modaraba Award of NBFI & Modaraba Association of Pakistan. FHM continues to maintain its strong credit profile, with long-term and short-term entity ratings of AA+ and A1+, respectively, assigned by the Pakistan Credit Rating Agency Ltd. (PACRA), representing the highest rating within the Modaraba sector. These achievements reflect the unwavering dedication, professionalism, and commitment of FHM's leadership, management team, and employees, together with the strategic guidance and oversight provided by the Board of Directors. Over the past four decades, FHM has built a strong legacy founded on trust, integrity, transparency, and customer satisfaction. This steadfast commitment to excellence has enabled the Modaraba to navigate challenges, capitalize on emerging opportunities, and deliver sustained success. We take pride in these accomplishments and remain deeply grateful for the continued trust and support of our valued stakeholders & the blessings of Allah-Subhanahoo-Taala.

he dedication and tireless efforts of FHM's team have been instrumental in strengthening the institution's reputation, delivering exceptional customer service, and driving sustained success. I also extend my sincere gratitude to our valued customers, partners, and investors for their continued trust and unwavering support, which remain fundamental to our achievements and future growth.

ESG approach and Sustainability Initiatives

Beyond our strong financial performance, our commitment to Environmental, Social, and Governance (ESG) principles remains a strategic priority. During the year, we promoted solar equipment financing, advanced paperless operations through technology, and fostered diversity and inclusion. We also strengthened our CSR initiatives by supporting education, environmental protection, and employee welfare, while reinforcing a culture of compliance, robust internal controls, transparency, and accountability. These initiatives reflect our commitment to creating sustainable value and contributing to responsible business practices in Pakistan's financial sector.

Corporate Social Responsibility (CSR)

FHM's expanding initiatives in financial inclusion, education, healthcare, community development, and Corporate Social Responsibility (CSR) reflect our commitment to ethical practices, environmental responsibility, social inclusion, and sustainable growth. We remain dedicated to supporting communities in need through contributions to reputable charitable and welfare organizations, as well as by supporting initiatives in education, healthcare, and community development. Our efforts are focused on fostering balanced, equitable, and financially inclusive communities that contribute to sustainable progress.

Board Statement on Internal Control System

Strong corporate governance, compliance, and ethical conduct remain integral to FHM's operations. The Board is committed to maintaining transparency, accountability, and robust internal controls to safeguard stakeholders' interests and ensure reliable financial reporting. Regular internal audit reviews help identify and address control and compliance gaps, with updates provided to the Board Audit Committee. The Board remains confident in the effectiveness of FHM's internal control framework, supporting operational efficiency, regulatory compliance, Shariah governance, and sound risk management.

Way forward

The Board remains focused on FHM's long-term strategic objectives while closely monitoring short-term performance. Pakistan's evolving economic landscape presents both challenges and opportunities. While declining SBP policy rates may impact profitability, they are expected to support credit growth, strengthening our core earning assets.

I am proud of FHM's team for their resilience, strategic focus, and proactive approach, which continue to drive business growth. With strong leadership and an experienced management team, FHM remains well-positioned to navigate challenges, seize opportunities, and achieve sustainable growth. We look forward with confidence to continued excellence and long-term success.

Acknowledgment

In conclusion, I extend my sincere appreciation to the Board members for their valuable guidance, active participation, and oversight, which have contributed to FHM's soundness and sustainability. The Board's commitment to transparency, accountability, and strong internal controls, along with management's forward-looking approach, has enabled the Modaraba to effectively manage risks, capitalize on opportunities, and support long-term growth.

I commend FHM's staff for their dedication, commitment, and contribution to the organization's strong performance. I also extend my sincere appreciation to our certificate holders, business partners, and valued stakeholders for their continued trust and support. We remain grateful to the Registrar of Modaraba, SECP, SBP, PSX, and other regulatory authorities for their continued guidance and cooperation.

Mohammad Shams Izhar
Chairman

صارفین، شراکت داروں اور سرمایہ کاروں کا بھی ان کے مسلسل اعتماد اور غیر متزلزل حمایت پر تہہ دل سے شکریہ ادا کرتا ہوں، جو ہماری کامیابیوں اور مستقبل کی ترقی کی بنیاد ہیں۔

ای ایس جی نقطۂ نظر اور پائیداری کے اقدامات:

ہماری مضبوط مالیاتی کارکردگی کے علاوہ، ماحولیاتی، سماجی اور گورننس (ESG) اصولوں سے ہماری وابستگی بدستور ایک اسٹریٹجک ترجیح ہے۔ سال کے دوران، ہم نے شمسی آلات کی فنانسنگ، ٹیکنالوجی کے ذریعے کاغذ کے بغیر آپریشنز کو فروغ دینے اور تنوع و شمولیت کو پروان چڑھانے کے اقدامات کیے۔ ہم نے تعلیم، ماحولیاتی تحفظ اور ملازمین کی فلاح و بہبود کی حمایت کرتے ہوئے اپنی CSR سرگرمیوں کو بھی مزید مضبوط کیا، جبکہ تعمیل کے کلچر، مضبوط اندرونی کنٹرول، شفافیت اور جوابدہی کو مزید تقویت دی۔ یہ اقدامات پاکستان کے مالیاتی شعبے میں پائیدار قدر پیدا کرنے اور ذمہ دارانہ کاروباری طریقوں میں اپنا کردار ادا کرنے کے ہمارے عزم کی عکاسی کرتے ہیں۔

کارپوریٹ سماجی ذمہ داری:(CSR)

FHM کی مالی شمولیت، تعلیم، صحت کی دیکھ بھال، کمیونٹی کی ترقی اور کارپوریٹ سماجی ذمہ داری (CSR) کے حوالے سے بڑھتی ہوئی سرگرمیاں اخلاقی طریقوں، ماحولیاتی ذمہ داری، سماجی شمولیت اور پائیدار ترقی کے لیے ہمارے عزم کی عکاسی کرتی ہیں۔ ہم معروف خیراتی اور فلاحی تنظیموں کو تعاون فراہم کرنے کے ساتھ ساتھ تعلیم، صحت کی دیکھ بھال اور کمیونٹی کی ترقی کے اقدامات کی حمایت کے ذریعے ضرورت مند کمیونٹیز کی مدد کے لیے پرعزم ہیں۔ ہماری کوششوں کا مقصد متوازن، مساوی اور مالی طور پر جامع کمیونٹیز کو فروغ دینا ہے جو پائیدار ترقی میں اپنا کردار ادا کریں۔

بورڈ کا بیانیہ اندرونی کنٹرول سسٹم پر:

مضبوط کارپوریٹ گورننس، تعمیل اور اخلاقی طرز عمل FHM کے آپریشنز کا لازمی حصہ ہیں۔ بورڈ اسٹیک ہولڈرز کے مفادات کے تحفظ اور قابل اعتماد مالیاتی رپورٹنگ کو یقینی بنانے کے لیے شفافیت، جوابدہی اور مضبوط اندرونی کنٹرول برقرار رکھنے کے لیے پرعزم ہے۔ باقاعدہ انٹرنل آڈٹ جائزے کنٹرول اور تعمیل میں موجود خامیوں کی نشاندہی اور ان کے ازالے میں مدد کرتے ہیں، جبکہ اس حوالے سے بورڈ آڈٹ کمیٹی کو اپ ڈیٹس فراہم کی جاتی ہیں۔ بورڈ کو FHM کے اندرونی کنٹرول فریم ورک کی مؤثریت پر مکمل اعتماد ہے، جو آپریشنل کارکردگی، ریگولیٹری تعمیل، شریعہ گورننس اور مضبوط رسک مینجمنٹ کو یقینی بنانے میں معاون ہے۔

آگے بڑھتے ہوئے:

بورڈ FHM کے طویل مدتی اسٹریٹجک مقاصد پر توجہ مرکوز رکھتے ہوئے قلیل مدتی کارکردگی کی بھی قریبی نگرانی جاری رکھے ہوئے ہے۔ پاکستان کا بدلتا ہوا معاشی منظرنامہ چیلنجز اور مواقع دونوں پیش کر رہا ہے۔ اگرچہ SBP کے پالیسی ریٹس میں کمی منافع کو متاثر کر سکتی ہے، تاہم توقع ہے کہ اس سے کریڈٹ گروتھ میں مدد ملے گی، جس کے نتیجے میں ہمارے بنیادی کمائی کے اثاثوں کو تقویت ملے گی۔

مجھے FHM کی ٹیم کی لچک، اسٹریٹجک توجہ اور فعال نقطۂ نظر پر فخر ہے، جو کاروباری ترقی کو آگے بڑھانے میں مسلسل اہم کردار ادا کر رہے ہیں۔ مضبوط قیادت اور تجربہ کار انتظامی ٹیم کے ساتھ FHM چیلنجز سے نمٹنے، مواقع سے فائدہ اٹھانے اور پائیدار ترقی حاصل کرنے کے لیے مضبوط پوزیشن میں ہے۔ ہمیں مسلسل عمدگی اور طویل مدتی کامیابی کے لیے پُراعتماد انداز میں آگے بڑھنے کی امید ہے۔

اعتراف:

آخر میں، میں بورڈ کے معزز اراکین کی ان کی قیمتی رہنمائی، فعال شرکت اور نگرانی کے لیے تہہ دل سے شکریہ ادا کرتا ہوں، جس نے FHM کے استحکام اور پائیداری میں اہم کردار ادا کیا ہے۔ شفافیت، جوابدہی اور مضبوط اندرونی کنٹرول کے لیے بورڈ کے عزم، اور انتظامیہ کے مستقبل پر مرکوز نقطۂ نظر نے مضاربہ کو خطرات کا مؤثر طریقے سے انتظام کرنے، مواقع سے فائدہ اٹھانے اور طویل مدتی ترقی میں معاونت فراہم کرنے کے قابل بنایا ہے۔

میں FHM کے عملے کی لگن، عزم اور ادارے کی مضبوط کارکردگی میں ان کے کردار کو سراہتا ہوں۔ میں اپنے سرٹیفکیٹ ہولڈرز، کاروباری شراکت داروں اور معزز اسٹیک ہولڈرز کا بھی ان کے مسلسل اعتماد اور حمایت پر تہہ دل سے شکریہ ادا کرتا ہوں۔ ہم مضاربہ رجسٹرار، SECP، SBP، PSX اور دیگر ریگولیٹری اداروں کی مسلسل رہنمائی اور تعاون کے لیے بھی شکر گزار ہیں۔

چیئرمین جائزہ رپورٹ

مجھے ۳۰ جون ۲۰۲۶ کو ختم ہونے والے سال کے لیے فرسٹ حبیب مضاربہ (FHM) کی سالانہ مالیاتی رپورٹ پیش کرتے ہوئے خوشی محسوس ہو رہی ہے۔ مجھے بورڈ آف ڈائریکٹرز کی مؤثریت، اس کے گورننس طریقہ کار اور سال کے دوران مضاربہ کو اس کے اسٹریٹجک مقاصد کے حصول کی جانب رہنمائی کرنے میں اس کی مجموعی کارکردگی کا جائزہ پیش کرتے ہوئے بھی مسرت ہے۔

بورڈ کی طرف سے ادا کئے گئے کردار کا اثر:

بورڈ آف ڈائریکٹرز پورے سال اسٹریٹجک سمت فراہم کرنے، مضبوط گورننس کے معیارات برقرار رکھنے اور مضاربہ کے آپریشنز کی مؤثر نگرانی کو یقینی بنانے کے لیے مکمل طور پر پرعزم رہا۔ بورڈ نے جوابدہی، شفافیت اور اخلاقی کاروباری طرزِ عمل کے کلچر کو فروغ دیتے ہوئے اپنی امانتی ذمہ داریاں پوری تندہی اور دیانتداری کے ساتھ ادا کیں۔

سال کے دوران، بورڈ نے مضاربہ کی اسٹریٹجک ترجیحات، مالیاتی کارکردگی، رسک مینجمنٹ فریم ورک اور قابل اطلاق ریگولیٹری تقاضوں کی تعمیل کا فعال طور پر جائزہ لیا۔ اہم کاروباری اقدامات کا جائزہ لینے، آپریشنل کارکردگی کی نگرانی کرنے اور ابھرتے ہوئے خطرات اور مواقع سے بروقت نمٹنے کے لیے بورڈ اور کمیٹیوں کے باقاعدہ اجلاس منعقد کیے گئے۔

بورڈ مضاربہ کے شیئر ہولڈرز کے مفادات کے تحفظ کے ساتھ ساتھ کارپوریٹ گورننس کے اعلیٰ ترین معیارات برقرار رکھنے کے لیے پرعزم ہے۔ بورڈ کی کمیٹیوں کی معاونت سے، جو واضح طور پر متعین مقاصد اور Terms of Reference کے تحت کام کرتی ہیں، بورڈ مؤثر نگرانی فراہم کرتا ہے اور مضبوط گورننس طریقوں کو یقینی بناتا ہے۔ اپنی ذمہ داریوں کی انجام دہی میں بورڈ نیک نیتی سے کام کرتا ہے، پوری تندہی اور احتیاط کا مظاہرہ کرتا ہے اور مضاربہ اور اس کے شیئر ہولڈرز کے بہترین مفاد میں فیصلے کرتا ہے۔ اس بات کو تسلیم کرتے ہوئے کہ انسانی سرمایہ طویل مدتی کامیابی اور پائیداری کا ایک اہم محرک ہے، بورڈ اسٹریٹجک ٹیلنٹ کے حصول، آن دی جاب اور آف دی جاب ٹریننگ اور لیڈرشپ ڈویلپمنٹ کے ذریعے اعلیٰ کارکردگی کے کلچر کو فروغ دیتا ہے، جو FHM کی انتظامیہ کی اہم ترجیحات میں شامل ہیں۔

2025-26 کے دوران پاکستان کی معیشت نے بتدریج استحکام کی جانب اپنا سفر جاری رکھا، جسے بہتر میکرو اکنامک اشاریوں، افراطِ زر کے دباؤ میں کمی اور محتاط مالیاتی و زری اقدامات سے تقویت ملی۔ اگرچہ بیرونی فنانسنگ کی ضروریات، ساختی اصلاحات اور عالمی معاشی غیر یقینی صورتحال جیسے چیلنجز بدستور موجود ہیں، تاہم مجموعی کاروباری ماحول میں زیادہ لچک اور سرمایہ کاروں کے اعتماد میں دوبارہ اضافہ دیکھنے میں آیا ہے۔ معاشی اصلاحات، مالیاتی نظم و ضبط، برآمدات میں اضافے اور سرمایہ کاری دوست پالیسیوں پر ملک کی مسلسل توجہ سے پائیدار اور جامع ترقی کی بنیاد مزید مضبوط ہونے کی توقع ہے۔

مضاربہ کی کارکردگی:

مجھے یہ بتاتے ہوئے خوشی ہے کہ FHM نے مالیاتی کارکردگی کا ایک اور غیر معمولی سال پیش کیا، جس میں اپنی بیلنس شیٹ، مالیاتی اثاثوں اور منافع میں مضبوط اضافہ ریکارڈ کیا۔ الحمد للہ، تمام اہم کاروباری اہداف اچھی ترقی کے ساتھ حاصل کر لیے گئے ہیں۔ بیلنس شیٹ کے حجم میں تقریباً ۲۰ فیصد اضافہ ہوا، جبکہ سال کے دوران تقریباً ۲۱٫۸ بلین روپے کی تقسیم کے باعث مالیاتی اثاثوں کی بنیاد میں نمایاں اضافہ ہوا، جو مضاربہ کی کسی ایک سالہ / آپریشنل تاریخ میں سب سے زیادہ تقسیم ہے۔ معیشت کے متنوع شعبوں میں اپنے فنانسنگ پورٹ فولیو کو وسعت دینے پر FHM کی اسٹریٹجک توجہ پائیدار ترقی کے لیے محتاط طریقہ کار کی عکاسی کرتی ہے، جبکہ پورٹ فولیو میں مزید تنوع کے ذریعے کنسنٹریشن کے خطرے کو مؤثر طور پر کم کیا جا رہا ہے۔

FHM نے قومی اور بین الاقوامی معتبر اداروں سے متعدد ایوارڈز حاصل کیے، جن میں ICAP اور ICMA کی جانب سے بہترین کارپوریٹ رپورٹ ایوارڈ، مینجمنٹ ایسوسی ایشن آف پاکستان (MAP) کی جانب سے کارپوریٹ ایکسی لینس ایوارڈ، SAFA سرٹیفکیٹ آف میرٹ اور NBFI & Modaraba Association of Pakistan کی جانب سے بہترین کارکردگی کا مضاربہ ایوارڈ شامل ہیں۔ FHM اپنے مضبوط کریڈٹ پروفائل کو برقرار رکھے ہوئے ہے، جس میں پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) کی جانب سے بالترتیب طویل مدتی اور قلیل مدتی ادارہ جاتی ریٹنگز +AA اور +A1 تفویض کی گئی ہیں، جو مضاربہ سیکٹر میں اعلیٰ ترین ریٹنگ کی نمائندگی کرتی ہیں۔ یہ کامیابیاں FHM کی قیادت، انتظامی ٹیم اور ملازمین کی غیر متزلزل لگن، پیشہ ورانہ مہارت اور عزم کے ساتھ ساتھ بورڈ آف ڈائریکٹرز کی جانب سے فراہم کردہ اسٹریٹجک رہنمائی اور نگرانی کی عکاسی کرتی ہیں۔ گزشتہ چار دہائیوں کے دوران، FHM نے اعتماد، دیانتداری، شفافیت اور صارفین کی اطمینان پر مبنی ایک مضبوط میراث قائم کی ہے۔ عمدگی سے یہ مستقل وابستگی مضاربہ کو چیلنجز سے نمٹنے، ابھرتے ہوئے مواقع سے فائدہ اٹھانے اور مسلسل کامیابی حاصل کرنے کے قابل بناتی رہی ہے۔ ہمیں ان کامیابیوں پر فخر ہے اور اپنے معزز اسٹیک ہولڈرز کے مسلسل اعتماد اور حمایت اور اللہ سبحانہٗ و تعالیٰ کی نعمتوں کے لیے دل کی گہرائیوں سے شکرگزار ہیں۔

FHM کی ٹیم کی لگن اور انتھک کوششیں ادارے کی ساکھ کو مضبوط بنانے، غیر معمولی کسٹمر سروس فراہم کرنے اور مسلسل کامیابی کے حصول میں کلیدی حیثیت رکھتی ہیں۔ میں اپنے معزز

CEO's MESSAGE

Alhamdulillah, completion of FY 2025-26 marked our 41st year of existence during which First Habib Modaraba (FHM) has grown from a small entity into a leading Modaraba within Modaraba sector and Non-Banking Islamic Financial Institutions. This milestone is a testament to our unwavering dedication, passion, and the collective efforts of our team. It reflects the steadfast commitment of our sponsors and Board of Directors toward sustainable progress and long-term growth. More importantly, this journey reflects the values that have guided every decision along the way of farsightedness, integrity, innovation, and an enduring commitment to creating value for our Modaraba Certificate Holders, investors, customers including well-being of employees and the communities we serve.

> **Long term sustainability always demands the strength of an institution which reflect by its ability to navigate pressures with discipline, resilience, and sustainable performance. With this mindset, we always remain agile and strategic in our approach, emphasizing quality lending, safeguarding asset quality and reinforcing sound risk governance practices.**

The financial year 2025-26 ended with satisfactory performance with significant growth in all our key areas despite of difficult operating environment due to Middle East tension and geo-political unrest particularly in 2nd half of financial year. The year again ended with excellent progress in yearly disbursement, new client engagement, size of balance sheet and overall business growth. I am proud that with sincere efforts of team members, together, we achieve sound growth and significantly increased our market share within Modaraba and NBFI sector. However, we could not manage to increase our profits, rather maintained it due to downward revision of SBP policy rates in comparison of previous year.

Long term sustainability always demands the strength of an institution which reflect by its ability to navigate pressures with discipline, resilience, and sustainable performance. With this mindset, we always remain agile and strategic in our approach, emphasizing quality lending, safeguarding asset quality and reinforcing sound risk governance practices. Consistently satisfactory performance reflects the strength of our business fundamentals and validate the soundness of our strategic decisions. It reaffirms our position as a resilient financial institution, grounded in strong fundamentals and driven by a commitment to long-term value creation and prudent financial leadership.

Our customers always inspire us to bring innovative financial solution. In FY 2025-26, we expanded access to inclusive Islamic financial services through efficient service delivery, strengthened our presence in key markets, adding sound customer base in our financing portfolio and promote green financing. As we move ahead, we aim to deepen our relationships with our valued customers, enhance service quality and cater their financial need in an ever evolving landscape. I would like to extend my deepest gratitude to our customers, partners and investors for their unwavering support and trust. Their confidence in our vision and strategy has been instrumental in our success. We are deeply honoured to have them as part of our journey.

I also acknowledge the hard work and dedicated efforts of our entire team members. Because of their sincere commitment and determination, the FHM stands sound and stronger today.

Looking ahead, the economic outlook for FY 2026-27 is expected to remain challenging owing to persistent inflationary pressures and external vulnerabilities arising from geopolitical tensions in the region. Keeping in view of prevailing situation, FHM, will continue to follow a strategy of Prudent Growth with Risk Discipline. The focus will remain on protecting asset quality, diversifying funding sources, leveraging digital capabilities, further strengthen our recovery and collection efforts and prudent liquidity management. Over the longer term, our direction remains anchored in building a more resilient, efficient and sound Islamic financial institution to create enduring value for all stakeholders. As we stand at the beginning of our fifth decade, we are more confident in our ability to seize opportunities, remain growing and best financial brand within Modaraba and non-banking segment within the financial sector of Pakistan.

In conclusion, I would like to thank the Chairman and the Board for their insight and vision and for leading from the front to enable me and my team members to deliver satisfactory results in such challenging time. I also like to express my sincere thanks and gratitude for the continued support and guidance provided by Securities & Exchange Commission of Pakistan and Registrar Modaraba, customers of the Modaraba for their patronage, Certificate holders and investors who have remained committed to FHM. I also appreciate dedication, high level of professionalism, determination and hard work of team of FHM for achieving best results.

Muhammad Shoaib Ibrahim
Managing Director and CEO

DIRECTORS' PROFILE (BCR 5.01)

MOHAMMAD SHAMS IZHAR

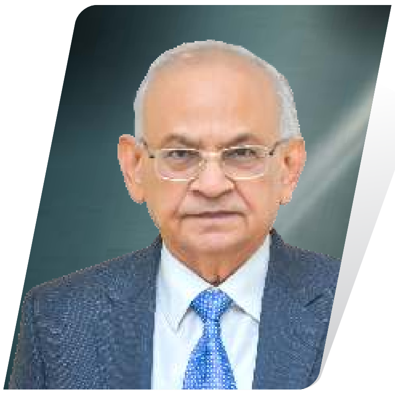
Chairman Non-Executive Director

Mr. Mohammad Shams Izhar is an MBA from Institute of Business Administration (IBA), Karachi backed with a degree in Industrial Technology. He has over 36 years' experience in banking with specialization in Corporate Governance and Risk Management overseeing credit risk, operation risk, market & liquidity risk, information security, business continuity and internal control. He also contributed towards improvement of the country's banking industry's standard as a member of Pakistan Banks Association's sub-committee and SBP working group. To his credit is also a Course on Islamic Banking & Finance from Centre of Islamic Economics, Karachi. He is also a Fellow Institute of Bankers Pakistan and Certified Director by Pakistan Institute of Corporate Governance (PICG).

SAEED UDDIN KHAN

Non-Executive Independent Director

Mr. Khan brings with him 40 years of diversified and senior management experience in Conventional as well as Islamic banking in different banks and financial institutions. He holds MBA degree from IBA, Karachi. He also holds Diploma in Banking (DAIBP) and PGD as well as NIBAF, SBP Certification in Islamic banking, besides short as well as extensive training within and outside Pakistan. He brings with him a rich knowledge of strategic planning, budgeting, retail banking, product and brand development, corporate financing, risk management, asset recovery, Microfinance & SME financing etc. He served as CEO of HBL Modaraba & Head, Islamic Banking, in two banks. He also served as the President & CEO of a Microfinance Bank in Pakistan for almost six years. Currently he is working as an independent business consultant.



USMAN NURUL ABEDIN

Non-Executive Director

Mr. Usman Nurul Abedin has graduated from University of Karachi he possesses about of 46 years of diversified experience in the field of banking and finance. He has a vast experience in banking particularly in treasury operations international branch banking. He served Habib Metropolitan Bank for about 32 years at senior management positions and also well versed with risk of credit management policy making and administration. Before joining Habib Metropolitan Bank, he was associated with Bank of Credit & commerce international (BCCI) for about 11 years and served as Manager International Operations / Overseas Banking / Credit and Marketing in Hong Kong and South Korea.

PROF. DR. IRUM SABA

Non-Executive Independent Director

Prof. Dr. Irum Saba has more than 20 years of progressive regulatory, research, training, and teaching experience with organizations of international repute. She has recently appointed as the Director of the Centre for Excellence in Islamic Finance (IBA). She is chairperson of Islamic Capital Market Committee of Securities and Exchange Commission of Pakistan. She received numerous in Pakistan and out of Pakistan for her leadership and contribution in Islamic Finance Industry. This year she received the prestigious "Queen of Kindness" award from (IBA). She trained more than 6000 employees in Pakistan's financial sector and taught more than 3000 students in Pakistan. She has extensive regulatory experience with specific focus to promote women empowerment, organizational development and Islamic banking and Finance. She is a Shari'ah-registered financial planner (Shari'ah RFP). She holds the Chartered Islamic Finance Professional (CIFP) credential from INCEIF with distinction and PhD in Islamic Finance from INCEIF, Malaysia. She holds M. Com with distinction and PGD in Islamic Banking and Insurance from Institute of Islamic Banking and Insurance (IIBI), London. Her areas of interest are Political Economy, Management, Shari'ah, Wealth planning and Management, Islamic Microfinance, corporate governance, and Islamic finance

MURTAZA AHMED ALI

Non-Executive Director

Mr. Murtaza Ahmed Ali is a seasoned professional with a distinguished career spanning 35 year with experience in finance, operations, sales and marketing, management and business leadership. He is currently the CEO of Allied Rental Services Limited and Allied Transport and Logistics Limited. He is a Fellow Member of ICAP, a qualified Cost & Management Accountant and completed his Chartered Accountancy training with A.F. Ferguson & Co. (PwC). He held senior leadership roles with Rhône-Poulenc and Allied Group, where he led the successful incorporation and public listing of Allied Rental Modaraba in 2007. Mr. Ali has served as Chairman and Vice Chairman of the NBFI & Modaraba Association of Pakistan and Fleet Operators Association of Pakistan (FOAP) and is a Certified Director under ICAP's Code of Corporate Governance.

RIAZ ABDUL REHMAN

Non-Executive Director

Mr. Riaz Abdul Rehman is a seasoned senior management professional with experience in consulting and auditing across diverse sectors, including financial services, family groups, automotive, oil and gas, pharmaceuticals, cement, textiles, and media.

Mr. Riaz Abdul Rehman, qualified in 1993 from EY Ford Rhodes and has over 35 years of experience, including serving as Country Leader – Audit & Assurance. He has served ICAP as Council Member (2013–2014, 2017–2021), Vice President, President (2017–2018), and Chairman Audit Committee, with extensive contributions across key ICAP committees, and has also served internationally as a Board Member of CAPA and Technical Advisor to the IPSAS Board of IFAC. He is a certified Director under Pakistan Code of Corporate Governance. He is hugely regarded for his experience, humanitarian and professional acumen.

MUHAMMAD SHOAIB IBRAHIM

CEO & Managing Director

With more than two decades' experience in non-Bank Islamic financial institutions and Modarabas, he is a senior expert on this topic in Pakistan. This experience has given him insight into the financial and technical aspects of the non-banking Islamic financial activities covering financial services, equity market and asset management.

Under his leadership, at present, FHM is well positioned in the Islamic financial market with a strong equity base, sound assets size and profitability within the Modaraba sector of Pakistan. Moreover, FHM has secured several awards/accolades on best performance, best corporate report, best corporate disclosure and corporate excellence from reputable bodies, such as NBFI and Modaraba Association, ICAP and ICMAP, Management Association of Pakistan, and SAFA an apex body of SAARC during his tenor as CEO of FHM.

Mr. Shoaib holds a Master of Business Administration (MBA) in banking and finance from the Institute of Business Administration (IBA). He has also completed a Post Graduate Diploma (PGD) in Islamic Banking from the Centre of Islamic Economics (Darul Ulum), Karachi Pakistan.

ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER [BCR 5.02]

Role of the Chairman

The Chairman of the Board holds a decisive role to lead and manage the Board of Directors and organization goal. The Chairman's role is essential in steering the strategic direction of the institution and ensuring long term sustainability and good corporate governance. The separation of the Chairman's role from that of the CEO implies that the Chairman should be independent from management and free from any interest or other relationship that could potentially interfere with the Chairman's independently formed judgment.

Mr. Shams Izhar is a Chairman of the Board. He is seasoned banker and carrying diversified banking experience of local and international banking. He has over 36 years' experience in banking with specialization in Corporate Governance and Risk Management overseeing credit risk, operation risk, market & liquidity risk, information security, business continuity and internal control.

Key role of Chairman can be elaborated as follows:

- Lead the Board of Directors
- Strategic Planning and Oversight
- Ensuring Good Corporate Governance
- Liaise between Board and Management and facilitate effective communication **[BCR 5.12 (i)]**
- Focus on strategy, performance and value creation
- Foster active engagement of all Board members and promote culture of mutual respect.

Chief Executive Officer

The Chief Executive Officer is the highest-ranking executive within the organization. He is responsible for overall leadership, strategic direction, sustainability and the effective management of the institution.

At present Mr. Muhammad Shoaib Ibrahim is the CEO of the Modaraba. He has a rich of experience in Islamic finance and investment banking. As CEO, he is accountable for the management of Modaraba's operations in accordance with objectives and policies of the institutions.

The following are his obligations:

- Setting vision and strategy.
- Make sure of long term sustainability.
- Managing entire operations with alignment of overall strategic goals.
- Lead team members and motivate them to achieve strategic goal.
- Foster a corporate culture, encourage ethical moral, and enhance professional values.
- Ensure that FHM's resources are utilized at optimal efficiency.
- Make sure robust compliance and governance culture.
- To make available cordial working environment for team members.
- Strengthen ESG approach and its implantation within the organization

MANAGEMENT TEAM

Mr. Muhammad Shoaib Ibrahim
Chief Executive Officer

Mr. Amir Kaleem
Head of Business Development

Mr. Tehsin Abbas
Chief Financial Officer

Mr. Fazal Abbas
Head of Credit

Mr. M. Jehanzeb
Head of Human Resource

Mr. Muhammad Babar
Head of Internal Audit

Mr. Azhar Hussain
Head of Compliance

Mr. Zahid Hasan
Head of Information Technology

GROUP STRUCTURE [BCR 1.05, 1.06]

First Habib Modaraba (FHM) is a perpetual, multi-purpose modaraba having its registered office at 6th Floor, HBZ Plaza, I.I. Chundrigar Road, Karachi. It is listed on the Pakistan Stock Exchange and engaged in Shariah compliant mode of financing and investment. The group comprises of Habib Metropolitan Bank Limited (HMB) (The parent bank), Habib Metropolitan Modaraba Management Company (Private) Limited (Management Company & wholly owned subsidiary company of HMB) and First Habib Modaraba.

DIRECTORS' REPORT

On behalf of the Board of Directors, we are pleased to present the audited accounts of the Modaraba for the year ended June 30, 2026.

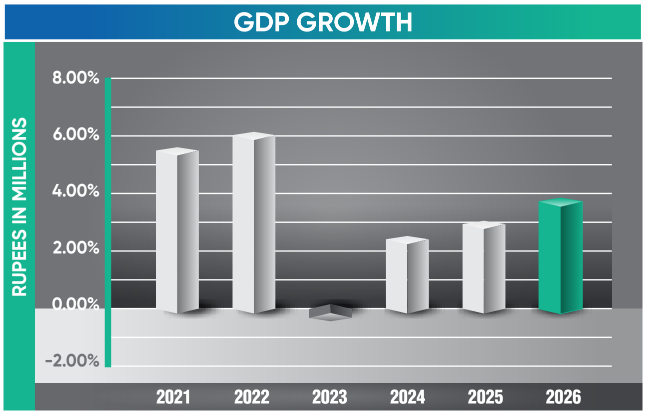
	2026 (Rupees)	2025 (Rupees)
Profit before management fee	1,421,146,439	1,465,372,136
Profit before taxation and levy	1,232,560,306	1,270,917,253
Net Profit for the year	747,920,468	901,496,565
Appropriations		
Net Profit for the year	747,920,468	901,496,565
Add: Unappropriated profit brought forward	156,834,473	8,991,438
Less: Re-measurement of post-retirement benefit	(6,421,463)	(4,284,905)
Profit available for appropriation	898,333,478	906,203,098
Profit distribution @ 22.5% (2025 @ 22.5%)	249,368,625	249,368,625
General Reserve	500,000,000	500,000,000
Unappropriated profit carried forward	148,964,853	156,834,473

DIVIDEND

The Board of Directors has pleased to declare cash dividend @22.5% i.e. Rs.2.25 per certificate of Rs.10/- each for the year ended 30th June, 2026.

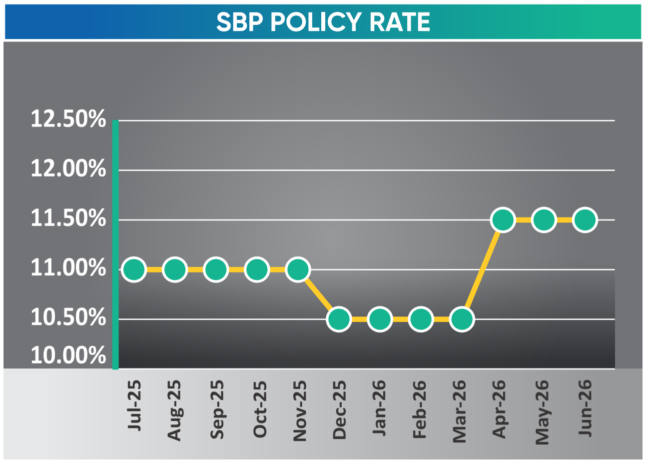
ECONOMIC REVIEW

The Pakistan economy recorded a moderate recovery in FY 2025-26, with GDP growth recorded at 3.7% against 3.2% of previous year. The overall improvement was due to effective macroeconomic management, better fiscal account, growth in Large Scale Manufacturing (LSM) sector. Throughout the year exchange rate stability was maintained and reforms agenda followed under the IMF Extended Fund Facility Program. Recently Standard & Poor's Global upgraded Pakistan's long-term sovereign credit rating to 'B' from 'B-' and maintained a stable outlook. According to rating agency, Pakistan strengthened institutional capacity, steady implementation of IMF-backed reforms and improved fiscal performance. The upgrade signifies Pakistan's sound credit standing and ability to manage its external and fiscal affairs in critical time.



On external front, trade deficit widened due to increase in import bill and declining trend of exports proceeds during the year. Current account also showed deficit with small amount as compared to surplus in last year. The majority of deficit of Current Account was covered by record inflows of home remittances from overseas Pakistanis during the fiscal year marking an 8.6% increase from previous year. The said inflows provided a crucial cushion for the country's foreign exchange reserves and external account management. Inflation has also shown a rising trend in last quarter of the year and reached at level of 11.10% in the month of June, 2026.

At present economy of Pakistan is passing through economic challenges due to the ongoing US-Iran conflict, which is causing disruptions in supply chain and high prices of energy. Said conflict represents an intense geopolitical shock with adverse impact on economy and businesses. The evolving crisis marked by high cost and disturbed supply of import led industrial raw materials, volatility in global oil and gas markets have transformed into a systemic economic shocks for Pakistan. The said clash is not merely an inflationary shock but it may carry broader macroeconomic disorder and stress if it extends further. In recent Monetary policy meetings, the State Bank of Pakistan has maintained policy rate of 11.5%. According to SBP, the inflation may remain in double digits for next few months due to unrest in Middle East and magnitude of adjustment in power and gas tariffs. Looking ahead, economic direction is expected to remain sensitive to geopolitical developments and movements in international crude oil prices, given their implications for inflation, external balances and overall risk appetite of the country.



BUSINESS REVIEW OF FHM

The year 2025-26 was a challenging year around the globe due to Gulf war and geo-political tensions, disrupted supply chain, soaring energy prices and high inflation. The year under review defined by a macro challenges, structural headwinds and cautious stabilization. The said difficult operating environment demanded extraordinary discipline, agility and foresight from management for maintaining business momentum with prudent growth. Against this backdrop, the management of FHM delivered sound and resilient performance demonstrating the enduring strength of the institution as leading Modaraba.

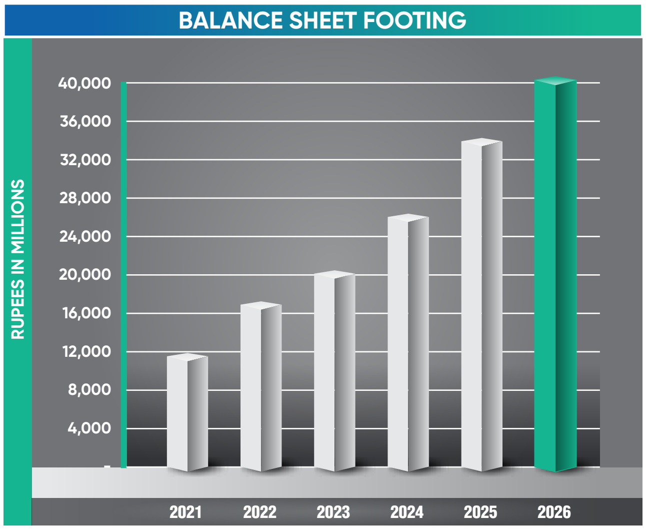
Despite the difficult operating environment, the FY 2025-26 ended with satisfactory performance with achievement of significant growth in all our key areas. The said year proved another successful year in terms of substantial growth in financing book and balance sheet size. The continuous success and excellent performance are due to blessing of Allah Subahanahu Wa Ta'ala and sincere and dedicated efforts of entire team members of FHM. Our total disbursement during the year reached Rs.21.854 billion which is again the highest ever in the operational history of FHM. Size of balance sheet has also reached to Rs.41.727 billion as compared Rs.34.749 billion of last year. Our resource mobilization segment reached to Rs.33.193 billion with a growth of around 23%. Profit after tax slightly decreased due to downward adjustment of SBP policy rates in comparison of policy rates of previous year.

This year, your Modaraba has achieved two following key milestones.

- Highest-ever disbursement of financing assets during the year, augmenting further its earning assets.
- Highest-ever size of Balance Sheet.

Our business strategy remains focused on building strong relationship with sound customers and initiate business relationship with new reputable entities. The assets portfolio consists on of machineries, equipment including solar equipment and automobile. Solar financing and electric vehicles are gradually adding in our assets portfolio and we are committed to expand said portfolio with preference to green financing in order to further strengthen our ESG approach.

Since last several years, FHM is successfully maintaining longstanding drive towards sustaining its position as



leading Modaraba within NBFI and Modaraba sector of Pakistan. Our achievements are evidence to the solid business fundamentals and consistent financial management policies practiced across the Modaraba. During the year under review, with blessing of Allah (SWT) and hard and dedicated efforts of team members of FHM, we have been able to maintain our leading position within Modaraba sector of Pakistan. Our five core strategic resolutions for the year guided every decision:

- Proactive strategic initiatives driving sustainable value creation.
- Effective fund management through efficient treasury team.
- Ensuring a quality assets portfolio through effective risk management tools.
- Concentration on collection and recovery segment.
- Operational efficiency with support of technological advancement.

Sad demise of our Director and appointment of a new Director

During the year, Board member Mr. Syed Rasheed Akhter passed away. Mr. Akhter was part of our Board member and served for around 8 years. He was true professional, very caring, humble and upright person and added great value as board members for the progress and growth of the Modaraba. We extend our deepest condolences to his family members. Allah (SWT) may bless the departed soul and give strength and courage to their family members during this difficult time.

In order to fill casual vacancy, the Board of Directors appointed Mr. Riaz Abdul Rehman, as Board member in place of late Mr. Syed Rasheed Akther. Necessary approval from Registrar Modaraba, SECP has been secured. Mr. Rehman, is a seasoned professional with over 35 years of diversified experience in the areas of finance, auditing, corporate governance, strategic management, legal advisory. He is qualified Chartered Accountant. In past, he remained executive member and president of ICAP. His appointment as director will be beneficial for our institution with his technical expertise, rich auditing and management experience along with his sound corporate connection for our business growth.

Future Outlook

Going forward, the economic outlook for FY 2026-27 is expected to remain challenging, owing to persistent inflationary pressures and external vulnerabilities arising from geopolitical tensions in the region. The war crisis poses a significant risk of reversing recent stabilization on economic front and could push the country again on high inflation, pressure on current account and foreign exchange reserves. The gradual widening of trade deficit and reliance on remittances also expose the economy to external shocks particularly from energy prices volatility. The business environment for financial institutions in Pakistan in current year is expected to remain challenging yet present selective growth opportunities. It is expected that Central Bank will continue to maintain tight monetary stance due to external account vulnerabilities due to ongoing middle east tension.

Keeping in view the above, FHM, will continue to follow a strategy of Prudent Growth with Risk Discipline. The focus will remain on protecting asset quality, diversifying funding sources, leveraging digital capabilities, and expanding in segments with stable cash flows. With a strong equity base and sound capital adequacy ratio, experienced management and commitment to Shariah principles, the Modaraba is well-positioned to manage challenges and deliver sustainable returns to its certificate holders.

Credit Ratings

Due to FHM's strong and resilient financial position, M/s Pakistan Credit Rating Agency (PACRA) has maintained entity credit rating of A1+ for short term and AA+ for long term for FY 2024-25 in September, 2025. Despite of frequent disruptions of economic cycles and unforeseen shocks within the economy of Pakistan in past several years, the FHM is continuously delivering stable results on year on year basis. The ratings reflect FHM's sound business profile, emanating from a healthy asset base along with sustained profitability. The rating of AA+ of long term has been maintained by FHM since last 18 years, which reflect institution's exceptional credit quality, financial stability and highest governance standards.

Corporate Social Responsibility

First Habib Modaraba (FHM) is committed to conducting its business responsibly while contributing to the sustainable development of the communities it serves. Corporate Social Responsibility (CSR) is an integral part of FHM's business philosophy, guided by transparency, ethical practices, and responsible corporate governance.

To support its CSR objectives, FHM has established dedicated committees focusing on environmental sustainability, employee well-being, resource optimization, volunteering, and social welfare. These include the Corporate Social Responsibility & Environment Committee, with focal persons/committees for Carbon Reduction Initiative, Volunteering, Well-Being, and the Social Welfare & Support.

a) Employee Well-Being, Welfare Support & Development

FHM places significant emphasis on the health, safety, and well-being of its employees. During the year, the Modaraba conducted several awareness and wellness initiatives, including:

- Breast Cancer Awareness Sessions
- Employee Empowerment Program on International Women's Day.

FHM remains committed to fostering a culture of growth by investing in the professional development and well-being of its employees. The Modaraba continues to provide opportunities that support both employees and their families through various welfare and career development initiatives. During the year:

- Staff welfare assistance, including employee education and children's education support, increased by 56% compared to the previous year.
- Employees were provided with enhanced career development opportunities through internal elevations and role enhancements across the organization, in addition to regular promotions.

b) Community Support

FHM continued its commitment to social welfare by supporting charitable and non-profit organizations focused on healthcare and community development. During the year ended June 30, 2026, financial assistance was provided to:

- NOWPDP (Network of Organizations Working for People with Disabilities Pakistan).
- KDSP (Karachi Down Syndrome Program)
- Meethi Zindagi (Vision - Great life with Type 1 diabetes)

Through these initiatives, FHM remains committed to creating sustainable value for its employees, stakeholders, and the communities in which it operates.

c) Environmental Sustainability

FHM remains committed to protecting the environment through responsible resource utilization and carbon reduction initiatives. FHM reduced paper consumption significantly during the year across its offices and continued to promote paperless operations through digitalization, resulting in improved operational efficiency and reduced adverse environmental impact.

Strategic Objectives on ESG

The Board supports the company's ESG initiatives wholeheartedly and is actively involved in them. Our commitment is to smoothly incorporate ESG factors into our plan. This promotes long-term development, reduces risks and builds a foundation of confidence with our stakeholders. Our strategic objectives include social responsibility, environmental sustainability, and effective governance. We are committed to protecting the environment and encouraging the use of green energy. Promoting diversity, protecting employee welfare, and being involved in the community are some of our main priorities.

Our decision-making process is guided by moral conduct, transparency, honesty, and responsible risk management. Since last several years, FHM has been donating to non-profit organization working for improvement of educations, healthcare etc. FHM continues to encourage events and projects which focus on children, health and education for under privileged members of society.

Directors Training & Orientation

[BCR 5.08, 5.09]

All the directors, are compliant with the necessary requirements of Directors Training Certificate at Pakistan Institute of Corporate Governance (PICG), The Institute of Chartered Accountants of Pakistan (ICAP), The Institute of Cost and Management Accountants of Pakistan (ICMAP) and Institute of Business Administration (IBA).

Foreign Directors **[BCR 5.12 (e)]**

No Foreign directors exist on the Board of Modaraba Management Company.

Board Meeting Outside Pakistan

[BCR 5.12 (f)]

During the year, all Board meetings have been arranged at Karachi in Management Company's office and none of the meeting conducted outside Pakistan in order to avoid any extra expenses of outside meeting.

Contributions to the National Exchequer **[BCR 5.23]**

As a responsible corporate citizen, FHM contributes significantly to the national exchequer through the discharge of all applicable taxes, including withholding tax on dividends and profit payments. Our substantial financing activities, particularly in assets like motor vehicles and machinery, further stimulate economic growth and development.

Performance Evaluation

The Modaraba engaged the Pakistan Institute of Corporate Governance (PICG) as an Independent External Evaluator, for performing evaluation of the Board. The process has been completed and certificate was obtained accordingly.

Pattern of Certificate Holding

A Statement showing pattern of Certificate Holding of the Modaraba and additional information as at June 30, 2026 is included in this report.

Corporate and Financial Reporting Framework

The Directors are pleased to confirm compliance with Corporate and Financial Reporting Framework of the Securities & Exchange Commission Pakistan (SECP) and the Code of Corporate Governance for the following:

The financial statements, prepared by the management of the Modaraba, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

International Financial Reporting Standards (IFRS), as applicable to Modarabas in Pakistan, have been followed in preparation of financial statements and any departures there from have been adequately disclosed. Further, the management of the Modaraba appreciates the unreserved compliance of IFRS to the possible extent in order to promote the fair financial reporting.

Proper books of accounts of the Modaraba have been maintained.

Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates used are based on reasonable and prudent judgment.

- The system of internal control is in place and has been effectively implemented. It is being continuously reviewed by internal audit and other such procedures.
- Board is satisfied with the Modaraba's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the Listed Companies (Code of Corporate Governance) Regulations 2019.
- Key operating and financial data for the last six years in summarized form is included in this annual report.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2026 except for those disclosed in the financial statements.

Composition of the Board

The composition of the Board of Directors of the Company as on June 30, 2026 is as follows:

1. The total number of Directors are seven as per the following:
    - Male: 6
    - Female: 1
2. The number of Directors under respective categories are as follows:
    - Independent Directors: 2
    - Non-Executive Directors: 3
    - Executive Director: 1
    - Female Director: 1

Directors' attendance [BCR 5.16]

During the year, Four Board meetings, Four Audit Committee meetings and One Human Resource Committee meeting were held. Attendance by each Director was as follows:

Name of Directors	Board Meeting	Audit Committee Meeting	HR Committee Meeting
Syed Rasheed Akhtar (Late)	3	NA	1
Mr. Muhammad Shoaib Ibrahim	4	NA	NA
Mr. Mohammad Shams Izhar	4	4	1
Mr. Saeed Uddin Khan	4	4	1
Mr. Usman Nurul Abedin	4	NA	NA
Prof. Dr. Irum Saba	4	4	NA
Mr. Murtaza Ahmed Ali	2	NA	NA
Mr. Riaz Rehman	(Newly appointed in June, 2026)		

Auditors

Present auditors M/s. BDO Ebrahim & Co, Chartered Accountants being eligible, offer themselves for reappointment as auditors for the financial year ending June 30, 2027, however their appointment will be subject to approval of Registrar Modaraba.

Events Subsequent to the date of Financial Statements:

There have been no material changes and commitments, which affect the financial position of the Modaraba which has occurred between the end of the financial year to which the financial statements relate and the date of this Report.

Acknowledgement

We would like to express our sincere thanks and gratitude for the continued support and guidance provided by Securities & Exchange Commission of Pakistan and Registrar Modaraba, customers of the Modaraba for their patronage and Certificate holders, investors who have remained committed to FHM. We also appreciate dedication, high level of professionalism and hard work of employees of FHM for smooth operations and achieving satisfactory results in extremely difficult business environment.

In the end, the Board appreciates dedication, high level of professionalism and hard work of employees of your Modaraba for achieving excellent results.

Muhammad Shoaib Ibrahim	**Mohammad Shams Izhar**
Chief Executive Officer	Chairman

Karachi: August 06, 2026

ڈائریکٹرز کی حاضری

سال کے دوران بورڈ کے چار اجلاس، آڈٹ کمیٹی کے چار اجلاس اور ایچ آر کمیٹی کا ایک اجلاس منعقد ہوئے۔ ہر ڈائریکٹر کی حاضری درج ذیل تھی:

ڈائریکٹرز کا نام	بورڈ آف ڈائریکٹرز	آڈٹ کمیٹی	ایچ آر آر کمیٹی
سید رشید اختر (مرحوم)	۳	NA	1
جناب محمد شعیب ابراہیم	۴	NA	NA
جناب محمد شمس اظہر	۴	۴	۱
جناب سعید الدین خان	۴	۴	۱
جناب عثمان نورالعابدین	۴	NA	NA
محترمہ ارم صبا	۴	۴	NA
جناب مرتضیٰ احمد علی	۲	NA	NA
جناب ریاض رحمن	(جون ۲۰۲۶ میں نئے تعینات کئے گئے)		

آڈیٹرز

موجودہ آڈیٹرز میسرز بی ڈی او ابراہیم اینڈ کو، چارٹرڈ اکاؤنٹنٹس، اہل ہوتے ہوئے ۳۰ جون ۲۰۲۷ کو ختم ہونے والے مالی سال کے لیے مضاربہ کے بیرونی آڈیٹرز کے طور پر خود کو دوبارہ مقرر ہونے کے لیے پیش کرتے ہیں۔ تاہم ان کی تقرری رجسٹرار مضاربہ آفس سے منظوری سے مشروط ہو گی۔

فائنانشل اسٹیٹمنٹ کی تاریخ کے بعد کے واقعات

مالی سال کے اختتام اور اس رپورٹ کی تاریخ کے درمیان کوئی مادی تبدیلیاں واقع نہیں ہوئی ہیں اور کوئی ایسے وعدے نہیں ہوئے ہیں جو کمپنی کی مالی حالت کو متاثر کرتے ہوں۔

اظہارِ تشکر

بورڈ شکر گزار ہے کہ جو تعاون اور مدد اسے سیکیورٹیز اینڈ ایکسچینج کمیشن پاکستان، (SECP) رجسٹرار مضاربہ کمپنیز، مالیاتی اداروں اور اسٹیٹ بینک آف پاکستان کی جانب سے گاہے بگاہے حاصل ہوئی، اس کے علاوہ مضاربہ کے کسٹمرز کی جنہوں نے اپنے کاروبار اور دیگر معاملات میں ہماری رہنمائی کی، سرٹیفکیٹ کنندگان اور سرمایہ کاروں کی جنہوں نے FHM کے ساتھ مسلسل اپنا تعاون جاری رکھا۔

آخر میں، بورڈ مضاربہ کے ملازمین کے بہترین پروفیشنلزم، سخت محنت اور انتھک جذبے کو سراہتا ہے جن کی وجہ سے ہمیں یہ بہترین نتائج حاصل ہوئے ہیں۔

محمد شعیب ابراہیم
چیف ایگزیکٹو آفیسر

محمد شمس اظہار
چیئرمین

کراچی: تاریخ: ٦ اگست، ۲۰۲٦

سرٹیفکیٹ ہولڈرز کا نمونہ / پیٹرن

۳۰ جون ۲۰۲۶ کو مضاربہ کے سرٹیفکیٹ ہولڈنگ کا پیٹرن اور اضافی معلومات اس رپورٹ میں شامل ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

ڈائریکٹرز مسرت کے ساتھ تصدیق کرتے ہیں کہ درج ذیل نکات پر سیکیورٹیز اینڈ ایکسچینج کمیشن پاکستان (SECP) اور کوڈ برائے کارپوریٹ گورننس پر کارپوریٹ اور مالیاتی رپورٹنگ کا فریم ورک مشتمل ہے:

مالیاتی اسٹیٹمنٹ جو کہ مضاربہ منیجمنٹ کی طرف سے تیار کی جائے گی، وہ مکمل طور پر اپنے معاملات میں شفافیت رکھے گی، جو کہ آپریشن کے نتائج، کیش فلو اور ایکویٹی میں تبدیلی پر ہو۔

بین الاقوامی مالیاتی رپورٹنگ معیار، (IFRS) پاکستان میں مضاربہ پر لاگو ہوگا، مالیاتی اسٹیٹمنٹ کی تیاری میں کسی بھی قسم کے انحراف کی مناسب وجہ بیان کی جائے گی۔ مزید برآں یہ کہ، مضاربہ کی مینجمنٹ کی یہ کوشش رہے گی کہ وہ بچ جانے والی مالیاتی رپورٹنگ کو IFRS کے معیار کے مطابق کرے گی تاکہ صاف شفاف مالیاتی رپورٹنگ کو ترویج دی جاسکے۔

مضاربہ کے کھاتوں کا صحیح طور پر حساب کتاب رکھا گیا ہے۔

مالیاتی اسٹیٹمنٹ کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو لاگو کیا جائے گا۔ کھاتوں کا تخمینہ بہتر تجزیے اور صحیح وجہ کی بنیاد پر لگایا جائے گا۔

- اندرونی انتظام کو مؤثر طریقے سے نافذ العمل کیا جائے گا۔ اس نظام کو اندرونی احتساب / آڈٹ و دیگر ذرائع کے تحت مسلسل جائزہ لیا جائے گا۔
- بورڈ مضاربہ کی موجودہ جاری پیشرفت سے مطمئن ہے۔
- کارپوریٹ گورننس کے بہترین طریقہ کار سے کسی قسم کا میٹریل باہر نہیں ہوا ہے جس کی تفصیل فہرست شدہ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشن ۲۰۱۹ کے مطابق ہے۔
- اہم آپریٹنگ اور گذشتہ ۶ سال کے مالی اعداد و شمار اس سالانہ رپورٹ میں خلاصہ کی شکل میں پیش کئے گئے ہیں۔
- کسی بھی قسم کے حکومتی ٹیکسز، ڈیوٹیز، لیویز اور دیگر چارجز وغیرہ ۳۰ جون ۲۰۲۶ تک قابلِ ادا نہیں ہیں سوائے جو کہ رپورٹ میں فراہم کئے گئے ہیں۔

بورڈ کی تشکیل

۳۰ جون ۲۰۲۶ء تک کمپنی کے بورڈ آف ڈائریکٹرز کی تشکیل درج ذیل ہے:

۱. ڈائریکٹرز کی کل تعداد درج ذیل کے مطابق سات ہے:

مرد	:	۶
عورت	:	۱

۲. متعلقہ زمروں / کیٹیگریز کے تحت ڈائریکٹرز کی تعداد درج ذیل ہے:

آزاد ڈائریکٹرز	:	۲
نان ایگزیکٹو ڈائریکٹرز	:	۳
ایگزیکٹو ڈائریکٹر	:	۱
خاتون ڈائریکٹر	:	۱

فرسٹ حبیب مضاربہ (FHM) اپنے ملازمین کی پیشہ ورانہ ترقی اور فلاح و بہبود میں سرمایہ کاری کے ذریعے ترقی کی ثقافت کو فروغ دینے کے لیے پر عزم ہے۔ مضاربہ مختلف فلاحی اور کیریئر ڈویلپمنٹ اقدامات کے ذریعے ملازمین اور ان کے خاندانوں کی معاونت کے مواقع فراہم کرتا ہے۔ سال کے دوران:

- اسٹاف ویلفیئر معاونت، جس میں ملازمین کی تعلیم اور بچوں کی تعلیم کے لیے معاونت شامل ہے، گزشتہ سال کے مقابلے میں ۵۶ فیصد بڑھ گئی۔
- ملازمین کو باقاعدہ ترقیوں کے علاوہ ادارے بھر میں اندرونی ترقی اور عہدوں میں بہتری کے ذریعے کیریئر ڈویلپمنٹ کے مزید مواقع فراہم کیے گئے۔

b) کمیونٹی سپورٹ

FHM نے صحت اور کمیونٹی ڈویلپمنٹ پر توجہ مرکوز کرنے والی خیراتی اور غیر منافع بخش تنظیموں کی معاونت کے ذریعے سماجی بہبود کے لیے اپنے عزم کو جاری رکھا۔ ۳۰ جون ۲۰۲۶ کو ختم ہونے والے سال کے دوران مالی معاونت فراہم کی گئی:

- NOWPDP (Network of Organizations Working for People with Disabilities Pakistan)۔
- KDSP (Karachi Down Syndrome Program)
- Meethi Zindagi (Vision - Great life with Type 1 diabetes)

ان اقدامات کے ذریعے FHM اپنے ملازمین، اسٹیک ہولڈرز اور ان کمیونٹیز کے لیے پائیدار قدر پیدا کرنے کے عزم پر قائم ہے جہاں یہ کام کرتا ہے۔

c) ماحولیاتی پائیداری

FHM ذمہ دارانہ وسائل کے استعمال اور کاربن میں کمی کے اقدامات کے ذریعے ماحول کے تحفظ کے لیے پر عزم ہے۔ FHM نے سال کے دوران اپنے دفاتر میں کاغذ کے استعمال میں نمایاں کمی کی اور ڈیجیٹلائزیشن کے ذریعے پیپر لیس آپریشنز کو فروغ دینا جاری رکھا، جس کے نتیجے میں آپریشنل افادیت میں بہتری اور ماحول پر منفی اثرات میں کمی واقع ہوئی۔

ESG پر اسٹریٹجک مقاصد

بورڈ کمپنی کے ESG اقدامات کی تہہ دل سے حمایت کرتا ہے اور ان میں سرگرم عمل ہے۔ ہمارا عزم ESG عوامل کو اپنے منصوبے میں آسانی سے شامل کرنا ہے۔ یہ طویل مدتی ترقی کو فروغ دیتا ہے، خطرات کو کم کرتا ہے اور ہمارے اسٹیک ہولڈرز کے ساتھ اعتماد کی بنیاد بناتا ہے۔ ہمارے اسٹریٹجک مقاصد میں سماجی ذمہ داری، ماحولیاتی پائیداری، اور موثر حکمرانی شامل ہیں۔ ہم ماحول کے تحفظ اور سبز توانائی کے استعمال کی حوصلہ افزائی کے لیے پر عزم ہیں۔ ڈائیورسٹی کو فروغ دینا، ملازمین کی فلاح و بہبود کا تحفظ، اور کمیونٹی میں شامل ہونا ہماری اہم ترجیحات میں سے کچھ ہیں۔

ہمارے فیصلے اخلاقی رویے، شفافیت، ایمانداری اور ذمہ دارانہ خطرے کے انتظام پر مبنی ہیں۔ گزشتہ کئی سالوں سے FHM تعلیم، صحت وغیرہ کی بہتری کے لیے کام کرنے والی غیر منافع بخش تنظیموں کو عطیات دیتا رہا ہے۔ ایف ایچ ایم معاشرے کے پسماندہ افراد کے بچوں، صحت اور تعلیم پر توجہ مرکوز کرنے والے پروگراموں اور منصوبوں کو فروغ دیتا رہے گا۔

ڈائریکٹرز کی ٹریننگ اور رجحانات

تمام ڈائریکٹرز، پاکستان انسٹی ٹیوٹ آف کارپوریٹ گورننس (PICG)، دی انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (ICAP)، دی انسٹی ٹیوٹ آف کاسٹ اینڈ مینجمنٹ اکاؤنٹنٹس آف پاکستان (ICMAP) اور انسٹی ٹیوٹ آف بزنس ایڈمنسٹریشن (IBA) میں ڈائریکٹرز ٹریننگ سرٹیفکیٹ کی ضروری ضروریات کے مطابق ہیں۔

کارکردگی کی تشخیص

مضاربہ نے پاکستان انسٹی ٹیوٹ آف کارپوریٹ گورننس (PICG) کو ایک آزاد بیرونی جائزہ کار کے طور پر شامل کیا ہے، جو بورڈ کی کارکردگی کا جائزہ لے رہا ہے۔ پروسس مکمل ہو چکا ہے اور اس کے مطابق سرٹیفکیٹ حاصل کئے جا چکے ہیں۔

عارضی خالی آسامی کو پُر کرنے کے لیے بورڈ آف ڈائریکٹرز نے مرحوم جناب سید رشید اختر کی جگہ جناب ریاض عبدالرحمن کو بورڈ کا رکن مقرر کیا۔ رجسٹرار مضاربہ اور SECP سے ضروری منظوری حاصل کر لی گئی ہے۔ جناب رحمن ایک تجربہ کار پیشہ ور ہیں جنہیں فنانس، آڈٹنگ، کارپوریٹ گورننس، اسٹریٹیجک مینجمنٹ اور قانونی مشاورت کے شعبوں میں ۳۵ سال سے زائد کا متنوع تجربہ حاصل ہے۔ وہ چارٹرڈ اکاؤنٹنٹ ہیں۔ ماضی میں وہ ICAP کے ایگزیکٹو ممبر اور صدر بھی رہے ہیں۔ بطور ڈائریکٹر ان کی تقرری ہماری تنظیم کے لیے ان کی تکنیکی مہارت، وسیع آڈٹنگ اور مینجمنٹ کے تجربے کے ساتھ ساتھ کاروباری ترقی کے لیے مضبوط کارپوریٹ روابط کے باعث مفید ثابت ہوگی۔

مستقبل کا منظر نامہ

آگے بڑھتے ہوئے، مالی سال ۲۰۲۶-۲۷ کے معاشی منظر نامے کے چیلنجنگ رہنے کی توقع ہے، جس کی وجہ مسلسل افراطِ زر کے دباؤ اور خطے میں جغرافیائی سیاسی کشیدگی سے پیدا ہونے والی بیرونی کمزوریاں ہیں۔ جنگی بحران معاشی محاذ پر حالیہ استحکام کو پلٹنے کا نمایاں خطرہ رکھتا ہے اور ملک کو دوبارہ بلند افراطِ زر، کرنٹ اکاؤنٹ اور زرمبادلہ کے ذخائر پر دباؤ کی طرف دھکیل سکتا ہے۔ تجارتی خسارے میں بتدریج اضافہ اور ترسیلات زر پر انحصار معیشت کو بیرونی جھٹکوں، خصوصاً توانائی کی قیمتوں میں اتار چڑھاؤ، سے بھی متاثر کر سکتا ہے۔ موجودہ سال میں پاکستان میں مالیاتی اداروں کے لیے کاروباری ماحول چیلنجنگ رہنے کی توقع ہے تاہم منتخب شعبوں میں ترقی کے مواقع موجود ہیں۔ توقع ہے کہ جاری مشرق وسطیٰ کی کشیدگی کے باعث بیرونی کھاتوں کی کمزوریوں کے سبب مرکزی بینک سخت مانیٹری مؤقف برقرار رکھے گا۔

مذکورہ بالا کو مدنظر رکھتے ہوئے، FHM رسک ڈسپلن کے ساتھ محتاط ترقی کی حکمت عملی پر عمل جاری رکھے گا۔ توجہ اثاثوں کے معیار کے تحفظ، فنڈنگ کے ذرائع کو متنوع بنانے، ڈیجیٹل صلاحیتوں سے فائدہ اٹھانے اور مستحکم کیش فلو والے شعبوں میں توسیع پر مرکوز رہے گی۔ مضبوط ایکویٹی بیس اور مستحکم کیپیٹل ایڈیکویسی ریشو، تجربہ کار مینجمنٹ اور شریعہ اصولوں سے وابستگی کے ساتھ مضاربہ چیلنجز کا انتظام کرنے اور اپنے سرٹیفکیٹ ہولڈرز کو پائیدار منافع فراہم کرنے کے لیے اچھی پوزیشن میں ہے۔

کریڈٹ ریٹنگ

FHM کی مضبوط اور لچکدار مالی پوزیشن کی وجہ سے، میسرز پاکستان کریڈٹ ریٹنگ ایجنسی (PACRA) نے مالی سال ۲۰۲۴-۲۵ کے لیے ستمبر ۲۰۲۵ میں قلیل مدتی کے لیے A1+ اور طویل مدتی کے لیے AA+ کی ہستی کریڈٹ ریٹنگ برقرار رکھی ہے۔ پاکستان کی معیشت کے اندر گزشتہ کئی سالوں میں بار بار آنے والے اقتصادی چکروں اور غیر متوقع جھٹکوں کے باوجود، FHM مسلسل سال بہ سال کی بنیاد پر مستحکم نتائج دے رہا ہے۔ ریٹنگز FHM کے اچھے کاروباری پروفائل کی عکاسی کرتی ہیں، جو کہ مستقل منافع کے ساتھ صحت مند اثاثہ کی بنیاد سے نکلتی ہیں۔ AA+ طویل مدتی کی درجہ بندی کو FHM نے گزشتہ ۱۸ سالوں سے برقرار رکھا ہے، جو ادارے کے غیر معمولی کریڈٹ کے معیار، مالی استحکام، اور اعلیٰ ترین حکمرانی کے معیارات کی عکاسی کرتا ہے۔

کارپوریٹ سماجی ذمہ داری

فرسٹ حبیب مضاربہ (FHM) ان کمیونٹیز کی پائیدار ترقی میں اپنا حصہ ڈالتے ہوئے ذمہ دارانہ انداز میں کاروبار کرنے کے لیے پر عزم ہے جنہیں یہ خدمات فراہم کرتا ہے۔ کارپوریٹ سماجی ذمہ داری (CSR) FHM کے کاروباری فلسفے کا ایک لازمی حصہ ہے، جس کی رہنمائی شفافیت، اخلاقی طریقہ کار اور ذمہ دارانہ کارپوریٹ گورننس سے ہوتی ہے۔

اپنے CSR مقاصد کی حمایت کے لیے، FHM نے ماحولیاتی پائیداری، ملازمین کی فلاح و بہبود، وسائل کی بہتر انتظام کاری، رضاکارانہ خدمات اور سماجی بہبود پر توجہ مرکوز کرنے والی مخصوص کمیٹیاں قائم کی ہیں۔ ان میں کارپوریٹ سماجی ذمہ داری اور ماحولیات کمیٹی شامل ہے، جس کے تحت کاربن ریڈکشن انیشی ایٹو، رضاکارانہ خدمات، فلاح و بہبود، اور سماجی بہبود و معاونت کے لیے فوکل پرسنز/کمیٹیاں شامل ہیں۔

a) ملازمین کی فلاح و بہبود، معاونت اور ترقی

FHM اپنے ملازمین کی صحت، حفاظت اور فلاح و بہبود پر نمایاں توجہ دیتا ہے۔ سال کے دوران، مضاربہ نے کئی آگاہی اور فلاحی اقدامات کیے، جن میں شامل ہیں:

- بریسٹ کینسر آگاہی سیشنز
- بین الاقوامی یوم خواتین کے موقع پر ملازمین کو با اختیار بنانے کا پروگرام۔

اسٹیٹ بینک کے مطابق، مشرق وسطیٰ میں بے چینی اور بجلی و گیس کے ٹیرف میں ایڈجسٹمنٹ کی شدت کے باعث اگلے چند ماہ تک افراط زر دوہرے ہندسے میں رہ سکتا ہے۔ مستقبل میں معاشی سمت جغرافیائی سیاسی پیش رفت اور بین الاقوامی خام تیل کی قیمتوں میں اتار چڑھاؤ سے متاثر ہونے کی توقع ہے، کیونکہ ان کے افراط زر، بیرونی توازن اور ملک کی مجموعی رسک اپی ٹائٹ پر اثرات مرتب ہوں گے۔

فرسٹ حبیب مضاربہ کا معاشی جائزہ

سال ۲۰۲۵-۲۶ دنیا بھر میں خلیجی جنگ اور جغرافیائی سیاسی کشیدگی، سپلائی چین میں خلل، توانائی کی بڑھتی ہوئی قیمتوں اور بلند افراط زر کے باعث ایک چیلنجنگ سال رہا۔ زیر جائزہ سال میکرو چیلنجز، ساختی مشکلات اور محتاط استحکام سے متعین رہا۔ مذکورہ مشکل آپریٹنگ ماحول میں کاروباری رفتار کو محتاط ترقی کے ساتھ برقرار رکھنے کے لیے مینجمنٹ سے غیر معمولی نظم وضبط، تیزی سے رد عمل اور دور اندیشی کا تقاضا تھا۔ اس پس منظر میں، FHM کی مینجمنٹ نے ایک معروف مضاربہ کے طور پر ادارے کی پائیدار طاقت کا مظاہرہ کرتے ہوئے مضبوط اور لچکدار کارکردگی پیش کی۔

مشکل آپریٹنگ ماحول کے باوجود، مالی سال ۲۰۲۵-۲۶ نمایاں کامیابیوں کے ساتھ تسلی بخش کارکردگی پر ختم ہوا اور ہمارے تمام اہم شعبوں میں نمایاں ترقی حاصل ہوئی۔ مذکورہ سال فنانسنگ بک اور بیلنس شیٹ کے حجم میں خاطر خواہ اضافے کے لحاظ سے ایک اور کامیاب سال ثابت ہوا۔ مسلسل کامیابی اور بہترین کارکردگی اللہ سبحانہ وتعالیٰ کے فضل وکرم اور FHM کی پوری ٹیم کے مخلصانہ اور سرشار کاوشوں کی بدولت ہے۔ سال کے دوران ہماری کل ادائیگی ۲۱ء۸۵۴ ارب روپے تک پہنچ گئی جو FHM کی آپریشنل تاریخ میں ایک بار پھر سب سے زیادہ ہے۔ بیلنس شیٹ کا حجم بھی گزشتہ سال کے ۳۴ء۷۴۹ ارب روپے کے مقابلے میں ۴۱ء۲۷۷ ارب روپے تک پہنچ گیا ہے۔ ہمارا ریسورس موبلائزیشن سیگمنٹ تقریباً ۲۳ فیصد اضافے کے ساتھ ۳۳ء۱۹۳ ارب روپے تک پہنچ گیا۔ گزشتہ سال کی پالیسی ریٹس کے مقابلے میں SBP پالیسی ریٹس میں کمی کے باعث بعد از ٹیکس منافع میں معمولی کمی واقع ہوئی۔

اس سال، آپ کے مضاربہ نے درج ذیل دو اہم سنگ میل حاصل کیے۔

- سال کے دوران فنانسنگ اثاثوں کی اب تک کی سب سے زیادہ ادائیگی، جس سے اس کے ارننگ اثاثوں میں مزید اضافہ ہوا۔
- بیلنس شیٹ کا اب تک کا سب سے زیادہ حجم۔

ہماری کاروباری حکمت عملی مستحکم صارفین کے ساتھ مضبوط تعلقات قائم کرنے اور نئے معتبر اداروں کے ساتھ کاروباری تعلقات شروع کرنے پر مرکوز ہے۔ اثاثہ جات کے پورٹ فولیو میں مشینری، آلات بشمول سولر آلات اور آٹو موبائل شامل ہیں۔ سولر فنانسنگ اور الیکٹرک گاڑیاں بتدریج ہمارے اثاثہ جات کے پورٹ فولیو میں شامل ہو رہی ہیں اور ہم مذکورہ پورٹ فولیو کو گرین فنانسنگ کو ترجیح دیتے ہوئے وسعت دینے کے لیے پرعزم ہیں تاکہ اپنے ESG اپروچ کو مزید مضبوط کیا جا سکے۔

گزشتہ کئی سالوں سے، FHM پاکستان کے NBFI اور مضاربہ شعبے میں ایک معروف مضاربہ کی حیثیت سے اپنی پوزیشن برقرار رکھنے کی مسلسل کوشش کامیابی سے جاری رکھے ہوئے ہے۔ ہماری کامیابیاں مضاربہ میں اپنائے گئے مضبوط کاروباری بنیادی اصولوں اور مستقل مالیاتی انتظامی پالیسیوں کا ثبوت ہیں۔ زیر جائزہ سال کے دوران، اللہ تعالیٰ کے فضل وکرم اور FHM کی ٹیم کے ارکان کی سخت اور سرشار کاوشوں سے ہم پاکستان کے مضاربہ شعبے میں اپنی نمایاں پوزیشن برقرار رکھنے میں کامیاب رہے۔ سال کے لیے ہماری پانچ بنیادی اسٹریٹجک قراردادوں نے ہر فیصلے کی رہنمائی کی:

- پائیدار قدر کی تخلیق کو آگے بڑھانے والے فعال اسٹریٹجک اقدامات۔
- مؤثر ٹریژری ٹیم کے ذریعے مؤثر فنڈ مینجمنٹ۔
- مؤثر رسک مینجمنٹ ٹولز کے ذریعے معیاری اثاثہ جات کے پورٹ فولیو کو یقینی بنانا۔
- کلیکشن اور ریکوری سیگمنٹ پر توجہ۔
- تکنیکی ترقی کے تعاون سے آپریشنل افادیت۔

ڈائریکٹر کا انتقال اور نئی تقرری

سال کے دوران، بورڈ کے رکن جناب سید رشید اختر انتقال کر گئے۔ جناب اختر ہمارے بورڈ کے رکن تھے اور تقریباً ۸ سال تک بورڈ میں خدمات انجام دیتے رہے۔ وہ ایک حقیقی پیشہ ور، بہت خیال رکھنے والے، عاجز اور راست گو انسان تھے اور انہوں نے مضاربہ کی ترقی اور پیش رفت کے لیے بطور بورڈ ممبر نمایاں قدر کا اضافہ کیا۔ ہم ان کے لواحقین سے دلی تعزیت کا اظہار کرتے ہیں۔ اللہ تعالیٰ مرحوم کی مغفرت فرمائے اور ان کے لواحقین کو اس مشکل وقت میں ہمت اور حوصلہ عطا فرمائے۔

ڈائریکٹرز رپورٹ

مجھے بورڈ آف ڈائریکٹرز کی جانب سے ۳۰جون ۲۰۲۶ کو ختم ہونے والے سال کے لئے مضاربہ کے آڈٹ شدہ اکاؤنٹس پیش کرتے ہوئے خوشی ہو رہی ہے۔

	۲۰۲۶ (پاکستانی روپے)	۲۰۲۵ (پاکستانی روپے)
مینجمنٹ فیس سے قبل منافع	۱۴۲۶۵۳۷۲۱۳۶	۱۴۲۱۱۴۶۴۴۳۹
منافع قبل از ٹیکس اور لیوی	۱۲۷۰۹۱۷۲۵۳	۱۲۳۲۵۶۰۳۰۶
سال کا خالص منافع	۹۰۱۴۹۶۵۶۵	۷۴۷۹۲۰۴۶۸
مختص / اپراپرائیشنز		
سال کا خالص منافع	۹۰۱۴۹۶۵۶۵	۷۴۷۹۲۰۴۶۸
جمع کیا: مختص منافع کو آگے لایا گیا	۸۹۹۱۴۳۸	۱۵۶۸۳۴۴۷۳
کم:ری میژرمنٹ آف پوسٹ ریٹائرمنٹ بینیفٹ	۴۲۸۴۹۰۵	۶۴۲۱۴۶۳
مختص / اپراپرائیشن کیلئے موجود منافع	۹۰۶۲۰۳۰۹۸	۸۹۸۳۳۳۴۷۸
منافع کی تقسیم @۵.۲۲ فیصد	۲۴۹۳۶۸۶۲۵	۲۴۹۳۶۸۶۲۵
جنرل ریسورز	۵۰۰۰۰۰۰۰۰	۵۰۰۰۰۰۰۰۰
غیر مختص منافع آگے لاتے ہوئے	۱۵۶۸۳۴۴۷۳	۱۴۸۹۶۴۸۵۳

تقسیم:

بورڈ ڈائریکٹرز انتہائی مسرت سے کیش ڈیویڈنٹ @۵.۲۲ فیصد جو کہ مبلغ ۲۵.۲ روپے فی ۱۰ روپے سرٹیفکیٹ برائے اختتامی مالی سال ۳۰جون ۲۰۲۶ کا اعلان کرتے ہیں۔

معاشی جائزہ

پاکستان کی معیشت نے مالی سال ۲۰۲۵-۲۶ میں معتدل بحالی ریکارڈ کی، جس میں جی ڈی پی کی نموء۳ فیصد رہی جبکہ گزشتہ سال یہ ۲ء۳ فیصد تھی۔ مجموعی بہتری مؤثر میکرو اکنامک مینجمنٹ، بہتر مالیاتی کھاتوں اور لارج اسکیل مینوفیکچرنگ (LSM) شعبے کی نمو کی وجہ سے ہوئی۔ پورے سال کے دوران ایکسچینج ریٹ میں استحکام برقرار رہا اور آئی ایم ایف ایکسٹینڈڈ فنڈ فسیلٹی پروگرام کے تحت اصلاحات کے ایجنڈے پر عمل کیا گیا۔ حال ہی میں اسٹینڈرڈ اینڈ پورز گلوبل نے پاکستان کی طویل مدتی خودمختار کریڈٹ ریٹنگ کو '-B' سے بڑھا کر 'B' کر دیا اور مستحکم آؤٹ لک برقرار رکھا۔ ریٹنگ ایجنسی کے مطابق پاکستان نے ادارہ جاتی صلاحیت، آئی ایم ایف کی حمایت یافتہ اصلاحات پر مسلسل عملدرآمد اور بہتر مالیاتی کارکردگی کو مضبوط کیا۔ یہ اپ گریڈ پاکستان کی مضبوط کریڈٹ پوزیشن اور مشکل وقت میں اپنے بیرونی اور مالیاتی معاملات کو منظم کرنے کی صلاحیت کی عکاسی کرتا ہے۔

بیرونی محاذ پر، سال کے دوران درآمدی بل میں اضافے اور برآمدی آمدنی میں کمی کے رجحان کے باعث تجارتی خسارہ بڑھ گیا۔ کرنٹ اکاؤنٹ میں بھی گزشتہ سال کے سرپلس کے مقابلے میں معمولی خسارہ ریکارڈ کیا گیا۔ کرنٹ اکاؤنٹ کے خسارے کا بڑا حصہ بیرون ملک مقیم پاکستانیوں کی جانب سے مالی سال کے دوران ریکارڈ ترسیلات زر کی آمد سے پورا ہوا، جس میں گزشتہ سال کے مقابلے میں ۶ء۸ فیصد اضافہ ہوا۔ مذکورہ ترسیلات زر نے ملک کے زرمبادلہ کے ذخائر اور بیرونی کھاتوں کے انتظام کے لیے اہم سہارا فراہم کیا۔ افراط زر میں بھی سال کی آخری سہ ماہی میں اضافے کا رجحان دیکھا گیا اور جون ۲۰۲۶ میں یہ ۱۰ء۱۱ فیصد کی سطح تک پہنچ گیا۔

اس وقت پاکستان کی معیشت جاری امریکہ۔ ایران تنازعہ کے باعث معاشی چیلنجز سے گزر رہی ہے، جس کے نتیجے میں سپلائی چین میں رکاوٹیں اور توانائی کی بلند قیمتیں پیدا ہو رہی ہیں۔ مذکورہ تنازعہ ایک شدید جغرافیائی سیاسی دھچکے کی نمائندگی کرتا ہے جس کے معیشت اور کاروبار پر منفی اثرات مرتب ہو رہے ہیں۔ بدلتے ہوئے بحران، جس میں درآمد شدہ صنعتی خام مال کی بلند لاگت اور متاثرہ رسد، عالمی تیل اور گیس کی منڈیوں میں اتار چڑھاؤ شامل ہیں، پاکستان کے لیے نظامی معاشی جھٹکوں میں تبدیل ہو گئے ہیں۔ مذکورہ تنازعہ محض افراط زر کا جھٹکا نہیں بلکہ اگر یہ مزید طول پکڑتا ہے تو وسیع تر میکرو اکنامک بے ترتیبی اور دباؤ کا باعث بن سکتا ہے۔ حالیہ مانیٹری پالیسی اجلاسوں میں اسٹیٹ بینک آف پاکستان نے پالیسی ریٹ ۵ء۱۱ فیصد برقرار رکھا ہے۔

ORGANIZATIONAL OVERVIEW & EXTERNAL ENVIRONMENT

over Four Decades of

ORGANIZATIONAL OVERVIEW & EXTERNAL ENVIRONMENT

For over four decades, FHM’s organizational strength and external adaptability have driven its sustainable progress. Backed by solid governance and a clear strategic vision, the organization proactively navigates shifting economic, regulatory, and market landscapes—delivering long-term value and reinforcing stakeholder trust.

PRODUCT DETAIL [BCR 1.02]

Principle Business activities of the Modaraba

The principle business activities of First Habib Modaraba is to provide shariah compliant mode of financing and to make investment in shariah compliant instruments.

DIMINISHING MUSHARAKA

Diminishing Musharaka, structured on the principle of Shirkat-ul-Milk, represents a Shariah-compliant mode of financing in which the Modaraba and its client jointly participate in the ownership of a specified property or equipment. The Modaraba's share is divided into distinct units, which the client progressively purchases over the tenure of the arrangement until full ownership is transferred. This structure enables the Modaraba to earn rental income proportionate to its ownership share while simultaneously recovering a portion of its principal through periodic unit purchases by the client. Diminishing Musharaka thus offers a transparent, equitable, and interest-free financing solution, reinforcing the Modaraba's commitment to Shariah-compliant growth.

CONSUMER AUTO FINANCE

The rising cost of vehicles has rendered car ownership an increasingly onerous undertaking for prospective buyers. In light of this, FHM has developed a financing package intended to alleviate the financial burden associated with such a substantial investment. Corporate employees and self-employed individuals fulfilling FHM's requisite eligibility criteria may avail themselves of a car financing scheme structured to ensure both flexibility and affordability, thereby rendering vehicle ownership a more accessible objective.

MURABAHA

Murabaha is a sale-based financing mode where the seller discloses the cost of a commodity and the profit charged thereon. It is thus not an interest-bearing loan, but a sale of goods at an agreed profit. FHM, as seller, discloses to the client the underlying cost and profit.

SALAM

Salam is a contract of Sale where the Seller undertakes to supply some specific commodity to the Buyer at a future date in exchange for a price fully paid in advance. Amount given, as Salam cannot be called back, unlike Qard.

ISTISNA

Istisna' refers to a contract in which one party commissions another to manufacture, build, or construct a specified asset. Under this Islamic mode of financing, the manufacturer undertakes to deliver the completed asset to the customer upon its completion. This distinguishes Istisna' from a Salam contract, where full payment must be made in advance, prior to delivery of the asset.

CERTIFICATE OF INVESTMENT (MUSHARAKA)

The Certificate of Investment Scheme has been formulated in accordance with the guidelines set by the Securities and Exchange Commission of Pakistan. FHM's Certificates of Investment offer a blend of reliability, security, Shariah-compliant income, and a rewarding return on investment for our valued holders.

GEOGRAPHICAL PRESENCE [BCR 1.03]

HEAD OFFICE
6th Floor, HBZ Plaza
(Hirani Centre)
I.I. Chundrigar Road,
Karachi.
Tel : 021-32635949-51,
UAN: 111-346-346

KARACHI BRANCH:
3rd Floor, Al-Manzoor
Building,
Dr. Ziauddin Ahmed
Road. Karachi.
Tel : 021-32635949-51

LAHORE BRANCH:
1st Floor, 5-Z Block,
Phase III, Defence
Housing Authority,
Lahore.
Tel : 042-35693074-76

ISLAMABAD BRANCH:
Office No. 513, 5th Floor,
ISE Towers, Jinnah
Avenue Blue Area,
Islamabad.
Tel : 051-28994571-73

MULTAN BRANCH:
Office # 707, 7th Floor,
United Mall, Abdali
Road, Multan
Tel : 061-4500121-23

MAJOR & SIGNIFICANT EVENTS [BCR 1.16, 1.17]

MAJOR EVENTS 2025-26

QUARTER 01

- BOD meeting for the year ended June 30, 2025 held on August 7, 2025.
- PACRA maintained rating on September 19, 2025.

QUARTER 02

- On 4th December, 2025, Management Association of Pakistan (MAP) has conferred "Corporate Excellence Trophy" award to First Habib Modaraba (FHM) under the Financial Category. FHM has secured "Runner-up Position" in this category
- The joint Committee of the Institute of Chartered Accountant of Pakistan (ICAP) and Institute of Cost & Management Accountant Pakistan (ICMAP) has awarded "1st Position" in "Best Corporate Report Award to First Habib Modaraba (FHM) on annual report of 2024 within the category of NBFIs and Modaraba Sector on November 6, 2025.
- BOD meeting for quarter ended September 30, 2025 held on October 28, 2025.
- Annual review meeting held on 8 October 2025.
- Credit of final cash dividend on October 17, 2025.
- First Habib Modaraba has received Certificate of Merit for the "Best Presented Annual Report Awards 2024" by South Asian Federation of Accountants (SAFA) within the countries at SAARC level and in the category of Financial Services Sector. The award was conferred in a ceremony held in Islamabad, Pakistan on 27th November 2025.
- First Habib Modaraba received Islamic Retail Banking Award (IRBA) by Cambridge IFA, UK for the "Strongest Modaraba" within Modaraba sector of Pakistan.

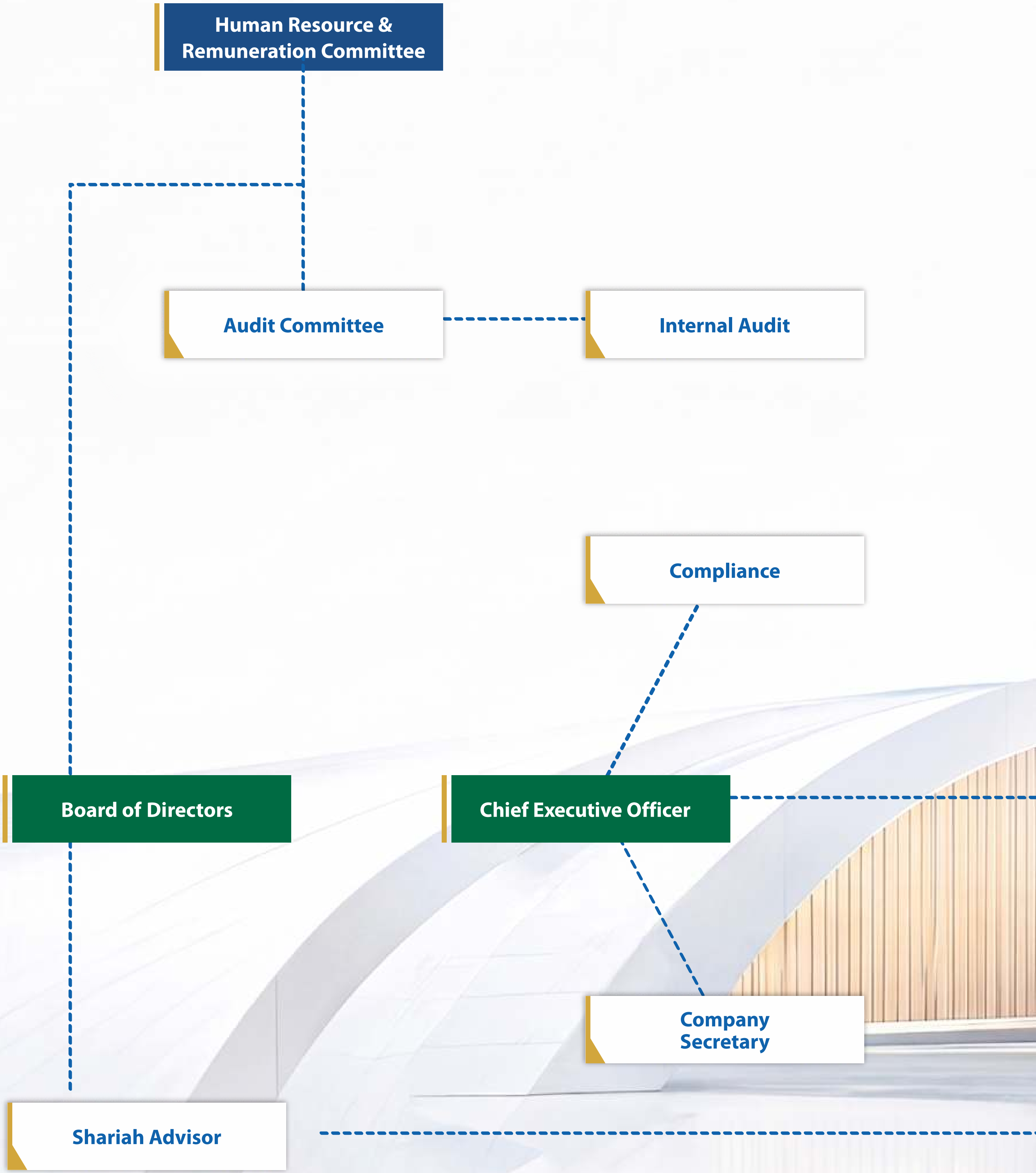
QUARTER 03

- BOD meeting for the Half year ended December 31, 2025 was held on February 16, 2026.

QUARTER 04

- BOD meeting for the quarter ended March 31, 2026 held on April 28, 2026.
- First Habib Modaraba has received 2nd Position "Best Performing Modaraba Award" from NBFI and Modaraba Association of Pakistan. The award ceremony held on June 8, 2026.

ORGANIZATIONAL STRUCTURE [BCR 1.08]



Credit Operation

Risk Management

Credit Administration

Business Development

Finance

Shariah Compliance

Legal & Recovery

Information Technology

Treasury/Investment

Human Resource & Administration

FHM VALUE CHAIN [BCR 1.11]

Being Non-Bank Islamic Financial Institutions, our all activities are routed through Shariah compliance. These activities eventually generate outcomes, creating value for our stakeholders and add back to our inputs. It is our Integrated Business Model that enables inputs as upstream through providing resources abiding with all regulations and governance. Finally, it collaborates with our business activities which provides the outputs that impacts our stakeholders and unlocks value which lead towards downstream.

UPSTREAM

INPUT

FINANCIAL CAPITAL

Equity
Deposits

INSTITUTIONAL CAPITAL

Subsidiary of Sound Bank

INTELLECTUAL CAPITAL

Well trained staff

SUPPORT FUNCTIONS

OPERATIONAL ACTIVITIES

- Efficient processes
- Effective equipment and infrastructure
- Well train human resource
- Well define guidelines and procedures
- Frequent staff training and capacity building

TECHNOLOGICAL SUPPORT

- Effective processing application
- Friendly operating system
- Increased focus on digitization
- Automation of existing manual systems
- Strong security fire wall

DOWNSTREAM

OUTPUT

CUSTOMERS' FINANCING

Fulfilled customer's financing needs

PAYMENT OF DIVIDENDS

Dividend payment to around 5,000 Certificate Holders

PROFIT DISTRIBUTION

Shariah Compliant Profit Distribution to investors

EMPLOYEE

Cordial employee engagement with utmost care and support

COMMUNITY

Spend handsome amount on CSR activities

ENVIRONMENT

Promote green financing to encourage environment protection activities

PERFORMANCE OF THE MODARABA

for the year and major improvements from last year. [BCR 1.09]

Performance of First Habib Modaraba (FHM) during the financial year 2025-26 remained satisfactory and all key targets have been achieved despite off intense geopolitical shock due to US-Iran war with far reaching economic consequences and business uncertainties.

Our total disbursement during the year touched to Rs.21.85 billion which is again the highest ever in the operational history of FHM. Size of balance sheet has also reached to Rs. 41.7 billion as compared Rs. 34.7 billion of last year. Our deposit under Certificate of Investment (Musarakah) scheme and other resource mobilization also reached to Rs.33.19 billion with a growth of 22.6%.

The key performance indicators during year 2025-26 were as follows:

20% growth in Balance Sheet size

11% growth in yearly disbursement

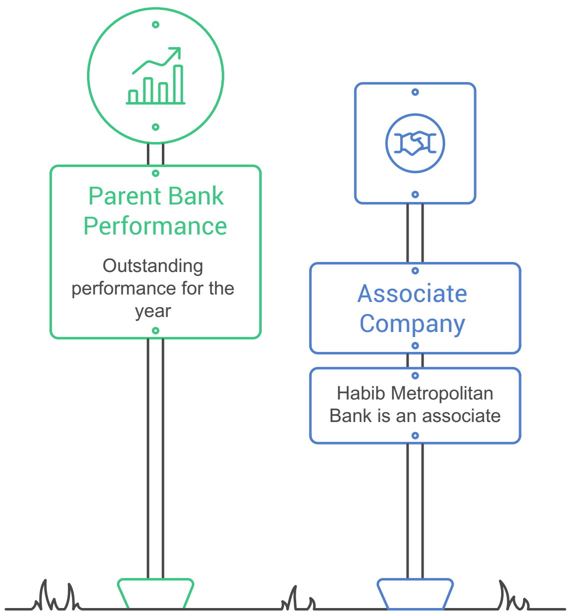
23% growth in resource mobilization including Certificate of Musharakah

23% growth in Financing Assets

PERFORMANCE OF ACTIVITIES, PRODUCTS, SERVICES, SEGMENTS OF ENTITY AND GROUP ENTITIES

[BCR 1.10]

With regard to the performance of subsidiaries, FHM does not have any subsidiaries; consequently, the performance review does not apply to the segments in question. However, the Habib Metropolitan Bank, being a parent bank is also an associate company of FHM. Regarding performance, the parent bank demonstrated outstanding performance for the year ended 31st December 2025. The size of the bank's balance sheet reached to 1,658 billion with strong profitability and handsome return to shareholders through distribution of cash dividends.



PESTEL ANALYSIS [BCR 1.12 (a)]

Pakistan's economy has achieved macroeconomic stability in outgoing fiscal year, recovering from the challenges emerged due to political instability and other global unrest in previous years. Such positive outcomes are due to political stability and improved macroeconomic indicators.

Any type of unrest on political front could impact the business and performances. However, management of FHM has been able to encounter with such challenges and align business strategy and risk management in timely manner.

Currently, the economic indicators are showing recovery with positive business sentiments.

FHM's performance is definitely linked with positive economic outlook and local & geopolitical/economic stability. Any distress situation such as high inflation, pressure on foreign exchange and high taxation can impact performance of Modaraba.

In order to mitigate such type of risk FHM has diversified customers' assets portfolio linked with quarterly review of pricing in line with prevailing rates. Effective liquidity management is also a critical task and management is always make sure for sufficient availability of liquidity across network in case of any distress situation.

As a non-banking Islamic financial institution, an increase in literacy levels and financial awareness relating to Islamic modes of finance could lead to growth of business. These changes in social behavior present a significant opportunity for the Modaraba to expand its reach and attract a wider pool of investors, driving future growth and development.

HIGH MODERATE LOW

The management places a significant amount of importance on implementing the most recent technology in order to improve the company's operations and processes. FHM makes consistent investments in cutting-edge hardware and software in order to improve its information technology infrastructure and upgrade its systems.

Because of this ongoing investment, the modaraba is able to maintain its position at the forefront of technological advancements and maintain excellent operational efficiency. The Modaraba is also excited about the prospect of working together with fintech companies and other technology-focused solution providers in order to incorporate new features into its products and processes.

As a result of the significance that is placed on environmental, social, and governance (ESG) in the modern world and part of its commitment to fostering sustainable growth, FHM is committed to proactively managing environmental factors.

Emphasis will be made to encourage ESG approach for environmental protection, increase in community support & social welfare activities, good governance through best business practices, promotes ethical behavior, building trust and transparency for long term sustainability and prudent growth.

FHM adheres to all regulatory and statutory obligations, ensuring full compliance with all the Laws, Rules and Regulations applicable on it. To support this, an independent legal department is already available within FHM. Additionally, a panel of esteemed legal counsels at different locations enrolled to effectively handle litigation cases at respective geographic locations as per need.

FHM adheres to all regulatory and statutory obligations, ensuring full compliance with all the Laws, Rules and Regulations applicable on it including Shariah governance. To support this, an independent compliance and internal audit department have been fully functional with competent resources at FHM. These departments make sure for robust compliance culture along with effective internal control to make sure better governance and fulfil all regulatory and other requirement including compliance requirements of parent bank.

The Effect of seasonality on business [BCR 1.12 (b)]

First Habib Modaraba operate in dynamic environments influenced by macroeconomic conditions, regulatory policies, and market volatility. In emerging economies like Pakistan where economic instability, inflation, and currency fluctuations are prevalent seasonality plays a significant role in shaping financial sector performance. Seasonal variations affect liquidity, credit demand, deposit inflows, and overall profitability.

Seasonality refers to periodic fluctuations in economic activity based on time-specific factors such as agricultural cycles, tax periods, and weather conditions. First Habib Modaraba has diversified portfolio and reduce over-reliance on any single sector.

THE LEGITIMATE NEEDS, INTERESTS OF KEY STAKEHOLDERS AND INDUSTRY TRENDS [BCR 1.13]

a) Legitimate needs and interest of key stakeholders.

The level of interest and engagement shown by the stakeholders can shed light on the nature and quality of the relationship that the organization has with its most important stakeholders. Additionally, the aforementioned relationship demonstrates how and to what extent the organization comprehends, takes into account, and responds to the legitimate needs and interests of the individuals involved.

The cordial and mutually beneficial relationships that FHM maintains with each and every stakeholder are always respected and valued by the company. Furthermore, we firmly believe that these relationships are of utmost significance and can impact growth momentum and long term sustainability

For detailed review of FHM's relationship towards stakeholder engagement can be seen on page No. 204 and 76 in Strategy and Resource Allocation documents.

b) Industry trends

FHM is operating in Pakistan's financial market as non-banking Islamic financial institution. The demand of Shariah compliant products and services are increasing within the country. Both Bank and Non-bank segment are catering growing demand of end user. The combined share of Islamic finance within bank and non-bank segment is ranging around 35%. Still huge market is untapped and has good potential to grow particularly in Small and Medium enterprises and also support for financial inclusion.

SWOT ANALYSIS [BCR 1.14]

STRENGTH

- Subsidiary of a reputable Bank
- Leading Modaraba within the Modaraba sector
- Highest credit rating within Modaraba sector i.e., AA+ of long term
- Strong financial position and profitability
- Sound equity base and high Capital Adequacy Ratio
- Highest market shares within Modaraba sector
- Diversified financing portfolio
- Competent & capable human resource

WEAKNESS

- Lack of availability of low cost funds
- Inadequate products of resource mobilization
- Limited branch network

OPPORTUNITY

- Growing demand of Islamic finance products.
- Increase credit demand due to low lending rates.
- Huge potential in Shariah based financing within the SME sector.
- Strong support of entire network of Habib Metro Bank.
- Avenues for digital based lending through technological advancement.

THREAT

- Rising operating cost
- Excessive taxation on businesses
- Economic uncertainty

COMPETITIVE LANDSCAPE AND MARKET POSITIONING [BCR 1.15]

Competitive Landscape:

First Habib Modaraba (FHM) is a multi-purpose modaraba floated and managed by Habib Metropolitan Modaraba Management Company (Private) Limited (the Modaraba Management Company). The Modaraba is engaged in the business of providing Islamic Financial Services and other related business. The registered office of the Modaraba is at 6th Floor HBZ Plaza, I.I. Chundrigar Road, Karachi. FHM is the largest & leading Modaraba within sector and enjoying distinct position such as:

- Highest credit rating i.e., AA+ for long term and A1+ for Short Term and maintaining it since last 18 years.
- Secured large number of awards from various national and international bodies.
- Highest in assets size in financial category modaraba.
- Highest in auto financing numbers within the modaraba sector.
- Continuous payment of dividend to certificate holders every year since 1985.

Competitors:

FHM has direct competition with 20 other Modarabas providing financial services. Moreover, Islamic banks are also offering same Islamic financial products.

Market Trends:

Modaraba consistently monitors and adapts against changes in customer preferences (e.g., financing vs. buying), regulatory developments, and emerging technologies that impact the financing activities.

Barriers to Entry:

Financial Institutions are among highly regulated sector and consider the barriers for new entrants in the financial industry, such as access to capital, regulatory compliance.

Supplier power:

Being Financial Institution, supply of money is key for smooth function and revenue generation. Modaraba tried its best to keep diversified customer base for deposit along with financing lines from Islamic Banks in order to ensure uninterrupted money supply for onward financing and investing activities to generate profit.

Customer preferences:

The Modaraba focuses on customer priorities and customize the services after assessment of customer preferences and ensure flexibility, competitive rates, quick approval processes.

Target Audience:

Modaraba's target market consist of blue-chip corporate ventures, Medium size Enterprises and salaried, self-employed and business individuals.

Value Proposition:

The Modaraba offers a quick turnaround time with competitive terms, flexible arrangements, and exceptional customer services.

Competitive analysis:

Modaraba remain engaged in continuously assessment and adjust positioning based on changes in the competitive landscape. Monitor offering from competitors, their pricing strategies, and customer feedback through consistent communication with them.

Network Strength:

FHM has a wide branch/ liaison office network serving clients throughout the Country. We are present in almost major cities of the country having branches in Karachi, Lahore, Islamabad, Multan and liaison offices in Hyderabad, Faisalabad, Gujranwala. This vast network of FHM is providing Islamic Financial Services to prospective corporate and consumer clients.

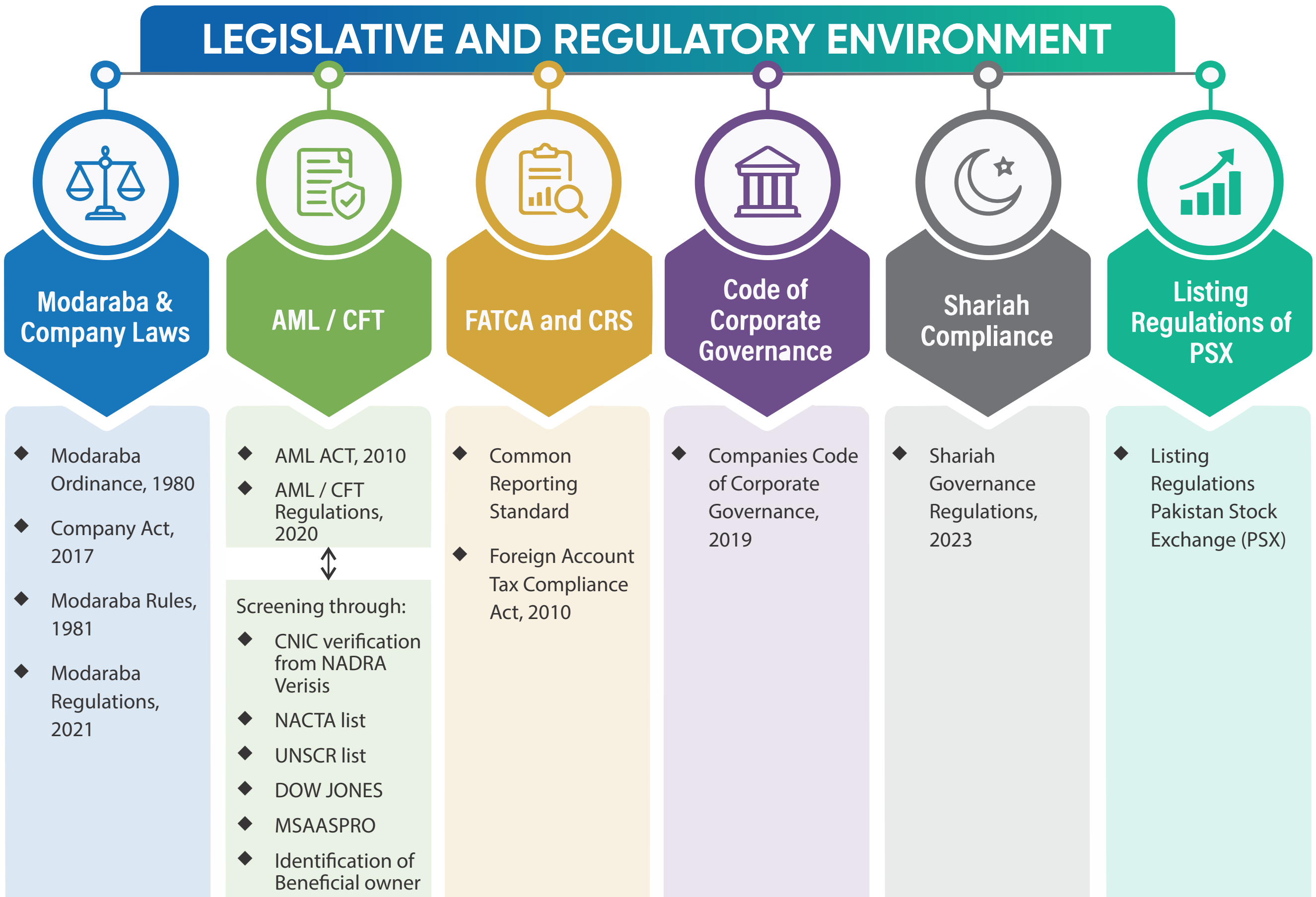
LEGISLATIVE AND REGULATORY ENVIRONMENT (BCR 1.04)

First Habib Modaraba (FHM) is a Non-Bank Islamic Financial Institution that is regulated by the Securities & Exchange Commission of Pakistan as listed entity at Pakistan Stock Exchange.

Within Islamic Financial sector Modarabas are playing a significant role in promoting of Islamic finance within the country. The concept of Modaraba was introduced in Pakistan in early 80s as the first Islamic Shariah business model with statutory framework and proper regulations. Modaraba's business model remains extremely versatile and dynamic. The Modaraba concept is derived from the Islamic traditions of trade and finance. The Modaraba Sector being the pioneer in providing Islamic financial services in Pakistan is an important segment of the financial sector. These Modarabas were not only trend setters of Islamic modes of financing in a predominant conventional financial system in Pakistan but also built confidence among the general public regarding practice of Islamic modes of financing. Modarabas are established as a well understood Sharia compliance instrument of financing in Pakistan.

Currently, approximately 20 Modarabas are in operation in the Pakistani market. These Modarabas are listed on the Pakistan Stock Exchange.

At present, Modarabas are subject to various laws and regulations, including the Modaraba Ordinance, Modaraba Rules, Modaraba Regulation, AML Regulation, and Listing Regulations. Following chart shows a comprehensive legislative and regulatory environment on Modaraba sector of Pakistan through different regulatory authorities.



FHM is dedicated to maintaining the highest standards of ethical conduct, transparency, and regulatory compliance as a responsible listed corporate entity. Our adherence to regulatory mandates and best business practices support for better performance, stakeholders' satisfaction and long term sustainability. Over the years FHM has been continuously recognizing for its satisfactory results, good corporate governance, best report culture and sound and stable credit rating. With a thrust to achieve operational excellence, FHM continue to improve operational processes, infrastructure and professional grooming of human resource in order to provide quality and reliable customer services including compliance of all regulatory and Shariah requirements.

STRATEGY AND RESOURCE ALLOCATION

over **Four** *Decades of*

STRATEGY AND RESOURCE ALLOCATION

Over four decades of prudent decision-making and sustainable growth, FHM's STRATEGY AND RESOURCE ALLOCATION have optimized financial strength, operational efficiency, and long-term value creation. Through disciplined planning and effective resource utilization, FHM continues to adapt, innovate, and achieve resilient performance in a dynamic business environment.

STRATEGY AND RESOURCE ALLOCATION [BCR 2.01]

In today's fast moving & modern world, the appropriate strategy is a designed in a way that connects available resources to our long-term goals. It requires focus view about what to do and what not to do. Strategy is a plan of actions that support to reach a targeted destination. It is a powerful tool in helping us to reach goals in line with vision and mission of our entity.

Strategic Objectives:

Short, medium and long term objectives of FHM to meet the business goals and long term sustainable progress and development are as follows:

SHORT TERM

- Digital engagement
- Grow our market share by adding new sector, cities and sound customers
- Explore digital based lending space through technological advancement
- Explore new markets for quality assets booking
- Minimize cost of doing business
- Improve operational processes for efficient delivery
- Improve market surveillance and sector update where FHM engaged in financing

MEDIUM TERM

- Further strengthen ESG segment
- Fintech support and enhancement of digital base
- Technological advancement
- New product development
- Capacity building and professional grooming of staff members
- Careful watch impact of climate change on environment and customer businesses
- Support Financial inclusion drive of government

LONG TERM

- Sustainable growth
- Maintain leading position within the Modaraba and NBFI sector
- Constantly promote good corporate governance and follow best business practices
- Maintain high ethical and professional standards and promote economically productive ethical activities
- Build a high performance culture on equality, trust and integrity with growth oriented focus

Strategies in place

As one of the leading non-banking Islamic financial institutions, our core corporate objective always drives to create value for the society at large. Our financial strength, risk management protocols, governance framework and aspirations for sustainable growth are directly attributable to a discipline that regularly brings prosperity to our all stakeholders particularly our worthy investors and customers. Ambition, discipline and corporate excellence always motivate us for even better results. It is the combination of these key elements that frame our optimistic outlook for the future as well.

Keeping in view of present positive economic scenario and political stability, we are optimistic about our further business growth in prudent and careful manner. We are confident that Insha'Allah, we will achieve our business targets with improved performance and continue to add value for our Certificate Holders and maintain our leading position within Modaraba and NBFI sector.

RESOURCE ALLOCATION PLAN [BCR 2.02]

The management of the Modaraba allocates the resources of the Modaraba in line with the core objective and approved policies and procedures. The management is committed towards achieving the strategic objectives of the Modaraba and has accordingly allocated the resources towards sound assets building under approved Islamic mode of financing for sustainable growth and profitability. The key resource allocation plans are as under:

Nature of Capital	Influencing Factors	Resource Allocation Plan
Human Capital	In prevailing situation, the most important tasks of HR department to ensure the retention of talented resource. It remains significant competitive pressures in attracting and retaining top skills.	FHM has team of professional in their related respective fields for smooth business operations. Our HR department takes utmost care to ensure that our induction strategies, training and development methodologies, compensation strategies and performance appraisal systems remain robust and in line with best practices. The management also encourage diversity to promote a diverse workforce and develop a cordial and inclusive working environment.
Financial Capital	Financial capital generates for sustainable growth and reinvestment in various segment of the organization including best return to investors. Additionally, it also capitalizes on opportunities contribute to sustaining a healthy working capital cycle.	All the financial resources of the FHM are utilized effectively and efficiently under Shariah guidelines and policies and procedures framed by the Board of Directors. These resources are greatly support for smooth business operations of the entity. The management always keeps on adding value on said resources as per changing environment.
Intellectual Capital	Enhancing ability of intellectual capital is linked to investment in skills development, promote research work and encourage technological advancement and innovation.	FHM's key intellectual capital pertains to how it continuously refines its business processes and invests in technological transformation. To become best service oriented institutions within Non-banking segment, the FHM has key focus on technological advancement through cutting-edge solutions to provide best services to customers through digital channels

Nature of Capital	Influencing Factors	Resource Allocation Plan
Natural Capital	In accordance with our ESG approach, we encourage our financial engagement with environment friendly segment.	FHM will try to decrease its carbon footprint by maintaining its movement towards systemization of back-end services, centralization of processes in certain key areas, as well as digitizing processes to place minimal burden on the environment. Reduced use of paper will be complemented with greater investment in green power for various physical locations spread throughout the country.
Manufactured Capital	In order to make sure continued easy access to reliable customer services within our operational network, it requires concentrated attention and investment in the premises, supported equipment for efficient and quick financial services.	FHM has four full-fledged branches within active cities of Pakistan i.e., Karachi, Lahore, Islamabad and Multan. Furthermore, Modaraba also has representative officer in other cities as well. These branches and representative locations are main engine of business growth.
Social and Relationship Capital and Natural Capital.	With growth of business, the engagement with all stakeholders have also enhanced manifold. The said engagement has intensified the importance for organizations to develop strong relationships with all key stakeholders for long term and sustainable growth.	FHM's business journey of 4 decades is a dedication, passion and achievement through Legacy of Trust, Integrity and Innovation. This enables the Modaraba differentiate itself as a leading entity and long lasting relationship with entire customer base and other stakeholders. FHM also holds responsibility of contributing to the overall society through support and contributions in order to make meaningful impact within the community.

KEY RESOURCES AND CAPABILITIES OF THE MODARABA WHICH PROVIDE SUSTAINABLE COMPETITIVE ADVANTAGE [BCR 2.03]

First Habib Modaraba (FHM) has completed 41 years of successful business operations within the Modaraba sector of Pakistan. Throughout FHM has maintained longstanding drive towards sustaining its position as leading Modaraba within NBFI and Modaraba sector of Pakistan. Some are the milestones which make FHM as distinct entity amongst the Modaraba sector of Pakistan: -

Strong support of parent Bank

Management Company of FHM is a wholly owned subsidiary of Habib Metropolitan Bank Limited, which has a strong support. The said association allows us to utilize branch network and offer our financial products to prospective customers. It also provides a competitive advantage to penetrate a large customer base for sound assets booking and business growth.

Long Experience within Modaraba Sector

FHM has completed over 4 decades of continuous journey of success. The accomplishment long period truly reflects FHM's dedication, passion and achievement through dedicated team efforts. With such long customer relationships that exceed beyond normal business, we have acquired the standing we possess today as most progressive Modaraba holding the loyalty and trust of thousands of stakeholders across the country.

Other advantage and Capabilities

- 41 years of successful journey of operations
- Leading Modaraba within Modaraba Sector
- Sound financial footing with strong equity structure
- Long Term AA+ Credit Rating since last consecutive 18 years
- Highest recipient of awards within Modaraba sector from various prestigious forum.
- Professional and Committed Human Capital
- Support of branch network of Habib Metropolitan Bank, being a parent body.
- Strong brand within Modaraba and Non-Bank Financial sector

VALUE CREATED BY THE BUSINESS

FHM is committed for sustainable growth by strengthening its market position and enhancing its value proposition. As our core objective, we continue to focus on expanding our market share, induction of sound customer base through new markets and cities. Furthermore, enhancing level of customer services will be our key priority. The same will be driven through with continued process of improvements, digitization, and technological advancement.

We are continuously making efforts on enhancing our capability to anticipate key trends through various stakeholder engagement programs, combined with constant reviewing of our marketing approach and operational processes to help us utilize and transform our capitals for value creation.

MODARABA'S STRATEGY ON MARKET, PRODUCTS AND SERVICE DEVELOPMENT [BCR 2.04]

At present, Pakistan's economy is navigating significant volatility due to the ongoing US-Iran conflict, which has caused disruptions in supply chain and high prices of energy. Said conflict represents an intense geopolitical shock with far-reaching economic consequences, particularly for energy importing and structurally weak economies. Pakistan's economic landscape has been going through with significant transformations in recent years with both challenges and opportunities.

By the end of FY2025-26, FHM has completed 41 years of continuous journey of success. The accomplishment of 4 decades truly reflects our dedication, passion and achievement through dedicated team efforts with strong commitment of sponsors and board of directors for progress and sustainable growth of the organization.

As one of leading non-banking Islamic financial institutions, our core corporate objective always drives to create value for the society at large. Our financial strength, risk management protocols, governance framework and aspirations for sustainable growth are directly attributable to a discipline that regularly brings prosperity to our all stakeholders particularly our worthy investors and customers. Ambition, discipline and corporate excellence always motivate us for even better results. It is the combination of these key elements that frame our optimistic outlook for the future as well.

Our business development team remained well focused to explore new markets and add sound & well reputed customers within financing portfolio. In order to grow market share, we devised following strategies for further business development.

01 We continue to focus on expanding our market share, induction of sound customer base through new markets and cities.

02 Enhance level of customer services with continued process of improvements, digitization, and technological advancement.

03 Further strengthening effective risk management process across all levels of operations including Shariah governance.

04 Further enhance customer relationship management and state of art services.

05 Enhance credit processing tools.

06 Emphasis will be made to encourage our ESG approach for environmental protection.

07 Increase in community support & social welfare activities.

> **OUR COMMITMENT TO GROWTH,** INNOVATION AND SUSTAINABLE VALUE DRIVES EVERY STRATEGY WE PURSUE.

Keeping in view the above, FHM, will continue to follow a strategy of Prudent Growth with Risk Discipline. The focus will remain on protecting asset quality, diversifying funding sources, leveraging digital capabilities, and expanding in segments with stable cash flows. With a strong equity base and sound capital adequacy ratio, experienced management, and commitment to Shariah principles, the Company is well-positioned to manage challenges and deliver sustainable returns to its certificate holders.

THE EFFECTS OF THE GIVEN FACTORS ON THE COMPANY STRATEGY AND RESOURCE ALLOCATION: [BCR 2.05]

Technological Changes

Digital Transformation

Technological changes play a pivotal role in shaping strategy and resource allocation. With rapid digital transformation & automation.

Commitment to ESG Excellence

At FHM, we recognize the critical role of Environmental, Social, and Governance (ESG) principles in shaping a sustainable future. Our strategy integrates proactive measures to minimize environmental impact, foster social equity, and uphold strong governance.

Environmental Stewardship

We are accelerating our transition to a paperless ecosystem, reducing deforestation, lowering carbon emissions, and enhancing efficiency through seamless digital document management.

Social Responsibility

Through targeted community outreach, employee welfare and support programs, and initiatives promoting diversity and inclusion, we strive to create meaningful societal impact. Our commitment extends to philanthropic efforts that support underserved communities.

Sustainable Growth

Embedding ESG into our core business strategy ensures long-term resilience, stakeholder trust, and alignment with evolving customer expectations. We are dedicated to continuous improvement, transparent reporting, and measurable progress in our sustainability journey.

Sustainability Reporting Challenges

Navigating a complex operational landscape, the Modaraba has embedded sustainability at the core of its strategy, fostering innovation, collaboration, and incremental yet impactful sustainable initiatives to drive long-term growth.

By capitalizing on emerging opportunities, we continue to demonstrate that resilience and strategic focus can turn challenges into catalysts for progress.

Moving forward, FHM is dedicated to advancing sustainable practices, promoting innovation, and strengthening partnerships to overcome operational hurdles while delivering lasting value to our stakeholders.

Initiatives undertaken by the Modaraba to promote and enable innovation:

FHM prioritize investments in IT infrastructure, data security, and automation to stay competitive. FHM also reallocate budgets toward digital platforms, application development, and business intelligence solutions to strengthen operational efficiency and support informed decision-making. Ultimately, technology drives FHM to align its strategies with innovation, efficiency, and long-term sustainability.

Key Resource Constraints

Skilled Workforce scarcity specially towards AI, and data analytics experts remain key challenge. However, FHM is committed to investing in resource-efficient technologies and upskilling our workforce to enhance productivity and operational efficiency.

KEY PERFORMANCE INDICATORS [BCR 2.06]

In today's fast moving & modern world, the appropriate strategy is a designed in a way that connects available resources to our long-term goals. It requires focus view about what to do and what not to do. Strategy is a plan of actions that support to reach a targeted destination. It is a powerful tool in helping us to reach goals in line with vision and mission of our entity.

We rigorously evaluate our strategic objectives to ensure their alignment and linkages with prevailing economic conditions at national and global levels. In order to achieve our goal in line with our business strategy we always emphasis on our KPIs remain relevant for sustainable growth and progress.

Performance of First Habib Modaraba (FHM) during the financial year 2025-26 remained remarkable and all key targets have not only been achieved but also increased with good margins. We must say that again above year proved as one of the best and exceptional years in the operational history of FHM in terms of performance, disbursement, profitability and overall business growth.

The key performance indicators during the year 2025-26 were as follows:

20%
growth in Balance Sheet size.

11%
growth in annual disbursement.

23%
growth in resource mobilization including Certificate of Musharaka.

23%
growth in financing portfolio.

Strategic Objectives	Strategies to meeting objectives	KPI	Future relevance
To increase market share	Increase market outreach, expand business promotion sales force and quality customers within the financing portfolio	Balance sheet growth	
To make sure of strong Shariah governance	Continuous training for staff members and through other relevant training centers	Sound Shariah Compliance Culture	The KPI shall remain relevant in future
To maintain strong Capital Adequacy Ratio (CAR)	Through better profits and reserve building	Strong equity base (As on June 30, 2026 our CAR was 16%)	The KPI shall remain relevant in future
Good quality financing assets portfolio	Add quality financing assets through strong credit appraisal and robust proposals evaluation criteria	Low infected financing assets portfolio	The KPI shall remain relevant in future
To maintain strong equity base	Healthy profits and good retentions support for strong equity base	Strong equity base	The KPI shall remain relevant in future
"To make FHM a profitable venture"	Channelize resources in profitable segments for better and long term earnings.	Sound profits every year	The KPI shall remain relevant in future

Strategic Objectives	Strategies to meeting objectives	KPI	Future relevance
Sound credit ratings	"Follow good governance and best business practices, built sound assets quality, better profitability, strong internal control and compliance culture"	Maintaining rating scales of AA+ for long term and A1+ for short term for past 18 years.	The KPI shall remain relevant in future
To give best return to investors.	"Sound profitability to best return in shapes dividends to Modaraba Certificate Holders"	Declared cash dividend of 22.5%	The KPI shall remain relevant in future

Strategies to be followed to further strengthen key performance indicators in the year 2026-27

- Concentrate on cost effective resource mobilization to support financing portfolio.
- We keep on focusing expanding our market share, induction of sound customer base through new markets and cities.
- Enhance level of customer services with continued process of improvements, digitization, and technological advancement.
- Further strengthening effective risk management process across all levels of operations including Shariah governance.
- Further enhance customer relationship management and state of art services.
- Emphasis will be made to encourage our ESG approach for environmental protection.
- Increase in community support & social welfare activities.

Methods and assumptions used in compiling the indicators

Following assumptions/estimates have been used in compiling the indicators:

- Economic review and business forecast at country level
- Expected future business growth and opportunities.
- Historical experience and various other factors that are believed to be reasonable under the circumstances.
- Research from different counters
- External factors affecting energy cost and other prices.

The estimates and assumptions are reviewed on an ongoing basis and the revision is recognized in the period in which the estimates are revised. Though our statements are reasonable assumptions and expectations based on current data, they are not intended to be a guarantee of future results especially under the present challenging situation particularly with continuous re-occurrence of pandemic and its impact on business and economy.

Changes in performance indicators

Performance indicators and measures can be changed in coming years due to certain force majeure impacts which has already discussed in forward looking statement.

LINKAGE OF STRATEGIC OBJECTIVES WITH MISSION, VISION AND CORE VALUES [BCR 2.07]

First Habib Modaraba has completed 41 years of successful business operation. Throughout FHM has maintained longstanding drive towards sustaining its position as leading Modaraba within NBFI and Modaraba sector of Pakistan.

Our Vision

To be the leading Islamic Financial Institution within Modaraba sector by providing the best innovative Shari'ah Compliant financial solutions at maximum satisfaction of customers."

Alhamdulillah, as per Vision, we are maintaining our leading position within the Modaraba sector since several years by securing significant market share within Modaraba and NBFI Sector of Pakistan. With each passing year, we continue to expand and enhance our business outreach by following our Vision to be a leading Islamic Financial Institution within the Modaraba sector.

Our Mission

An institution built on Trust, Integrity, Good Governance with Commitment to add value to all stakeholders through an effective human resource management in a modern and progressive organizational culture, maintaining high ethical and professional standards".

In accordance with our Mission to grow our institutions with Trust, Integrity and Good Governance, it is well reflected in journey of 41 years of dedication, passion, and achievements as most trusted and reliable financial institutions. Our commitment to excellence has enabled us to navigate challenges, seize opportunities, and achieve remarkable success.

Our commitment to enhance value for our stakeholders, driven through resilience of our business model and determination of our team members made us sound and leading Modaraba within the Modaraba sector. The Relationships that exceed beyond normal business this is how we have acquired the standing we possess today as most progressive Modaraba holding the loyalty and trust of thousands of stakeholders across the country.

Our core values are also well reflected with its strategic alignment with our operational journey. Our core values are:

We believe that our strength is surrounded with our core values with solid foundation of the institution. This strength has been tested from time to time in extreme challenging business scenarios. The Relationships that exceed beyond normal business this is how we have acquired the standing we possess today as most progressive Modaraba holding the loyalty and trust of thousands of stakeholders across the country. Our achievements are evidence to the solid business fundamentals with commitment, responsibility and excellent team work which have FHM as most respected and financially sound Modaraba within the non-banking sector.

BOARD'S STATEMENT ON THE

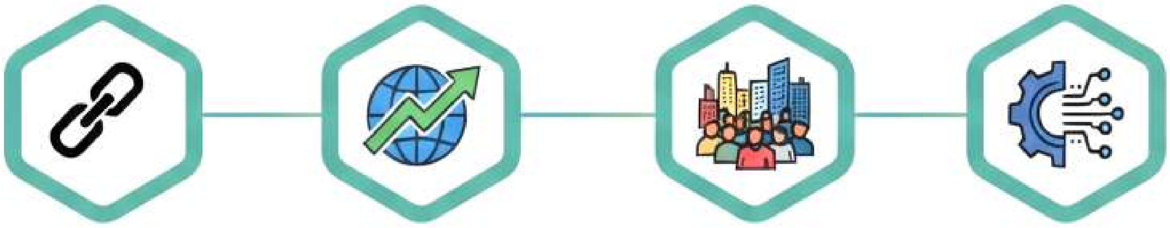
INTERNAL CONTROLS INCLUDING IT CONTROLS OF THE COMPANY [BCR 2.08]

The Board affirms that the FHM has established internal controls mechanism, including IT controls, to ensure operational integrity and compliance. These controls are subject to periodic review and testing to ensure their continued effectiveness in addressing emerging threats, evolving risk landscapes, and both internal and external regulatory requirements. The SSD supports secure data handling and access management. The Board remains committed to strengthening these controls to safeguard assets and uphold stakeholder trust.

BOARD'S STATEMENT [BCR 2.09]

Significant Plans and Decisions

The FHM currently has no plans for corporate restructuring or discontinuation of any business operations. However, for business expansion, the management will follow business strategy as elaborated in our director's report and maintained our growth momentum through expanding market share, induction of sound customer base through new markets and cities. Furthermore, enhancing level of customer services will be our key priority. The same will be drive through with continued process of improvements, digitization, and technological advancement.



NO RESTRUCTURING

No plans for corporate restructuring or discontinuing operations.

STRATEGIC GROWTH

Following director's report for expansion and momentum.

MARKET EXPANSION

Expanding market share and new customer bases in new markets & cities.

DIGITIZATION & SERVICE

Enhancing customer service priority through digitization and tech advancement

Significant Change in Objectives and Strategies

There is no material change in FHM's objectives and strategies from the prior years.

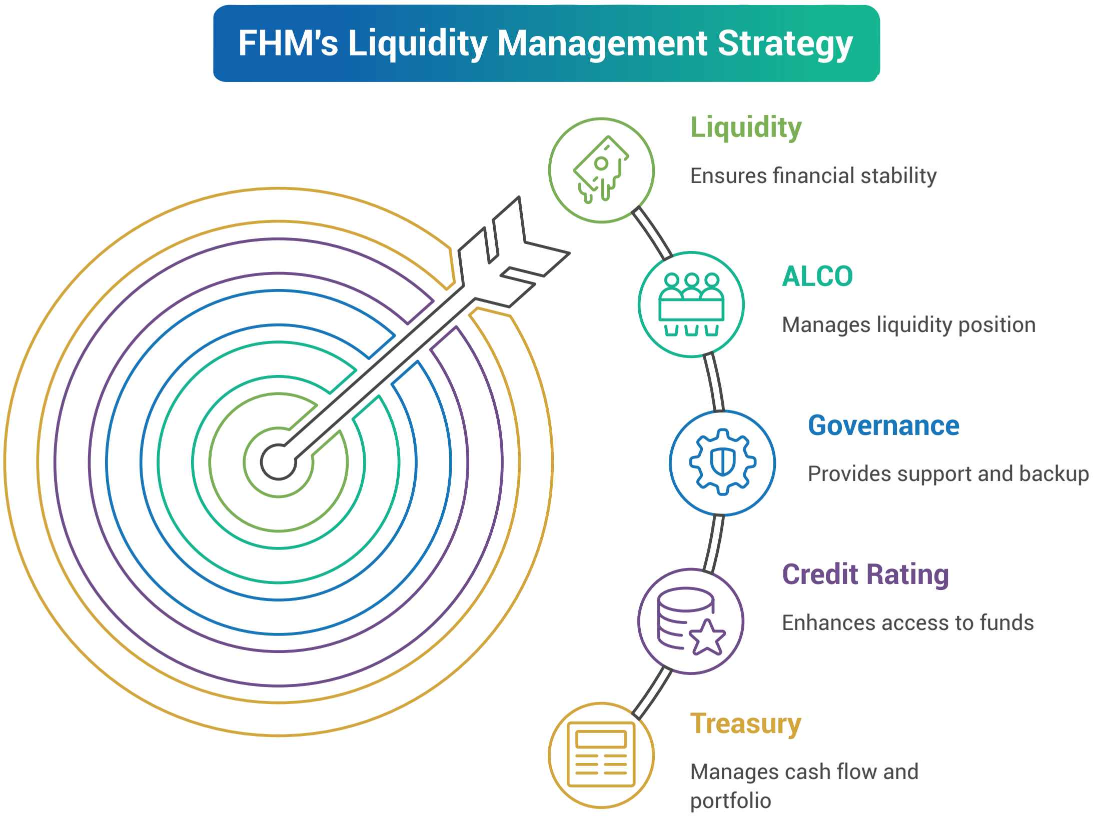
INFORMATION ABOUT DEFAULTS IN PAYMENT OF ANY DEBT [BCR 2.10 (a)]

By the grace of Allah (SWT) there is no delay in the performance of FHM's financial obligations of any Bank/FI & payment of Certificate of Investment (Musharaka) and always redeemed/paid on time.

BOARD STRATEGY TO OVERCOME LIQUIDITY PROBLEM [BCR 2.10 (b)]

The balance sheet size of FHM surpassed at Rs.41.73 billion marked a milestone and we are proud to see our resource mobilization segment touching to Rs.33.19 billion. The Assets Liability Management Committee (ALCO) plays a crucial role in formulating and managing the overall liquidity position at FHM. Our governance structure ensures that we can provide continuous support for business requirements and have backup arrangements available to avoid any unexpected liquidity issues.

Due to sound credit rating of AA+, generally FHM does not have challenges of liquidity management even in any economical distress situation. The management always strive to maintain reasonable liquidity within the system, as was demonstrated during the challenging period of FY 2025-26.



The Modaraba's Asset and Liability Committee (ALCO) consistently monitors the liquidity position, taking necessary measures and maintaining sufficient liquidity to address any adverse cash flow maturity profiles.

Our treasury department has effectively managed liquidity concerns within our system, ensuring ample liquidity is available across our network in case of any sudden or unplanned withdrawals. Our treasury department has also recently added reputable corporate entities and mutual funds to our portfolio to ensure consistent funds flow from various sources. Additionally, we have secured credit lines through Shariah-compliant financing from different Islamic banks/windows, allowing us to diversify our resource mobilization segments.

The ALCO committee holds regular meetings to review the assets-liability matching profile, including future funding needs, withdrawals of placements in COIs, and any adverse changes in money and liquidity markets through Islamic banks.

RISK & OPPORTUNITIES

over Four Decades of

RISK & OPPORTUNITIES

Over four decades of prudent governance and disciplined decision-making, FHM has transformed RISK & OPPORTUNITIES into drivers of resilience and sustainable growth. Through proactive risk management, strategic foresight, and innovation, FHM continues creating long-term value while adapting to an evolving financial landscape.

RISK MANAGEMENT FRAMEWORK STAGES (METHODOLOGY) [BCR 3.03]

Risk Management Stage	Objective	Key Activities	Output / Responsibility
1. Risk Identification	Ongoing & forward-looking process to identify existing and emerging risks arising from: • Internal operations & processes • Market conditions & regulatory changes • Emerging threats (e.g., cyber, ESG, geopolitical)	• Identify strategic, operational, financial, compliance and reputational risks. • Assess internal and external environment. • Review regulatory, market and business developments.	Updated Risk Register prepared by Management and reviewed periodically.
2. Risk Assessment & Evaluation	Assess the significance of identified risks.	• Evaluate likelihood and impact using qualitative and quantitative assessment. • Assess risks against Board-approved Risk Appetite. • Prioritize risks based on severity.	Risk Profile highlighting High, Medium and Low risks for management attention.
3. Risk Mitigation & Control	Targeted, cost-effective controls including: • Internal controls & policies • Diversification & concentration risk management • Business continuity & contingency plans • Risk acceptance process for residual risks	• Design and implement internal controls. • Develop mitigation plans and assign ownership. • Establish business continuity and contingency measures. • Monitor implementation of corrective actions.	Residual risks maintained within approved tolerance levels.
4. Risk Monitoring & Reporting	Monitor risk exposure and report significant developments. • Dashboards & Key Risk Indicators (KRIs) • Regular reporting to Board & Management	• Monitor Key Risk Indicators (KRIs). • Track implementation of mitigation plans. • Report significant risks and exceptions to Management. • Review effectiveness of controls on a periodic basis.	Periodic Risk Reports, Risk Dashboard and Management/Board oversight.
5. Risk Governance & Continuous Improvement	Strengthen the effectiveness of the Risk Management Framework. Three Lines of Defence model : • 1st Line: Business units own risk management • 2nd Line: Independent Compliance oversight • 3rd Line: Internal Audit assurance	• Periodic review of policies and framework. • Internal Audit validation. • Incorporate regulatory changes and best practices. • Enhance controls, systems and staff awareness.	Continuous improvement of the Enterprise Risk Management (ERM) Framework. • % of audit findings closed on time

KEY RISK & OPPORTUNITIES AND SPECIFIC STEPS TO MITIGATE THE RISK [3.01, 3.04]

Risks along with its mitigating measures, source, likelihood, magnitude and their impact on capital are described below:

1 CREDIT RISK

Source: EXTERNAL

RISK IDENTIFIED	MITIGATING TECHNIQUES	
Possibility of financial loss due to default or deterioration in an obligor's creditworthiness and failure to meet contractual payment commitments.	Managed by the Credit function through macroeconomic trend monitoring, regulatory developments, and robust scoring tools using quantitative/qualitative factors, enhanced by required judgment to ensure incorporation of ground realities.	**LIKELIHOOD** MEDIUM **MAGNITUDE** HIGH **IMPACTED CAPITAL** Financial

2 LIQUIDITY RISK

Source: EXTERNAL

RISK IDENTIFIED	MITIGATING TECHNIQUES	
The potential inability to meet financial obligations as they fall due, or doing so only at an unfavorable, unacceptable cost.	Managed by Treasury via continuous liquidity monitoring, optimized funding lines, and a diversified funding mix (core equity, Musharaka certificates, and Shariah compliant Bank's credit lines).	**LIKELIHOOD** MEDIUM **MAGNITUDE** HIGH **IMPACTED CAPITAL** Internal/External

3 MARKET RISK

Source: EXTERNAL

RISK IDENTIFIED	MITIGATING TECHNIQUES	
Adverse movements in market variables (primarily Policy Rates) affecting profitability and economic value from financing/investment activities.	Overseen by the Asset & Liability Committee (ALCO). Employs a natural hedge via floating-rate financing book and active benchmark rate management.	**LIKELIHOOD** MEDIUM **MAGNITUDE** HIGH **IMPACTED CAPITAL** Financial

4 OPERATIONAL RISK

Source: INTERNAL/EXTERNAL

RISK IDENTIFIED	MITIGATING TECHNIQUES	
Potential loss resulting from inadequate internal processes, people, technology, infrastructure, or external events.	Mitigation is anchored in Risk and Control Self-Assessment (RCSA) exercises, Key Risk Indicators (KRIs) monitoring, and automated built-in controls within the core FHM system.	**LIKELIHOOD** LOW **MAGNITUDE** MEDIUM **IMPACTED CAPITAL** Financial, Intellectual & Reputational

5 REGULATORY & COMPLIANCE RISK

Source: INTERNAL

RISK IDENTIFIED	MITIGATING TECHNIQUES	
Risk of financial loss, legal sanctions, or reputational damage arising from non-compliance with applicable laws and directives.	Governed by a dedicated compliance function, internal audits, and Board reporting. Enhanced by real-time, cross-functional compliance check-ins and interactive sessions.	**LIKELIHOOD** MEDIUM **MAGNITUDE** HIGH **IMPACTED CAPITAL** Financial & Reputational

6 REPUTATIONAL RISK

Source: EXTERNAL

RISK IDENTIFIED	MITIGATING TECHNIQUES	
Potential decline in profits, capital erosion, or loss of stakeholder trust due to operational failures, non-compliance, or negative public perception.	Managed via continuous stakeholder engagement, swift incident response protocols, transparent communication, and alignment with strict ethical standards.	**LIKELIHOOD** LOW **MAGNITUDE** HIGH **IMPACTED CAPITAL** Reputational

7 TECHNOLOGICAL RISK

Source: INTERNAL / EXTERNAL

RISK IDENTIFIED	MITIGATING TECHNIQUES	
Potential loss or operational disruption due to errors or failures in technology systems, infrastructure, or processes.	Mitigated via advanced firewalls, regular penetration testing, independent IT audits, and mandatory cybersecurity training acting as a first line of defense.	**LIKELIHOOD** MEDIUM **MAGNITUDE** MEDIUM **IMPACTED CAPITAL** Financial & Intellectual

8 SHARIAH GOVERNANCE RISK

Source: INTERNAL / EXTERNAL

RISK IDENTIFIED	MITIGATING TECHNIQUES	
Risk of Shariah non-compliance as well as may lead to financial repercussions or trust deficit from failing to operate according to Islamic Shariah principles prescribed by the SECP and Shariah Advisor.	Dedicated full time Shairah compliance desk who regular monitor and review all functions and make sure of frequent Shariah training for team members. Besides, Shariah advisor also engage to periodical review of entire functions and annual Shariah audit by independent external audit firm.	**LIKELIHOOD** MEDIUM **MAGNITUDE** HIGH **IMPACTED CAPITAL** Financial & Reputational

9 CLIMATE RISK

Source: INTERNAL / EXTERNAL

RISK IDENTIFIED	MITIGATING TECHNIQUES	
Vulnerabilities from physical asset losses or disruptions due to weather disasters, and transition risks to a lower-carbon economy affecting financing assets.	Mitigated by offering Shariah-compliant renewable energy (solar) financing, implementing paperless digital operations, and executing CSR initiatives.	**LIKELIHOOD** MEDIUM **MAGNITUDE** MEDIUM **IMPACTED CAPITAL** Natural and Social Capital

Opportunities

These opportunities are intrinsically linked to the mitigation of our key risks and are aligned with our corporate objectives. In the context of Pakistan's challenging yet evolving economic environment characterized by high inflation, monetary policy adjustments, and a focus on fiscal consolidation under the IMF program, these opportunities are designed to not only safeguard the Modaraba's stability but also to drive sustainable, scalable growth.

CREDIT RISK

ASSOCIATED OBJECTIVES

To safeguard asset quality through prudent financing decisions, robust credit appraisal, comprehensive due diligence and continuous portfolio monitoring, while maintaining an appropriate balance between growth, profitability and risk.

OPPORTUNITY

Our disciplined credit risk management framework serves as a strategic enabler for growth and stability in Pakistan's current economic climate. The Modaraba can leverage enhanced credit analytics, customer segmentation, internal rating/scoring models, early warning indicators and portfolio level data analytics to strengthen underwriting and identify emerging stress at an early stage.

This approach not only improves portfolio yields and mitigates concentration risk but also strengthens our long-term asset performance. In an environment where many institutions are contracting credit, our prudent stance builds a reputation for resilience. This deepens trust with depositors, financiers, and regulators, and creates a sustainable foundation for scalable, profitable growth in Pakistan's dynamic financial landscape.

LIQUIDITY RISK

ASSOCIATED OBJECTIVES

To maintain adequate liquidity buffers and diversified funding sources, ensuring the Modaraba can efficiently meet its financial obligations and support business growth under both normal and stressed market conditions.

OPPORTUNITY

Effective liquidity risk management provides an opportunity to enhance financial resilience and optimise the cost and tenor of funding. By maintaining a robust liquidity buffer and diversifying funding sources including stable deposits and strategic lines from Islamic financial institutions we ensure operational agility.

In an environment of geopolitical uncertainty, volatile energy prices and potentially tighter global financial conditions, robust liquidity forecasting, stress testing and contingency funding arrangements can enable the Modaraba to respond quickly to market dislocations and selectively capture attractive financing opportunities. This prudent approach not only guarantees our ability to meet obligations but also positions us to seize market opportunities when competitors face liquidity constraints. It supports competitive pricing for our financing products, fosters regulatory confidence, and sustains long-term growth.

MARKET RISK

ASSOCIATED OBJECTIVES

To proactively manage exposure to changes in benchmark profit rates and market conditions through effective monitoring, stress testing, and alignment of asset-liability re pricing, thereby protecting margins and ensuring financial stability.

OPPORTUNITY

Volatility in benchmark profit rates creates an opportunity for the Modaraba to strengthen its asset liability management and optimise the pricing of financing and funding products. Active monitoring of re pricing gaps, and scenario analysis enables management to respond promptly to changes in market conditions while maintaining competitive customer pricing.

Given the potential for continued volatility arising from inflation, energy prices, geopolitical developments and global financial conditions, our sophisticated asset liability management allows us to anticipate and adapt to changes, unlocking avenues for sustainable growth.

This financial stability strengthens investor confidence and reinforces the Modaraba’s role as a resilient leader in the Modaraba sector, capable of delivering consistent returns despite market headwinds.

TECHNOLOGICAL RISK

ASSOCIATED OBJECTIVES	OPPORTUNITY
To ensure the reliability, security, and efficiency of the Modaraba's technology infrastructure by adopting robust IT governance, strengthening cybersecurity measures, investing in system resilience, and promoting innovation, thereby enabling seamless operations and safeguarding stakeholder interests in a rapidly evolving digital landscape.	Technological change presents a significant opportunity to transform the Modaraba's operating model, improve customer experience and enhance risk management. The Modaraba is progressively leveraging system based controls, credit scoring, automated validation, digital customer interaction and real time management dashboards, digital workflows, data analytics, automation and emerging technologies, including appropriate and controlled applications of artificial intelligence, improve processing efficiency and strengthen management information. By proactively addressing technological vulnerabilities through advanced cybersecurity, strong data protection protocols, and continuous system upgrades, the Modaraba builds a secure and agile digital infrastructure. Embracing technology is not merely a risk mitigation tactic; it is a strategic imperative. Accordingly, technological risk is being viewed not only as a control consideration but also as an enabler of innovation, scalability and competitive differentiation.

OPERATIONAL RISK

ASSOCIATED OBJECTIVES	OPPORTUNITY
To minimise the likelihood and impact of losses arising from inadequate or failed processes, systems, human error or external events by strengthening internal controls, process efficiency, technology adoption, business continuity and accountability across the organisation.	A strong operational risk management framework provides an opportunity to simplify processes, reduce turnaround time, improve service quality and achieve sustainable cost efficiencies. The Modaraba is pursuing greater automation and system based controls to minimise manual errors, strengthen maker checker controls, improve data integrity and enhance process transparency. These improvements strengthen our internal control environment, enhance our reputation, and increase stakeholder trust. This commitment to operational excellence positions us as a modern, secure, and customer-focused institution, capable of scaling operations efficiently and maintaining a competitive edge in Pakistan's evolving Islamic financial landscape.

REGULATORY & COMPLIANCE RISK

ASSOCIATED OBJECTIVES	OPPORTUNITY
To maintain full compliance with applicable laws, regulations, regulatory directives and Shariah requirements by maintaining an effective compliance framework, promoting ethical conduct and proactively responding to regulatory developments.	A proactive compliance culture provides an opportunity to strengthen the Modaraba's reputation for transparency, integrity and responsible Islamic financial intermediation. Continuous monitoring of regulatory developments relating to digitalisation, AML/CFT, corporate governance, climate-related risks and financial reporting enables the Modaraba to adapt its products, processes and systems in a timely manner and to embed regulatory and Shariah requirements into business processes rather than treating compliance solely as a control function. By embedding compliance into our culture and operations, the Modaraba mitigates risk and unlocks opportunities for growth, differentiation, and long-term resilience in Pakistan's dynamic Islamic finance sector. This is a key pillar of our governance and strategic credibility.

REPUTATIONAL RISK

ASSOCIATED OBJECTIVES	OPPORTUNITY
To protect and enhance the Modaraba's reputation through ethical conduct, Shariah compliance, transparency, responsible business practices, quality customer service and timely resolution of stakeholder concerns.	By consistently upholding Shariah compliance, good governance, integrity, and transparency, the Modaraba differentiates itself as a responsible and trustworthy Islamic financial institution. This approach is fundamental to mitigating reputational risk and is a powerful driver of competitive advantage. In the current environment where trust is paramount, a strong reputation enhances the confidence of investors, depositors, and regulators.

SOURCES OF RISKS AND OPPORTUNITIES (INTERNAL AND EXTERNAL) (BCR 3.01)

The Modaraba's Commitment to Sustainable Growth

The Modaraba's commitment to sustainable growth is underpinned by a sophisticated risk management strategy, seamlessly integrated with our corporate governance and enterprise risk management framework. This systematic approach empowers us to anticipate challenges, capitalize on opportunities, and protect investor capital. By fostering a culture of informed risk-awareness, we ensure the resilience necessary to deliver enduring value to all stakeholders.

Risk Management: Foundation for Resilience and Sustainable Growth

At the Board level, risk management is embedded within a structured governance and management framework. The Board of Directors is responsible for the governance of risk, determining the company's level of risk tolerance, and review mechanism to ensure that management maintains a sound system of risk identification, risk management, and related systemic and internal controls. This system is reinforced by advanced information systems and comprehensive policies, which collectively ensure the proactive identification, assessment, and mitigation of risk.

The Modaraba maintains compliance with all rules, regulations, and guidelines prescribed by the regulatory body(ies). By this way, the Modaraba enhances operational transparency and strengthens our structured, forward-looking approach to risk.

A central pillar of our framework is its emphasis on effective inter-departmental communication and collaboration. Seamless coordination among revenue generating units, control functions, support teams, specialized committees, and senior management fosters a deeply ingrained, risk aware culture. This process ensures the real time identification and assessment of risks, enabling decisions that are strategically aligned, well-informed, and responsive to evolving market dynamics.

Risk Categories and Mitigation Approach

Operating within dynamic financial markets, the Modaraba navigates a diverse spectrum of risks. Internally, these include operational inadequacies, compliance deviations, and technology related emerging threats. Externally, we monitor market volatility, economic cycles, environmental changes, regulatory updates, and geopolitical developments. Our approach to mitigating these risks is built into our daily rhythm and is directly linked to our strategic objectives .

Management doesn't just review formal reports; they're constantly checking the vital signs of the business through live data feeds and having informal huddles to discuss potential challenges. Strategic plans are routinely subjected to rigorous challenge and scenario analysis in executive sessions. This process of deliberate contingency planning is designed to mitigate operational surprise and fortify our strategic position against volatility. This vigilant approach allows us to anticipate potential disruptions and take proactive measures to protect the interests of our investors and stakeholders

Monitoring and Continuous Improvement

Our commitment to robust risk management is further demonstrated through the ongoing enhancement of our mitigation strategies. The annual comprehensive review and update of the Risk & Control Self-Assessment (RCSA) by all stakeholders, supported by the monthly monitoring of Key Risk Indicators (KRIs), form the cornerstone of our mitigation framework. These disciplined practices ensure the early identification of emerging risks and the prompt implementation of corrective measures. Critical performance measures and indicators used to track performance against stated objectives are regularly reviewed to ensure continued relevance

Forward-Looking Statement

FHM recognises that an effective risk management framework must evolve with changes in its business model and operating environment. Accordingly, the Modaraba continues to enhance its risk management practices through strengthening policies and procedures, improving management information and enhancing system-based controls, refining risk indicators and developing greater risk awareness across the organisation.

The combined application of Board oversight, management accountability, risk assessment, RCSA, KRI monitoring, internal controls and regulatory compliance provides FHM with a structured mechanism to manage uncertainty while pursuing its strategic objectives.

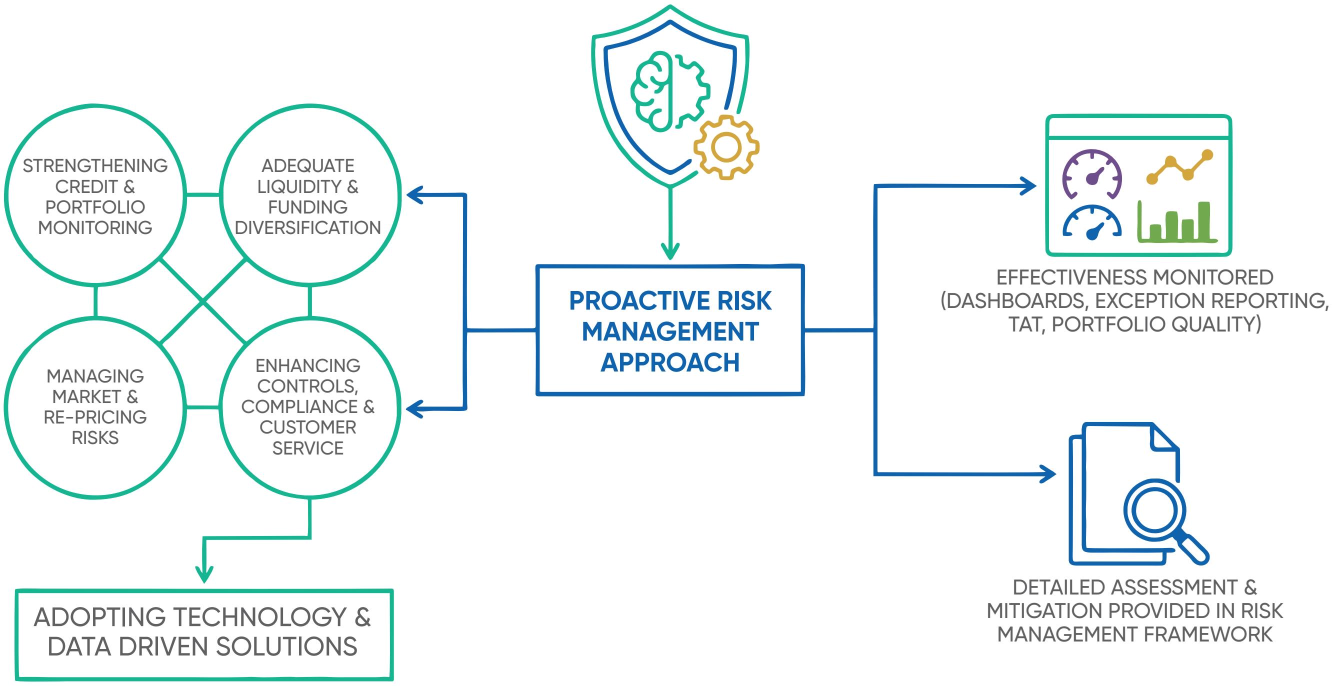
Through this integrated approach, risk management serves not only as a mechanism for protecting the Modaraba's assets and stakeholders, but also as an important enabler of resilience, informed strategic decision-making and sustainable value creation.

SPECIFIC STEPS TO MITIGATE
KEY RISKS & CREATE VALUE [BCR 3.04]

First Habib Modaraba (FHM) maintains a proactive risk management approach designed not only to mitigate material risks but also to identify opportunities for sustainable value creation. The approach is embedded in the Modaraba's strategic planning, risk management policies, operating procedures and performance monitoring mechanisms.

Specific measures include strengthening credit underwriting and portfolio monitoring, maintaining adequate liquidity and funding diversification, actively managing market and re pricing risks, enhancing internal controls, strengthening regulatory and Shariah compliance, improving customer service, and progressively adopting technology and data driven solutions.

The effectiveness of these measures is monitored through dashboards, exception reporting, Turnaround Time (TAT), and portfolio quality indicators. A detailed assessment of material risks, their potential impact and corresponding mitigation measures is provided in the Risk Management Framework.



Proactive Risk Management for Sustainable Growth

At FHM, risk management is a dynamic and integral process, essential to secure stakeholder value and achieving the strategic objectives. Management of FHM proactively identify, assess, measure, and control threats, transforming potential challenges into opportunities for sound decision-making and sustainable growth.

Board Oversight and Robust Risk Governance

The Board of Directors exercises diligent oversight of our risk landscape. It reviews the Company's principal risks including those that could impact our business model, future performance, solvency, and liquidity. This disciplined review ensures the FHM strategy remain resilient and that risk appetite is clearly defined and aligned with the FHM long-term goals.

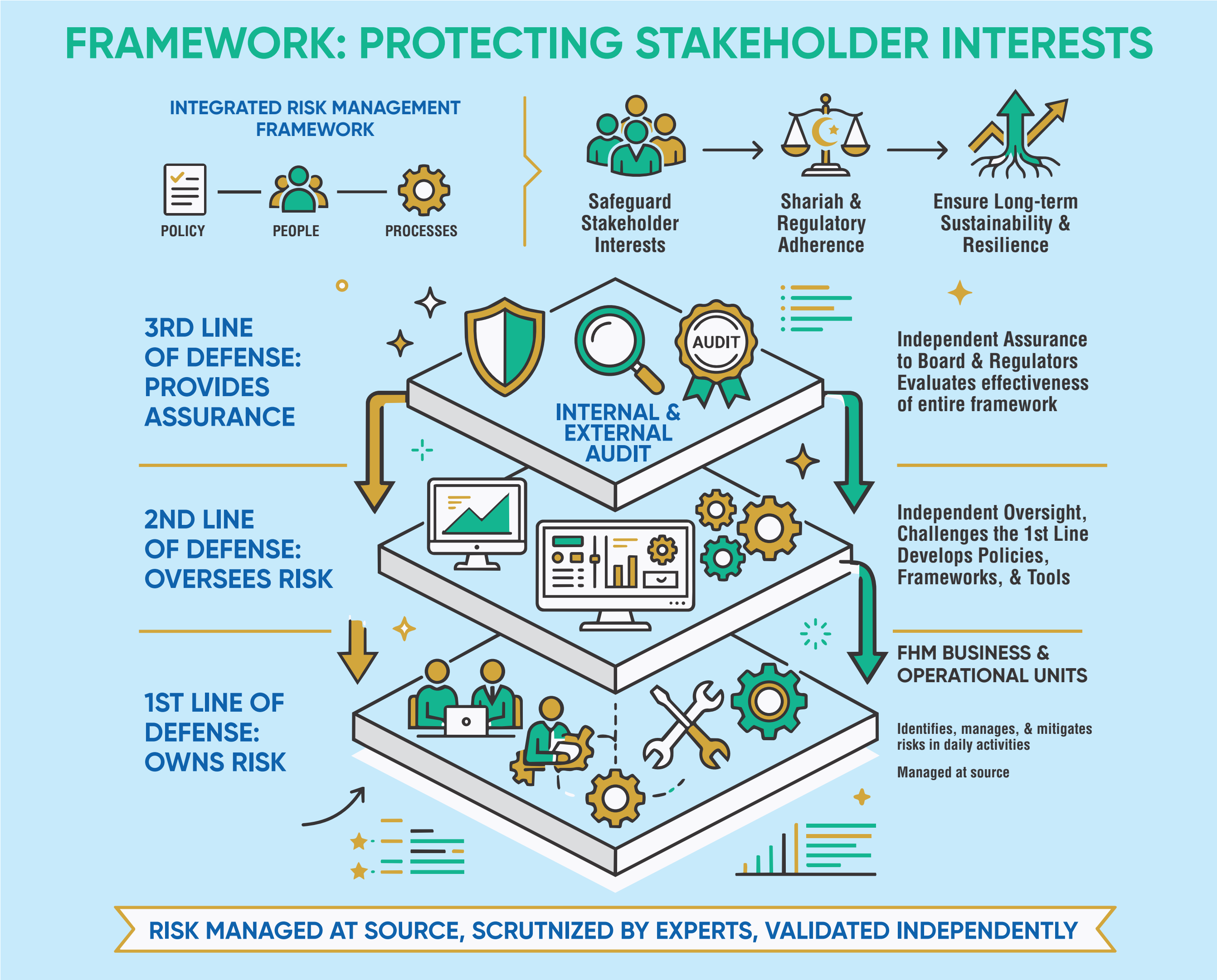
A Culture of Collaboration and Active Management

Guided by the Board, management actively implements and maintains a comprehensive Risk Management Framework. This framework is powered by a strong governance structure, sound information systems, and an effective risk rating methodology. FHM management foster a culture of collaboration where open, inter-departmental communication on risk factors is standard practice, ensuring risk-aware decision-making is embedded across all operations.

Framework: Protecting Stakeholder Interests

An integrated Risk Management Framework combines policy, people, and processes to manage significant risks effectively. It is designed to:

- Safeguard the interests of all stakeholders.
- Ensure strict adherence to Shariah principles and regulatory requirements.
- Guarantee the long-term sustainability and resilience of FHM operations



Modaraba's risk management is structured around the proven Three Lines of Defense (LOD) model, ensuring clear accountability and robust, objective decision-making across Modaraba.

- 1st Line of Defense (Owns Risk): FHM business and operational units are the first line, directly responsible for identifying, managing, and mitigating risks inherent in their daily activities.
- 2nd Line of Defense (Oversees Risk): The Risk Management & Compliance function provides independent oversight, challenges the first line, and develops the policies, frameworks, and tools needed for effective risk and compliance control.
- 3rd Line of Defense (Provides Assurance): Internal and External Audit deliver independent assurance to the Board and regulators on the effectiveness of the entire risk management framework, including the first two lines.

This cohesive structure ensures risks are managed at the source, scrutinized by experts, and validated independently.

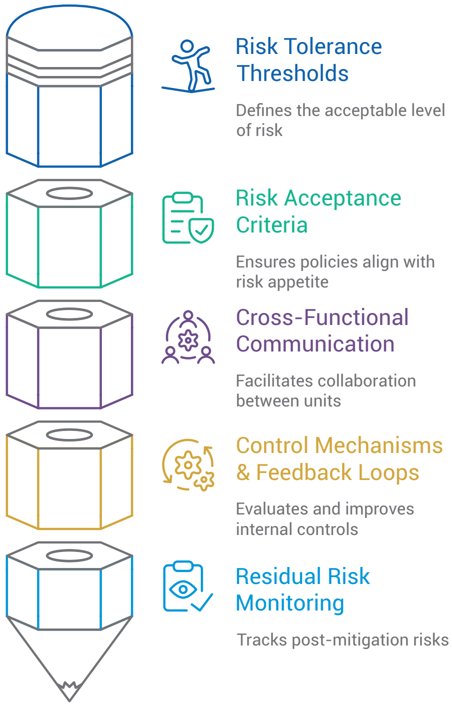
BOARD's STATEMENT

Tolerance of level of risk

The Board of Directors ensures that robust systems, transparent procedures and an integrated risk-aware culture are embedded across the organization. The Board establishes FHM's overall risk tolerance thresholds, striking a conscious balance between commercial agility, sustainable certificate-holder value maximization, and structural resilience.

To operationalize these tolerance levels, the Board directs management through a comprehensive framework consisting of:

- Clear Risk Acceptance Criteria account for risk appetite and tolerance in all policies.
- Cross-Functional Communication: Collaborative risk-identification pathways bridging revenue-generating units and control functions to ensure balanced risk-mitigation strategies.
- Control Mechanisms & Feedback Loops: Ongoing evaluation of the design and operating effectiveness of active internal controls.
- Residual Risk Monitoring: Monitoring of post-mitigation risk exposures to align within the Board-approved threshold limits.

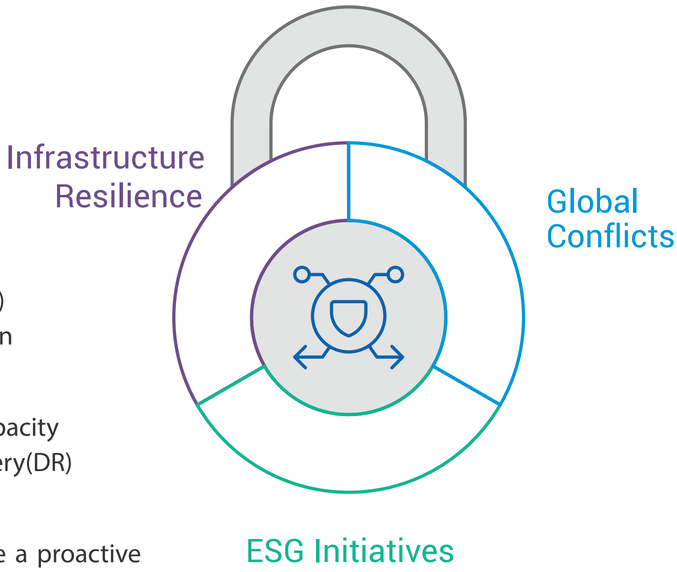


Robust assessment of principal risks [BCR 3.02]

The Board confirms that it has carried out a robust assessment of the principal and emerging risks facing FHM, including those that could threaten its business model, future performance, solvency, or liquidity profile. Through quarterly reviews, the Board scrutinizes critical credit exposures, asset recovery positions, pending litigation, liquidity buffers, and market vulnerabilities.

In evaluating the contemporary macroeconomic and global environment, the Board has explicitly oversee the following macroeconomic and sustainability-related risk factors into FHM's principal risk matrix:

- Continuous monitoring of global conflicts and trade disruptions that affect the supply chain.
- Monitor Environmental, Social, and Governance (ESG) and encouragement of paperless processes, "Green Financing" i.e. Solar, EV and Hybrid vehicles etc.
- Continuous updates to hardware infrastructure, agile capacity planning, and the maintenance of active Disaster Recovery(DR) sites to ensure business continuity.



The Board certifies that management continues to cultivate a proactive risk management mindset across all organizational tiers, deploying effective awareness initiatives, dynamic policy revisions, and robust technological buffers to confidently navigate Pakistan's evolving economic landscape.

SUPPLY CHAIN DISRUPTION AND STRATEGY TO MITIGATE ITS RISK [BCR 3.05]

Risk of supply chain disruption is very critical and some time it remain beyond control. The recent US-Iran conflict heavily restricted shipping through the Strait of Hormuz, significantly disturb Pakistan's energy and merchandise trade. The supply chain constraints have increased logistical surcharges, disrupted vital supply chain and impacted industrial raw materials.

Supply chain issue can be impacted operational capability of First Habib Modaraba (FHM) due to environmental, social and governance (ESG) related issues such as climate change, regulatory changes, environmental disasters and social unrest. Broadly, FHM can face following risk due to supply chain disruption from customer side.

- **Risk of delay in repayments of credit facility.**
- **Risk of default in credit facilities.**
- **Minimize credit intact.**

Our Approach

In order to mitigate these risk, FHM has devised following strategy to minimize risk of supply chain disruption.

1 Screening of Customer

We properly screen and scrutinize customer's supply chain mechanism and alternate plans.

2 Diversified Exposure

We emphasis a diversified financing portfolio to reduce exposure to specific supply chain disruption

3 Engagement

Our team encourage to evaluate customers' stakeholder's engagement and their ESG approach for sustainability

4 Climate Impact

Climate risk can significantly affect the supply chain of raw materials. While financing, our team assesses the customer's ability to manage and overcome such risks.

ESG Related Supply Chain Disruptions and Risk Mitigation

Climate change induced natural disasters transfer losses to the financial sector in various ways. These include direct damage to payment service facilities. Said risks can affect business performance through asset damage, operational disruptions and ultimately impacting the ability to repay debt. To mitigate ESG risks, we encourage companies to adopt various measures thorough conducting ESG risk assessments and its mitigates.

DELIVERING EXCEPTIONAL CUSTOMER SERVICE

"Providing high quality customer services is a vital part of FHM's values.

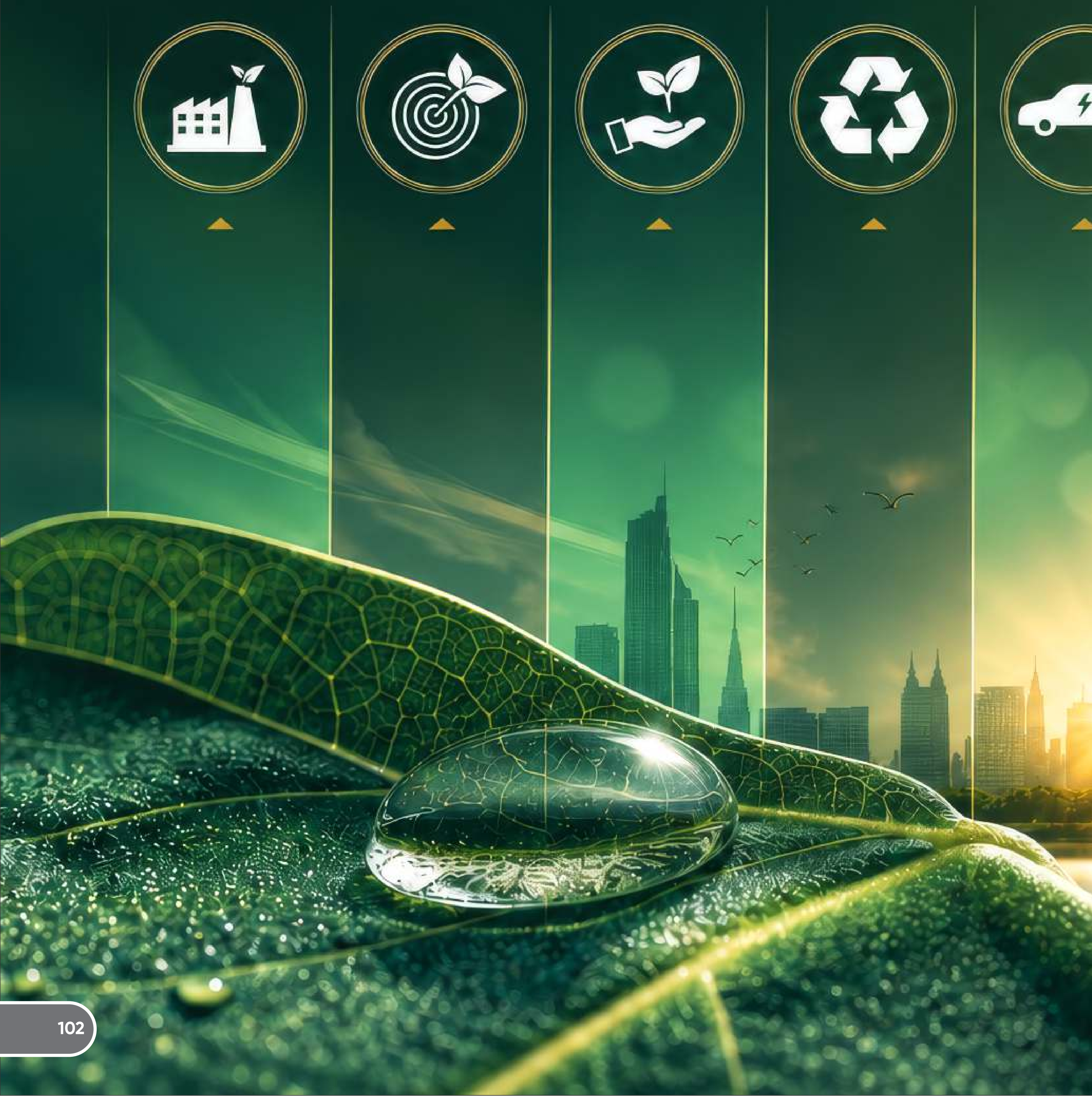
Customer First
Always

QUALITY | TRUST | FOCUS | SERVICE | IMPROVEMENT

Delivering exceptional customer service is fundamental to FHM's operational philosophy. Our primary objective is to offer superior, accessible Islamic financial solutions centered entirely on client satisfaction. In an increasingly competitive financial sector, sustained growth relies directly on retaining satisfied clients by delivering tailored, high-quality products in a timely manner. we continuously foster a client-centric culture throughout the organization. Understanding the specific financial needs of our clients is the cornerstone of our success. Our managers are rigorously trained to provide personalized, efficient service while adhering strictly to professional, ethical, and Shari'ah-compliant standards—building lasting relationships grounded in trust and transparency.

" **CUSTOMER SATISFACTION** is not just our goal, it is the driving force behind everything we do.

SUSTAINABILITY & CSR



over
Four Decades of
SUSTAINABILITY & CSR

Over four decades of responsible growth, FHM has advanced SUSTAINABILITY & CSR by promoting ethical business practices, supporting community development, encouraging environmental responsibility, and creating lasting social impact. These commitments reflect our dedication to sustainable progress and shared prosperity for future generations.

MODARABA'S SUSTAINABILITY-RELATED
RISKS and OPPORTUNITIES [BCR 4.01 (a, b, c, d)]

Environmental, Social, and Governance (ESG) practices form an integral pillar of First Habib Modaraba's (FHM) corporate strategy. FHM remains dedicated to achieving sustainable growth and delivering long-term value to Certificate Holders and broader stakeholders. This commitment coupled with high standards of customer service and Shariah-compliant ethical stewardship solidifies our position as a responsible and resilient financial institution.

We have embedded ESG standards closely aligned with our Modaraba culture. At FHM, we recognize that long-term profitability and operational resilience are intrinsically linked to our capability to manage climate exposures, safeguard financial capital, and create sustainable societal value.

During 2026, the sustainability landscape continued to evolve due to increasing climate-related events, changing regulatory expectations, technological disruption, cybersecurity threats, shifting stakeholder preferences, responsible investment practices and growing demand for transparent sustainability disclosures. These developments present both risks and opportunities for FHM.

Climate Action, Physical Risk Mitigation & Resource Efficiency

Increasing frequency of extreme weather events, heat stress and other climate-related disruptions may affect financed assets, business continuity and operational resilience. By prioritizing financing for energy-efficient equipment, renewable energy installations, and resource-efficient assets:

- Short-Term: Direct operational cost savings, enable client to manage cost and improve repayment capacity.
- Medium-to-Long Term: Reduction in non-performing asset risks driven by climate vulnerability, enhanced brand reputation, and alignment with national carbon neutrality goals.

Product Innovation and Circular Economy

FHM offer Shariah-compliant financial solutions encourage environmentally friendly and resource-efficient assets.

- Short-Term Impact: Captures growing demand for green and ethically aligned financing solutions.
- Medium-to-Long Term Impact: Mitigates risk from carbon-intensive asset obsolescence and improves overall portfolio resilience.

Governance, Social Responsibility & Organizational Resilience

Governance forms the anchor of our sustainability framework. We uphold strict ethical practices, promote Diversity, Equity, and Inclusion (DEI) across our workforce, and maintain rigorous internal controls to prevent greenwashing and ensure data integrity.

- Short-Term: Heightened workforce productivity, lower turnover, reduced compliance risk, and strengthened operational integrity.
- Medium-to-Long Term: Builds a stable organizational framework equipped to navigate evolving regulatory environments.

Stakeholder Engagement & Corporate Trust

Proactive engagement with Certificate Holders, regulatory authorities, employees, and clients ensures that business practices align with societal expectations.

- Short-Term Impact: Enhances institutional transparency and trust.

- Medium-to-Long Term Impact: Strengthens capital relationships and secures market relevance.

Sustainability-Risks-and-opportunities-Framework- Measurement-Governance

The Board of Directors oversees FHM's sustainability strategy, monitoring progress against key performance indicators and integrating environmental and social risk considerations into corporate oversight.

Strategy and Business Model

FHM systematically embeds ESG considerations into its business model across key dimensions:

Environmental Impact: Encouraging financing for energy efficient, low emission, and renewable energy assets.

Social Responsibility: Upholding ethical standards within Modaraba contracts, maintaining fair customer treatment, and supporting inclusive human resource practices across operations.

Risk Management

Sustainability-related risks including physical climate risks, macroeconomic transition shocks, changing regulatory frameworks, and shifting consumer preferences are fully incorporated into FHM's enterprise risk management architecture.

Due Diligence & Screening: Considering carbon intensity to asset evaluation, credit approvals, and portfolio management.

Stress Testing & Resilience: Evaluating portfolio vulnerability against physical climate shocks and energy transition impacts to ensure long-term capital preservation.

Metrics and Targets

FHM tracks key performance indicators (KPIs) to measure sustainability performance, focusing on:

Energy Efficiency: Monitoring the energy profiles of financed assets and encouraging sustainable equipment adoption among clients.

Portfolio Quality: Increasing the proportion of environmentally sound and socially responsible assets within the overall portfolio.

Financial Impact

Integrating sustainability within FHM's business model directly supports financial strength. Expanding green financing options enhances the core value proposition, mitigates asset impairment risks, and delivers long-term returns for Certificate Holders.

Forward-Looking Statements

FHM remains committed to continuous improvement in sustainability reporting, adapting its disclosures in alignment with corporate best practices and regulatory guidelines to create lasting value for Certificate holders, customers, and society.

CLIMATE-RELATED DISCLOSURES

Climate Change:

Risks & Opportunities for FHM

Climate change has emerged as one of the most significant environmental and economic challenges affecting businesses, financial institutions and communities worldwide. Pakistan remains among the countries most vulnerable to climate related hazards, including floods, heatwaves, droughts and changing precipitation patterns.

First Habib Modaraba (FHM) recognizes the imperative of proactively managing physical and transition climate risks while capitalizing on green financing opportunities. Integrating climate risk parameters into our overall corporate strategy and

Risk Category	Vulnerability	Impact on FHM
Extreme Weather Events	Increased frequency and severity of floods, urban inundation, heatwaves, and cyclones.	• Business operational disruptions. • Physical damage to financed assets. • Increased non-performing portfolio due to customers cash flows disturbance."
Coastal & Asset Exposure	Sea level rise and coastal erosion may pose risk for low lying commercial and or industrial areas.	• Impairment of coastal real estate and asset values. • Deterioration in obligor creditworthiness in exposed geographic pockets."
Sectoral & Agricultural Impacts	Floods, Droughts and Unseasonal rainfall altering agricultural yields and supply chain operations.	• Elevated default risk in agriculture-dependent industries, textile sub-sectors, and food processing.

Climate Opportunities

Climate change also creates opportunities to support sustainable economic development while strengthening long-term business growth.

Key opportunities include:

Sustainable and Green Finance:

FHM encourages financing for renewable energy projects, energy efficient vehicles, and environmentally responsible business activities .

Operational Efficiency:

Digital transformation, energy efficient operations and responsible resource management provide opportunities to reduce operating costs, improve environmental performance and strengthen operational resilience.

Portfolio Diversification:

Increasing exposure to environmentally sustainable sectors and climate-resilient assets supports portfolio quality, and contributes to sustainable economic growth.

Commitment to Continuous Improvement

FHM recognizes that climate-related risk management is an evolving process. The Modaraba will continue to strengthen its governance, risk management, data quality and reporting capabilities to improve its understanding of climate-related financial risks and opportunities. We remain committed to transparent climate related disclosures and continuous enhancement of our practices in line with regulatory requirements including IFRS S1 and IFRS S2, while supporting Pakistan's transition towards a resilient and sustainable economy

DISCLOSURE OF SUSTAINABILITY & DE&I STRATEGIES, PRIORITIES, AND TARGETS

First Habib Modaraba (FHM) is committed to integrating Sustainability and Diversity, Equity and Inclusion (DE&I) considerations into its governance framework, business strategy and day to day operations.

Our sustainability and DE&I strategy is focused to identify and manage material sustainability related risks and opportunities while supporting responsible business practices, regulatory compliance and the expectations of our stakeholders.

Strategy & Priorities

FHM's sustainability strategy is built around the following strategic priorities:

Integrating sustainability-related risks and opportunities into business planning and enterprise risk management.

Encourage green financing options.

Improving operational efficiency through digital transformation and curtail paper usage.

Uphold high standards of corporate governance, ethics and regulatory compliance.

Enhancing transparency and sustainability related disclosures in line with applicable regulatory requirements and international reporting standards.

Our DE&I strategy complements these priorities by fostering a workplace that values diversity, promotes equal opportunity, encourages professional development and maintains a culture of respect, and inclusion.

Strategic Priorities

During 2026, FHM continues to focus on the following priorities:

- Strengthening governance and oversight of sustainability related matters.
- Improving employee capability through education support, leadership development and professional training.
- Promoting employee well being, diversity, inclusion and equal employment opportunities.

Targets:

FHM establishes measurable sustainability and DE&I objectives that are reviewed and refined as our sustainability framework continues to evolve. Key focus areas include:

- Improving operational efficiency through digital processes and responsible consumption practices specially promote paperless culture.
- Increasing awareness and integration of sustainability considerations across business functions.
- Enhancing employee training, professional development and leadership capabilities.
- Promoting diversity, equitable employment practices and an inclusive workplace culture.
- Improving the quality, consistency and transparency of sustainability-related disclosures.

As data quality and reporting capabilities mature, FHM intends to introduce quantitative sustainability and climate related metrics and targets consistent with applicable regulatory requirements and the IFRS Sustainability Disclosure Standards.

Implementation Measures

To achieve these objectives, FHM continues to implement sustainability and DE&I initiatives across the organization through:

Sustainability considerations into relevant corporate policies, procedures and business processes.

- Employee awareness programmes, capacity building and professional development.
- Leadership engagement to promote ethical conduct, responsible business practices and an inclusive organizational culture.
- Strengthening governance structures, internal controls and sustainability related reporting processes.
- Continuous assessment of sustainability related risks and opportunities within financing and operational activities.

Review & Monitoring

The Board of Directors provides oversight of FHM's sustainability strategy and monitors the management of material sustainability related risks and opportunities. Senior management is responsible for implementing approved strategies, and monitoring performance and reporting progress to the Board.

It is being also ensure that sustainability considerations remain aligned with FHM's long-term business objectives, and stakeholder expectations.

ADOPTION OF SECP'S ESG DISCLOSURE GUIDELINES BY BOARDS

First Habib Modaraba (FHM) welcomes the Securities and Exchange Commission of Pakistan's (SECP) ESG Disclosure Guidelines and recognizes their importance in promoting transparent, consistent and decision-useful sustainability reporting. The Board of Directors considers the Guidelines an important step towards strengthening environmental, social and governance (ESG) practices within Pakistan's corporate sector and enhancing stakeholder confidence through improved sustainability disclosures.

Although the adoption of the SECP's ESG Disclosure Guidelines remains voluntary, the Board is committed to progressively aligning FHM's sustainability governance, policies, risk management processes and public disclosures with the principles set out in the Guidelines and other applicable sustainability reporting frameworks, including the IFRS Sustainability Disclosure Standards (IFRS S1 and IFRS S2), where appropriate.

The Board recognizes that effective ESG governance contributes to stronger risk management, improved operational resilience, enhanced stakeholder trust and sustainable long-term value creation. Accordingly, sustainability considerations are progressively being integrated into FHM's strategic planning, enterprise risk management framework and business decision-making processes.

FHM has already established a strong foundation for ESG integration through various initiatives undertaken across its business operations.

ESG Pillar	Core Focus Areas	Existing Practices & Phased Adoption
Environmental (E)	Climate Risk & Resource Conservation	• Transitioning toward paperless administrative processes and digital workflows. • Online meetings promotion and reduce travels. • Expanding green financing portfolios for solar and energy-efficient vehicles. • Establishing baseline tracking for direct operational energy usage."
Social (S)	Human Capital & Community Impact	• CSR initiatives targeting healthcare, community welfare, and educational support. • Staff Welfare Support (Self & Children Education) , Medical Other than Takaful Limit support • Maintaining a merit-based workplace culture promoting gender diversity and equal opportunity. • Staff education support and elevate Non clerical staff to officer grade after education level enhancement. • Comprehensive staff welfare, health and safety protocols, and professional development."
Governance (G)	Institutional Integrity & Risk Oversight	• **Strong Board Oversight:** Independent Board with active committees for Audit, Risk, Compliance, and Shariah • **Risk Management & Internal Controls:** Clear risk appetite, stress testing, and 3 lines of defence to safeguard assets • **Transparency & Compliance:** Accurate financial reporting, regulatory adherence, and ethical conduct across all levels • **Customer Focus:** Fair service, grievance redressal, and financial products suited to customer needs • **Shariah Governance:** Independent Shariah advisor who make sure of Shariah compliance and governance. • **IT Governance:** Strong IT/cyber security frameworks • **Financial Soundness & Accountability:** Prudent capital, liquidity management and a culture of accountability for sustainable growth

STATEMENT ON SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY (CSR) [BCR 4.02]

Our Strategic Commitment to Sustainability

At First Habib Modaraba (FHM), sustainability is a fundamental part of our business strategy and a key driver of long-term value creation. We are committed to conducting our business responsibly while creating lasting value for our stakeholders, supporting sustainable economic growth, and contributing to the well-being of society and the environment.

Our approach to sustainability strengthens our resilience, enhances stakeholder confidence, encourages innovation, and reinforces our commitment to responsible and ethical business practices.

Energy Management & Conservation

FHM is committed to improve energy efficiency and promoting responsible resource utilization across its operations. We continue to adopt energy-efficient practices and support environmentally responsible initiatives that reduce our operational footprint.

As part of our commitment to a greener economy, we also explore green financing opportunities and encourage clients to adopt renewable energy solutions, including solar energy.

Customer Protection & Ethical Engagement

Maintaining the trust of our customers is central to our business. We are committed to treating customers fairly by delivering transparent, ethical, and high-quality financial services while safeguarding their interests and confidential information.

To ensure the security and integrity of customer data, FHM has implemented a comprehensive information security framework that includes:

- Role-based access controls to ensure employees access only the information required for their responsibilities.
- Advanced encryption technologies to protect electronically stored customer information.
- Secure disposal of electronic data through certified data destruction procedures.

Environmental Stewardship & Resource Management

FHM is committed to minimizing its environmental impact through responsible resource management and environmentally conscious business practices. We continue to promote a paper-light operating environment by:

- Implementing an Electronic Document Management System (EDMS).
- Encouraging digital communication with customers and stakeholders.
- Reducing paper consumption by promoting digital-first processes and discouraging unnecessary printing.

Environmental considerations are also incorporated into our financing and business assessment processes where appropriate.

Water Conservation & Pollution Prevention

Recognizing the importance of sustainable water management, FHM promotes awareness of water conservation and responsible environmental practices among employees and clients. We encourage responsible water usage and support initiatives that help prevent pollution and protect natural water resources.

6 CLEAN WATER AND SANITATION

Complaint Management & Resolution

Customer feedback is an important source of continuous improvement. FHM maintains a transparent and efficient complaint management system through dedicated communication channels and an online complaint portal.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Complaints and inquiries are promptly reviewed by designated officers to ensure timely and fair resolution. In coordination with our Share Registrar, Central Depository Company (CDC), we also facilitate the effective resolution of certificate holder grievances.

Business Ethics & Anti-Corruption

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Integrity, accountability, and transparency are the foundation of FHM's corporate culture. We are committed to conducting business ethically and in full compliance with all applicable laws, regulations, and regulatory requirements.

Our Code of Ethics provides clear guidance on acceptable business conduct and establishes procedures for reporting and addressing unethical practices. These principles apply to all employees and guide our interactions with customers, investors, suppliers, regulators, and other stakeholders.

Our key principles include:

- Compliance with all applicable laws and regulatory requirements.
- Adherence to robust Shariah governance principles.
- Fair, transparent, and ethical dealings with customers and investors.
- Protection of customer confidentiality and personal information.
- Support for environmentally responsible business practices.
- Prohibition of speculative and unethical transactions.

Equal Opportunity Employer

5 GENDER EQUALITY

FHM is committed to maintain a diverse, equitable, and inclusive workplace where all employees are treated with dignity and respect. Employment decisions, including recruitment, training, performance evaluation, promotion, and compensation, are based solely on merit, qualifications, and business requirements.

We provide equal employment opportunities without discrimination based on gender, age, race, religion, disability, or any other protected characteristic. Our Human Resources Department ensures fair and transparent employment practices, while employees' rights, responsibilities, and expected standards of conduct are communicated through the Company's Human Resources policies and Code of Conduct.

Occupational Health, Safety & Well-being

Aligned with this model, our initiatives are designed to empower communities and promote responsible environmental management. We strategically support and encourage projects that drive improvement in essential areas such as education and healthcare, with a focused emphasis on supporting underprivileged members of society. FHM remains a steadfast contributor to sustainable community development.

The health, safety, and well-being of our employees are among our highest priorities. FHM is dedicated to providing a safe, congenial, and supportive work environment. We proactively implement programs that encourage healthy lifestyles and adopt preventive measures to minimize occupational hazards. We recognize that a healthy workforce is a productive and valuable asset, which is why all staff are covered under comprehensive life and medical insurance policies.

Corporate Social Responsibility (CSR)

As a leading Modaraba, First Habib Modaraba (FHM) is committed to conduct business responsibly while creating sustainable value for its stakeholders. Our CSR framework is built around three key pillars—Our People, Our Organization, and Our Planet—reflecting our commitment to responsible business practices and sustainable development.

Through this framework, we support initiatives that strengthen communities, promote environmental stewardship, and contribute to social and economic progress. Our efforts focus on improving access to education and healthcare, supporting underprivileged communities, and encouraging responsible environmental practices, thereby contributing to Pakistan's long-term sustainable development.

Social Initiatives

FHM is committed to enhance social well-being through initiatives that support financial inclusion, employment generation, employee welfare, community development, education, healthcare, and research and development.

Employment Generation

The Modaraba remains dedicated to create employment opportunities that contribute to economic growth and sustainable development. These initiatives not only strengthen our workforce but also enhance livelihoods within the communities we serve.

Community Health & Education

FHM recognizes that access to quality healthcare and education is fundamental to sustainable community development and improved quality of life.

Our key areas of focus include:

- Reducing health disparities.
- Promoting health awareness and healthy lifestyles.
- Supporting improved access to quality healthcare services.
- Empowering individuals through education, knowledge, and skills development for long-term well-being.

Environmental Initiatives

First Habib Modaraba (FHM) is committed to minimizing its environmental impact by promoting responsible resource management and supporting sustainable business practices. In line with global sustainability goals, our environmental initiatives are guided by the principles of the 3Rs—Reduce, Reuse, and Recycle.

Our approach includes:

- **Reduce:** Minimizing resource consumption and waste through efficient operational practices.
- **Reuse:** Encouraging the reuse of materials and extending the useful life of assets wherever practical.
- **Recycle:** Promoting the recycling of paper, plastics, metals, and other recyclable materials to conserve natural resources.

To further reduce our environmental footprint, we have adopted the following measures:

- **Promoting energy-efficient** technologies and responsible energy consumption.
- **Encouraging water conservation** through efficient usage practices.
- **Reducing paper consumption** by expanding digital processes and electronic documentation.
- S**upporting environmental awareness** and community-based sustainability initiatives, including plantation and environmental education programs.

Technological Innovation

The Modaraba leverages technological advancement to promote sustainability and operational efficiency.

Green Technologies

We invest in the research and development of eco-friendly technologies and processes.

Digital Transformation

- Leveraging digital tools and advanced analytics to optimize resource utilization and minimize waste.
- Implementing energy-efficient systems and process automation to improve operational efficiency and reduce energy consumption.

Resource Management

Responsible consumption and management of materials, energy, water, emissions and waste form an integral part of our sustainability framework. Key measures include:

Materials: Promoting the responsible use of materials by increasing reliance on recycled and sustainable resources, while strengthening internal reuse and recycling practices.

Energy: Encouraging energy efficiency, exploring renewable energy opportunities where feasible, and regularly monitoring energy consumption to improve operational performance.

Water: Monitoring water consumption across our operations and promoting water conservation through efficient usage practices and water-saving technologies.

Emissions & Waste: Reducing emissions and waste through responsible operational practices, recycling initiatives, and compliance with applicable environmental laws and regulations.

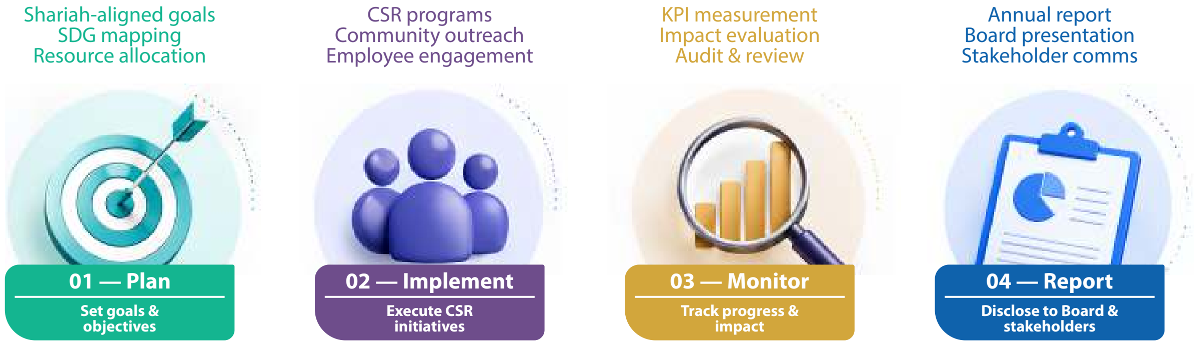
SUSTAINABLE DEVELOPMENT GOALS (SDGS) AND THE MODARABA'S CONTRIBUTION

SDGS GOAL No.	FHM'S CONTRIBUTION	SDGS GOAL No.	FHM'S CONTRIBUTION
1 NO POVERTY	Expands access to affordable, responsible, and Shariah-compliant financial products to empower underserved individuals and businesses to participate in the formal financial system.	3 GOOD HEALTH AND WELL-BEING	Provides staff with comprehensive life and medical insurance, supports community health initiatives to reduce health disparities, and promotes health awareness.
4 QUALITY EDUCATION	Supports education initiatives, knowledge sharing, and skills development projects focusing on underprivileged members of society.	5 GENDER EQUALITY	Maintains equal employment opportunities without discrimination based on gender and bases recruitment, promotion, and compensation strictly on merit.
6 CLEAN WATER AND SANITATION	Promotes water conservation awareness among employees/clients, monitors operational water consumption, and adopts water-saving technologies.	7 AFFORDABLE AND CLEAN ENERGY	Implements energy-efficient operational practices, adopts energy-saving technologies, and explores green financing to encourage clients to adopt solar/renewable energy solutions.
8 DECENT WORK AND ECONOMIC GROWTH	Creates job opportunities, ensures a safe work environment, respects employee rights through transparent HR policies, and drives sustainable economic growth.	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Drives digital transformation, uses advanced analytics/automation to optimize resources, and invests in R&D for eco-friendly technologies.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Applies 3R principles (Reduce, Reuse, Recycle), transitions to a paper-light environment using Electronic Document Management Systems (EDMS), and optimizes material management.	13 CLIMATE ACTION	Lowers its carbon and operational footprint through green technology adoption, emission reduction practices, and plantation programs.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Enforces a strict Code of Ethics, upholds Shariah governance, prohibits speculative/unethical transactions, and maintains strong cybersecurity/data encryption frameworks.	17 PARTNERSHIPS FOR THE GOALS	Collaborates with regulatory bodies and local communities to achieve shared corporate social responsibility and sustainability targets.

BOARD'S STATEMENT [BCR 4.04]

Adoption of Best Practices for Corporate Social Responsibility (CSR)

The purpose of this statement is to outline the Board's role and responsibilities in ensuring the effective adoption and implementation of Corporate Social Responsibility (CSR) practices.



To ensure the effective implementation of our CSR initiatives, we have established the following guidelines for the developing and overseeing CSR strategies and policies.

- Setting measurable goals and objectives aligned with international standards and best practices.
- Arrangements for monitoring and evaluating the progress of CSR initiatives and their impact.
- Reporting regularly to the Board of Directors and stakeholders on CSR performance.

The Board of Directors requires the integration of CSR best practices into the Modaraba's corporate culture and operations. We believe that our commitment to social and environmental responsibility will enhance our long-term success and contribute to a sustainable and equitable future..

We look forward to continuing our journey towards excellence in CSR and working collaboratively with our stakeholders to achieve our shared goals.

BOARD SUSTAINABILITY COMMITTEE AND SUSTAINABILITY GOVERNANCE [BCR 4.03]

a) Sustainability Committee

The Board of Directors has assigned oversight of sustainability matters, including Environmental, Social and Governance (ESG) principles, to the Board's existing Committee in accordance with Regulation 10A of the Listed Companies (Code of Corporate Governance) Regulations, 2019. The Committee comprises members of the Board, including at least one female director, and is responsible for assisting the Board in overseeing sustainability-related risks and opportunities, reviewing ESG policies and initiatives, monitoring implementation of sustainability objectives, and ensuring that sustainability considerations are appropriately integrated into the Modaraba's governance framework, business strategy and operations.

b) Annual Report of the Committee to the Board

The Board recognizes sustainability as a strategic priority and believes that effective management of environmental, social and governance matters contributes to long-term value creation for certificate holders and other stakeholders. Accordingly, the Board has entrusted oversight of sustainability matters to its designated Board Committee, which periodically reviews ESG risks, opportunities, performance indicators, regulatory developments and strategic initiatives. The Committee reports to the Board at least annually and provides recommendations to support the integration of sustainability principles into the Modaraba's governance, investment practices and business operations.

BOARD OVERSIGHT ON GOVERNANCE, ESG, AND SUSTAINABLE FINANCE

The Modaraba Board maintains active oversight of governance and sustainability-related risks and opportunities, including Environmental, Social, and Governance (ESG) considerations. The Board has encouraged management to proactively adopt the SECP's ESG Disclosure Guidelines and integrate relevant ESG practices into the Modaraba's operations and reporting framework. The Board also remains committed to promoting gender equality and active participation of woman across the Board.

Finance serves as a critical enabler of sustainability and long-term development, extending beyond economic performance to include social well-being and environmental stewardship. True sustainability is achieved by integrating ethical principles into financial practices a commitment embodied by Islamic finance. Governed by Shariah principles, which promote fairness, transparency, and social responsibility, Islamic finance provides a structured framework for aligning financial activities with broader sustainable development goals. By adhering to these values, the Modaraba not only fosters inclusive growth and community resilience but also contributes to a more equitable and sustainable financial ecosystem.

Sustainability in Islamic Finance

Islamic Finance range from the very narrow i.e. RIBA free financial solutions to the very broad sense i.e. entire financial operations.

Two aspects of Islamic finance are particularly important. The first is the philosophy of risk sharing, which should be reflected in financing products and solutions. Second is the promotion of economic and social development through specific business practices and through Charity, donations and Zakat.

A Shariah based business model is derived from the idea that Islamic Financial Institutions (IFIs) are not only responsible to their immediate shareholders but also owe a duty to society, but owe a trust and faith to society or community where they serve. Thus embracing social and environmental sustainability would demonstrate a more comprehensive and ethical approach to doing business for (IFIs)

Translating a holistic understanding of Islamic Finance into Action

At FHM, we are translating this holistic understanding into actions based on values and our way of doing Shariah compliant business activities. First, the trust, transparency and ethical way of doing business this upholds our transactions with all stakeholders. Second, the empowerment of employees to speak up and provide ideas on doing things differently which lead them for better tomorrow.

Alhamdulillah, FHM has completed its 41 years of business operation. FHM is well on its way to realizing its Vision of "To be a leading Islamic Financial Institution within the Modaraba sector" and its mission "To become an institution built on trust, integrity, good governance with commitment to add value to all stakeholders".

What we are doing is important, but what we will do in future even more so. We know that we need to do more to give back to the environment and society. We also know that our transformational journey is incremental and every step we take will get us a little closer to our vision.

Our Sustainability Priorities

In Islamic financial market, we wish to continue to strengthen our commitment in displaying a responsible role working under Shariah principles within the Modaraba sector. By maintaining balance between the sound traditions of Shariah with the prudent and steady approach, makes us unique, and indeed resilient, to the turbulence seen in the financial industry particularly in non-banking financial sector of Pakistan. The overall strategy is clear and our corporate values are the same as when we first started: uphold Islamic Shariah principles, support ongoing initiatives in the Islamic financing industry and participate in assisting the socio-economic endeavors of local communities.

While pursuing business growth, we give equal importance to the ecosystem by avoiding participation in business activities that may harm the environment or society. Conducting responsible business and giving back to society are among our key corporate objectives. Sharing sustainable and appropriate profits with investors and certificate holders remains an important aspiration of FHM. It is matter of great satisfaction that FHM has been maintaining its history of continuous payment of dividend to its Certificate Holders for last 41 years with average pay out of more than 19%.

FHM is committed to promoting sustainable business practices. We believe that our prime responsibility is to conduct businesses in transparent and ethical way that not only enhances value for all stakeholders but also giving support to events that enhance the wellbeing of the community.

Business transactions have always been conducted in strict accordance with Shariah principles and risk management parameters, while keeping the safety of investors' funds in view. It can be judged by the performance of FHM over the past 4 decades. and this would convince that "Stability of Operation" and "Sustainability of Growth" are well achieved in every year.

The Management of FHM has always given emphasis on building-up quality asset portfolio. The effectiveness of FHM's business strategy and prudent risk management policies has enabled management to maintain outstanding asset quality while ensuring sustainability of performance, despite the increasingly competitive operating environment in Pakistan's financial market.

Strong pillars of Islamic Finance

In practice, Islamic finance covers a broad range of principles aimed at promoting societal well-being, including profit sharing, fairness, the avoidance of exploitation, and the development of real assets for a more equitable distribution of wealth among stakeholders. The following are main foundations pillars of Islamic Finance from where it differentiates from conventional one and encourage sustainable development within the Society.

- Sanctity of contract
- Fairness/no exploitation
- Materiality, Economic purpose
- Risk Sharing

How we make sure sustainability in our Businesses

Financing	Credit creation of ownership, no exploitation and investment of funds based on the principle that funds do not generate funds, unless they coupled with an activity of work and real assets.
Creation of Ownership	Actively encourage entrepreneurs by funding small enterprises by way of partnerships that end with ownership.
No Exploitation	If a debtor is experiencing financial difficulty, reasonable time is granted for repayment. No further profits charged on delay of financial obligation by the customer.
Investment of funds	Funds must be invested in lawful areas that achieve social and economic development. Areas prohibited under Shariah are always avoided.

Our sustainability approach and achievements

Alhamdulillah, FHM has completed successful business operation of 41 years and have maintained our longstanding drive towards sustaining our position as leading Modaraba within NBFI and Modaraba sector of Pakistan. According to last published results of Modaraba entities, the assets size of First Habib Modaraba ranked highest within the sector.

How we ensure Sustainability across our businesses

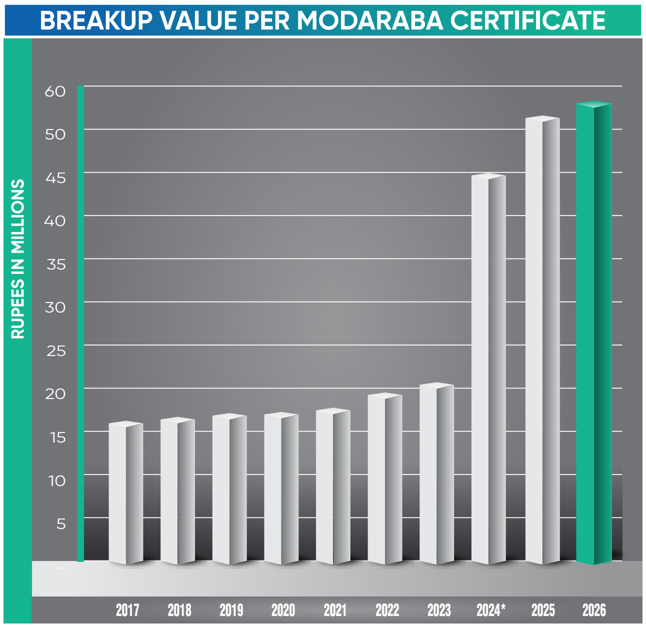
We have remained ambitious in pursuing growth while maintaining a prudent and conservative approach to risk. We did not compromise our core objectives of prudent approaches for sensible progress. The composition of said strategies always support us for responsible and sustainable growth.

Consistently enriched value of our Certificate Holders

Continuous improvement remains the cornerstone of FHM's corporate philosophy and the primary catalyst for our ongoing progress. Demonstrating exceptional financial growth, the institution’s initial equity of Rs. 25 million at inception has expanded to Rs. 6.23 billion as of June 30, 2026. Reflecting this strong value creation, the net asset value per certificate currently stands at approximately Rs. 56 against a face value of Rs. 10/-.

Profitable Venture since Inception

By the grace of Allah (SWT), and through the strong business and financial expertise of its management, FHM has remained a profitable venture since the commencement of its operations. By applying strict risk management policies and best business practices.



* High increase was due to change in face of value of Modaraba Certificate from Rs.5/- to Rs.10/- from the year 2024.

Continuous payment of dividends

FHM never failed to give dividend in any single year and profit has always been given in shape of cash dividend or stock dividend for the last 41 years of business operations without any fail. The average distribution of the dividends of last 10 years is more than 23%.

Shariah compliant profit distribution

Almost 5,000 plus Modaraba Certificate holders receive Shariah compliant profits in the shape of cash dividend every year.

Credit Rating

With continuing sound financial positions, FHM is maintaining "AA+" credit rating for the past 18 years. According to PACRA's assessment these rating denote a very low expectation of credit risk emanating from very strong capacity for timely payment of financial commitments and sound risk absorption capacity emanating from an equity dominated financial structure.

Recipients of Awards and Accolades

Our constant commitment for corporate excellence have not only kept us as leading Modaraba within the sector but also earned us recognition at national and international level. So far, FHM has secured several awards/accolades on best performance, best corporate report, best corporate disclosure and corporate excellence from reputable bodies, such as NBFI and Modaraba Association, ICAP and ICMAP, Management Association of Pakistan, and SAFA an apex body of SAARC

Contribution for well-being of community

FHM, being a socially responsible corporate entity, has been a regular contributor to the society and communities. It has been our primary concern to ensure that contributing to community development should be continuously carried out. Our belief is that positive contribution not only redresses human suffering but also address human development as well. Sustainability is the goal of maintaining a good quality of life for those who presently experiencing it, while enhancing the quality of life to those who lack it. Since last several years FHM has been donating non-profit organization working for

improvement educations, healthcare etc. FHM continues to encourage events and projects which focus on children, health and education in under privileged members of society Our aspirations are not only of being an industry leader but to truly reflect our sincere approach of transformation across the community and the economy. As we pursue our Environmental,

Social, and Governance (ESG) ambition, we will continue to keep the bar high and be transparent in our progress. However, we are aware of the challenges that still lie ahead if we are to fulfill our aspirations. As such, we will continue to drive performance across factors and the targets we have set. We do respect values and give importance to all our stakeholders i.e. employees, customers, investors, governments, non-governmental organizations, academia and educational institutions to rebalance and build tomorrow's society. This recognition reflects our commitment to do what it takes to reach the always-rising bar for sustainability performance within the sector. We also know that it is not enough to say we are sustainable. We are determined to prove it with continuous progress toward tangible goals that will ensure the long-term health of our institutions, our people & communities and the planet we share.

CORPORATE SOCIAL RESPONSIBILITY (CSR) [BCR 4.05]

Corporate Social Responsibility (CSR) is a core component of our business model, reflecting our commitment to being socially accountable to our stakeholders, the public, and the environment. In the current year, we have moved beyond theory to implement a series of purposeful initiatives that demonstrate this commitment in action.

This year, our dedicated efforts were channeled through targeted activities led by our HR team and senior management. These were not merely token gestures, but purposeful, strategic engagements designed to create sustainable value that addresses the economic, social, and environmental needs of the communities we serve.

A visit to KDSP (A Down Syndrome Organization):

A Visit to Meethi Zindagi Campaign:

A Visit to NOWPDP (Network of Organizations Working for People with Disabilities Pakistan):

This proactive approach to corporate citizenship is essential in today's landscape, where it directly influences talent attraction, employee retention, and consumer trust. By consciously managing our societal impact, we not only fulfil our ethical obligations but also strengthen our corporate reputation and ensure long-term, sustainable success.

The commitment exhibited by our team has set a powerful example within the financial sector, inspiring others and leaving a lasting, positive imprint on the communities we serve

ANNUAL STAFF CONFERENCE

The FHM Annual Staff Conference brought together employees from across the organization to celebrate achievements, strengthen collaboration, and share the Company's strategic direction for the future.

During the conference, senior management highlighted FHM's business performance, strategic priorities, and key initiatives. In recognition of employees' dedication and contributions, the Company announced several initiatives, including an additional annual bonus, the introduction of a performance-based bonus, performance awards, and employee promotions.

The conference also provided a valuable platform for employee engagement, knowledge sharing, and team building, reinforcing FHM's commitment to recognizing talent, rewarding performance, and fostering a culture of collaboration and continuous growth.


HABIBMETRO


STAR DEBUT OF THE YEAR

EMPLOYEE ENGAGEMENT ACTIVITIES

International Women's Day Celebration

FHM celebrated International Women's Day by recognizing the valuable contributions of its female employees and reaffirming its commitment to diversity, equity, and inclusion.

The virtual event featured inspiring experiences shared by female employees from across the branch network, while senior management emphasized the importance of women's empowerment and workplace inclusion. To mark the occasion, gift baskets were presented to all female employees as a token of appreciation for their dedication and contributions.

"Breast Cancer Awareness Session at FHM"

In collaboration with Pink Ribbon Pakistan,

FHM organized a Breast Cancer Awareness Session to promote health education and awareness among its female employees. The session focused on breast cancer prevention, the importance of early detection, and available treatment options, reinforcing FHM's commitment to employee health and well-being.

Eid al-Fitr Celebration

To celebrate Eid al-Fitr, We distributed gifts to employees across its branch network as a token of appreciation for their dedication and contributions.

This initiative reflects FHM's commitment to fostering a culture of appreciation, unity, and employee engagement while reinforcing the values of care, respect, and teamwork across the organization.












Independence Day Celebration

CORPORATE GOVERNANCE

over Four Decades of CORPORATE GOVERNANCE

Over four decades of integrity, transparency, and responsible leadership, FHM has strengthened its CORPORATE GOVERNANCE framework through transparency, ethical practices, regulatory compliance, and effective oversight, fostering stakeholder confidence while supporting sustainable growth, resilience, and long-term value creation across every stage of its journey.

BOARD'S COMMITMENT TO ESTABLISH HIGH LEVEL OF ETHICS AND COMPLIANCE IN THE MODARABA [BCR 5.05]

Statement of Commitment

The Board of Directors are unwavering in its commitment to upholding the highest standards of ethics and compliance throughout our organization. We believe that ethical behavior and adherence to laws and regulations are foundational to our company's success, reputation, and sustainability.

This statement reflects the Board's resolve to foster a culture of integrity, transparency, and accountability at every level of the organization.

Core Principles

The FHM's ethical framework is anchored in the following core values, which guide the conduct of our Board, management, and employees in all business dealings:

#	Core Principle	Description
1	Integrity	Acting honestly and transparently in all dealings with stakeholders
2	Respect	Treating all individuals with dignity, fairness, and consideration
3	Trust	Building and maintaining confidence through consistent and reliable conduct
4	Responsibility	Accepting accountability for our actions and their impact on stakeholders and society
5	Commitment	Dedicating ourselves to the highest standards of professional and ethical excellence
6	Teamwork	Collaborating with integrity and mutual respect to achieve shared organizational goals

Commitment to Ethical Conduct

i. Leadership by Example

The Board and executive leadership team are committed to setting the tone at the top by exemplifying ethical behavior in all dealings. The Board recognizes that ethical culture begins with leadership and cascades through the organization. Directors and senior management are held to the highest standards of personal and professional conduct and are expected to demonstrate the values they seek to instill across the Modaraba.

ii. Code of Conduct

The Modaraba has established a comprehensive Code of Business Conduct and Ethics that clearly defines the standards of behavior expected of all employees, officers, and directors. The Code addresses key areas including conflicts of interest, bribery and corruption, fraud prevention, insider trading, legal compliance, human rights, and non-discrimination. It is reviewed periodically and updated as necessary to reflect evolving regulatory requirements, industry best practices, and the Modaraba's own governance standards. Adherence to the Code is mandatory for all personnel.

iii. Training and Education

The Modaraba provides ongoing ethics and compliance training to all employees to ensure a thorough understanding of regulatory requirements, Shariah guidelines, and the Modaraba's own conduct standards. Training programs are updated regularly to reflect changes in applicable laws and regulations, including those issued by the Securities and Exchange Commission of Pakistan (SECP) and the Registrar of Modarabas.

iv. Reporting and Whistleblower Protections

The Modaraba maintains a robust Whistleblowing Mechanism that enables employees, certificate holders, and other stakeholders to report concerns regarding unethical behavior, misconduct, or compliance breaches — confidentially and without fear of retaliation. All reported concerns are investigated promptly, impartially, and with appropriate follow-up action. The Whistleblowing Policy is documented, approved by the Board, and communicated across the organization.

Commitment to Compliance

i. Regulatory Adherence

The Modaraba is committed to full compliance with all applicable laws, rules, and regulations, including the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980; the Modaraba Companies and Modaraba Rules, 1981; the Companies Act, 2017; the Listed Companies (Code of Corporate Governance) Regulations, 2019; Prudential Regulations for Modarabas issued by SECP; and all directives issued by the Pakistan Stock Exchange (PSX). Our compliance programs are designed to prevent, detect, and respond to potential violations in a timely and effective manner.

ii. Shariah Compliance

As an Islamic financial institution, the Modaraba is additionally bound by the principles of Shariah in all its products, services, and operations. The Board ensures that all business activities are conducted under the active oversight of our qualified Shariah Advisor, whose annual Shariah review report is annexed to this Annual Report. No product, service, or transaction is approved without ensuring its conformity with Shariah principles.

iii. Internal Controls and Audits

The Modaraba has implemented a robust system of internal controls, complemented by a structured internal audit function that reports directly to the Audit Committee of the Board. Regular audits are conducted to assess compliance with legal, regulatory, and internal policy requirements. Audit findings are reviewed by the Audit Committee, and corrective actions are monitored to closure, ensuring continuous enhancement of the compliance framework.

Continuous Improvement

The Board recognizes that maintaining high standards of ethics and compliance is a dynamic and ongoing commitment rather than a one-time achievement. The Modaraba is dedicated to continuous improvement through the following approaches:

- **Feedback and Engagement:** Actively soliciting feedback from certificate holders, employees, regulators, and other stakeholders to identify areas requiring strengthening or reform;
- **Benchmarking:** Periodically benchmarking ethics and compliance practices against industry standards, peer institutions, and international best practices, including those prescribed by SECP and the NBFI & Modaraba Association of Pakistan; and
- **Innovation:** Embracing technology-driven solutions and innovative approaches to enhance the effectiveness, reach, and monitoring capability of our ethics and compliance programs.

Performance Evaluation of the Board [BCR 5.06]

The key purpose of Board Evaluation in Financial Institutions is to ensure that the Board has the right composition, skills, and processes to effectively oversee strategy, risk management, and regulatory compliance. The Board sets the institution's strategic aims and providing the leadership for effective functioning and operational working of the organization. It helps assess the Board's collective performance, the effectiveness of its Committees, and the contribution of individual directors in safeguarding depositor and stakeholder interests. In a highly regulated sector, it strengthens governance, enhances accountability, and provides assurance to regulators. Regular evaluation also identifies skill gaps, improves decision-making, and supports succession planning. Ultimately, it aims to promote financial soundness, protect institutional reputation, and drive sustainable long-term value creation.

The Board of Directors evaluates its performance by looking at the overall performance of the Modaraba and sets the following criteria.

- How Board effective fulfilled their responsibilities during the trouble period of Pandemic?
- How Board supported and guided well to the management of FHM in difficult time of business?
- Is the composition of the Board appropriate, having the right mix of knowledge, expertise and skills to maximize performance?
- How well the Board exercises its role ensuring that the organization supports and upholds the vision and mission, core values, etc?
- Is the policy framework of the Modaraba developed appropriately?
- What has been the Board's contribution towards developing strategies / review of strategies presented by the Executive Management and satisfying themselves of its appropriateness to the strategic objectives & the laid down goals & sub goals?
- Is the board able to make timely strategic decisions ensuring operations are in line with strategies?
- Is the information provided to the Board appropriate, accurate, timely and unbiased?
- Has the Board ensured timely and accurate disclosure on all material information?
- What has been the Board's contribution in ensuring robust and effective risk management?
- Is the Board effective in adherence to the code of conduct?
- Is the information provided to the Board appropriate, accurate, timely and unbiased?
- Is the Board as a whole, up-to-date with latest developments in the regulatory environment?
- Has the Board ensured that internal control is robust with automated internal control as far feasible and the audit function is conducted in an effective manner?
- Is the Board effective in adherence to the code of conduct?
- Does the Board have a Chairman, who plays his role in ensuring adequate and constructive discourse and debate on important matters, conflict resolution, leadership qualities etc.?
- Are the Board procedures conducive to effective performance and flexible enough to deal with all eventualities?
- Has the attendance of Directors, quality of contribution and preparedness for agendas been adequate?
- Does the Board ensure that Board Committees Chairmen update the Board appropriately of the discussion & decisions taken?

Performance Evaluation of the Chief Executive Officer

The Chief Executive Officer (CEO) is responsible for the overall leadership, management, and performance of the financial institution in line with the strategy approved by the Board. The CEO ensures effective implementation of business plans while maintaining strong risk management, regulatory compliance, and financial discipline. Key responsibilities include driving sustainable growth and profitability, safeguarding asset quality, and managing funding and liquidity. Ultimately, the CEO is responsible for protecting stakeholder interests, enhancing institutional reputation, and ensuring long-term value creation.

On the performance evaluation of the CEO, the Board has considered the following:

- Alignment of strategies for long term and sustainable growth of the Institutions.
- Does he ensure that FHM's resources and budgets are aligned with the implementation of the Modaraba's strategic plan;
- Does he possess leadership qualities i.e. correct anticipation of business trends, opportunities and priorities affecting the Company's prosperity and operations;
- Does he establish an effective organization structure to ensure management's focus on key functions;
- Were the financial/business targets set by the board achieved;
- Does he timely and effectively execute strategies set by the board; and
- Has he served as an effective representative while communicating with all the stakeholders?
- Has he developed clear mission statement, policies, and strategic plans that harmoniously balance the needs of all the stakeholders.
- Has set ESG implementation plan in effective manner.
- Has he focused on climate change issue to protect institutions.

Assessment of Board of Directors and CEO for FY 2025-26

The year 2025-26 was a challenging year around the globe due to Gulf war and geo-political tensions, disrupted supply chain, soaring energy prices and high inflation. The year under review defined by a macro challenges, structural headwinds and cautious stabilization. In said difficult operating environment, it was demanded extraordinary discipline, agility and foresight to management business momentum with prudent growth.

However, despite of difficult operating environment, the year under review ended with satisfactory performance with achievement of significant growth in all our key areas. The said year proved another successful year in terms of substantial growth in financing book and balance sheet size. Total disbursement during the year touched to Rs.21.86 billion which is again the highest ever in the operational history of FHM. Size of balance sheet has also reached to Rs.41.73 billion as compared Rs.34.75 billion of last year. Resource mobilization segment reached to Rs.33.19 billion with a growth of around 23%. Profit after tax slightly decreased due to downward adjustment of SBP policy rates.

The key performance indicators during year 2025-26 were as follows:

- 20% growth in Balance Sheet size
- 11% growth in yearly disbursement
- 23% growth in total financing assets
- 23% growth in resource mobilization including Certificate of Musharakah

There was no growth in profit of the Modaraba due to declining SBP policy and lending rates. However, keeping in view growth in other key segments, the Board of Directors have shown their great satisfaction on performance evaluation of the CEO which covers quantitative as well as qualitative aspects conducted on said parameters. The team of FHM has done well in terms of new and repeat business engagement including excellent management of receivables of monthly installments under the leadership of Mr. Muhammad Shoaib Ibrahim, CEO of FHM. The all key business targets have been achieved and size of balance sheet reached to Rs.41.727 billion which the highest since the inception of FHM.

Independent Director

All the independent directors on the Board are selected in accordance with the compliance of The Companies Act, 2017 in Section 166 which directs that an independent director to be appointed shall be selected from a data bank maintained by Pakistan Institute of Corporate Governance - an institute notified by the Commission.

The name of Independent Directors on the Board are as follows:

- Mr. Saeed uddin Khan
- Prof. Dr. Irum Saba

FHM's Dividend Policy [BCR 5.12 (j)]

FHM has a Dividend Policy in accordance with the Companies Act, 2017 and in compliance with the Companies (Distribution of Dividend) Regulations, 2017 issued by Securities and Exchange Commission of Pakistan.

It reflects FHM's objectives to share earnings with Certificate holders after retention of sufficient funds for future growth.

How the Board Operates

The meetings of the Board of Directors are held quarterly to decide the matters which requires Directors' approvals. Further, if a decision on any matter is required to be made on an urgent basis and it is not practicable to arrange a meeting, such matter is decided based on through a resolution by circular duly signed by each Director, which is then presented in the next Board meeting for ratification.

The Board members ensure that they fulfill all responsibilities assigned to them as required under applicable laws and regulations and there are appropriate arrangements for adhering to them. Moreover, the Board places more attention on investments, business expansion, internal control & risk management, shariah governance, review, and approval of policies.

Decisions taken by the Management [BCR 5.03]

All day to day operations are handled by the management team under the supervision of the CEO with a focus on the business plan and guidelines given by the Board. Management team performs duties within the powers delegated to them.

The management team sometimes as and when comes across situation where they need guidance of superior authority. The CEO refers those matters to the Board of Directors who suggests the way to resolve.

Statement on Operations of the Board [BCR 5.03]

The meetings of the Board of Directors are held quarterly to decide the matters which requires Directors' approvals. Further, if a decision on any matter is required to be made on an urgent basis and it is not practicable to arrange a meeting, such matter is decided based on through a resolution by circular duly signed by each Director, which is then presented in the next Board meeting for ratification. The Board members ensure that they fulfill all responsibilities assigned to them as required under applicable laws and regulations and there are appropriate arrangements for adhering to them. Moreover, the Board places more attention on investments, business expansion, internal control & risk management, shariah governance, review and approval of policies.

All day to day operations are handled by the management team under the supervision of the CEO with a focus on the business plan and guidelines given by the Board. Management team performs duties within the powers delegated to them. The management team sometimes as and when comes across situation where they need guidance of superior authority. The CEO refers those matters to the Board of Directors who suggests the way to resolve.

Description of external oversight of various functions taken to enhance credibility of internal controls and systems [BCR 5.10]

FHM Management has consistently prioritized strengthening its internal control framework and key operational functions. To align with industry best practices and ensure independent oversight of these critical areas, Management periodically engages its

Parent Bank to review and assess key operational processes, identify potential gaps, and recommend areas for improvement.

Related Parties Policy [BCR 5.11(a)]

All related party transactions or arrangements that require Board approval irrespective of the amount or nature (i.e. either on arm's length basis or otherwise) and irrespective of amount must be placed before the Audit committee for their review in accordance with Modaraba's policy and upon recommendation of Audit Committee placed before the Board of directors for their review and approval.

All related party transactions and information have been appropriately disclosed in Note no. 31 of the Financial Statements, including the name, basis of the relationship, percentage holding, nature and amount. [BCR 5.11(b), (c)]

All transactions with related party that are in normal course of business are conducted on an unbiased basis. All related party transactions are placed before the Audit Committee for review and upon recommendation of the Audit Committee place before the Board of Directors for their review and approval.

There is no interest of any director in any related party transactions and significant contracts & arrangements. [BCR 5.11(d), 5.12(b)]

There is no case of conflict which requires specific disclosure. [BCR 5.11(e)]

Board's policy on diversity

We value and support the diverse backgrounds of our employees, including their age, color, ethnicity, family or marital status, gender identity or expression, language, national origin, religion, socio-economic status, and other traits that contribute to their individuality. The Modaraba is convinced that a diverse workforce significantly contributes to improving efficiency throughout the organization. FHM firmly believes that diversity plays a crucial role in the success of the Modaraba. Individuals with distinct characteristics in gender, knowledge, expertise, and skill sets enhance value and assist the organization in reaching its objectives. We are dedicated to fostering equity, guaranteeing that every individual has just access to opportunities, resources, and support according to their unique needs and situations, all while upholding the principles of justice and fairness in accordance with Shariah values.

Inclusion is at the heart of our culture—we aim to foster an environment where every employee feels welcomed, respected, supported, and valued. As an Islamic financial institution, we prioritize ethical responsibility and mutual respect in every interaction, cultivating a workplace that adheres to the principles of compassion, cooperation, and accountability.

The principles of diversity, equity, and inclusion serve as the foundation of the Modaraba's code of conduct and organizational culture, in accordance with the corporate governance standards and the ethical guidelines of Islamic Finance.

BOARD's PERFORMANCE EVALUATION BY EXTERNAL CONSULTANT [BCR 5.07]

In line with corporate governance best practices, First Habib Modaraba conducted its annual performance evaluation for 2024, assessing the effectiveness of the Board of Directors, its Committees, and individual members. To ensure a rigorous, objective, and impartial review, the Modaraba engaged the Pakistan Institute of Corporate Governance (PICG) as an independent external evaluator.

Each Board Committee was evaluated against its specific mandate and key responsibilities, while individual board members were assessed on their unique contributions to strategic discussions and decision-making processes.

In accordance with our governance framework and evaluation cycle, the next independent board evaluation is scheduled for 2027.

INTERNAL CONTROL [BCR 5.12 (a)]

FHM has established a robust risk management framework for the identification, assessment, and monitoring of risks across its operations. The framework enables the timely identification of risks, assignment of appropriate risk ratings based on their criticality, and implementation of suitable mitigation measures. The effectiveness of these measures is regularly monitored by management to ensure that risks are managed within acceptable parameters across all key functions of the organization.

Internal control serves as the foundation of a sound governance and risk management framework within any institution. An effective internal control system at FHM ensures that policies, procedures, and operational processes are implemented in accordance with management's objectives and regulatory expectations. With the increasing emphasis on governance standards within the financial sector, maintaining a strong and effective internal control environment has become a critical component of sustainable organizational success.

The effectiveness of an internal control system largely depends on its design and integration within the organization's operational framework. Accordingly, a comprehensive and well-considered control structure is essential to identify potential vulnerabilities, detect emerging risks, and facilitate timely corrective actions. FHM Management remains committed to establishing and maintaining a robust control environment that safeguards the interests of all stakeholders, including regulators, certificate holders, investors, customers, and other relevant parties. Through continuous enhancement of its control mechanisms, FHM seeks to strengthen governance, ensure regulatory compliance, and support the achievement of its strategic objectives.

FHM Management is committed to continuously strengthening and enhancing the Internal Control Function. This commitment is demonstrated through the recruitment of qualified and competent personnel, regular review and enhancement of internal control processes, and the periodic updating of Standard Operating Procedures (SOPs) to effectively address emerging risks and threats. In addition, management places significant emphasis on IT governance to ensure that technology-related risks and potential security breaches are identified, monitored, and managed proactively.

The core objectives of the Internal Control Function are to:

- Ensure that all relevant policies and procedures are established, implemented, and adhered to across the organization.
- Develop, maintain, and periodically review Standard Operating Procedures (SOPs) to ensure their effectiveness and alignment with business and regulatory requirements.
- Promote effective reporting and communication throughout the organization.
- Enhance the effectiveness and efficiency of operational processes and controls.
- Ensure that the Board of Directors receives timely and accurate financial reports on a regular basis.
- Support the Board in focusing on strategic objectives, performance outcomes, and organizational results.
- Ensure the reliability, accuracy, and integrity of financial reporting.
- Safeguard the assets, resources, and interests of FHM.
- Assess and monitor compliance with the Code of Ethics, corporate governance principles, and applicable regulatory requirements.
- Strengthen the overall control environment through continuous monitoring, risk assessment, and improvement initiatives.

FHM has the vision to establish and maintain a strong compliance culture. The Compliance Department is adequately staffed and resourced to ensure the effective implementation of the compliance framework and is aligned with FHM's core objectives. Through a proactive and risk-based approach, the department supports the smooth functioning of operations while ensuring adherence to all applicable regulatory, statutory, and internal requirements.

All significant and material findings identified by internal and external auditors, as well as observations raised by regulators, are addressed by management on a priority basis. The senior management team, through various management sub-committees, actively monitors the timely resolution and compliance of issues highlighted by the Compliance Department, Internal Audit Department, statutory auditors, and regulatory authorities.

FHM has established comprehensive internal policies and procedures governing its operations, with particular emphasis on Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT), Foreign Account Tax Compliance Act (FATCA), Common Reporting Standard (CRS), and Shariah Governance Regulations. The Internal Audit function independently evaluates and assesses the adequacy and effectiveness of internal controls across FHM and provides assurance on the implementation of, and compliance with, all approved policies, procedures, and applicable regulatory requirements.

All significant and material findings arising from internal audit reviews are reported to the Audit Committee. The Audit Committee actively oversees and monitors the implementation of corrective actions to ensure that identified risks are effectively mitigated, thereby safeguarding the interests of the institution and its stakeholders.

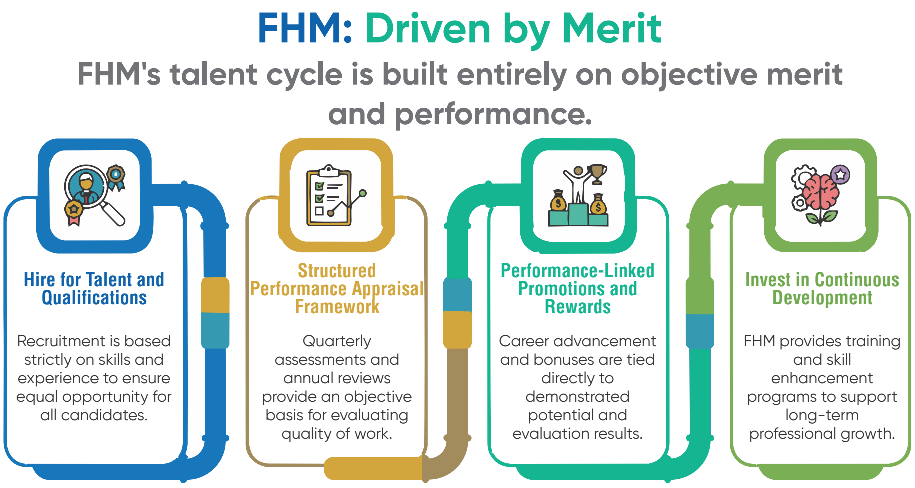
HUMAN RESOURCE MANAGEMENT [BCR 5.12 (g)]

Merit-Based Recruitment

FHM is committed to attract and retain talented professionals through a fair, transparent, and merit-based recruitment process. Employment decisions are based on qualifications, skills, experience, and job requirements, ensuring equal opportunities for all candidates.

Our merit-based recruitment framework aims to:

- Ensure fairness, transparency, and equal employment opportunities.
- Recruit the qualified and competent talent for each role.
- Foster employee confidence through objective and unbiased hiring practices.
- Strengthen organizational performance and support long-term sustainable growth.



Performance-Based Appraisal System

FHM has established a structured performance management framework comprising quarterly performance assessments and annual performance reviews. The framework provides an objective basis for evaluating employee performance, identifying development needs, and supporting career progression.

The appraisal system is designed to:

- Measure employee performance, effectiveness, and quality of work.
- Identify strengths, areas for improvement, and training requirements.
- Support informed decisions on promotions, rewards, and professional development.

Promotion, Rewards & Employee Motivation

FHM recognizes and rewards employee performance through a transparent, merit-based approach.

- Promotion: Career advancement is based on performance, competence, and demonstrated potential through the annual performance evaluation process.
- Rewards & Recognition: Employees are recognized through performance bonuses, salary reviews, recognition awards, and other non-monetary appreciation programs that encourage excellence.
- Employee Development: FHM invests in continuous learning by providing training, career development opportunities, and skill enhancement programs while promoting a collaborative, inclusive, and supportive work environment that encourages employee engagement and well-being.

Training & Development

FHM is committed to developing a skilled and future-ready workforce through continuous learning and professional development.

Our training framework includes:

- Training Needs Assessment: Training requirements are identified through performance evaluations, business needs, employee feedback, and industry trends.
- Clear Learning Objectives: Training programs are aligned with organizational priorities and employees' professional development goals.
- Structured Training Programs: Learning initiatives are designed with defined objectives, delivery methods, schedules, and evaluation mechanisms.
- Diverse Learning Methods: Development opportunities include on-the-job training, workshops, seminars, e-learning, mentoring and coaching, and job rotation to enhance technical and leadership capabilities.

During 2025–26, employees received training across key areas, including business development, credit, operations, compliance, AML/CFT, Shariah compliance, Islamic finance, systems, audit, and soft skills.

Diversity & Inclusion

FHM is committed to fostering a diverse, equitable, and inclusive workplace where all employees are treated fairly and provided with equal opportunities to grow and succeed.

Our key focus areas include:

- Promoting gender diversity and increasing representation across all levels of the organization, including leadership.
- Striving to provide equal employment opportunities and an inclusive workplace for persons with disabilities.
- Among the employees promoted during FY 2025–26, female employees accounted for approximately 40% of all promotions, representing a 17% increase compared to FY 2024–25. This reflects FHM's continued commitment to promoting gender diversity and providing equal opportunities for career advancement.
- Maintaining a respectful and discrimination-free work environment that values diversity and inclusion.

Employee Engagement & Feedback

FHM promotes a culture of engagement, collaboration, and open communication through employee-focused initiatives and organizational events.

The Annual Staff Conference (Town Hall), attended by employees from across the organization, provides a platform for senior management to share business updates, recognize achievements, and receive employee feedback. In addition, team-building and engagement activities strengthen collaboration, enhance employee morale, and reinforce alignment with the Company's values and strategic objectives.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

[BCR 5.12 (h)]

First Habib Modaraba (FHM), driven by its ambition to serve the community with professionalism and dedication, has consistently emphasized initiatives that promote environmental sustainability and social development. As a socially responsible corporate entity, FHM regularly contributes to society, making community development a core priority.

Over the years, FHM has supported non-profit organizations working in education, healthcare, and related fields. We continue to encourage projects and events that focus on children, health, and education, especially for underprivileged segments of society.

Key areas of focus include:

- Maintaining strong internal controls as a fundamental corporate objective.
- Promoting sound ethical practices across the Modaraba.
- Instilling the Risk & Reward concept among staff members.
- Encouraging employee participation in social projects, which serve as catalysts for institutional growth.
- Promoting responsible use of resources by minimizing waste, such as excessive energy and paper consumption.
- Motivating staff to engage in activities that contribute to environmental sustainability.
- Safeguarding customers' interests through regular feedback, grievance redressal, and periodic visits.
- Ensuring equal employment opportunities without discrimination on the basis of gender or disability, recognizing the unique potential of every individual.
- Prioritizing health and safety through comprehensive HR policies, including health and group life insurance/takaful coverage.

EMPLOYEE HEALTH, SAFETY, AND PROTECTION BCR 5.12 (l)]

FHM is committed to maintaining safe and healthy working conditions for its employees, contractors, and all individuals connected to its operations. Branch Managers are required to apply all legally enforceable health and safety standards across their offices.

Key guidelines:

- Adherence to published best practices and local health and safety laws.
- Risk assessments of work activities to eliminate or minimize hazards.
- Investment only in businesses that comply with health and safety regulations.

Safety measures implemented across the network include:

- Installation of CCTV surveillance systems.
- Fire alarm systems in all premises.
- Fire extinguisher systems at every branch.

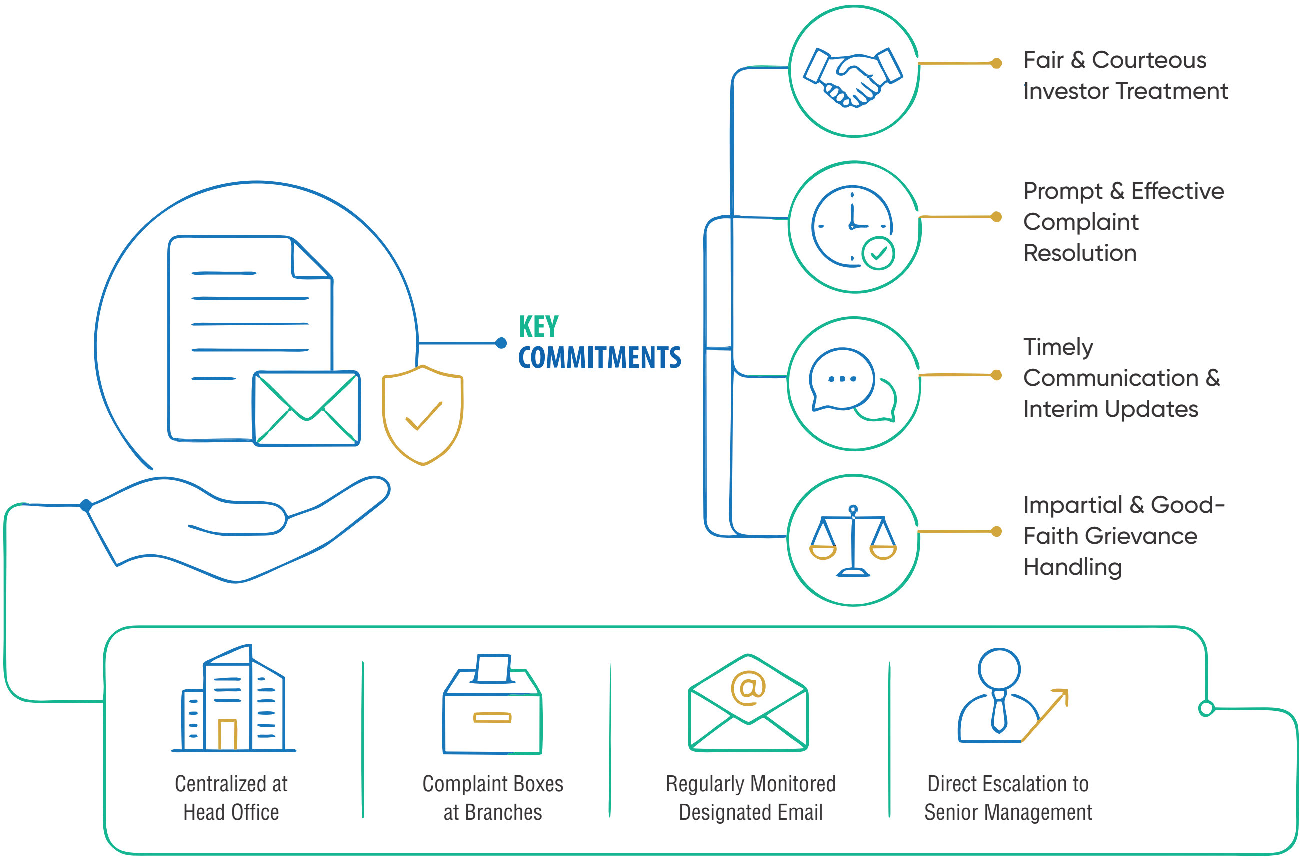
ANTI HARASSMENT POLICY

TO SAFEGUARD THE RIGHT AND WELL BEING OF EMPLOYEES BCR 5.12 (n)]

First Habib Modaraba is strongly committed to maintaining a workplace environment built on dignity, respect, and inclusivity, where all forms of harassment are strictly prohibited. This commitment extends to employees, interns, and visitors in all work-related settings, whether on-site or off-site. Harassment in any form i.e. verbal, physical, visual, or digital, will not be tolerated, and any reported incidents are addressed with fairness, confidentiality, and without fear of retaliation. Complaints are investigated promptly and thoroughly, and disciplinary measures, up to and including termination, may be imposed where necessary. Employees are expected to treat colleagues with respect, report any inappropriate behavior, and cooperate fully in investigations, while management holds the responsibility of addressing concerns promptly and ensuring a safe, supportive, and inclusive workplace for all.

INVESTORS' GRIEVANCE POLICY [BCR 5.12 (k)]

FHM is deeply committed to fair and equitable treatment of all certificate holders—whether majority, minority, institutional, or foreign investors. Complaints are regarded as opportunities for improvement, and a robust review mechanism is in place to prevent recurrence.



Key commitments:

- Treating all investors fairly and with courtesy.
- Addressing complaints promptly, transparently, and effectively.
- Providing timely communication, including interim responses if resolution requires more time.
- Maintaining impartiality and good faith in all grievance redressal processes.

Grievance handling is centralized at the Head Office, supported by complaint boxes at branches, a designated email monitored regularly, and direct escalation to senior management or the CEO in case of serious issues.

WHISTLE BLOWING POLICY [BCR 5.12 (m)]

SPEAK UP.
STAY PROTECTED.
BUILD TRUST.
KEEP FHM STRONG.

Transparency and accountability are core values at FHM. Employees are encouraged to raise concerns about illegal, unethical, or harmful practices without fear of retaliation.

Key principles:

- All disclosures must be in writing and are treated confidentially.
- Whistleblowers are protected from harassment, victimization, or disciplinary action when acting in good faith.
- Malicious or bad-faith allegations may result in disciplinary measures.
- Investigations are handled by appropriate management officials.

The Board has established a confidential **Whistle Blowing Mechanism** in line with the Code of Corporate Governance, ensuring open dialogue and protection of employee rights.

WHISTLE BLOWING MECHANISM [BCR 10.09]

Policy & Commitment:

First Habib Modaraba (FHM) is committed to the highest standards of integrity, transparency, and accountability. To uphold these values, the Modaraba has established a formal Whistleblowing Policy that provides a secure and confidential channel for all stakeholders (including employees, clients, and vendors) to report any genuine concerns regarding illegal, unethical, or improper conduct, including financial malpractices, fraud, corruption, or violations of the code of conduct.

Key Features of the Mechanism:

1. Accessible Disclosure Channels:

- Concerns can be raised through multiple accessible channels, primarily a dedicated email address (speak.up@habibmodaraba.com) managed by a designated officer or a committee independent of management.
- Alternative channels may include a confidential postal address or access to the Chairman of the Audit Committee for highly sensitive matters.

2. Fair & Transparent Handling:

- All reports received are treated with strict confidentiality.
- A defined process is followed to ensure the impartial investigation of every complaint, involving relevant experts while preserving the anonymity of the complainant where requested.
- The process ensures a fair opportunity for all parties involved to be heard.

3. Protection Against Victimization:

- FHM has a strict policy against any form of victimization or retaliation against a complainant who raises a concern in good faith.
- Any instance of intimidation or retaliation against a whistleblower is treated as a serious disciplinary offense.

4. Reporting to the Audit Committee:

- The Audit Committee oversees the effectiveness of the whistleblowing framework.
- A summary of all complaints received, along with their nature, status, and outcome, is presented to the Audit Committee on a periodic basis.
- Significant issues and confirmed cases of misconduct are reported to the Audit Committee immediately, and the Committee's review of these matters is documented in its annual report to the Board.
- This mechanism reinforces our culture of good governance and empowers stakeholders to act as vigilant guardians of the Company's ethical standards.

POLICY FOR SAFETY OF RECORDS OF THE MODARABA [BCR 5.12 (o)]

Customer trust is central to FHM's values, and we prioritize the privacy and security of client information in all our operations. Measures include:

Trust:

Adherence to contractual and statutory duties, with independent third-party confirmation of compliance with industry standards.

Access Management:

Advanced access and encryption tools to ensure data confidentiality.

Data Security:

Robust online backup systems, daily-to-monthly disaster recovery protocols, and secure data storage in Karachi and Lahore.

Further, extended fire suppression, surveillance systems, and fiber optic-enabled disaster recovery technology strengthen the protection of critical data.

BOARD REVIEW STATEMENT OF THE ORGANIZATION'S BUSINESS CONTINUITY PLAN OR DISASTER RECOVERY PLAN [BCR 5.13]

Business Continuity Plan (BCP)

Business Continuity Management (BCM) serves as a crucial framework aimed at mitigating and managing risks related to the disruption of essential operations, thereby ensuring the unwavering resilience of FHM's business. Anchored by a robust business resilience framework, FHM remains steadfast in delivering uninterrupted services to its esteemed customers, irrespective of challenging circumstances, crises, or other disruptive events By enabling third-party Business Continuity Management (BCM) spaces, systems and people, the FHM`s business resilience team keeps operations running in the midst of disruption through proactive planning, maintenance and testing. We continuously work to create a culture that enables resilience.

Disaster Recovery Plan (DRP)

FHM has established appropriate oversight and governance mechanisms to ensure the effectiveness of its Disaster Recovery (DR) capabilities, focusing on the resilience, availability, uptime, and recoverability of all critical systems and supporting infrastructure.. DR plan is integrated to a large extent with BCP and designated key members are familiar with the specific actions they will need to take in case of any disaster. At FHM, our DR plan is adaptable and regularly update with the backup. Our relevant department also does the mock exercise at allocated DR sites to make sure Business Continuity Tests/ Simulation Drills are conducted in a timely & effective manner. FHM has implemented comprehensive policies and procedures to safeguard business continuity and effectively handle major incidents, encompassing both business continuity and disaster recovery. Ensuring BCP is of paramount importance to FHM, both for our organization and our clients. By streamlining processes, we have achieved reduced turnaround time, minimized manual intervention, and facilitated easy access to comprehensive reports and logs for review. FHM's Disaster Recovery Plan and Philosophy are renowned for their robustness and manageability, distinguishing them from others in the field.

Through a detailed review of the business impact analysis process, BCM Steering Committee endorsed an established process that could restore FHM's critical business processes in a timely and orderly manner while operations continue with minimal delays to operations, and making sure that all critical business functions continue in the case of a disaster. Continuous updates of these plans are performed annually, to ensure that they are kept up to date with changes in systems and business units. Business heads are accountable for their divisional recovery strategies, the validation of recovery capabilities and the provision of appropriate training and awareness and its importance in the organization.

Our relevant department has taken following measures to ensure the quick and smooth availability of BCP/DRP.

FHM have already arranged third Party BCP/DR solution from M/s. Cube XS Weatherly (Pvt.) Ltd and maintaining DR site since last several years which also cover Tier 4 Data Centre and Disaster Recovery site.

Business Continuity Plan (BCP) mock exercises to ensure the following:
IT Recovery: Testing the restoration of technology, including data and network recovery.
Offsite Recovery: Verifying the preparedness of backup locations, including communications and utilities.
Trained Personnel: Ensuring that informed and trained personnel are effectively performing recovery procedures.
Transaction Testing: Confirming restored connectivity and access by involving individuals familiar with the business processes.
Education: Educating responsible individuals on the detailed workings of the plan.

These exercises are critical to maintaining our readiness and resilience in the face of potential disruptions.

FHM is also working towards establishing a resilient business continuity environment that provides ready-to-use computing infrastructure at a designated recovery location, ensuring minimal network downtime, reducing operational disruption, and enhancing customer confidence and loyalty.

GENDER PAY GAP STATEMENT

FIRST HABIB MODARABA

Gender Pay Gap statement under Securities and Exchange Commission of Pakistan (SECP) Circular 10 of 2024.

Following is gender pay gap calculated for the year ended June 30, 2026:

MEAN

Gender Pay Gap:

52.31%

MEDIAN

Gender Pay Gap:

24.16%

Any other data / details as deemed relevant: The above ratios reflect the overall employee gender pay gap across the organization. The modaraba ensures equitable compensation for the female members in their respective role based on experience, qualification and performance.

For and on behalf of the Board of Directors

Muhammad Shoaib Ibrahim
Chief Executive Officer

Ownership, Shareholding and Relationship with Holding Company, Subsidiary Company or Associated Undertakings [BCR 1.07]

Name of Associated Entity	Nature of Relationship	Basis of Relationship	Aggregate Percentage of Certificate Holding
Habib Metropolitan Bank Limited	Associate	Holding Company of Management Company	4.43%
Habib Metropolitan Modaraba Management Company (Private) Limited	Associate	Management Company of the Modaraba	10%
Habib Metropolitan Financial Services Limited	Associate	Subsidiary of Parent Bank	-
Habib Metro Exchange Services Limited	Associate	Subsidiary of Parent Bank	-
First Habib Modaraba Employee Contributory Provident Fund	Associate	Common Management	-
First Habib Modaraba Staff Gratuity Fund	Associate	Common Management	-

COMPLIANCE WITH THE BEST PRACTICES OF
CODE OF CORPORATE GOVERNANCE [BCR 5.14]

This statement is being presented to comply with the Listed Companies (Code of Corporate Governance) Regulation 2019 (the Code). Regardless of the fact that Habib Metropolitan Modaraba Management Company (Private) Limited (the Modaraba Management Company), is a private limited company, the Board of Directors (the Board) of the Modaraba Management Company are pleased to confirm that the Code is being complied with all material respects (pertaining to the operations of the Modaraba).

The Modaraba Management Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are seven as per the following:

   Male : 6

   Female : 1

2. The composition of the Board is as follows:

Executive Director	Mr. Muhammad Shoaib Ibrahim
Chairman - Non-Executive Director	Mr. Mohammad Shams Izhar
Non-Executive Independent Director	Mr. Saeed Uddin Khan
Non-Executive Director	Mr. Usman Nurul Abedin
Non-Executive Director	Mr. Murtaza Ahmed Ali
Non-Executive Director	Mr. Riaz Abdul Rehman
Female Independent Director	Ms. Irum Saba

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Modaraba;

4. The Modaraba Management company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Modaraba Management Company along with its supporting policies and procedures;

5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Modaraba Management Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Modaraba;

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by Board of the Modaraba Management Company / certificate holders of the Modaraba (where applicable) as empowered by the relevant provisions of the Act and these Regulations;

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board;

8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;

9. All the directors, are compliant with necessary requirements of Directors Training Program at The Institute of Chartered Accountants of Pakistan (ICAP), Pakistan Institute of Corporate Governance (PICG), The Institute of Cost and Management Accountants of Pakistan (ICMAP) and Institute of Business Administration (IBA). Directors status of compliance with necessary requirements of Directors Training Program are as follows:

Mr. Muhammad Shoaib Ibrahim	Certified from ICAP
Mr. Mohammad Shams Izhar	Certified from PICG
Mr. Murtaza Ahmed Ali	Certified from ICAP
Mr. Saeed Uddin Khan	Certified from ICMAP
Mr. Usman Nurul Abedin	Certified from ICMAP
Ms. Irum Saba	Certified from IBA
Mr. Riaz Abdul Rehman	Certified from ICAP

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;

12. The Board has formed committees comprising of members given below:

    a) Audit Committee

Chairman	Mr. Saeed Uddin Khan
Member	Ms. Irum Saba
Member	Mr. Mohammad Shams Izhar
Secretary	Mr. Muhammad Babar

    b) HR and Remuneration Committee

Chairman	Mr. Saeed Uddin Khan
Member	Mr. Usman Nurul Abedin
Member	Mr. Mohammad Shams Izhar
Secretary	Mr. Muhammad Jehanzeb

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

Audit Committee	Quarterly
HR and Remuneration Committee	Yearly

15. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Modaraba;

16. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Modaraba Management Company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;

18. We confirm that all requirements of the Regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

S.No.	Requirements	Explanation	Regulation No.
1.	**Nomination Committee** The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances.	The functions of the Nomination Committee are being performed by the HR & Remuneration Committee. Therefore, separate committee for Nomination is not required.	29(1)
2.	**Risk Management Committee** The Board may constitute a Risk management committee, of such number and class of directors, as it may deem appropriate in its circumstances, to carry out a review of effectiveness of risk management procedures and present a report to the Board.	A separate Risk Management Committee is not constituted as the functions of the Risk management committee are being addressed at the Board level.	30(1)
3.	**Sustainability Risks and Opportunities** In order to effectively discharge its sustainability related duties, the board may establish a dedicated sustainability committee having at least one female director, or assign additional responsibilities to an existing board committee.	In accordance with Regulation 10A of the Listed Companies Code of Corporate Governance, as per SECP Notification S.R.O. (1)/2024 dated June 12, 2024, regarding the establishment of a Sustainability Committee. Though the Modaraba does not have a formal Environmental, Social, and Governance (ESG) committee, however the Modaraba has voluntarily undertaken various ESG-related activities. These initiatives, shared as part of our ESG efforts this year, reflect the Modaraba's continued commitment to embedding ESG considerations into its business practices, in line with the spirit of the Code. The Modaraba recognize its ESG risks and operations and investment policies carry a guideline on how to mitigate those risk as well initiatives to take the ESG agenda forward. The Board is also currently overseeing the Modaraba's Environmental, Social, and Governance (ESG) initiatives	10(A)(5)

MOHAMMAD SHAMS IZHAR
Chairman

MUHAMMAD SHOAIB IBRAHIM
Chief Executive Officer

Karachi: August 06, 2026

Tel: +92 21 3568 3030
Fax: +92 21 3568 4239
www.bdo.com.pk

2nd Floor, Block-C
Lakson Square, Building No.1
Sarwar Shaheed Road
Karachi-74200
Pakistan

Independent Auditors' Review Report

To the Certificate Holders of First Habib Modaraba

on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors (the Board) of Habib Metropolitan Modaraba Management Company (Private) Limited (the Modaraba Management Company) for and on behalf of First Habib Modaraba (the Modaraba) for the year ended June 30, 2026 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Modaraba Management Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Modaraba's personnel and review of various documents prepared by the Modaraba Management Company to comply with the Regulations.

As a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Modaraba's corporate governance procedures and risks.

The Regulations require the Modaraba Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba Management Company's compliance, for and behalf of the Modaraba, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba for the year ended June 30, 2026.

Karachi

Date: September 2, 2026
UDIN Number: CR2026101663m0fkJrB5

BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

CERTIFICATE HOLDERS' INFORMATION

Registered Office:
6th Floor, HBZ Plaza
I.I. Chundrigar Road, Karachi
U.A.N: 111-346-346
Tel No: 021-32635949-51
Web: www.habibmodaraba.com
Email: fhm@habibmodaraba.com

Share Registrar Office:
CDC Share Registrar Services Limited
Share Registrar Department
CDC House, 99-B, Block "B", S.M.C.H.S
Main Shahrah-e-Faisal, Karachi
Ph: 021-111-111-500

Listing on Stock Exchange

Modaraba Certificates of First Habib Modaraba (FHM) is listed on Pakistan Stock Exchange (PSX).

Investor Service Centre

FHM share department is operated by CDC Share Registrar Services Limited. It also functions as an Investor Service Centre and has been servicing nearly 5,200 Certificate holders. The Investor Service Centre is managed by a well-experienced team of professionals and is equipped with the necessary infrastructure in terms of computer facilities and comprehensive set of systems and procedures for conducting the Registration function.

FHM share department has online connectivity with Central Depository Company of Pakistan Limited - Operation department. The share department undertakes activities Certificate Transfer and Transmission, issue of duplicate / revalidated dividend warrant, issue of duplicate / replaced share Certificates, change of address and other related matters.

For assistance, Certificate holders may contact either the Registered Office or Share Registrar Office:

Contact Details:
Registrar Office:
Mr. Mohsin Rajab Ali
Assistant General Manager Share Registrar
CDC Share Registrar Services Limited

Contact Details:
Danish Liaquat Ali
Company Secretary
First Habib Modaraba

Dividend Announcement

The Board of Directors of the Modaraba Management Company has approved cash dividend of 22.5% (Rs.2.25 per Modaraba Certificate of Rs.10/- each) for the financial year ended 30th June, 2026.

Book Closure Dates

The Certificate Transfer Book of the Modaraba will remain close from 01-10-2026 to 09-10-2026 (both days are inclusive).

Payment of Dividend Electronically (E-mandate)

Pursuant to the provisions of section 242 of the Companies Act, 2017 and Companies (Distribution of Dividend) Regulations, 2017, the dividend will be paid, to those certificate holders whose name appear in the Register of Member of the Modaraba after entertaining all requests for transfer of certificate lodge with the Modaraba before the book closure date, through electronic mode directly into the bank account designated by the entitled certificate holder.

Withholding of Tax & Zakat on Dividend

Currently Section 150 of the income Tax Ordinance, 2001 prescribed following tax rates for deduction of withholding tax on the amount of dividend paid by the modarabas, unless the Certificate Holder's income is tax-exempted:

1. whose name appearing in the Active Tax Payers List — 15%
2. whose name not appearing in the Active Tax Payers List — 30%

The status of deduction of withholding tax will be determined as per Active Taxpayer List (ATL)" available on FBR website.

Further, in the light of clarification from Federal Board of Revenue, all the shareholders who intend to seek exemption from withholding of taxes on payment of dividend under clause 47B of Part-IV of the Second Schedule of the Income Tax Ordinance, 2001, are requested to provide the valid Exemption Certificate under section 159(1) of the Income Tax Ordinance, 2001 duly issued by the concerned Commissioner of Inland Revenue in order to claim the said exemption.

Zakat is also deductible at source from the dividend at the rate of 2.5% of face value of the share, other than the corporate holders or the individuals who provide the undertaking for non-deduction of Zakat.

Conversion of Physical Modaraba Certificates into Book-Entry Form:

As per requirement of Companies Act, 2017, all listed companies are required to replace the Certificates held in physical form with the Certificates to be issued in Book-Entry, therefore, all Certificate holders holding Certificates in physical form are requested to convert their shares in Book-Entry Form in order to comply with the provisions of the Companies Act, 2017. Certificate holders may contact the Modaraba's Certificate Registrar to understand the process of conversion of Certificates held in physical form, into the Book-Entry Form.

TERMS OF REFERENCES [BCR 5.17]

AUDIT COMMITTEE

The Composition of Board Audit Committee are as follows:

Name of Directors	Chairman/Member	Category
Mr. Saeed Ud Din Khan	Chairman	Non-Executive Independent Director
Mr. Mohammad Shams Izhar	Member	Non-Executive Director
Prof. Dr. Irum Saba	Member	Non-Executive Director
Mr. Muhammad Babar		BAC Secretary

The terms of reference of the Board Audit Committee is as follows:

1. Determination of appropriate measures to safeguard the Modaraba's assets;
2. Review of annual and interim financial statements of the Modaraba, prior to their approval by the Board of Directors, focusing on:
    a. Major judgmental areas;
    b. Significant adjustments resulting from the audit;
    c. Going concern assumption;
    d. Any changes in accounting policies and practices;
    e. Compliance with applicable accounting standards;
    f. Compliance with these regulations and other statutory and regulatory requirements; and
    g. All related party transactions.
3. Review of preliminary announcements of results prior to external communication and publication;
4. Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
5. Review of management letter issued by external auditors and management's response thereto;
6. Ensuring coordination between the internal and external auditors of the Modaraba;
7. Review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the Modaraba;
8. Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
9. Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
10. Review of the Modaraba's statement on internal control systems prior to endorsement by the Board of Directors;
11. Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);

12. Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive Officer and to consider remittance of any matter to the external auditors or to any other external body;
13. Determination of compliance with relevant statutory requirements;
14. Monitoring compliance with these regulations and identification of significant violations thereof;
15. Review of arrangement for staff and management to report to the Board Audit Committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;
16. Recommend to the Board of Directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the Modaraba by the external auditors in addition to audit of its financial statements. The Board of Directors shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof.
17. Consideration of any other issue or matter as may be assigned by the Board of Directors.

Chairman Audit Committee

HUMAN RESOURCE AND REMUNERATION COMMITTEE

The terms of reference of the committee shall be determined by the Board which may include the following:

- The human resource policies are reviewed periodically and as necessary, revised and recommended to the Board, in order to attract and retain potential employees.
- Recommendation to the Board for consideration and approval a policy framework for determining remuneration of directors (both executive and non-executive directors and members of senior management).
- Undertaking, annually, a formal process of evaluation of performance of the Board as a whole and its committees either directly or by engaging external independent consultant and if so appointed, a statement to that effect shall be made in the directors' report disclosing therein name and qualifications of such consultant and major terms of his / its appointment.
- Consideration and approval on recommendations of Chief Executive Officer on such matters for key management positions who report directly to Chief Executive Officer.
- Review and recommend changes to the Committee's terms of reference, as and when required.
- Recommending to the Board the selection, evaluation, development, compensation (including retirement benefits) of chief operating officer, chief financial officer, company secretary and head of internal audit.
- The Modaraba strategy related to Human Capital Management and Planning, including:

  1. Recruitment and Selection strategy is aligned to Business objectives and philosophy.
  2. Training and Developmental needs of Human Resources are identified, adequately met and aligned to business objectives; and
  3. Performance Evaluation and Management System is objective, transparent and unbiased.

During the year, one meeting of human resource and remuneration committee was held; attendance by each member is appended below:

Members	No. of Meeting Attended
Mr. Saeed Uddin Khan Non-Executive Independent (Chairman)	**1**
Mr. Muhammad Shams Izhar Non-Executive (Member)	**1**
Mr. Usman Nurul Abedin Non-Executive (Member)	**1**
Mr. Muhammad Jehanzeb Secretary	**1**

REPORT OF THE
AUDIT COMMITTEE [BCR 5.19]

Composition of the Audit Committee

The Audit Committee of First Habib Modaraba (FHM) comprises of three directors, all of them are non-executive including two as independent directors, one of whom serves as the Chairman of the Audit Committee. All the committee members are financially literate and possess enriched experience in banking and non-banking financial sector.

Chief Financial Officer of the FHM attends the meeting of Audit Committee on invitation; internal auditors are present in all the Committee meetings whereas External Auditors attend the meetings on requirement basis.

Role of Audit Committee

The role of Audit Committee is governed by its Terms of Reference (TORs), developed in line with all applicable regulations and directives from relevant regulators and Board of Directors (BOD). The Audit Committee primarily deals with questions of risk management, which includes credit, operational risk and governance structure particularly IT governance and financial reporting in line with the applicable laws and regulations.

- The financial statements of FHM for the year ended June 30, 2026 have been prepared on a going concern basis under requirements of the Companies Act, 2017 & Modaraba Regulations. These financial statements present a true and fair view of the state of affairs of the FHM, results of operations, profits, cash flows and changes in equity of the FHM for the year under review.
- The Audit Committee actively engaged in reviewing the Annual/Half yearly/Quarterly financial statements and internal audit activities in accordance with code of corporate governance and committee TOR.
- The Audit Committee deals with the effectiveness and functional capabilities of the risk management system and internal control environment of the FHM, and provides utmost support and guidance in framing the control environment to prevent FHM from any unforeseen events.
- The Head of Internal Audit report all significant findings to the Audit Committee for their feedback and necessary actions taken, if any. The Audit Committee actively monitors the implementation of internal controls in line with directives of the BOD.
- The Audit Committee concentrate on the effectiveness of internal control, risk management, compliance, internal audit functions, IT governance and other responsibilities given by the BOD.
- The Head of Internal Audit has direct access to the Chairman of the Audit Committee, and having the full liberty to discuss issues of significant concern, if any, related to the organization's control, governance and risk environment.
- The Audit Committee through internal auditor facilitate the staff and management to share any information in confidence on account of any improperness in financial and other matters, and develop processes in addressing these issue with mitigating and remedial measures.
- The Audit Committee performed detailed review, and is satisfied that Annual report was fair, balanced and understandable, and provides necessary information for shareholders on account of assessment of FHM position, performance and business model.
- The Audit Committee self-evaluated their performance and satisfied with the overall quality of work done.
- During the year, no whistle blowing incident was reported to the Audit committee.

Internal Control Framework (ICF)

The Audit Committee is also entrusted to make sure that ICF is effectively implemented. The management of FHM is responsible to establishing and maintaining an adequate, efficient and effective system of ICF and procedures. The core objectives of ICF are as follows:

- Effectiveness and efficiency of operations across the entire FHM network.
- Reliability of financial reporting with respect to accuracy of information.
- Compliance with applicable laws, regulations and procedures to encompass all-important areas.
- Strengthened reporting framework throughout the organization by technology.
- Improve compliance culture by inducting quality resource and updating standing operational procedures.
- Ensure that organization's strategic objectives are achieved, while adhering to its policies and plans.

The FHM's internal control function ensures compliance with regulatory requirements, which is the prerequisite for any financial institution and ensure the adherence of internal policies and procedures with specific emphasis on AML&CFT/FATCA/CRS and Shariah governance regulation. The Audit Committee actively monitors the implementation of policies and procedures through internal audit function.

During the year, the following controls mechanism were strengthened:

- Standard Operating Procedures (SOPs) with respect to risk rating criteria have been developed, and approved by the Audit Committee.
- The FHM Procedure Manuals have been segregated from the FHM Policy Manual. In addition, policies covering all Human Resource functions have been documented separately within the HR Policy Manual.
- TORs of the management committees have been prepared, reviewed and updated.
- Interbank Funds Transfer (IBFT) mechanism has been introduced through the development and implementation of SOPs.
- The voucher authorization mechanism has been further strengthened through the systematic attachment of all supporting documents within the system.
- All audits conducted during the year were designed to simulate high-risk scenarios and assess the resilience of internal controls in a controlled environment.

Role of Internal Audit Function

The internal audit function role in FHM is in line with Global Internal Audit Standards issued by Institute of Internal Auditors (IIA) to provide independent objective assurance to the management and guide to improve system of internal control, risk management and governance process to accomplish FHM objectives as defined by BOD.

External Auditors

The Audit Committee regularly assesses the performance of external auditors taking into consideration a number of important factors including satisfactory rating under ICAP's quality control review program, the length of time the firm has been engaged, the quality of the Audit Committee's ongoing discussions with the external auditors & assessment of their past performance, etc.

The statutory auditors of the FHM, M/s. BDO Ebrahim & Co. Chartered Accountants have completed audit of the FHM's financial statements and the Statement of Compliance with the Code of Corporate Governance for the year ended June 30, 2026.

The Audit Committee recommended the audited accounts of FHM for the year ended June 30, 2026 audited by M/s. BDO Ebrahim & Co. Chartered Accountants and confirms that there is no material non-compliance found within the audited accounts as narrated by auditors.

The statutory auditors have indicated their willingness to continue as auditors. Being eligible for reappointment under listing regulations, the Audit Committee recommended the reappointment of M/s. BDO Ebrahim & Co. Chartered Accountants as statutory auditors for the financial year ending June 30, 2027, on terms as approved by the BOD.

Audit Committee Meetings

- Audit Committee meetings were held on quarterly basis during the year 2025-2026.
- The Audit Committee reviewed and recommended quarterly, half-yearly and annual financial statements of the FHM prior to their approval by the BOD.
- The Audit Committee has reviewed and approved all related party transactions.
- The internal audit function has carried out its duties under the audit charter defined by the Audit Committee.
- The Audit Committee regularly reviewed and deliberated upon the relevant controls, and suggested further insight over the control mechanism, considered necessary for a robust control ecosystem.
- Significant internal audit findings forwarded to Audit Committee for prompt decision-making.
- Update on evaluation of ICF system by internal audit, as well as compliance thereon by the management on account of how internal control and compliance function effectively operated.
- Review of Shariah Advisor reports and its compliance status to ascertain all the transaction are in line with Shariah rules and regulations.

Mr. Saeed Uddin Khan
Chairman Audit Committee

PROCEEDINGS OF ANNUAL REVIEW MEETING [BCR 10.05]

In compliance with the Modaraba Regulations and the requirements of the Securities and Exchange Commission of Pakistan (SECP), First Habib Modaraba (FHM) conducted its Annual Review Meeting (ARM) of Certificate Holders on October 8, 2025, to review the performance of the Modaraba for the year ended June 30, 2025.

The following representatives of the Modaraba attended the meeting:

Mr. Muhammad Shoaib Ibrahim	-	Chief Executive Officer
Mr. Saeed Uddin Khan	-	Chairman - Audit Committee
Mr. Tehsin Abbas	-	Chief Financial Officer
Ms. Ayesha Rasheed	-	Company Secretary
Mr. Amir Kaleem	-	Head of Business Development
Mr. Fazal Abbas	-	Head of Credit

The Chief Executive Officer briefed the forum on the business activities and overall performance of FHM, including the key challenges faced during the year 2024–25, as reported in the Directors' Report forming part of the Annual Report. He also provided a detailed overview of the key financial highlights presented in the financial statements of the Modaraba.

The Certificate Holders acknowledged the hard work and dedicated efforts of FHM, particularly its strong financial performance and the declaration of a cash dividend of 22.5% for the year ended June 30, 2025.

During the meeting, Certificate Holders raised various questions regarding the performance and operations of FHM. The Chief Executive Officer and Chief Financial Officer addressed all questions and concerns to the satisfaction of the Certificate Holders. Other observations and suggestions raised during the meeting were also noted for consideration and appropriate action in the future.

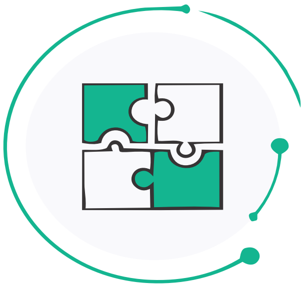
Presence of Chairman Audit Committee at ARM [BCR 5.20]

The Chairman of the Audit Committee also attended the Annual Review Meeting and responded to questions raised by the Certificate Holders concerning activities and matters falling within the scope of the Audit Committee's responsibilities.

BOARD DISCLOSURE ON

ENTERPRISE RESOURCE PLANNING (ERP) SOFTWARE [BCR 5.21]

a



ERP System Integration of Core Business Functions:

FHM's ERP system provides an integrated technology framework that supports the efficient management of core business processes across Finance, Human Resources, Financing, General Ledger (GL), customer-related processes, management reporting and other operational functions. By centralizing data and automating workflows, the platform strengthens governance, improves decision-making, and enhances overall organizational effectiveness. It operates as a centralized platform ensuring data consistency and real-time process visibility. This integration enhances decision-making and operational efficiency. It eliminates silos by enabling seamless communication across departments.

b

Management Support for ERP Implementation and Updates:

Senior management actively supports the ERP implementation through dedicated oversight and resource allocation, business-user involvement and technology governance. The system is continuously reviewed and enhanced to ensure alignment with evolving business requirements and strategic objectives. Updates and improvements are implemented through a structured governance framework to optimize functionality, performance, security, and operational efficiency.

This commitment reflects a strong governance framework around ERP operations.

c

User Training on ERP Software:

Comprehensive training programs are conducted for all ERP users before and after deployment.

Refresher sessions and role-based training ensure proficiency and minimize operational risks. User feedback to refine training programs and support mechanisms. This ongoing engagement enhances user adoption, promotes operational efficiency, and ensures the organization derives maximum benefit from its technology investments.

d

Risk Management and Controls on ERP Projects:

ERP-related risks are proactively managed through IT governance and risk management framework and regular audits both internally and externally.

Project governance includes stakeholder reviews, timelines, and planning. SSD, Compliance and internal audit teams collaborate to ensure compliance and minimize disruptions. Key risks, including operational, project, change-management, data integrity, system availability, cybersecurity, regulatory compliance and third-party-related risks are maintained and monitored throughout the project lifecycle, ensuring proactive risk management and effective governance oversight.

e

System Security, Access Control, and Segregation of Duties:

A structured role-based access control mechanism is implemented across the ERP environment to safeguard information assets and ensure that user access and privileges remain aligned with business responsibilities. Access to sensitive information, functions, and privileged activities is restricted to authorized personnel through appropriate authentication, authorization, and access controls. Segregation of Duties (SoD) is embedded within critical ERP processes to minimize the risk of unauthorized transactions, errors, conflicts of interest, and inappropriate access. User access and privileged activities are monitored through established IT security controls, with periodic access and SoD reviews conducted to identify and address exceptions. Security controls and protocols are regularly tested and enhanced in line with applicable regulatory requirements and industry best practices.

ANALYSIS OF FINANCIAL INFORMATION

over
Four Decades
of

ANALYSIS OF FINANCIAL INFORMATION

Over four decades of financial discipline and consistent performance, FHM's ANALYSIS OF FINANCIAL INFORMATION reflects resilience, prudent management, and sustainable growth. Strong fundamentals, transparent reporting, and strategic decision-making have reinforced stakeholder confidence while delivering long-term value through changing economic conditions.

ANALYSIS OF FINANCIAL AND NON-FINANCIAL PERFORMANCE [BCR 6.01 (a,b)]

With completion of FY 2025-26, Alhamdulillah, we have completed 41 years of continuous journey of success. The accomplishment of more than 4 decades truly reflects our sincere commitment towards sensible growth in prudent manner over the years.

The year under review remained challenging due to Middle East conflict which caused disruption in supply chain and high prices of energy. However, despite of difficult operating environment, Alhamdulillah, performance of financial year 2025-26 remained satisfactory. Our key business targets i.e., assets financing, yearly disbursement and balance sheet footing have reflected satisfactory growth.

with achievement of budgeted target except profitability which is remained slightly behind the target due to downward revision of SBP policy rates. Our balance sheet size reached on Rs.41.73 billion, which the highest in the history of FHM.

Comparative analysis of two years are as follows:

Rs. in Million

	Jun-26	Jun-25	Variance %
Balance Sheet footing	41,727	34,749	20.08%
Financing Assets	40,172	32,658	23.01%
Disbursement for the period	21,854	19,637	11.29%
Profit before Tax	1,218	1,245	-2.25%
Profit after Tax	1,217	901	-16.98%
Earning Per Modaraba Certificate (Rs.)	6.75	8.13	

KPIs to assess and measure the financial performance in 2025-26 are disclosed in "Key Performance Indicators" section of Annual report.

Performance against Targets

At present, Pakistan's economy is navigating significant volatility due to the ongoing US-Iran conflict, which has caused disruptions in supply chain and high prices of energy. Said conflict represents an intense geopolitical shock with far-reaching economic consequences, particularly for energy importing and structurally weak economies such as Pakistan. The evolving crisis marked by high cost and disturbed supply of import led industrial raw materials, volatility in global oil and gas markets have transformed into a systemic economic shocks for Pakistan.

Our performance during FY2025-26 remain satisfactory and all key business targets except profitability due to declining policy rates of State Bank of Pakistan.

Our total disbursement during the year touched to Rs.21.854 billion which is again the highest ever in the operational history of FHM, as compared to disbursement of Rs.19.637 billion of previous year. Size of balance sheet has also reached to Rs.41.727 billion as compared Rs.34.749 billion of last year. Our growth in resource mobilization including Certificate of Musharakah is 23%.

Objectives to Assess Stewardship of Management

Consistently satisfactory performance of around more than 4 decades reflects the strength of our business fundamentals and validate the soundness of our strategic decisions. It reaffirms our position as a resilient financial institution, grounded in strong fundamentals and driven by a commitment to long-term value creation and prudent financial leadership. We keep enhancing value of certificate holder through providing excellent returns and maintaining sustainable performance that matched with market and shareholder expectations.

Short, medium and long term objectives along with corresponding strategies and overall Key Performance Indicators (KPIs) to measure Modaraba's performance including for Human Capital, Natural Capital, Intellectual Capital have been disclosed in the "Key Performance Indicators, Strategy and Resource Allocation and Resource Allocation Plan" section of the Annual Report.

Future prospects of profit

Keeping in view of present positive economic scenario and political stability, we are optimistic about our further business growth in prudent and careful manner. We are confident that Insha'Allah, we will achieve our business targets with improved performance and continue to add value for our Certificate Holders and maintain our leading position within Modaraba sector.

NON-FINANCIAL MEASURES

Non-financial measures are difficult to quantify as compared to financial measures but they are equally important. Following are the non- financial measures to determine the healthy prospectus of modaraba.

a) Improvement of Service delivery of customer through technological advancement.

- Explore digital based lending space through technological advancement
- Capacity enhancement in core application
- Improve operational processes for efficient delivery
- Customer's feedback

b) Strengthening of operational risk management tools

- Following are broader area of approaches which go through with the process during the year.
- Staff training and capacity building
- Sector analysis and market vigilance
- Improve Shariah governance framework to minimize risk of Shariah non-compliance.
- Strengthen of credit assessment proposal mechanism.
- Further strengthen our ESG approach for long term sustainability.

c) Staff capacity building

- Appropriate training through workshops and seminars
- Reward culture
- On job training
- Job rotation

d) ESG approach

Our commitment to Environmental, Social, and Governance (ESG) principles remains our core objective and strategic priority. We encourage green financing, paperless engagement through technological advancement and encouragement of diversity and inclusion. On social front, we encourage enhancement of CSR related activities, made emphasis on activities of environment protection including financial support for education to staff members and their children. On governance side, a strong emphasis was also placed on further strengthening compliance culture, strong internal control, transparency and accountability.

These strategic commitments reflect our determination to remain a reputable and responsible corporate entity, encourage to deliver meaningful impact across financial sector of Pakistan for environment protection, social engagement and good governance.

KEY FINANCIAL DATA FOR SIX YEARS [BCR 6.02 (a)]

KEY FINANCIAL & OPERATING DATA	2026	2025	2024	2023	2022	2021
	RUPEES IN MILLION					
Total Assets	41,727.10	34,749.38	26,409.93	20,539.86	17,162.82	12,122.53
Diminishing Musharaka Financing Asset	40,172.07	32,658.43	25,125.60	17,981.78	13,183.23	9,913.81
Diminishing Musharaka Asset Disbursement	21,854.00	19,637.00	15,202.18	10,781.69	11,088.56	6,531.04
Current Assets	16,435.85	13,268.44	9,792.76	8,211.97	8,257.25	4,987.87
Current Liabilities	35,452.43	28,949.44	21,284.87	15,906.40	13,151.20	8,153.14
Total Liabilities	35,466.06	28,965.31	21,300.99	15,926.06	13,185.80	8,294.19
Paid-up Capital	1,108.31	1,108.31	1,108.31	1,108.31	1,008.00	1,008.00
Reserves	5,122.72	4,630.59	3,966.12	3,499.57	2,959.52	2,619.07
Certificate Holders' Equity	6,231.03	5,738.89	5,074.43	4,607.88	3,967.52	3,627.07
Gross Revenue	4,850.54	4,971.82	5,191.48	3,435.47	1,562.77	1,545.15
Income from Diminishing Musharaka Financing	4,850.54	4,971.82	5,191.48	3,396.95	1,424.75	796.47
Net Profit	747.92	901.50	690.20	519.63	382.12	363.15
Earning Per Certificate - Rs.10/- each	6.75	8.13	6.23	4.68	3.45	3.28
Cash Dividend (%)	22.50	22.50	21.00	20.00	20.00	28.00

STAKEHOLDER INFORMATION	2026	2025	2024	2023	2022	2021
Profitability Ratios						
Profit before tax to sales ratio (%)	25.40	25.50	23.09	22.44	31.69	23.50
Gross yield on earning assets (%)	37.31	45.18	61.25	50.99	28.61	28.45
Gross spread ratio (%)	20.76	21.04	17.95	14.45	18.16	16.80
Cost / Income ratio (%)	72.61	69.65	68.99	67.57	62.04	34.61
Return on equity (%)	12.00	15.71	13.60	11.28	9.63	10.01
Return on assets (%)	1.79	2.59	2.61	2.53	2.23	3.00
Return on capital employed (%)	23.69	27.02	28.35	20.55	14.67	11.04
Gross profit ratio (%)	96.17	93.51	89.45	84.08	82.23	53.67
Net profit to sale (%)	15.41	18.09	13.31	15.13	24.45	23.50
EBITDA margin to sale (%)	36.21	35.38	31.59	32.17	47.10	36.59
Income / Expense ratio	1.33	1.33	1.27	1.22	1.30	1.26
Turnover Ratio						
Total Asset Turnover Ratio (%)	12.17	14.96	20.64	18.06	10.34	13.60
Fixed Asset Turnover Ratio (%)	20.22	24.77	33.69	30.09	19.92	23.11

KEY FINANCIAL DATA FOR SIX YEARS [BCR 6.02 (a)]

STAKEHOLDER INFORMATION	2026	2025	2024	2023	2022	2021
Liquidity Ratios						
Advance to deposit ratio	3.40	4.89	1.46	1.31	1.19	1.48
Current ratio	0.46	0.46	0.46	0.52	0.63	0.61
Quick / Acid test ratio	0.47	0.47	0.48	0.52	0.63	0.61
Cash to current liabilities	2%	3%	1%	1%	1%	3%
Cashflow from operations to sale (%)	-132	-138	-98	-60	-298	-302
Cashflow coverage ratio (%)	-191	-208	-144	-90	-499	-417
Gross Non-Performing assets to gross advances (%)	2.79	4.34	3.37	2.18	1.58	1.40
Investment / Market ratio						
Market Value Per Share	33.73	24.71	16.01	7.29	9.36	9.80
High	39.49	24.71	16.74	9.00	10.32	9.80
Low	23.01	14.81	16.40	8.81	8.81	9.70
Earning per Certificate of Rs. 10/-	6.75	8.13	6.23	4.68	3.45	3.28
Price earning ratio	5.00	3.04	2.57	1.56	2.71	2.99
Price to book ratio	0.60	0.48	0.35	0.35	0.48	0.54
Dividend Yield ratio (%)	6.67	9.11	13.12	13.72	10.68	14.29
Dividend Payout ratio (%)	33.34	27.66	33.72	42.66	52.76	77.72
Dividend cover ratio	3.00	3.62	2.97	4.68	3.45	2.34
Cash dividend (%)	22.5	22.5	21.0	20.0	20.0	28.0
Cash dividend per certificate	2.25	2.25	2.10	1.00	1.00	1.40
Book value per certificate	56.22	51.78	45.79	20.79	19.68	17.99
Dividend (in million rupees)	249.37	249.37	233	222	202	282
Profit Growth Ratio (%) [YoY]	(17)	31	33	36	5	15
Profit Growth Ratio (%)	60	100	45	38	6	20
DuPont Analysis		Covered in detail at page 182				
Free Cash Flow		Covered in detail at page 168				
Economic Value Added (EVA)		Covered in detail at page 179				
Capital Structure Ratio						
Net assets per certificate of Rs. 10/- each	56.49	52.19	46.10	41.63	39.45	37.98
Capital adequacy ratio (%)	16	20	20	23	24	33
Earning asset to total asset ratio (%)	90.29	90.83	92.16	91.73	82.13	96.08
Weighted Average cost of deposit (%)	11.59	11.21	20.00	20.30	14.30	7.22
Debt to Equity ratio (as per Book Value)	5.33	4.72	3.81	3.14	3.03	2.02
Debt to Equity ratio (as per Market Value)	8.88	9.88	10.91	8.94	6.37	3.72
Non-Financial Ratios						
a) Staff turnover ratio	15%	18%	16%			
a) Female Staff ratio	23%	22%	21%			
c) Employee Productivity Rate (in million)	8.229	11.13	8.026			
d) Revenue per employee (in million)	8.607	10.732	8.216			
e) Customer retention ratio	82%	78%	73%			

HORIZONTAL ANALYSIS [BCR 6.03]

STATEMENT OF FINANCIAL POSITION (%)	2026	2025	2024	2023	2022	2021
ASSETS						
NON-CURRENT ASSETS						
Fixed assets in own use	0.40	4.03	56.24	8.38	(7.49)	(21.79)
Intangible assets	(51.60)	(17.39)	11,932.90	(43.65)	0.51	(28.92)
Diminishing musharaka financing	19.98	29.59	31.07	40.16	79.69	45.17
Long term advances and deposits	26.73	3.41	72.39	(27.52)	2.18	(5.83)
CURRENT ASSETS						
Investments	(40.27)	29.47	(31.76)	17.92	(16.52)	13.54
Current portion of diminishing musharaka financing	22.54	31.26	32.78	29.25	27.78	35.91
Financing installments receivables	0.00	0.00	0.00	0.00	(100.00)	(61.57)
Diminishing Musharaka financing installments receivables	(49.71)	(83.11)	(31.39)	224.63	1,400.63	(94.41)
Advances and prepayments	62.05	27.20	16.47	(54.00)	27,676.67	121.02
Other receivables	(50.52)	62.38	(9.79)	(4.76)	(0.06)	21.38
Income tax refundable	0.00	0.00	0.00	(100.00)	(46.45)	8.70
Cash and bank balances	(29.12)	133.26	85.81	37.26	(36.58)	28.17
TOTAL ASSETS	20.08	31.58	28.58	19.68	41.58	22.29
EQUITY & LIABILITIES						
CAPITAL & RESERVES						
Authorized Certificate capital	0.00	0.00	0.00	27.27	0.00	0.00
Issued, subscribed & paid-up capital	0.00	0.00	(0.00)	9.95	0.00	0.00
Reserves	10.63	16.75	13.33	18.25	13.00	3.17
Certificate holders' equity	8.58	13.09	10.12	16.14	9.39	2.27
SURPLUS ON REVALUATION OF INVESTMENTS	(33.56)	30.93	482.83	(37.66)	(95.28)	131.70
NON-CURRENT LIABILITIES						
Security deposits against financing assets	0.00	0.00	0.00	(100.00)	(79.89)	(43.64)
Liability against right of use assets	(14.11)	(1.58)	(17.99)	137.32	(18.25)	(51.75)
CURRENT LIABILITIES						
Certificates of Musharaka	7.16	28.32	18.09	21.72	54.48	38.09
Running Musharaka	73.65	98.95	324.37	(0.36)	1,396.59	(99.05)
Security deposits	0.00	0.00	0.00	(100.00)	(52.52)	94.24
Liability against right of use assets	62.29	2.40	187.70	39.85	(85.40)	(42.90)
Unearned Dimishing Musharaka installments	179.08	(50.86)	(34.93)	52.03	347.97	147.76
Advance Diminishing Musharaka installments	4.61	(42.73)	60.69	40.13	11.02	(34.13)
Trade & other payables	10.30	13.72	35.73	32.45	13.34	17.88
Unclaimed profit distribution	7.97	5.19	3.22	5.32	5.69	7.00
Profit payable on certificates of investment (musharaka)	69.11	(43.70)	34.75	62.18	100.00	7.00
TOTAL EQUITY & LIABILITIES	20.08	31.58	28.58	19.68	41.58	22.02

STATEMENT OF PROFIT & LOSS (%)	2026	2025	2024	2023	2022	2021
Financing income	0.00	0.00	(100.00)	(72.09)	6.37	(32.26)
Income from Diminishing Musharaka	(2.44)	(4.23)	52.63	138.42	88.69	(17.50)
Administrative expenses	12.66	14.60	19.05	31.46	12.66	0.59
Other Income	(0.60)	(15.22)	(2.79)	29.76	104.26	(38.94)
Other charges	(124.16)	(59.50)	(2.48)	204.74	100.00	0.00
Financial charges	0.87	(5.22)	53.19	144.89	120.88	(44.73)
Modaraba company's management fee	(3.02)	6.39	55.33	55.62	36.38	14.67
Sales tax on Modaraba Management Company's remuneration	(3.02)	22.76	55.33	55.63	36.38	14.67
Provision for Sindh Workers' Welfare Fund	(3.02)	6.15	55.33	55.63	36.38	14.67
Profit for the year	(17.04)	30.61	55.33	55.63	36.41	14.67

VERTICAL ANALYSIS [BCR 6.03]

STATEMENT OF FINANCIAL POSITION (%)	2026	2025	2024	2023	2022	2021
ASSETS						
NON-CURRENT ASSETS						
Financing assets	0.00	0.00	0.00	0.00	1.08	7.11
Fixed assets in own use	0.21	0.25	0.32	0.27	0.29	0.45
Intangible assets	0.0092	0.0229	0.0364	0.0004	0.0008	0.0012
Diminishing musharaka financing	59.11	59.16	60.06	58.92	50.31	51.29
Long term advances and deposits	0.00	0.00	0.01	0.00	0.01	0.01
Deferred tax	0.84	1.09	0.84	0.83	0.20	0.00
CURRENT ASSETS						
Investments	1.09	2.18	2.22	4.18	4.24	7.20
Current portion of diminishing musharaka financing	30.09	29.49	29.56	28.62	26.50	30.49
Financing installments receivables	0.00	0.00	0.00	0.00	0.00	0.00
Diminishing Musharaka financing installments receivables	0.00	0.00	0.02	0.04	0.01	0.00
Advances and prepayments	7.21	5.35	5.53	6.10	15.88	0.08
Other receivables	0.04	0.10	0.08	0.12	0.15	0.21
Income tax refundable	0.00	0.00	0.00	0.00	0.52	1.38
Cash and bank balances	1.38	2.35	1.32	0.92	0.80	1.78
TOTAL ASSETS	100.00	100.00	100.00	100.00	100.00	100.00
EQUITY & LIABILITIES						
CAPITAL & RESERVES						
Authorized Certificate capital	3.36	4.03	5.30	6.82	6.41	9.07
Issued, subscribed & paid-up capital	2.66	3.19	4.20	5.40	5.87	8.32
Reserves	12.28	13.33	15.02	17.04	17.24	21.60
Certificate holders' equity	14.93	16.52	19.21	22.43	23.12	29.92
SURPLUS ON REVALUATION OF INVESTMENTS	0.13	0.13	0.03	0.06	1.66	0.88
NON-CURRENT LIABILITIES						
Security deposits against Financing assets	-	-	-	-	0.15	1.08
Liability against right of use assets	0.03	0.05	0.06	0.10	0.05	0.08
CURRENT LIABILITIES						
Certificates of investment (musharaka)	53.35	59.78	61.30	66.74	65.62	60.14
Running Musharaka	26.20	18.12	11.98	3.63	4.36	0.41
Security deposits	-	-	-	-	0.20	0.58
Unearned lease Diminishing musharaka installments	0.08	0.04	0.09	0.19	0.47	0.15
Advance lease Diminishing musharaka installments	0.04	0.04	0.09	0.08	0.06	0.08
Trade and other payables	4.01	4.36	5.05	4.78	4.32	5.40
Unclaimed profit distributions	0.14	0.25	0.29	0.36	0.38	0.38
Profit payable on certificates of investment (musharaka)	1.11	0.79	1.85	1.76	1.41	-
Total Current Liabilities	84.93	83.38	80.65	77.54	76.82	68.42
TOTAL EQUITY & LIABILITIES	100.00	100.00	100.00	100.00	100.00	100.00

STATEMENT OF PROFIT & LOSS (%)	2026	2025	2024	2023	2022	2021
Income from financing	-	-	-	1.04	7.78	13.13
Income on diminishing musharaka financing	95.57	95.66	95.11	91.57	80.30	76.40
Other Income	4.43	4.34	4.89	7.40	11.92	10.47
	100.00	100.00	100.00	100.00	100.00	100.00
Administrative expenses	6.62	5.72	4.77	5.89	9.37	14.93
Other charges	(0.59)	2.40	5.66	8.53	5.85	-
Financial charges	65.99	63.76	64.30	61.68	52.66	42.80
Modaraba Management Company's remuneration	2.80	2.81	2.53	2.39	3.21	4.23
Sales tax on Modaraba Management Company's remuneration	0.42	0.42	0.33	0.31	0.42	0.55
Provision for Sindh Workers' Welfare Fund	0.50	0.50	0.45	0.42	0.57	0.75
Profit for the year	14.73	17.30	12.66	14.01	21.54	36.74
Taxation	9.54	7.09	9.30	6.77	6.38	-
Total	100.00	100.00	100.00	100.00	100.00	100.00

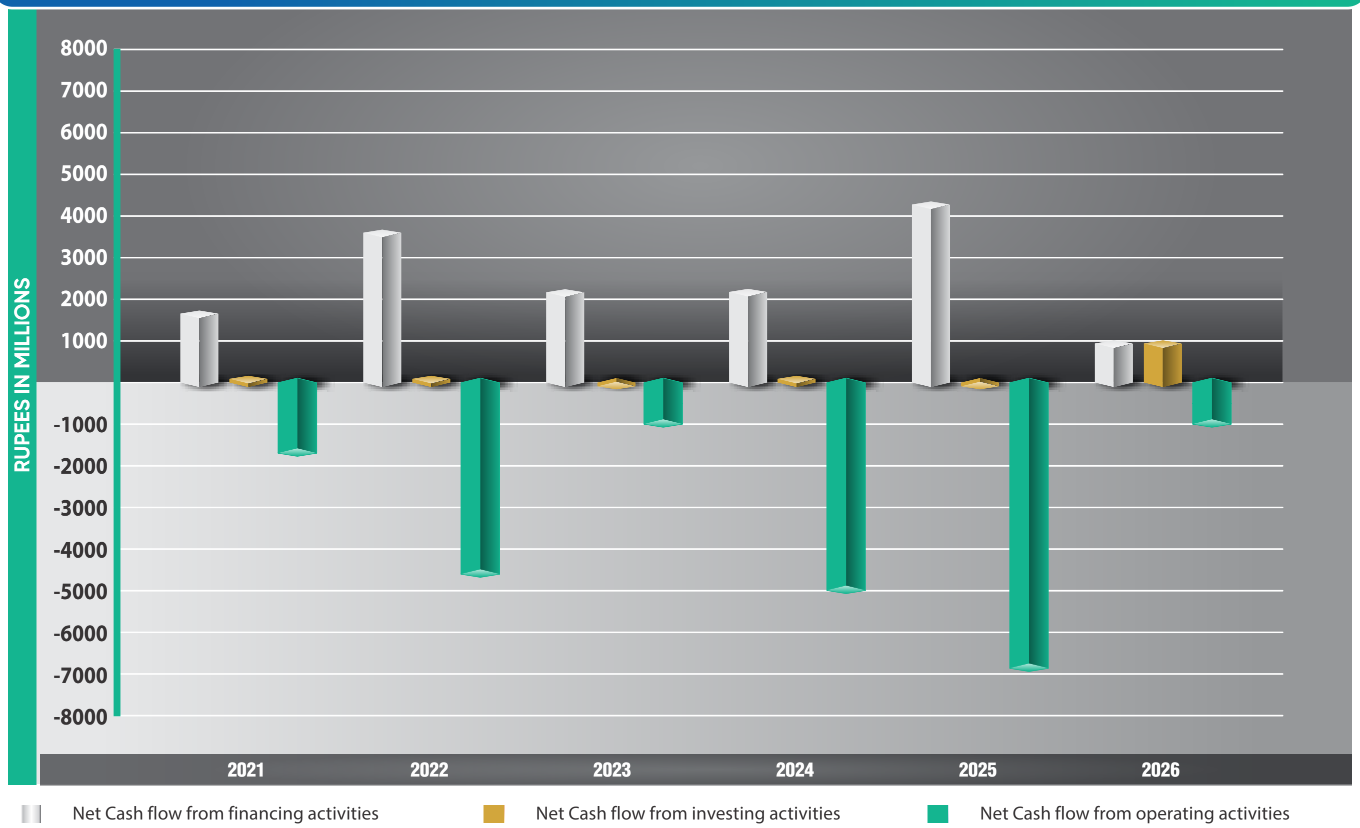
FREE CASH FLOWS TO EQUITY

	30-Jun-26 Annual	31-Mar-26 Nine monthly	31-Dec-25 Half yearly	30-Sep-25 Quarterly
	RUPEES			
Net cash used in operating activities	(6,416,534,892)	(8,436,635,671)	(5,864,490,116)	(1,942,398,460)
Net cash generated/(used in) from investing activities	313,161,540	299,111,892	128,904,186	(23,649,759)
Net cash flow from financing activities	1,229,301,979	3,834,864,822	3,728,263,023	842,318,609
Cash and cash equivalents at the beginning of the period	(5,480,079,658)	(2,883,754,709)	(5,148,550,650)	(2,329,443,361)
Cash and cash equivalents at the end of the period	(10,354,151,031)	(7,186,413,666)	(7,155,873,557)	(3,453,172,971)

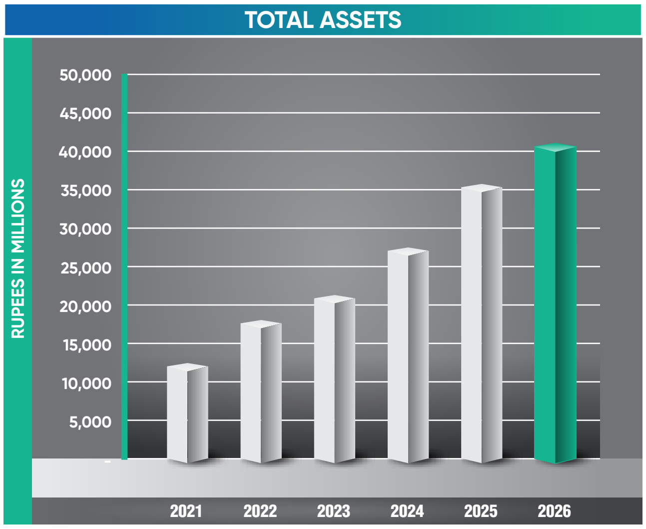
SUMMARY OF CASH FLOWS

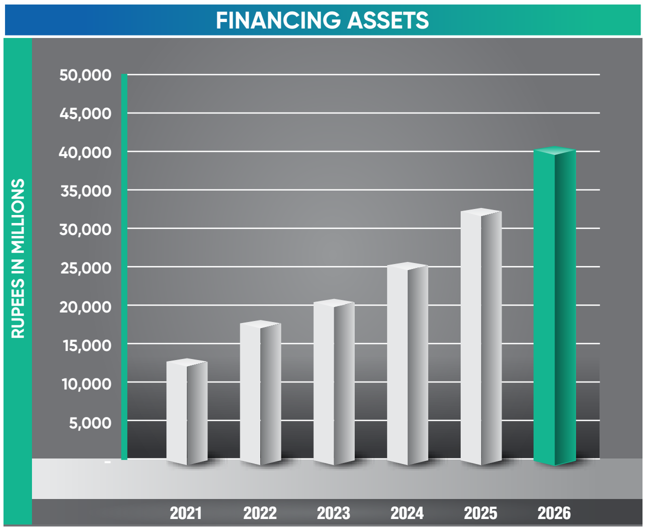
	2026	2025	2024	2023	2022	2021
	RUPEES IN MILLION					
Cash and cash equivalents at the beginning of the year	(5,480)	(2,815)	(198)	(330)	655	668
Net Cash flow from/(used in) operating activities	(6,417)	(6,895)	(5,060)	(2,051)	(4,664)	(1,762)
Net Cash flow from investing activities	313	(117)	190	(57)	3	20
Net Cash flow from financing activities	1,229	4,347	2,253	2,240	3,676	1,729
Net increase/(decrease) in cash & cash equivalent	(4,874)	(2,665)	(2,617)	132	(985)	(13)
Cash and cash equivalents at the end of the year	(10,354)	(5,480)	(2,815)	(198)	(330)	655

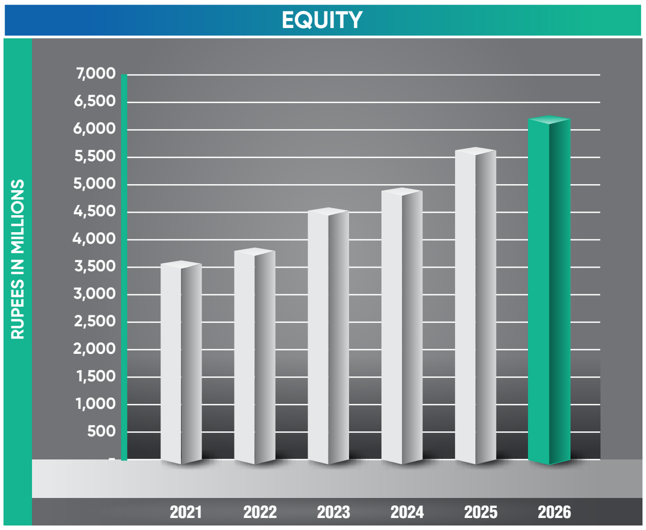
CASH FLOW ANALYSIS

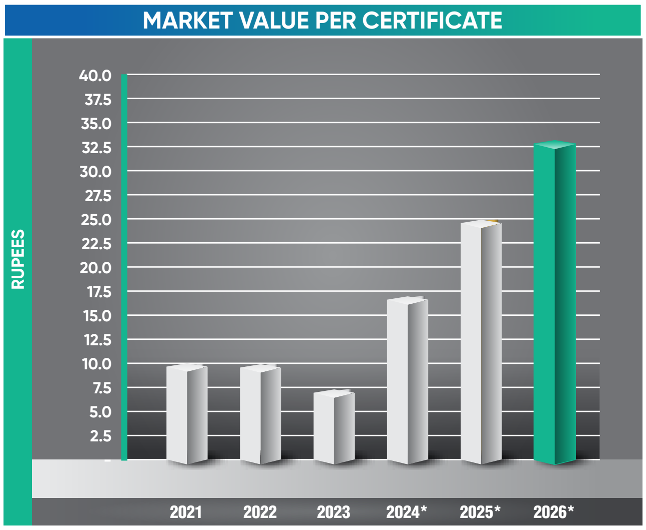


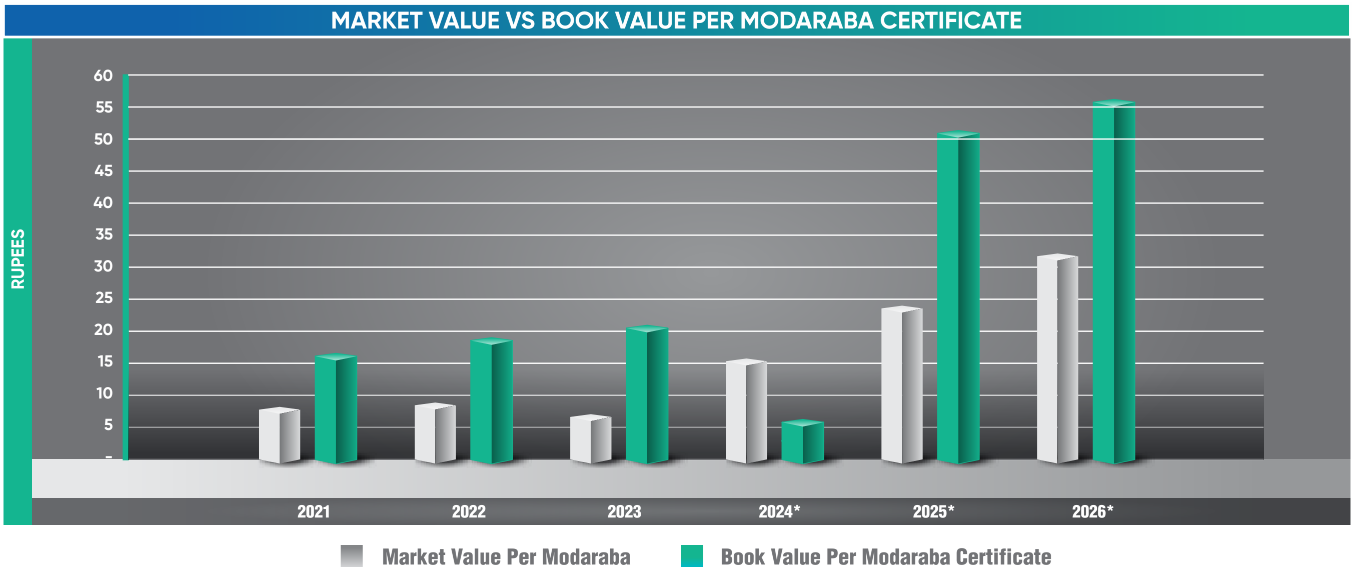
GRAPHICAL PRESENTATION OF
FINANCIAL SUMMARY





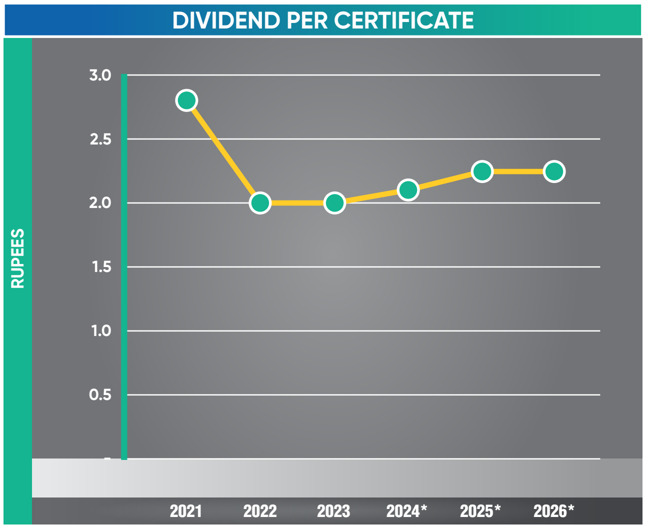


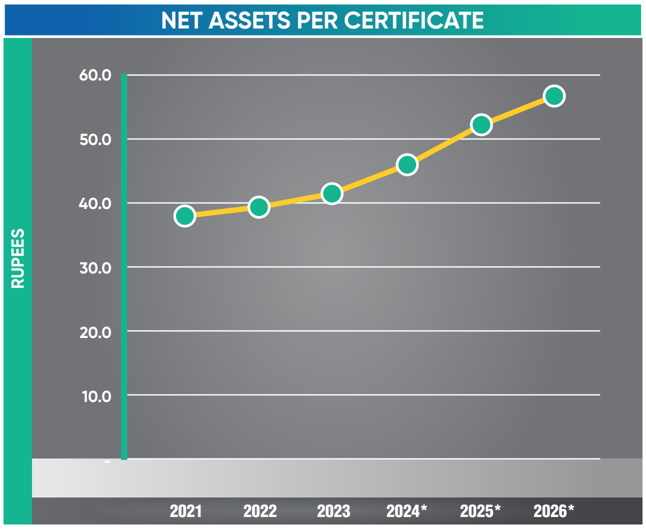


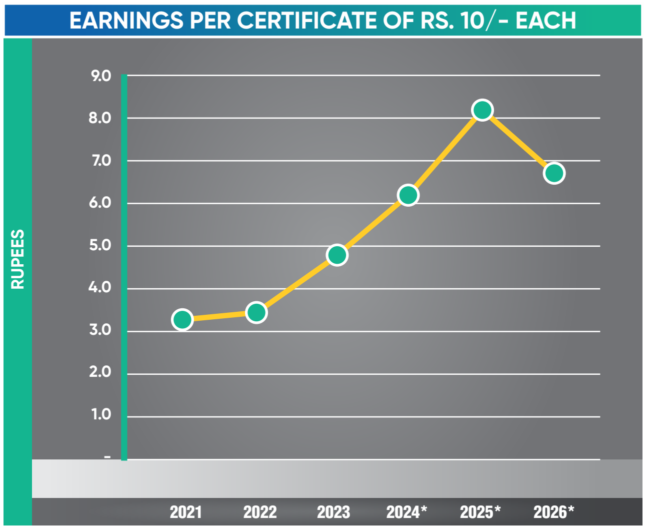


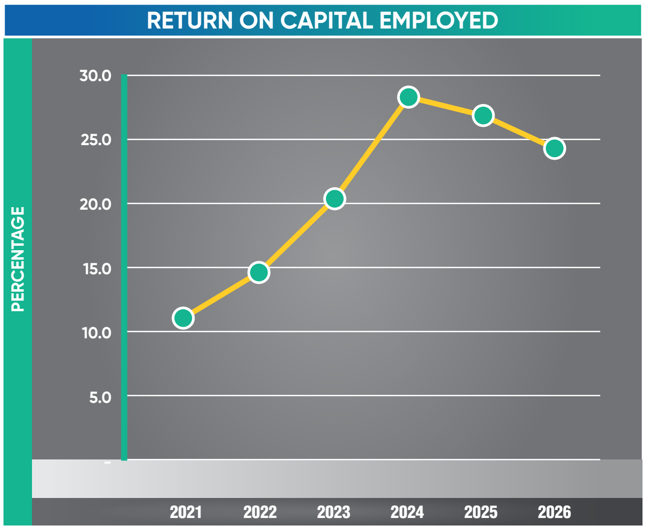
* High increase was due to change in face of value of Modaraba Certificate from Rs.5/- to Rs.10/- from the year 2024.

GRAPHICAL PRESENTATION





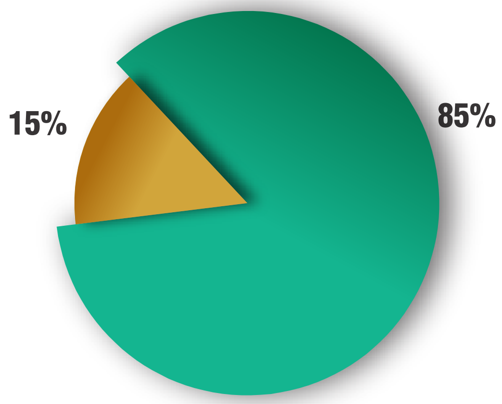


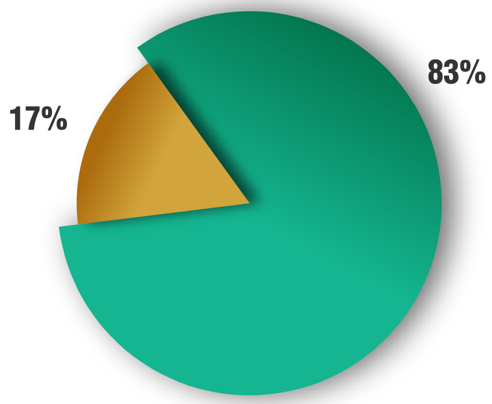


* High increase was due to change in face of value of Modaraba Certificate from Rs.5/- to Rs.10/- from the year 2024.

STATEMENT OF
FINANCIAL POSITION COMPOSITION

Equity & Liabilities





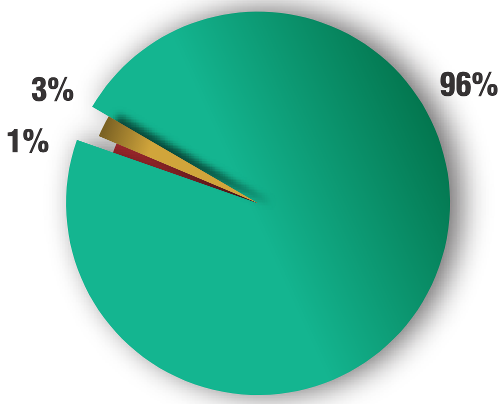
2026

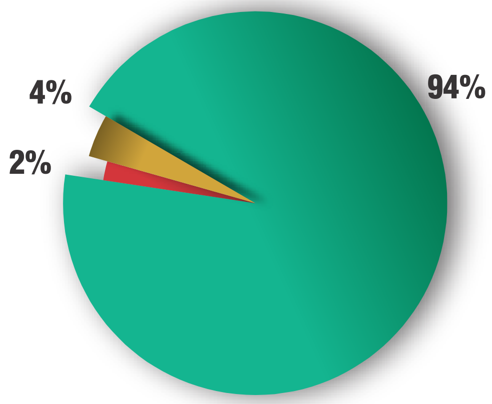
- Certificate Holders Equity
- Current Liabilities

2025

- Certificate Holders Equity
- Current Liabilities

Assets





2026

- Financing Assets
- Investments
- Other Assets

2025

- Financing Assets
- Investments
- Other Assets

EXPLANATION OF NEGATIVE CHANGE FROM PRIOR YEAR [BCR 6.02 (b)]

Investment/Market Ratio:

The dividend payout ratio increased to 33.34% in 2026 from 27.66% in 2025, reflecting management's continues focus on maintaining an appropriate balance between certificateholders' returns and retaining sufficient earnings to support the Modaraba's working capital requirement, reinvestment and future growth.

Capital Structure Ratio:

Debt to equity has increased to 5.33 times in 2026 from 4.72 times in 2025 due to increase in Certificate of Investment (Musharaka) and Running Musharaka facilities from Islamic banks.

INFORMATION ABOUT DEFAULTS IN PAYMENT OF ANY DEBT

Alhamdulillah, the Modaraba has maintained an impeccable repayment track record, with no instances of default or delay in meeting its financial obligations. All payments relating to bank credit facilities and Certificates of Investment (Musharaka) have been honored in full and on time, with not a single day of delay.

Methods and assumptions used in compiling the indicators

Following assumptions/estimates have been used in compiling the indicators:

- Economic review and business forecast at the country level.
- Consideration of expected future business growth and opportunities.
- Utilization of historical experience and various reasonable factors.
- Comprehensive research from different sources.
- Review of customers' financials.
- Incorporation of customer feedback.
- Gathering insights from market feedback.

The estimates and assumptions undergo continuous evaluation and any adjustments are reflected in the corresponding reporting period. While our statements are founded on sensible assumptions and expectations using current data, they should not be construed as an assurance of future outcomes.

STATEMENT OF CASH FLOWS - DIRECT METHOD [BCR 6.04]

	2026	2025
	---------- RUPEES ----------	
CASH FLOW FROM OPERATING ACTIVITIES		
Installments received against Diminishing Musharaka Financing	**19,896,177,701**	12,102,939,527
Net payments made against Diminishing Musharaka Financing	**(21,854,392,765)**	(14,635,533,832)
Working capital movement	**(870,448,542)**	(364,465,466)
Financial charges paid	**(3,028,752,866)**	(3,597,855,052)
Gratuity paid	**(10,861,261)**	(4,887,549)
Tax paid	**(548,257,159)**	(395,363,442)
Net cash used in operating activities	**(6,416,534,892)**	(6,895,165,814)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of assets in own use	**(21,216,797)**	(27,016,159)
Purchase of intangible assets	**-**	(2,117,456)
Purchase of investments	**-**	(100,000,000)
Proceeds from sale of assets in own use	**3,646,499**	4,082,108
Proceeds from sale / maturity of investments	**323,218,694**	-
Dividends received	**7,513,144**	7,768,125
Net cash generated from/(used in) investing activities	**313,161,540**	(117,283,382)
CASH FLOW FROM FINANCING ACTIVITIES		
Profit distribution paid	**(244,912,904)**	(229,983,752)
Payments of lease rentals against right of use assets	**(13,949,510)**	(7,353,669)
Certificates of investment (musharaka)	**1,488,164,393**	4,584,569,839
Net cash generated from financing activities	**1,229,301,979**	4,347,232,418
Net (decrease) / increase in cash and cash equivalents	**(4,874,071,373)**	(2,665,216,778)
Cash and cash equivalents at beginning of the year	**(5,480,079,658)**	(2,814,862,880)
Cash and cash equivalents at end of the year	**(10,354,151,031)**	(5,480,079,658)

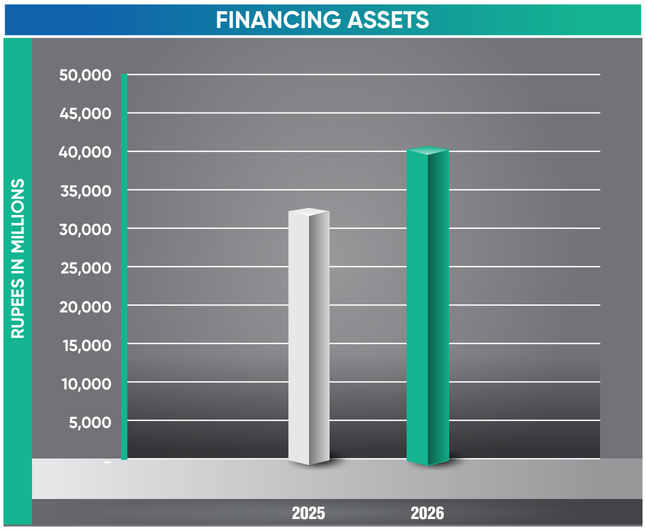
SEGMENT-WISE REVIEW [BCR 6.05 (a)]

Diminishing Musharaka Financing

During the reporting period, Diminishing Musharaka Financing continued to demonstrate strong growth, supported by sustained customer demand and focused financing initiatives across the branch network. The total portfolio increased from Rs.32,658 million to Rs.40,172 million, reflecting a growth of 23%.

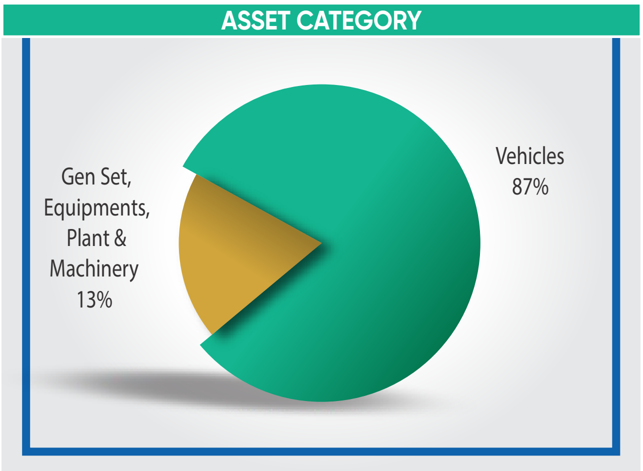
The Karachi, Lahore, Islamabad and Multan branches each contributed positively to the expansion in assets booking during the year, with overall performance remaining stronger compared to the previous year. The continued growth in Diminishing Musharaka Financing reflects its established position as a preferred mode of Islamic financing and highlights the continued focus on expanding Shariah-compliant financing solutions.

The positive performance also demonstrates the effectiveness of the FHM's financing strategy, business development efforts and branch network in generating sustainable asset growth while responding to the evolving financing needs of customers.



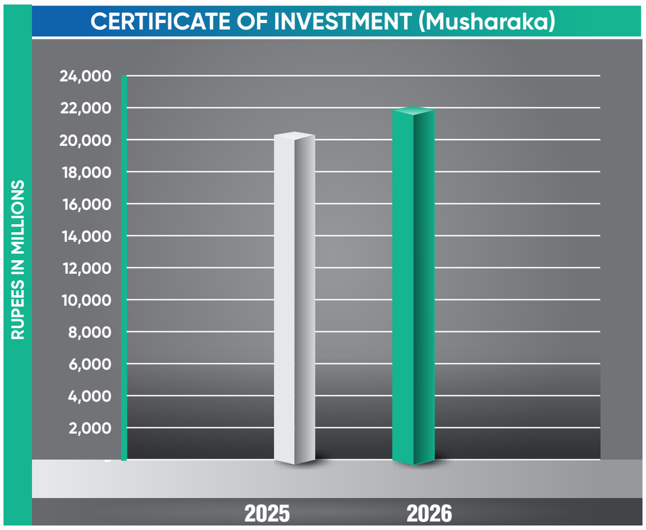
Assets category and sector

The major portion of financing remained concentrated in the motor vehicle category, which accounted for approximately 87% of total financing. The remaining financing was deployed across machinery and equipment. In terms of sectoral distribution, financing was primarily directed towards key sectors including Pharmaceuticals, Services, Textile, Individuals, Food & Allied and Chemical, reflecting the Company's continued focus on diversified and productive sectors of the economy.



Certificate of Investment (Musharaka)

As at June 30, 2026, the liability side of the balance sheet continued to reflect a positive trend, primarily driven by an increase in Certificate of Investment (Musharaka) from Rs.20.78 billion as at June 30, 2025 to Rs.22.26 billion as at June 30, 2026, representing a growth of approximately 7%. The increase demonstrates continued investor confidence and the Modaraba's effective efforts in mobilizing Shariah-compliant resources to support its business growth and funding requirements.

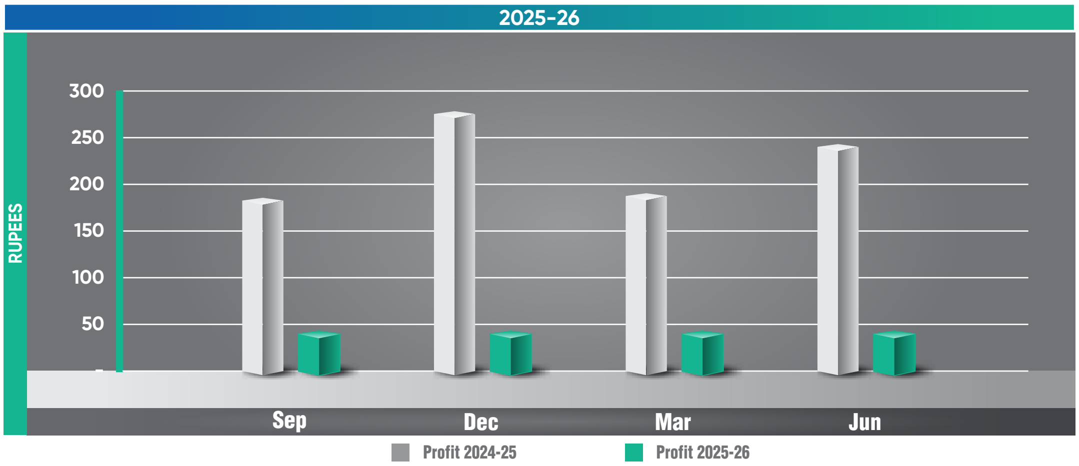


ANALYSIS OF VARIATION
IN QUARTERLY RESULTS [BCR 6.05 (b)]

	from April 2026 to June 2026	from April 2025 to June 2025	Variance	From Jan 2026 to Mar 2026	from Jan 2025 to Mar 2025	Variance
	----------------Rupees----------------			----------------Rupees----------------		
Income on diminishing musharaka financing	1,302,471,356	1,176,231,010	11%	1,233,618,044	1,060,923,306	16%
Administrative expenses	(103,066,139)	(101,146,259)	2%	(72,767,176)	(71,399,224)	2%
Other income	86,443,907	61,569,461	40%	44,658,264	45,733,529	-2%
Financial charges	(937,079,268)	(743,325,260)	26%	(833,920,675)	(732,713,572)	14%
Profit after tax	158,877,873	245,579,540	-35%	208,266,838	187,389,668	11%

	from Oct 2025 to Dec 2025	from Oct 2024 to Dec 2024	Variance	From Jul 2025 to Sep 2025	from Jul 2024 to Sept 2024	Variance
	----------------Rupees----------------			----------------Rupees----------------		
Income on diminishing musharaka financing	1,200,999,614	1,253,535,370	-4%	1,146,394,181	1,369,147,177	-16%
Administrative expenses	(85,077,712)	(63,622,506)	34%	(75,101,855)	(62,081,360)	21%
Other income	47,102,222	57,015,032	-17%	46,584,374	61,823,982	-25%
Financial charges	(817,613,569)	(833,599,030)	-2%	(762,499,129)	(1,012,719,520)	-25%
Profit after tax	195,783,719	278,269,167	-30%	184,992,038	190,258,190	-3%

Analysis of Variation in Results Reported in Quarterly Accounts



Dividend and Overdue Payments

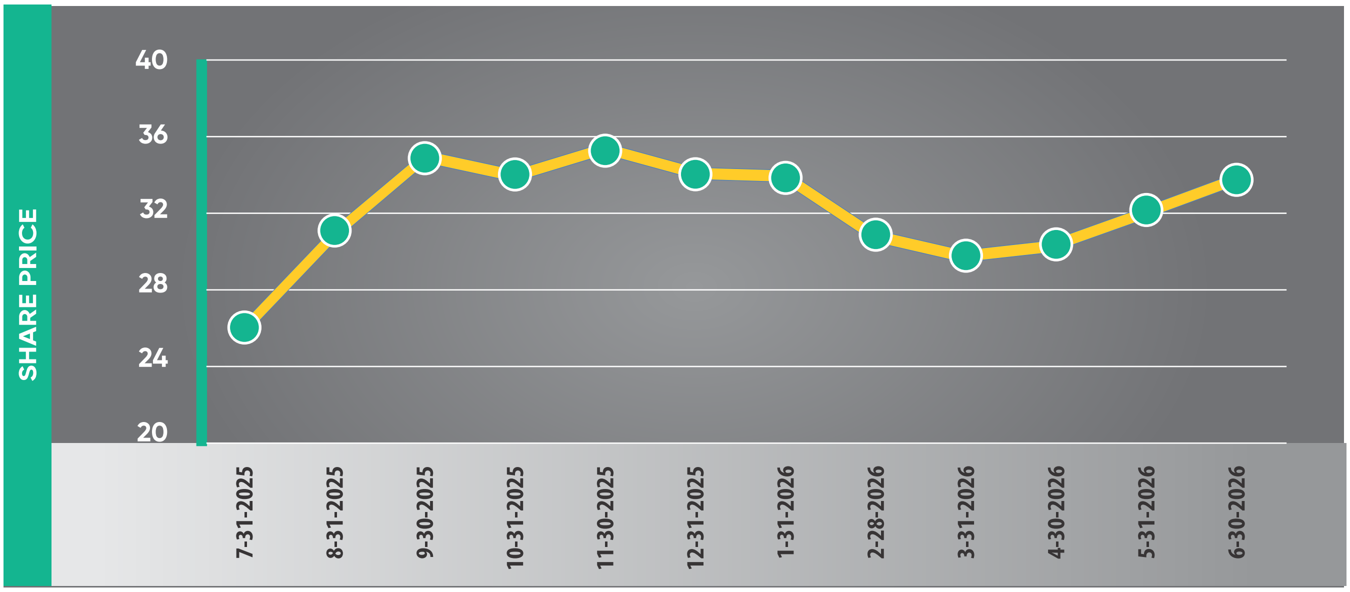
- Dividend has been declared and approved by the Board of Directors is 22.5% i.e Rs.2.25 per certificate of Rs. 10/- each.
- No overdue or outstanding taxes, duties, levies etc. on account of FHM.

CEO Presentation Video on the FHM's Website [BCR 6.09]

CEO's message has been uploaded on the FHM's website explaining the business overview of FHM at this link : https://habibmodaraba.com/ceo-annual-performance-review

SHARE PRICE SENSITIVITY ANALYSIS [BCR 6.06]

The market price of the Modaraba's certificates is influenced by its overall financial and operational performance, reputation, and standing within the industry, as well as by various external factors beyond management's control. The certificate price may be sensitive to a range of uncontrollable external factors, including broader market conditions, economic developments, industry trends, regulatory changes, and investor sentiment. The Modaraba's share price is sensitive to the following uncontrollable external factors:



Stock Market

The Modaraba's certificate price is influenced by overall market conditions, investor confidence in the economy and the relevant sector, as well as the Modaraba's underlying financial and operational fundamentals. Positive market sentiment, favourable economic developments, and encouraging news flow may contribute to an appreciation in the Modaraba's certificate price.

Government Policies

[BCR 5.22]

The Modaraba is subject to various government regulations, taxation regimes, policies, and incentive schemes, any changes in which may have a direct or indirect impact on its financial performance. Such changes may, in turn, adversely affect investor sentiment and the market price of the Modaraba's certificates.

Political Instability

A stable political environment supports overall business activity, strengthens investor confidence, and encourages foreign investment and engagement with reputable companies in the country. Accordingly, changes in the political environment may have an impact on the Modaraba's business performance, investor sentiment, and market price of its certificates.

Profit Rates

The Modaraba operates in accordance with Islamic principles and does not directly engage in interest-based transactions. Changes in the prevailing interest rate environment may influence investor sentiment and investment preferences. An increase in conventional banking and interest-bearing investment rates may encourage investors to shift their investments away from Modaraba certificates towards interest-bearing securities, potentially reducing demand for the Modaraba's certificates and adversely affecting their market price.

GDP Growth

The overall economic growth is an important factor influencing the Modaraba's performance and certificate price. Robust economic growth can enhance the profitability of sectors in which the Modaraba invests, potentially supporting an increase in the market price of its certificates. Conversely, an economic slowdown may weaken investor confidence and reduce demand for Modaraba certificates, which could adversely affect their market price.

Shariah Compliance

The Modaraba is required to operate in accordance with Islamic financial principles, and any instance of non-compliance may adversely affect investor confidence and could result in a decline in the market price of its certificates. Furthermore, changes in Shariah interpretations, rulings, or regulatory requirements may influence the manner in which Modarabas structure and manage their investments, potentially affecting their financial performance and market valuation.

Announcement of dividends

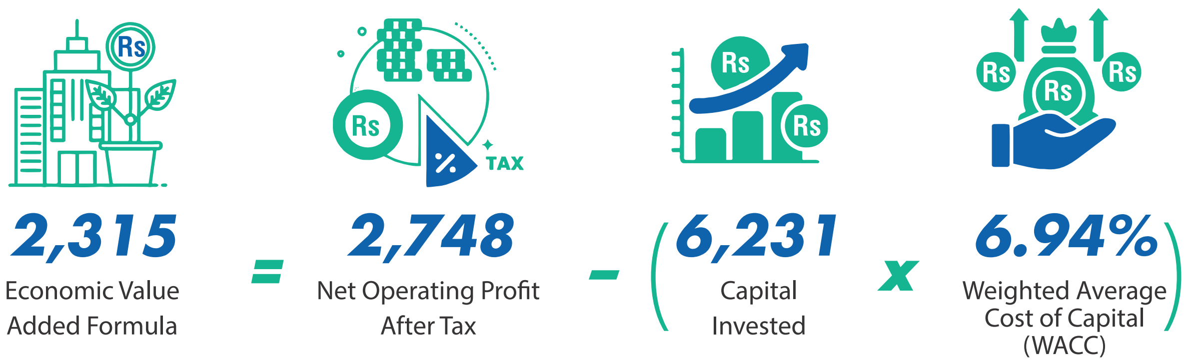
Expectations of higher distributions from earnings may support an appreciation in the Modaraba's certificate price, as investors may anticipate the realisation of profits from the Modaraba's investments.

STATEMENT OF
ECONOMIC VALUE ADDED (EVA) [BCR 6.08]

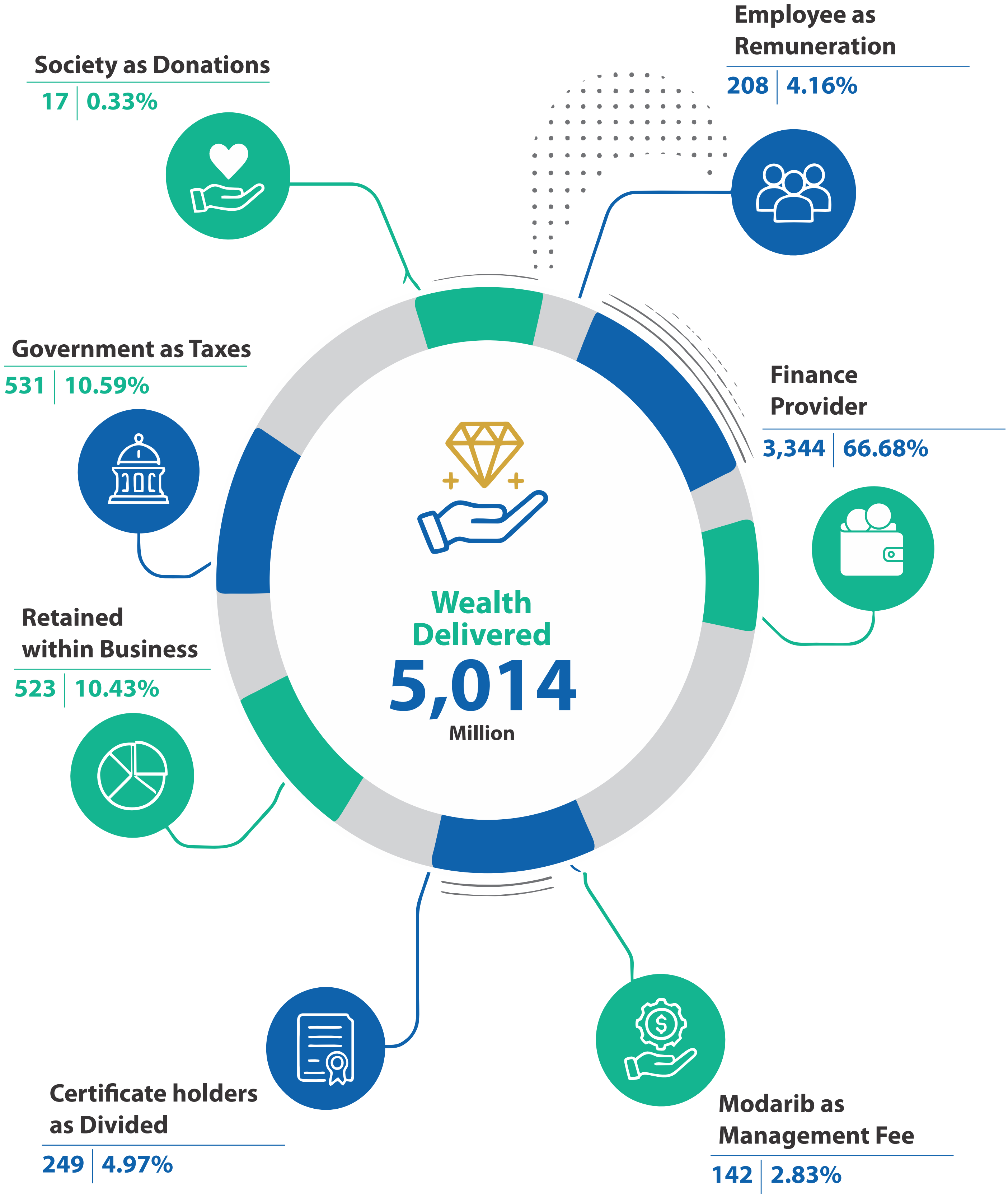
Rs. in Million

	2026	2025
	RUPEES	
Profit before financial charges and tax (in Rs)	4,567,667,444	4,567,608,257
Less: Tax on operating profit	(1,819,758,710)	(1,355,209,370)
Net Operating Profit After Tax (NOPAT)	2,747,908,734	3,212,398,887
WACC	6.94%	6.72%
Total Invested Capital	6,231,025,320	5,738,894,940
Capital Charge (WACC × Total Invested Capital)	432,662,495	385,773,825
Economic Value Added (EVA) (NOPAT - Capital Charge)	**2,315,246,240**	**2,826,625,062**

ECONOMIC VALUE ADDED



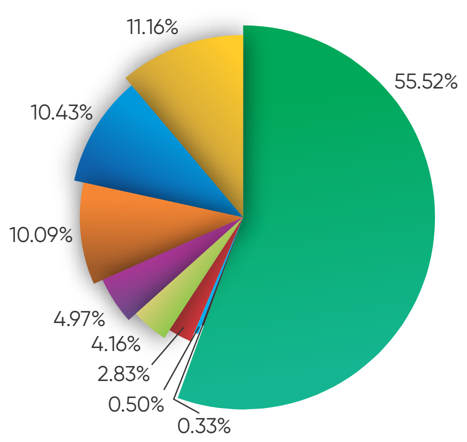
Revenue 5,108 - Expenditures 94 = Wealth Generated 5,014



STATEMENT OF VALUE ADDED [BCR 6.07]

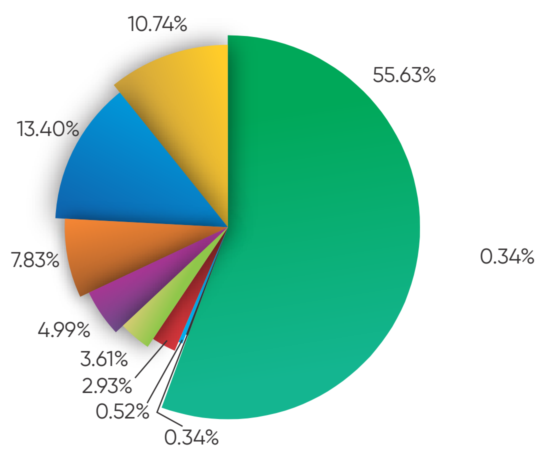
	2026		2025	
	Rupees	(%)	Rupees	(%)
Revenue from operations	**4,883,483,195**		4,859,836,863	
Other income	**224,788,767**		226,142,004	
	5,108,271,962		5,085,978,867	
Operating expenses (excluding employees remuneration, depreciation and amrotization)	**93,779,983**		88,946,894	
Value Added	**5,014,491,979**	100	4,997,031,973	100
Value Allocated				
To Employees				
as Salaries, allowances & other benefits	**208,419,823**	4.16%	180,519,958	3.61%
To Modarib				
As Management Fee	**142,114,644**	2.83%	146,537,214	2.93%
To Certificate Holders				
As Dividend on Certificates	**249,368,625**	4.97%	249,368,625	4.99%
To Finance Providers				
As Profit on Certificate of Musharka	**2,784,104,166**	55.52%	2,780,045,345	55.63%
As profit on Running Musharaka	**559,565,293**	11.16%	536,736,379	10.74%
To Governement				
As Taxation	**505,957,035**	10.09%	391,401,270	7.83%
As Workers' Welfare Fund	**25,154,292**	0.50%	25,937,087	0.52%
To Society				
As Donation	**16,747,816**	0.33%	16,789,976	0.34%
Retained in Business				
For expansion & growth	**523,060,285**	10.43%	669,696,119	13.40%
	5,014,491,979	100.00%	4,997,031,973	100.00%

Value Allocated 2026



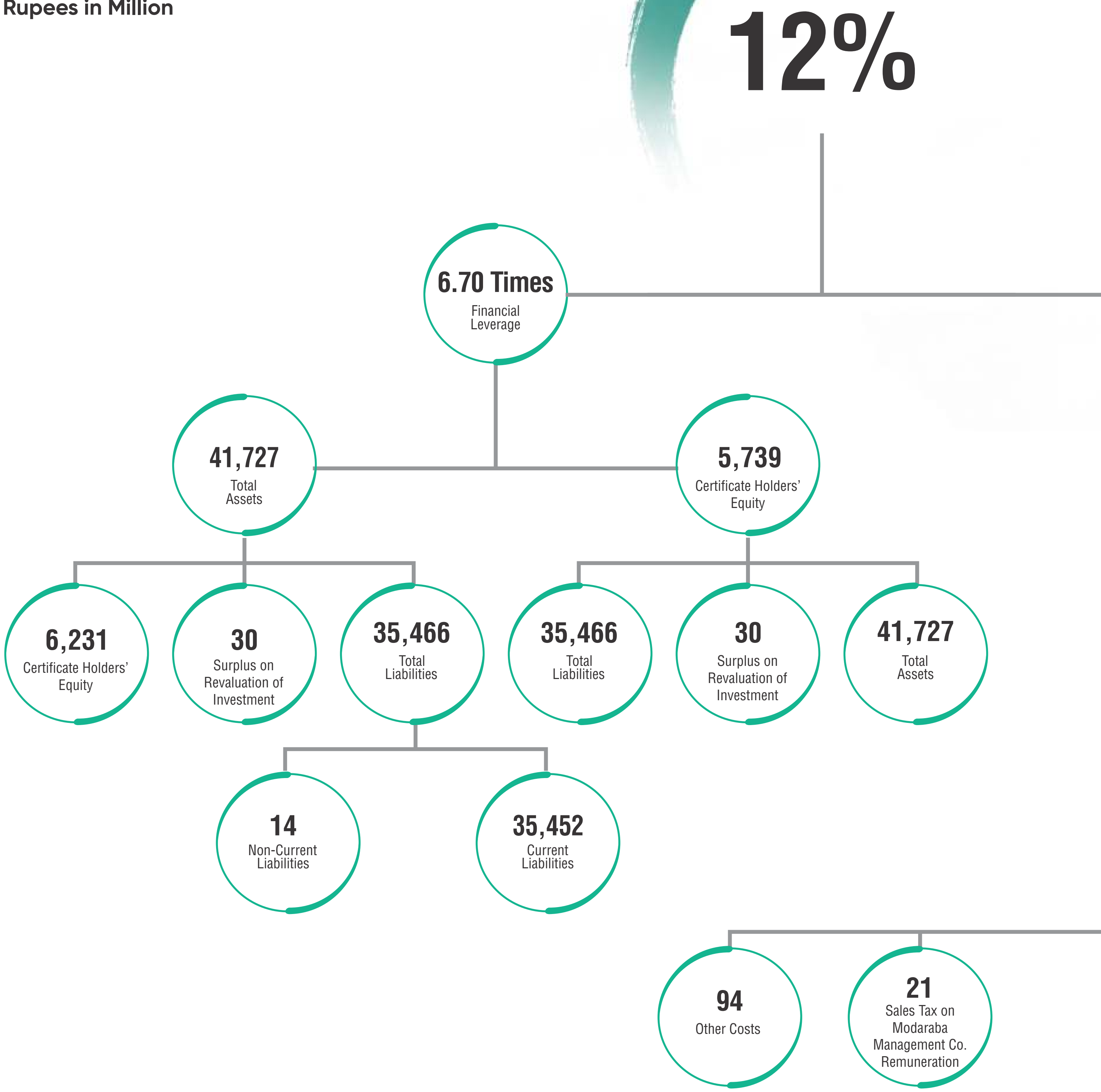
- Profit on Certificate of Musharka
- Profit on Running Musharaka
- For expansion & growth
- Taxation
- Dividend on Certificates
- Salaries, allowances & other benefits
- Management Fee
- Workers' Welfare Fund
- Donation

Value Allocated 2025



DuPont Analysis

Rupees in Million



Return on Equity

- **1.79%** Return on Assets
  - **12%** Assets Turnover
    - **41,727** Total Assets
      - **25,291** Non-Current Assets
      - **16,436** Current Assets
    - **4,851** Total Revenue
  - **15%** Net Profit Margin
    - **4,851** Total Revenue
    - **748** Comprehensive Income
      - **4,360** Total Expenditure
        - **25** Provision for Sindh Workers' Welfare Fund
        - **485** Taxation
        - **34** Depreciation & Ammortization
        - **208** Salaries, Wages & Benefits
        - **3,351** Financial Charges
        - **142** Modaraba Management Co. Remuneration
      - **5,108** Net Revenue

BUSINESS MODEL

over Four *Decades of* BUSINESS MODEL

Over four decades of customer-focused innovation and financial excellence, FHM's BUSINESS MODEL has delivered sustainable value through diversified Islamic financing solutions, prudent risk management, operational efficiency, and trusted partnerships, enabling long-term growth while adapting to evolving market needs and stakeholder expectations.

BUSINESS

INPUTS

Financial Capital:

- Certificateholders Equity: Rs.6.23 billion
- Certificate of Investment (Musharaka): Rs.22.26 billion
- Capital Adequacy Ratio: 16%

Human Capital:

- Highly competent, experienced staff.
- Fully adhered to Compliance & Governance
- Reward & compensation are linked with KPI
- Regular training and development Programs both in house and external

Intellectual Capital

- Strong Legacy of group
- Strong Branding
- Strong Management Structure and Leadership
- Support in Systems, Processes and Procedures established by the parent Bank

Manufactured Capital:

- State-of-the-art internal IT infrastructure
- Geographical presence in major cities (Karachi Lahore, Islamabad and Multan)
- Liaison offices (Faisalabad, Gujranwala and Hyderabad)
- Provide Shariah Compliant Financing Products

Social & Relationship Capital:

- Huge number of corporate and consumer clients
- Excellent relationship with all Stakeholders.
- Improved complaint handling mechanism
- Engagement in CSR.

BUSINESS ACTIVITIES

- Financing Activities: Providing Islamic Financial products to corporate and consumer clients to acquire assets.
- Deposit Mobilisation: Taking deposits from Corporate and individual clients on Shariah Compliant and Halal products.
- Investment Activities: Building strong and income generating portfolio for additional income.
- Improving Corporate Governance Culture within Modaraba
- Enlarging Geographical Expansion through opening of Liaison office.
- System Upgradation given top priority
- Quality credit through stringent Risk Management.
- Increasing Deposit Mobilization
- Human Resource Capability Building through Trainings, Talent Management.

MODEL [BCR 7.01]

KEY ELEMENTS

- Established brand name across the country
- Professional and Committed Human Capital
- Subsidiary of one of the well reputed and sound institution of Pakistan i.e., Habib Metropolitan Bank
- Robust customer confidence and loyalty
- Leading Modaraba within the Modaraba sector
- Highest credit rating within Modaraba sector
- Trained human resource for quality service to customer
- High ethical and professional standards.
- Prudent and Sustainable Business Policies.

OUTPUTS

Financial Capital:

- Profit after Tax: Rs.747 million
- Earning per certificate of Rs.10 each: 6.75
- Dividend per certificate: Rs.2.25
- Dividend Payout ratio: 33.33%
- Return on Equity (PAT): 12%
- Return on Assets: 2%

Human Capital:

- Enhanced Employee skill set
- Increased training hours
- Efficient talent acquisition process
- Employee safety, culture and well-being
- Team building events

Intellectual Capital:

- Best Presented Accounts and Disclosure Awards (SAFA) for last 16 years
- Long term rating AA+ for last 18 years
- Short term rating A1+ for last 18 years
- Wining Best Corporate Report Awards for last 16 years
- Winning Corporate Excellence Awards for last 16 years

Manufactured Capital:

- Continuous operational, Infra-structural development
- Technological development
- Integrated environmental social and governance into business

Social & Relationship Capital:

- Delivering market leading customer solutions
- Optimizing resource management
- Fulfilling compliance of regulatory requirements
- Increased CSR activities

There were no material changes in Business Model during the year. [BCR 7.02]

DISCLOSURES ON IT GOVERNANCE & CYBER SECURITY

over Four Decades of

DISCLOSURES ON IT GOVERNANCE & CYBER SECURITY

Over four decades of resilient growth, FHM has strengthened DISCLOSURES ON IT GOVERNANCE & CYBER SECURITY through robust digital oversight, proactive risk management, regulatory compliance, and secure technology practices, safeguarding stakeholder trust and operational resilience.

IT GOVERNANCE & CYBERSECURITY

Board Statement on IT Controls of Modaraba [BCR 2.08]

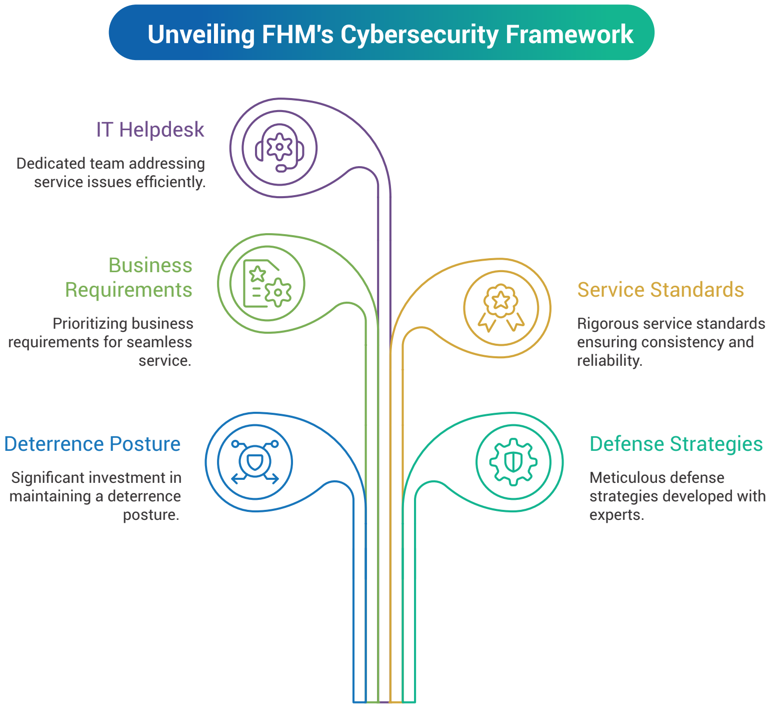
The Board affirms that the FHM has established internal controls mechanism, including IT controls, to ensure operational integrity and compliance. These controls are subject to periodic review and testing to ensure their continued effectiveness in addressing emerging threats, evolving risk landscapes, and both internal and external regulatory requirements. The SSD supports secure data handling and access management. The Board remains committed to strengthening these controls to safeguard assets and uphold stakeholder trust.

Board Statement on Assessing and Enforcing the Legal and Regulatory Impact of Cyber Risk. [BCR 8.01]

The Board oversees the effectiveness of the Company's IT systems, cybersecurity framework, data privacy controls, and AI initiatives to ensure alignment with strategic objectives and regulatory requirements. Management is responsible for implementing and maintaining appropriate IT governance, security controls, and compliance measures. The SSD regular updates on cybersecurity risks, AI developments, and data protection matters through ITSC reporting. Any significant cybersecurity incident or data breach is promptly escalated.

Cybersecurity Programs, Procedures and Strategy [BCR 8.02]

The System Support and Information Security functions maintain a coordinated approach to cybersecurity risk management, implementing appropriate controls and monitoring mechanisms to safeguard the Company's information assets, technology infrastructure, and customer data from internal and external threats.Over time, FHM has invested significantly in maintaining a deterrence posture, implementing meticulous defense strategies developed in consultation with cybersecurity experts. Furthermore, to ensure seamless service delivery, the SSD prioritizes business requirements, customer satisfaction, optimal performance, and resilient security aligned with industry best practices. All ITG services delivered to business units are governed by rigorous service standards, ensuring consistency, reliability, and excellence, while the IT Helpdesk, equipped with a dedicated technical support team, swiftly addresses service issues with efficiency and adherence to appropriate policies and procedures.



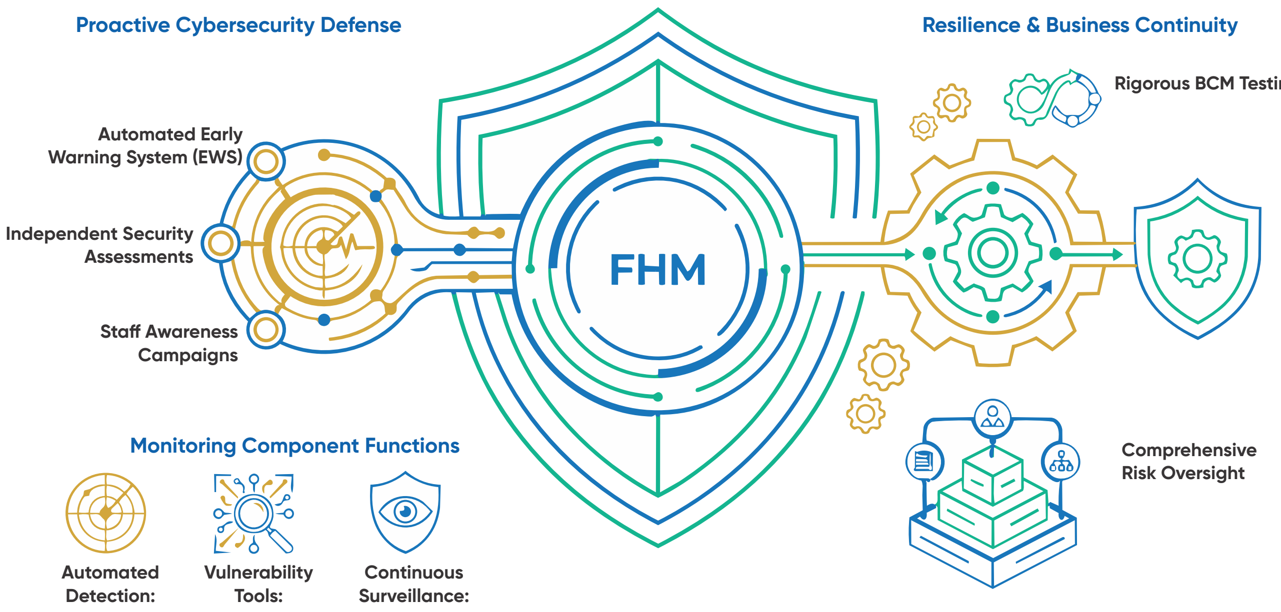
Board Committees Oversights IT Governance and Cyber Risk Matters [BCR 8.03]

The ITSC under the board approved major IT and digital investments aligned with business objectives. The ITSC is responsible for ensuring that cybersecurity and IT risks are continuously monitored and appropriately managed in line with the Modaraba's risk appetite. The ITSC provides oversight to ensure that information security and cybersecurity issues are addressed promptly and effectively, with a strong focus on proactive risk identification, mitigation, and continuous improvement of the Company's security posture.

Early Warning System [BCR 8.04]

The Board of Directors and its various senior-level subcommittees review all key risks, including market risk, liquidity, solvency, compliance and information security, through various reports, including early warning indicators to ensure that Modaraba has the necessary Policy, Procedures, Systems and controls are established to mitigate factors that could impact business objectives, performance, and sustainability. FHM has established a cybersecurity early warning system that enables the timely identification, assessment, and escalation of cyber risks and incidents. The cybersecurity monitoring framework incorporates automated threat detection capabilities, vulnerability assessment tools, and continuous surveillance of critical systems and infrastructure. This enables the proactive identification, analysis, and mitigation of emerging threats, vulnerabilities, and anomalous activities.

FHM'S CYBERSECURITY & BUSINESS RESILIENCE FRAMEWORK



Policy on Independent Security Risk Assessment [BCR 8.05]

FHM IT maintains a framework that allows FHM management and employees to mitigate IT security risks to an acceptable level. SSD Continuously monitor evolving and emerging threats to recommends and identifies relevant information security controls. In addition, FHM has an established policy to conduct independent, comprehensive security assessments of its technology environment, which includes the evaluation of third-party risks. These assessments are carried out by external cybersecurity firms to ensure objectivity and alignment with regulatory standards and industry best practices.

An independent Internal Vulnerability Assessment and Penetration Testing (VAPT) Assessment was concluded by A.F. Ferguson & Co. in second quarter of 2026. The assessment covered identified internal and application assets and evaluated vulnerabilities, security weaknesses and configuration issues. A total of 12 findings were identified across High, Medium and Low-risk categories. Following remediation, independent revalidation confirmed that all findings had been addressed, with zero findings remaining Not Addressed or Partially Addressed.

Cybersecurity matters and related risks are reported to the IT Steering committee on a quarterly basis, enabling appropriate oversight and monitoring of the Company's cybersecurity risk profile and remediation status.

Resilient Contingency and Disaster Recovery on Cyber Breach

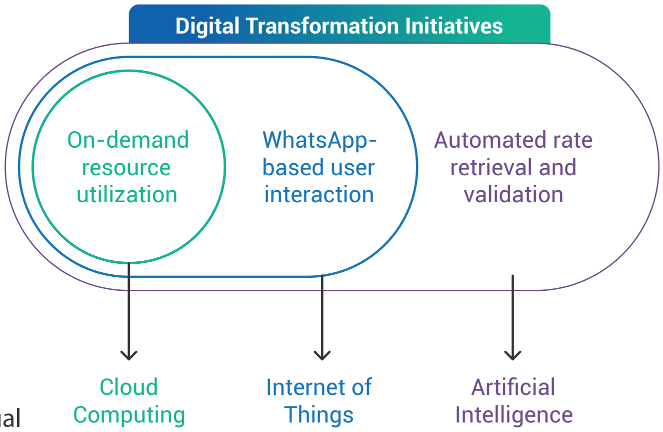
[BCR 8.06]

FHM has established a formidable framework for business resilience, ensuring uninterrupted access to client services even amidst crises or disruptive incidents. Supported by the diligent business resilience team, FHM prioritizes the resilience of business operations by undertaking proactive planning, maintenance, service provision, and rigorous testing across personnel, infrastructure, systems, and third-party Business Continuity Management (BCM). Data privacy and information security are managed within the Company's applicable information security policies, controls and regulatory framework, with measures in place to safeguard business and customer information against unauthorized access, loss, compromise or misuse.

FHM also maintains IT Insurance arrangements covering cyber-related risks, providing an additional layer of financial protection against potential losses arising from covered cyber incidents. These measures, together with the FHM's ongoing risk assessment, remediation, monitoring and business continuity practices, support the resilience of its technology environment and strengthen its overall cybersecurity posture.

Advancement in Digital Transformation to Improve Transparency, Reporting and Governance

[BCR 8.07]



Artificial Intelligence

Leveraging Artificial Intelligence (AI), the System Support Department (SSD) automated solution to retrieve rates published by the State Bank of Pakistan (SBP), validate the data, and update the system seamlessly without manual intervention. This initiative is expected to enhance operational efficiency, improve data accuracy, reduce processing time, and strengthen overall system automation.

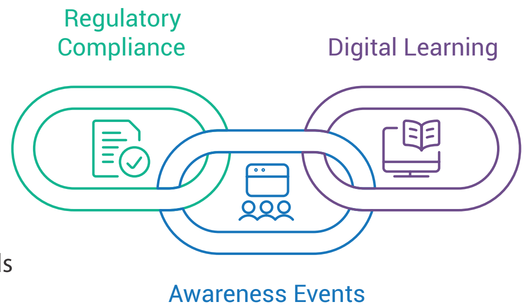
Internet of Things

Using the concept of the Internet of Things (IoT) and the cloud FHM develop a solution system uses Utilizing existing mobile phone technology, we are developing an application that enables users to interact via WhatsApp.

Cloud Computing

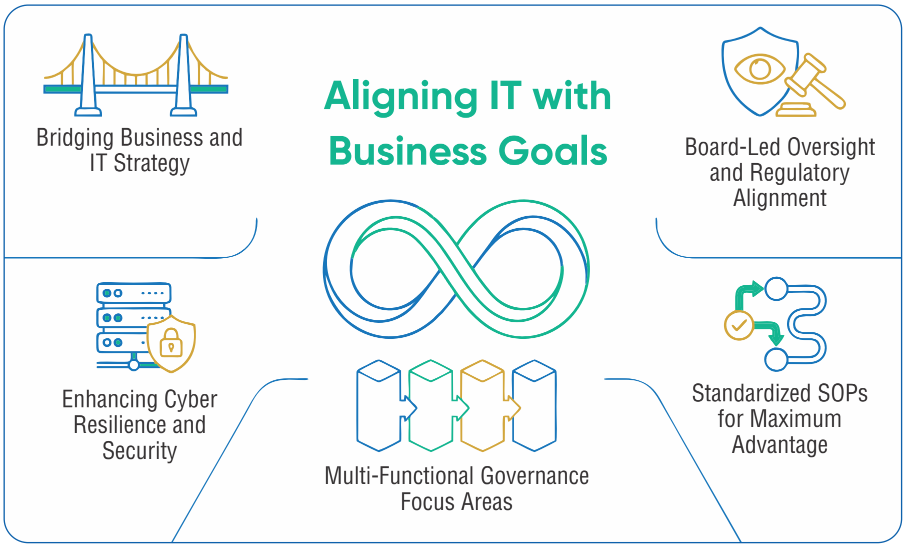
Deploying a private cloud on FHM allows us to leverage resources on-demand. This means that workloads can be deployed on different physical servers as service requirements change. This flexibility not only ensures application performance and quick report process, but also reduces costs.

Education and Training Efforts to Reduce Cybersecurity Risks **[BCR 8.08]**



We remain focused on building our capabilities in line with regulatory framework and compliance obligations, and have taken many initiatives in this area. Various events on cybersecurity awareness were held with the help of internal IT staff and external experts. Learning initiatives are being taken to increase digital awareness in order to recognize contemporary trends and prepare staff for the cyber resilience.

IT GOVERNANCE POLICY



FHM's IT governance framework is shaped by regulatory requirements, aiming to enhance overall governance in the technology sector through guidance from regulatory authorities, IT management and the IT Steering Committee. IT governance, in addition to calculating and monitoring risks, bridges the gap between business and IT strategies and aligns technology initiatives to the benefit of Modaraba.

Over time, Information Technology (IT) has undergone significant evolution, fundamentally transforming the way businesses operate. It has not only simplified but also enhanced the efficiency of conducting business activities. IT has paved the way for a multitude of new advancements, which are utilized both within organizations and for personal purposes. In this context, the governance of IT within enterprises has emerged as a crucial cornerstone, addressing the challenges posed by these rapid technological changes. Enterprise governance of IT is an integral part FHM governance and address the implementation the process ,structural and relational mechanism in organization that enable both business and IT resource to execute their responsibility with business alignment and creation of value. It makes sure that all stakeholders' interests are taken into account and that processes provide measurable results. System support department increasing expectation that they will be utilized electronic processes for not only more efficient governance but also improving management of information and services.

This Policy makes the administration for the Information Technology Division for the FHM under its supervision of IT Steering Committee, and Board of Directors. This policy describes and creates a framework that will clear the guide on which IT Division will offer types of services to FHM's business operations and to guarantee that the FHM's business functions are driven based on Technology Solutions.

First Habib Modaraba executed standard SOP to reap the highest advantages from information technology with the lowest risk and at the least costs. These SOP incorporates a scope of procedures and practices that cover the FHM's different departments. Information technology governance and related procedures are planned with the support of the executive management, and department staff. The FHM pursues the procedure of information technology management and maintaining operations as well as executing needed policies to achieve FHM's strategic objectives.

FHM's IT governance covers following functional areas.

Compliance Area

Ensuring investment in licensed applications adheres to relevant laws and regulations.

Financial Reporting Area

Integrating various systems used by different departments to streamline financial reporting.

IT Security Area

The System Support Department and Information Security teams are fully committed to enhance the organization's cyber resilience and safeguarding its valuable information assets and customer data against threats from unauthorized or malicious actors. Over the years, FHM has devoted substantial time and effort to maintaining a strong deterrent posture by implementing comprehensive defense measures, in close collaboration with cybersecurity experts

Judicious Capital Expenditure

All major IT-related procurement is reviewed and approved by a relevant IT committee.

IT Risk Management functions.

The IT-related Risk Management processes are regularly reviewed and strengthened to ensure effective mitigation of risks and security threats.

Data Governance

Governance involves the systematic and formal management of all services and processes necessary for effective information management.

FUTURE OUTLOOK

over
Four Decades of

FUTURE OUTLOOK

Over four decades of excellence and adaptability, FHM's FUTURE OUTLOOK remains focused on sustainable growth, digital transformation, customer-centric innovation, and prudent financial management. By embracing emerging opportunities and evolving market dynamics, FHM is well-positioned to create enduring value for stakeholders.

FORWARD LOOKING STATEMENT [BCR 9.01]

Future outlook of the economy and businesses of FHM have been discussed in details in Directors' Report. Forward looking statement including expectations about known trends and uncertainties that may affect the resources, revenues and operations in the short, medium, and long term. Since there are uncertainties related to the unexpected changes in economic or any other front, these should be read in conjunction with contingencies and force majeure segments.

Economic outlook of Pakistan

The Pakistan economy recorded a moderate recovery in FY 2025-26, with GDP growth recorded at 3.7% against 3.2% of previous year. The overall improvement was due to effective macroeconomic management, better fiscal account, growth in Large Scale Manufacturing (LSM) sector. Throughout the year exchange rate stability was maintained and reforms agenda followed under the IMF Extended Fund Facility Program.

At present economy of Pakistan passing through economic challenges due to the ongoing US-Iran conflict, which is causing disruptions in supply chain and high prices of energy. Said conflict represents an intense geopolitical shock with adverse impact on economy and businesses. The evolving crisis marked by high cost and disturbed supply of import led industrial raw materials, volatility in global oil and gas markets have transformed into a systemic economic shocks for Pakistan. The war crisis poses a significant risk of reversing recent stabilization on economic front and could push the country again on high inflation, pressure on current account and foreign exchange reserves.

Future outlook of FHM

Going forward, the economic outlook for FY 2026-27 is expected to remain challenging, owing to persistent inflationary pressures and external vulnerabilities arising from geopolitical tensions in the region. The business environment for financial institutions in Pakistan in current year is expected to remain challenging yet present selective growth opportunities. It is expected that Central Bank may continue to maintain tight monetary stance due to external account vulnerabilities due to middle east tension and upcoming current account challenges.

The performance of the Modaraba will largely depending on external factors and geo-political environment.

Considering the existing disruptions, geo-political tensions, complexities and uncertainties, Pakistan's economy will continue to face challenges in 2026-27.

In present circumstances, the Modaraba will continue to move in prudent in assets booking and also maintain its quality. Credit being a mainstream business line of the Modaraba, it is utmost important to avail all righteous credit extension opportunities that fall within the defined risk appetite of the institution while proactively monitoring credit portfolio to minimize any infection and also ensure that recoveries are made in line with financing agreements.

Key business growth forecast

Keeping in view of present macro-economic factors, unanticipated challenges and to maintain our leading position within the sector, we have devise following business and operational strategies for FY2026-27.

- Diversify funding base through competitive Certificate of Investment products.
- Maintain optimal Asset-Liability profile.
- Grow our market share by adding new sector, cities and sound customers.
- Maintain diversified portfolio across resilient sectors.
- Strengthen credit appraisal using data analytics and Early Warning Systems.
- Further strengthen risk management and Shariah governance mechanism and create robust compliance culture with strong internal control management.
- Further improve our operational efficiency through support of technological advancement and enhance customer services base.
- Further strengthen our approach on ESG for long term sustainability and growth.

Business uncertainties and economic challenges in 2026-27

The war intensifies Pakistan's economic challenges due to energy import dependence, remittance reliance, and low export base. Without reforms in fiscal discipline, energy pricing, and productivity, the economy may face higher inflation, pressure on foreign exchange reserve, tightening monetary stance and high cost of doing business. Therefore, we foresee that FY2026-27 would be challenging year keeping in view of Iran-US tension.

Furthermore, the performance of FHM may be affected due to change in business environment such as:

- Prolong Iran-US conflict
- High energy prices lead towards high inflation.
- Political and other disturbance within country.
- Change taxation policies.
- Adverse move on economic front
- Climate Change impact
- Disruption in imported raw materials
- Any other force majeure.

Forward Looking Statement made in 2025	Performance made in 2025-26
• We keep on focusing expanding our market share, induction of sound customer base through new markets and cities.	• During the year, our business team successfully added sound entities through assets financing. Size of financing book increase from Rs.32.658 billion to Rs.40.172 billion, growth of around 23%.
• Enhance level of customer services with continued process of improvements, digitization and technological advancement.	• Through technological advancement, customer credit proposal's turn over time has reduced considerably and credit decisions are being made in shortest possible time.
• Further strengthening effective risk management process across all levels of operations including Shariah governance.	• Risk management, compliance and Shariah governance have been further strengthened.
• Further enhance customer relationship management and state of art services.	• To make a cordial business relationship with prospective customers has been always a core strategic objective. The said relationship has been further strengthened during the year and our major disbursement made in repeat business segments.
• Enhance credit processing tools.	• Credit processing further enhanced through digitizing end-to-end loan origination process by a centralized LOS with KYC, document verification, and automated workflows to reduce turnaround time. Furthermore, the management dashboards and analytics provide visibility on real time basis for quick and accurate decision of credit
• Emphasis will be made to encourage our ESG approach for environmental protection.	• We have further strengthened our approach towards ESG and embedded the same in our daily business and operational activities. For environment protection, we promote green financing, paperless culture and curtailed wastages of natural resources. For social, increase in CSR activities, staff education and other support and community uplift. For governance, further strengthened strong compliance, risk management and internal control for long term sustainability and growth.

[BCR 9.02]

Forward Looking Statement made in 2025	Performance made in 2025-26
• Increase in community support & social welfare activities.	◆ FHM has consistently made an effort to improve both the environment in which it operates and society at large. During the year, a sizeable fund has been donated in educational, welfare and community support program.

Disclosures about the company's future plans for AI adoption and its potential impact on the company's long-term strategy. (BCR 9.03)

The FHM recognizes Artificial Intelligence - AI as a key enabler of its long-term digital transformation strategy. Over the next three to five years, the Company plans to make targeted investments in data infrastructure, automation platforms, and workforce capabilities to support the responsible adoption of AI technologies. Initial focus areas include intelligent process automation, automated data acquisition and decision-support systems to enhance operational efficiency, strengthen risk management, and improve customer service. As AI capabilities mature, the FHM intends to integrate AI-driven solutions into core business processes while maintaining robust governance, cybersecurity, and regulatory compliance. These initiatives are expected to improve productivity, support data-driven decision-making, optimize resource utilization, and reinforce the FHM's long-term strategic objective of delivering sustainable growth, operational resilience, and enhanced value to stakeholders.

MODARABA'S FUTURE PLANS FOR AI ADOPTION AND ITS IMPACT [BCR 9.03]

The FHM recognizes Artificial Intelligence - AI as a key enabler of its long-term digital transformation strategy. Over the next three to five years, the Company plans to make targeted investments in data infrastructure, automation platforms, and workforce capabilities to support the responsible adoption of AI technologies. Initial focus areas include intelligent process automation, automated data acquisition and decision-support systems to enhance operational efficiency, strengthen risk management, and improve customer service. As AI capabilities mature, the FHM intends to integrate AI-driven solutions into core business processes while maintaining robust governance, cybersecurity, and regulatory compliance. These initiatives are expected to improve productivity, support data-driven decision-making, optimize resource utilization, and reinforce the FHM's long-term strategic objective of delivering sustainable growth, operational resilience, and enhanced value to stakeholders.

SOURCES OF INFORMATION AND ASSUMPTIONS [BCR 9.05]

Following sources of information are used by the management for the preparation of projections/forecasts:

Pakistan Economic Review

Central bank's various reports and monetary policy statement

Geo-political review

Country's internal and external factors

Global economic outlook and way forward

Research from different countries

Market and customer feedback

Our above forward looking statement is based on our present business structure model supported by our future business strategy. Though our statements are reasonable assumptions and expectations based on current data, they are not intended to be a guarantee of future results, especially under the present challenging situation particularly with Middle East war tension, Geo-political instability and its impact on business and economy of Pakistan.

MODARABA'S FUTURE RESEARCH & DEVELOPMENT INITIATIVES [BCR 9.04]

FHM remains committed to sustainable growth and continuous innovation. We believe that ongoing research and development (R&D) are critical to driving long-term value for our stakeholders and investors while maintaining strict adherence to Islamic financial principles.

Areas of Strategic Concentration

1

Shariah-Compliant Product Innovation

The Modaraba actively designs and refines Shariah-compliant financial products tailored to the evolving needs of our clients and investors. Our focus centers on introducing innovative financing models and advanced risk management tools fully aligned with core Islamic financial framework principles.

2

Technology Integration

To strengthen the transparency, efficiency, and scalability of our Modaraba operations, FHM allocates resources toward modern financial technologies, including artificial intelligence and machine learning. We are upgrading our interconnectivity infrastructure with enhanced security features to optimize operational communications.

3

Data Protection & Business Intelligence

We implement state-of-the-art data protection technologies to maintain robust information security across all operations. Alongside data security initiatives, we evaluate business intelligence solutions to streamline internal data visualization and improve predictive analytics for future trend forecasting.

4

Sustainability & Social Impact

Our R&D framework embeds environmental sustainability and social welfare into core business practices. FHM prioritizes projects that drive inclusive economic growth in alignment with Shariah principles.

STAKEHOLDER RELATIONSHIP & ENGAGEMENT

over
Four Decades
of

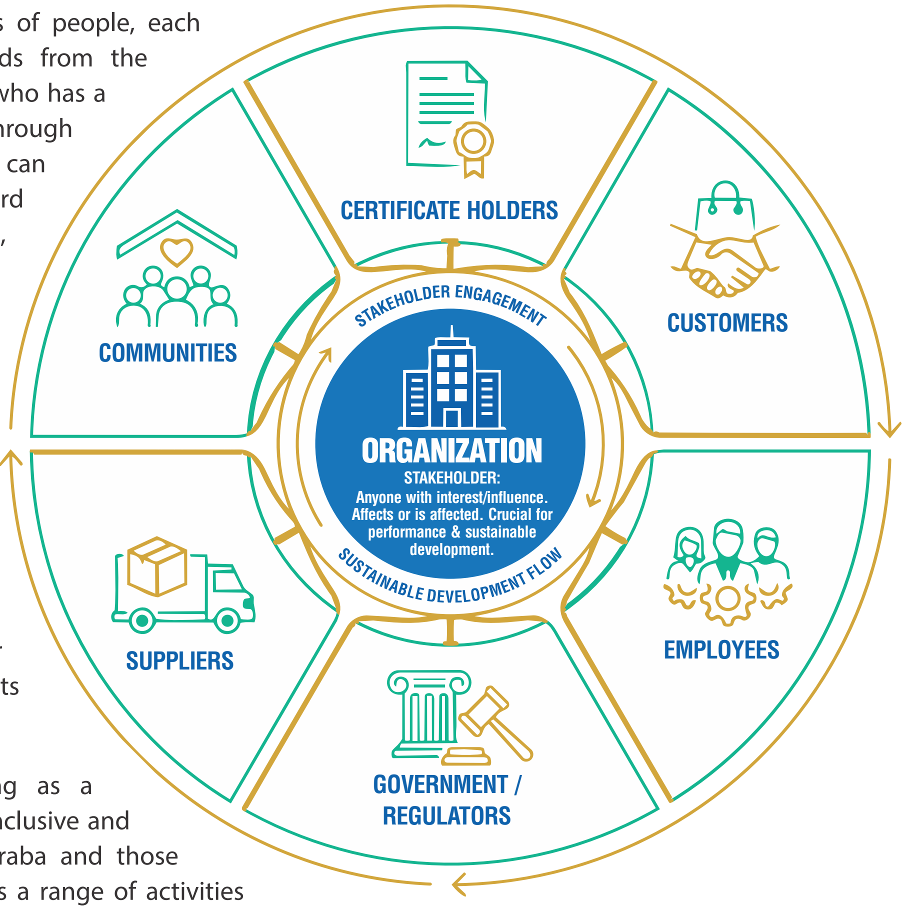
STAKEHOLDER RELATIONSHIP & ENGAGEMENT

Over four decades of trust, collaboration, and shared success, FHM has strengthened STAKEHOLDER RELATIONSHIP & ENGAGEMENT through transparent communication, ethical practices, responsive service, and enduring partnerships, fostering mutual confidence while creating sustainable value for customers, investors, employees, regulators, and the communities we serve.

STAKEHOLDERS RELATIONSHIP & ENGAGEMENT [BCR 10.01, 10.02]

What is a Stakeholder?

Stakeholders comprise specific groups of people, each with different expectations and needs from the organization. A stakeholder is anyone who has a stake in your organization, either through interest, influence or both. Stakeholders can range from shareholders, to staff, Board members, volunteers, funders, government, customers and beyond.



Stakeholder engagement has always been crucial to an organization's performance. Stakeholder is an integral to the organization's business can be described as an effort to understand and involve them in business activities and decision-making processes. Stakeholders are defined here as any group or individual who can affect or can be affected by an organization or its activities.

Stakeholder Engagement is emerging as a means of describing a broader, more inclusive and continuous process between a modaraba and those potentially impacted that encompasses a range of activities and approaches. The overall purpose of stakeholder engagement is to drive strategic direction and operational excellence for organizations and to contribute to the kind of sustainable development from which organizations, their stakeholders and wider society can benefit.

We place great importance on engaging with our stakeholders at all levels of the business to support sustainable development and performance. The integration of stakeholders into our sustainability risk assessment and management processes helps us identify and priorities stakeholders' concerns.

We have identified key stakeholder groups and seek to meet or exceed their expectations while conducting our business as a responsible corporate entity. We wish to engage with individuals and groups who can help us continue to improve in these areas.

Some of our engagement with stakeholders is listed below.

Certificate Holders

Every year FHM has annual review meeting, where we invite our all-certificate holders, interact with them, and take their suggestions for improvement of businesses. FHM updates their Certificate holders and investors through Annual Report, Quarterly Financial announcements, investor's road shows and conferences. FHM continuously upgrades their technological supports for better and timely information to its certificate holders and investors and keep them informed through various resources and dialogue.

Management's steps to encourage Minority Certificate Holders to attend ARM.

Management has always made sure that basic right of Modaraba Certificate Holders is well protected. The minority Certificate Holders always encourages to attend annual review meeting and Modaraba extend its full courtesies and facilitations.

Customers

We always respect customer needs and design our financial products according to their business needs without compromising principles of Islamic Finance. Being Islamic Financial Institution, it is built-in feature in corporate objective of FHM for fairness of transaction and no exploitation or deceives customer's rights. FHM monitors the fair terms of pricing and accessibility in its products and services offerings. It protects its customers' privacy and security of their personal information.

Employees

FHM has excellent blend of professional personnel who are well committed and dedicated to their respective jobs. Our Human Resource department always encourages making such policies for employees which promote culture of reward on merit basis and foster for team work. We believe to manage them by leading rather than by driving. We hire the best people for the job and strive to retain, motivate, empower and reward them for their contribution. We are committed to provide an ideal professional environment to enable our employees to pursue the highest possible level of performance.

Government / Regulators

FHM places the utmost importance on complying with the applicable rules and regulations issued by regulators. FHM also complies with the Government's legislative framework regarding the submission of returns and payment of taxes and duties. FHM also communicates with Government authorities and regulators regarding commercial, policy, regulatory and other relevant matters.

Suppliers

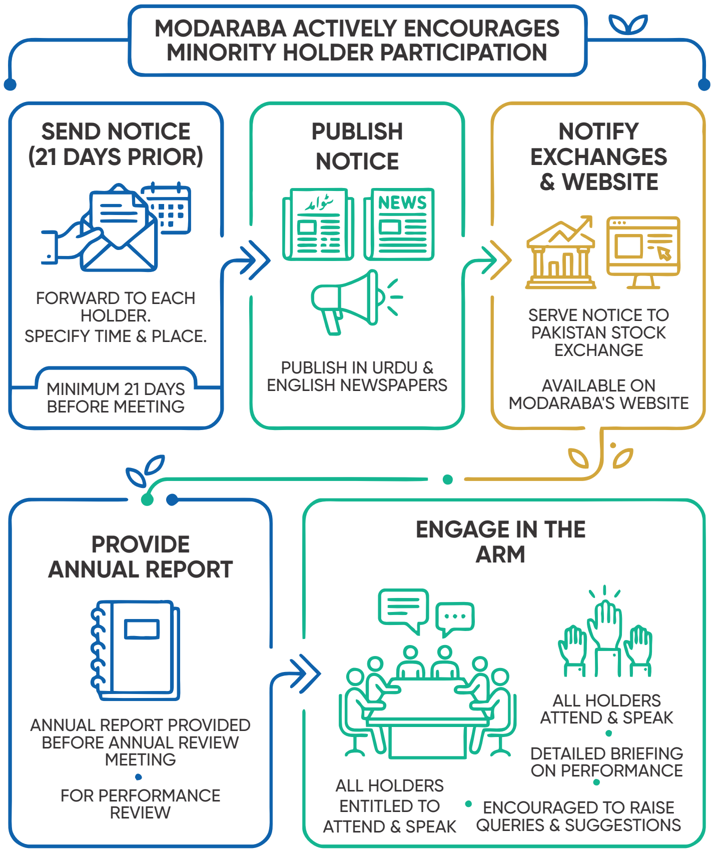
FHM prefers to work with local suppliers in order to support national economy and also save hard earned foreign exchange of the country. Approximately 70% of assets purchased for lease financing are from local suppliers. FHM regularly engage and communicate with suppliers during and after contract. We promote an ethical supplier management relationship in our policy guidelines.

Communities

Economic sufficiency, optimal health, and happy relationships are some of the important needs that contribute to our quality of life. FHM supports various trusts and societies engaged in providing healthcare facilities and educational opportunities to underserved communities. A certain portion of FHM's profits is earmarked each year for contributions to these trusts and societies.

Steps To Encourage Minority Certificate Holders To Attend The Annual Review Meeting [BCR 10.03]

The Annual Review Meeting of the Modaraba serves as a key forum for discussing important matters and obtaining the views of certificate holders on the organization's performance, with particular emphasis on the perspectives of minority certificate holders. The Modaraba actively encourages the participation of minority certificate holders in the Annual Review Meeting.



Below are the steps taken by the Modaraba for this purpose:

To ensure complete and timely information

Notice of the Annual Review Meeting specifying time and place of the meeting is forwarded to each certificate holder and published in Urdu as well as in English newspapers at least 21 days before the date of the meeting. Further, the notice of the Annual Review Meeting is served to the Pakistan Stock Exchange and is also made available on the Modaraba's website.

To ensure they attend the ARM

All certificate holders are entitled to attend and speak. The Modaraba's Annual Report is provided to all Certificate Holders before the Annual Review Meeting so that they can review the Modaraba's performance. Furthermore, a detailed briefing on the Modaraba's performance is provided during the Annual Review Meeting. Minority Certificate Holders are encouraged to raise their queries and provide suggestions regarding the Modaraba's performance and provide suggestion relating to performance of the Modaraba.

Investors' relation section on corporate website [BCR 10.04]

FHM remains committed to engaging with its Certificate Holders, understanding their concerns, devising appropriate strategies, and meeting their expectations. During the last Annual Review Meeting, we transparently briefed our certificate holders about our performance. The Chairman of the meeting addressed all questions to the satisfaction of the certificate holders.

Corporate briefing session [BCR 10.06 (a,b)]

As mandated by the Pakistan Stock Exchange, the Modaraba conducted its annual 'Corporate Briefing Session' on 08th October, 2025. The session was conducted by the Modaraba's Chief Executive Officer and the Chief Financial Officer and was attended by certificate holders and analysts. The Management presented an analysis of the Modaraba's performance, plans and challenges along with business outlook.

Redressal of investor complaints [BCR 10.07]

Multiple channels for lodging complaints and submitting queries are available on the Modarabas' website. Investor concerns primarily relate to the receipt of dividends, requests for hard copies of annual and quarterly reports, updating of bank account information for dividend disbursements and settlement of unclaimed dividends.

Business Strategy briefings to Certificate Holders:

Business Strategy for the year 2025-26 given in ARM	Achievement during 2025-26
Enhance level of customer services with continued process of improvements, digitization and technological advancement	Customer service levels were elevated through the implementation of digital tools, continuous process enhancements, and modernized technology platforms.
Focus on expanding our market share, induction of sound customer base through new markets and cities	During the year, our business team successfully added sound entities through assets financing. Size of financing book increase from Rs.32.658 billion to Rs.40.130 billion, growth of around 23%.
Improve internal control environment and strict adherence to legal and regulatory requirements	Operational controls and governance protocols were successfully upgraded, ensuring full adherence to applicable statutory guidelines and regulatory standards.

Disclosure of Market Share of the Modaraba and its Products and Services

For the past 41 years, FHM has been fulfilling financing needs of worthy customers through Shariah-compliant modes of financing. Alhamdulillah, over four decades, FHM has consistently demonstrated resilience, achieving steady growth and outperforming its competitors in providing Islamic financing solutions within the Modaraba sector. Today, FHM proudly enjoys significant market share in the financing segment within Modaraba sector.

STRIVING FOR EXCELLENCE IN CORPORATE REPORTING

over Four *Decades of*

STRIVING FOR EXCELLENCE IN CORPORATE REPORTING

Over four decades of dedicated service, FHM has consistently demonstrated its unwavering commitment to STRIVING FOR EXCELLENCE IN CORPORATE REPORTING, delivering transparent, reliable, and quality financial insights that empower stakeholders and set a benchmark across the industry.

BOARD'S STATEMENT ON
RESPONSIBILITY FOR PREPARATION & REPORTING OF FINANCIAL STATEMENTS [BCR 11.01]

Management is fully aware of its responsibility towards preparation and presentation of financial statements. The Directors of the Management Company confirm that:

The financial statements have been prepared which fairly represent the state of affairs of the Modaraba, the result of its operations, cash flows and changes in equity.

Proper books of accounts of the Modaraba have been maintained.

Appropriate accounting policies have been applied in the preparation of financial statements in accordance with the accounting and reporting standards issued by the IASB as are applicable in Pakistan.

International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in the preparation of financial statements and any deviation therefrom has been adequately disclosed and explained.

Internal control system of the Modaraba is effectively implemented and monitored regularly.

There are no significant doubts upon the Modaraba's ability to continue as a going concern.

There is no material departure from the best practices of Corporate Governance as per regulations.

Adoption of the Integrated Reporting (IR) Framework

The Modaraba has adopted the Integrated Reporting Framework by fully applying the 'Fundamental Concepts', Content Elements and Guiding Principles in the IR Framework. FHM always strives for excellence to meet the Reporting Framework. We have adopted the Integrated Reporting Framework to provide insight about the resources and relationships used and affected by our organization.

OUR CORPORATE APPROACH

Best Compliance Culture

Keeping in view of present changes in regulatory and compliances landscape, FHM further strengthen compliance culture in line with current requirements particularly on AML/CFT.

Fostering a Culture of Excellence:

We aim to build an environment in which our team constantly strives to deliver out of their best capabilities and capacities and it endeavors to achieve this through attracting and retaining the best talent.

Corporate Governance

Our goal is to respond to a rapidly changing business environment in a timely manner through best business practices by reinforcing our ethical standards and good governance.

Profit Sharing

The partnership of FHM has spread over 4 decades of successful business operation and now has grown manifold. Enriching every relationship and creating huge benefits through sharing profits every year in the shape of dividends to our Certificate Holders.

Performance

Our sound balance sheet and the market position of our businesses have placed us well to deliver sustainable growth. We always stand by with our pledge, fulfilled our commitment and give satisfactory financial result with better return to our Certificate Holders every year.

Shariah Governance

The management of FHM is fully committed for Shariah governance and Shariah compliance culture. Strong and effective Shariah governance within the Modaraba are prime objectives of the management of Modaraba.

Technological Advancement

We firmly believe that without the support of technology the innovation and growth in business cannot be achieved. The management is fully conscious with the significance of technological advancement and pays their full attention on this segment.

Risk Management

FHM's risk management capabilities are circled around a strong management structure, sound information system, an effective risk- rating system and robust policies. The primary objective of risk management is to maintain the Modaraba's financial strength and ensure efficient capital deployment to support business growth.

Sustainability

We constantly strive to make institution more sustainable and equitable for the coming generations. It is our belief that sustainable development strengthens brand image, drives business growth and ensures long-term and sustainable success.

SHARIAH ADVISOR'S PROFILE

Mufti Faisal Ahmed

Mufti Faisal Ahmed

is the Shariah advisor of FHM holds the degree of Dars-e-Nizami from Jamia Farooqia Takhassus fil Ifta, Takhassus fil Hadith. Takhassus Fiqh ul Halal from Jamia tur Rasheed Karachi. He also holds degree of MBA finance, MS Islamic Finance and LLB. He has experience as a teacher of Fiqh, Hadith and Ifta in Jamia tur Rasheed (2003 till now) and has been working as a visiting faculty for PIS, project appraisal, Financial management and Journalism at different Universities and Institutions. He is a frequent speaker on Islamic topics including Riba Free Banking, Takaful, Zakat, Economic systems, etc. at different forums. In addition to his primary responsibility of being an associate Mufti from 2004 to 2009 and being a Mufti from 2009 till date, he was also assigned responsibility of Administration, Consultancy and delivering Fatawa at SCS Standard Certification Services (Formerly Shariah Consultancy for trade and finance) under supervision of Dar-Ul-Ifta Jamiat-ur-Rasheed from 2009 till now.

بسم الله الرحمن الرحيم

SHARIAH REVIEW REPORT

For the year ended June 30, 2026

Assalam o Alaikum wa Rahmatullah,

In accordance with the requirements of the Shariah Governance for Modarabas and Shariah Governance Regulation 2023, I, Shariah Advisor of First Habib Modaraba, present the annual Shariah Review Report for the year ended 30th June 2026.

Scope of Review

It is mandatory for the Management and employees to ensure the application of Shariah principles and guidelines issued by the Shariah Advisor, and to maintain Shariah compliance in all activities. The primary responsibility for ensuring Shariah compliance of the Modaraba's operations, therefore, lies with the Board of Directors and the Executive Management.

Based on extensive reviews of sample cases for each class of transaction, related documentation, processes, and the profit distribution mechanism for COI holder by the Shariah Compliance Department (SCD), as well as the review of Internal Shariah Audit and External Shariah Audit reports and Management's representations in this regard, the Modaraba, in my opinion, has complied with the rules and principles of Islamic Shariah in light of the guidelines and directives issued by the Shariah Advisor, and the guidelines issued by the Securities & Exchange Commission of Pakistan relating to Shariah compliance. The non-compliant income identified during the review is being transferred to the Charity Account and is utilized appropriately in accordance with the instructions of the Shariah.

Shariah Compliance Opinion

Based on the strength and capacity of the SCD, and the policies and guidelines for Shariah compliance issued by the Modaraba, I am of the opinion that:

a) an effective mechanism is in place to ensure Shariah compliance in the overall operations of the Modaraba.

b) The transactions, underlying contracts, and the relevant documentation executed during the period are generally in accordance with Shariah principles and rules.

c) The overall operations and business activities have been conducted in compliance with the guidelines issued by me from time to time, and consistent with recognized Shariah principles.

d) Any earnings realized from non-compliant sources, to the extent identified and applicable, have been appropriately accounted for and transferred to the charity account in accordance with Shariah requirements.

e) Where deviations were observed, corrective measures have been advised and are being implemented.

Shariah Training and Awareness

During the reporting period, the Shariah Compliance Department conducted 3 (3) training sessions aimed at enhancing the understanding and application of Shariah principles across various departments of the institution.

The trainings were attended by staff from relevant business, operations, and control functions. The initiative reflects the institution's continued commitment to strengthening internal capacity and promoting a culture of Shariah compliance.

Recommendations

I recommend continued strengthening of internal Shariah compliance monitoring, staff training, and periodic reviews to ensure ongoing adherence.

Conclusion

I commend the efforts of the management in upholding Shariah compliance and look forward to further collaboration in maintaining and enhancing Shariah governance practices.

Wa Allahu A'lam

Faisal Ahmed

Mufti Faisal Ahmed
Shariah Advisor
29 July 2026

FINANCIAL STATEMENTS

over Four Decades of

FINANCIAL STATEMENTS

Over four decades of financial integrity and disciplined stewardship, FHM's FINANCIAL STATEMENTS reflect transparency, accuracy, and regulatory compliance. Consistent reporting, prudent management, and strong governance demonstrate our commitment to accountability, sustainable performance, and creating lasting value for all stakeholders.

Tel: +92 21 3568 3030
Fax: +92 21 3568 4239
www.bdo.com.pk

2nd Floor, Block-C
Lakson Square, Building No.1
Sarwar Shaheed Road
Karachi-74200
Pakistan

AUDITORS' REPORT
TO THE CERTIFICATE HOLDERS

Opinion

We have audited the annexed financial statements of FIRST HABIB MODARABA (the Modaraba), which comprise the statement of financial position as at June 30, 2026, and the statement of profit and loss and other 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 material accounting policy information 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, statement of profit and loss and other comprehensive income, the statement of change 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 Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2026 and of the profit and other comprehensive income, the 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Modaraba and Modaraba Company (Habib Metropolitan Modaraba Management Company (Private) Limited) 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S. No.	Key Audit matters	How the matter was addressed in our audit
1.	**Existence & Valuation of Diminishing Musharaka Financing**	
	The existence and valuation of Diminishing Musharaka Financing embodies potential risk of inappropriate measurement and recording, which would impact the Modaraba's reported financial position as those are the main drivers of movement in the assets of the Modaraba.	Our audit procedures in respect of this area includes the following: ◆ Our audit procedures included assessing and testing the design and operations of key internal controls over the recognition, valuation and existence of diminishing musharaka financing.

S. No.	Key Audit matters	How the matter was addressed in our audit
	Management considers certain specific factors including the age of the balance, recent payment patterns, historical defaults and forward-looking information on macro-economics factors and other available information. Management uses this information to determine whether a provision for impairment is required at a specific or overall balance level. In view of significance of Diminishing Musharaka Financing in relation to the total assets of the Modaraba, we have considered Diminishing Musharaka Financing as a Key audit matter.	◆ We performed test of controls over addition, termination and periodic valuation of the portfolio and performed other substantive audit procedures on the year end balances. ◆ We have reviewed documentation required in the context of the parties and verified income from financing during the year by performing recalculation of schedules on a sample basis as per applicable accounting framework. ◆ We performed detailed assessment of the credit approval procedures of the diminishing musharaka sanctioned in accordance with the modaraba regulations and performed credit review procedures on sample basis. In addition, we have circulated confirmations to certain parties and checked repayment received from them. ◆ Assessed the reasonableness of provision made by the management in accordance with regulation of modaraba for appropriateness of the assumptions used and the methodology applied. We also tested the mathematical accuracy of the model. ◆ We also evaluated the adequacy of the overall disclosures in the financial statements in respect of diminishing musharaka financing in accordance with the requirements of applicable financial reporting frameworks.
2.	**Income from Diminishing Musharaka**	
	Modaraba earns income from the Diminishing Musharaka financing which is its substantial income source (Refer note 24 to the financial statements). During the year, the Modaraba has recognized income of Rs. 4,851 million which represents a decrease of Rs. 121.273 million from last year. We identified income from diminishing musharaka financing as a key audit matter as it is one of the key performance indicators of the Modaraba and because of the potential risk that income from diminishing musharaka transactions may not be accurately recorded, recognized in the appropriate period, and not properly disclosed in the financial statements.	Our audit procedures in respect of this matter included the following: ◆ Obtained an understanding, including the design and implementation of internal controls over recording and processing of diminishing musharaka income. ◆ Assessed the appropriateness of the Modaraba's accounting policy for recording of income and in line with the requirements of applicable law, accounting and reporting standards; ◆ Matched customer contracts with the income schedule and performed recalculation on sample basis to ensure that income is appropriately recorded and also evaluated that these contracts were appropriately classified and recorded in the appropriate accounting period.

S. No.	Key Audit matters	How the matter was addressed in our audit
		◆ On sample basis, traced the rentals received from the underlying records issued to contract holders and applied substantive analytical procedures to determine any variations; ◆ Recalculated the unearned portion of income and check the appropriate amount has been recorded as unearned income in liabilities. ◆ We also evaluated the adequacy of the overall disclosures in the financial statements in respect of income from diminishing musharaka financing in accordance with the requirements of applicable financial reporting frameworks.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors of the Modaraba Company for the Financial Statements

Management of the Modaraba Company 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 the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) 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 of the Modaraba Company is responsible for assessing the Modaraba'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 of the Modaraba Company either intends to liquidate the Modaraba or to cease operations, or has no realistic alternative but to do so.

Board of directors of the Modaraba Company are responsible for overseeing the Modaraba's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurances about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 Modaraba's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management of the Modaraba Company;

- Conclude on the appropriateness of the management of the Modaraba Company'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 Modaraba's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Modaraba to cease to continue as a going concern; and

- 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 of the Modaraba Company 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.

We also provide the board of directors of the Modaraba Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors of the Modaraba Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 Modaraba Company in respect of the Modaraba as required by Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980);

b) the statement of financial position, the statement of profit and loss and other 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 Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and are in agreement with the books of account;

c) business conducted, investments made, expenditure incurred and guarantees extended during the year by the Modaraba were in accordance with the objects, terms and conditions of the Modaraba; and

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Tariq Feroz Khan.

KARACHI

DATED: AUGUST 21, 2026
UDIN: AR202610166zOjSfHmDw

BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

STATEMENT OF
FINANCIAL POSITION
AS AT JUNE 30, 2026

	Note	2026	2025
		Rupees	
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	5	**88,838,077**	88,484,327
Intangible assets	6	**3,848,770**	7,952,753
Diminishing musharaka financing	7	**24,664,586,083**	20,557,392,328
Long term deposits	8	**1,920,300**	1,515,300
Long term investments	9	**179,475,000**	446,575,160
Deferred tax asset - net	10	**352,572,355**	379,024,590
		25,291,240,585	21,480,944,458
CURRENT ASSETS			
Short term investments	11	**273,780,160**	312,272,373
Current portion of diminishing musharaka financing	7	**12,556,008,508**	10,246,759,431
Diminishing Musharaka financing installments receivable	12	**442,367**	879,700
Advances and prepayments	13	**3,010,093,886**	1,868,656,118
Other receivables	14	**17,672,184**	24,562,024
Cash and bank balances	15	**577,857,800**	815,309,565
		16,435,854,905	13,268,439,211
TOTAL ASSETS		**41,727,095,490**	34,749,383,669
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized certificate capital 140,000,000 of Rs. 10/- each (2025: 140,000,000 certificates of Rs. 10/- each)		**1,400,000,000**	1,400,000,000
Issued, subscribed and paid-up certificate capital	16	**1,108,305,000**	1,108,305,000
Reserves	17	**5,122,720,320**	4,630,589,940
Certificate holders' equity		**6,231,025,320**	5,738,894,940
SURPLUS ON REVALUATION OF INVESTMENTS	18	**30,014,336**	45,175,598
NON-CURRENT LIABILITIES			
Liability against right of use assets	19	**13,630,444**	15,869,077
CURRENT LIABILITIES			
Certificates of investment (musharaka)	20	**22,261,256,971**	20,773,092,578
Current maturity of liability against right of use assets	19	**13,243,656**	8,160,336
Unearned diminishing musharaka installments		**34,229,470**	12,265,316
Advance diminishing musharaka installments		**14,989,358**	14,329,272
Trade and other payables	21	**1,010,174,936**	894,090,781
Profit payable on certificates of investment (musharaka)		**464,837,630**	274,874,695
Running Musharaka	22	**10,932,008,831**	6,295,389,223
Profit payable on running musharaka		**249,421,337**	124,467,679
Unclaimed dividend		**49,615,068**	46,745,395
Dividend payable		**10,736,900**	9,150,852
Taxation-net		**411,911,233**	496,877,927
		35,452,425,390	28,949,444,054
TOTAL EQUITY AND LIABILITIES		**41,727,095,490**	34,749,383,669
CONTINGENCIES AND COMMITMENTS	23		

The annexed notes from 1 to 46 form an integral part of these financial statements.

For Habib Metropolitan Modaraba Management Company (Private) Limited
(Modaraba Management Company)

Chief Executive Officer **Chief Financial Officer** **Director** **Director**

STATEMENT OF
PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2026

	Note	2026	2025
		---------- Rupees ----------	
Income from diminishing musharaka financing	24	**4,850,542,097**	4,971,815,210
Reversal / (provision) in respect of diminishing musharaka financing	7.3	**41,547,483**	(124,927,933)
Reversal in respect of diminishing musharaka financing installments receivable	12.1	**2,754,891**	12,949,586
Modification loss in respect of diminishing musharaka financing	7.3.1	**(11,361,276)**	-
Administrative expenses	25	**(336,012,882)**	(298,249,349)
		4,547,470,313	4,561,587,514
Other income	26	**224,788,767**	226,142,004
		4,772,259,080	4,787,729,518
Financial charges	27	**(3,351,112,641)**	(3,322,357,382)
Modaraba Management Company's remuneration	21.3	**(142,114,644)**	(146,537,214)
Sales tax on Modaraba Management Company's remuneration	21.4	**(21,317,197)**	(21,980,582)
Provision for Sindh Workers' Welfare Fund	21.2	**(25,154,292)**	(25,937,087)
Profit before taxation and levy		**1,232,560,306**	1,270,917,253
Levy	28	**(16,005,503)**	(25,666,378)
Profit before taxation		**1,216,554,803**	1,245,250,875
Taxation	28	**(468,634,335)**	(343,754,310)
Profit after taxation		**747,920,468**	901,496,565
Other comprehensive income			
Items that will not be reclassified subsequently to statement of profit and loss			
Remeasurement of post retirement benefit obligation - net of tax	21.6(j)	**(6,421,463)**	(4,284,905)
(Deficit) / surplus on revaluation of investments classified as 'at fair value through other comprehensive income' - net of tax	18	**(15,161,262)**	10,672,231
		(21,582,725)	6,387,326
Total comprehensive income for the year		**726,337,743**	907,883,891
Earnings per certificate - basic and diluted	29	**6.75**	8.13

The annexed notes from 1 to 46 form an integral part of these financial statements.

For Habib Metropolitan Modaraba Management Company (Private) Limited
(Modaraba Management Company)

Chief Executive Officer **Chief Financial Officer** **Director** **Director**

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED JUNE 30, 2026

	Note	2026	2025
		---------- Rupees ----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	41	**3,709,027,840**	4,362,722,387
Diminishing musharaka financing - net		**(6,537,286,446)**	(7,259,732,158)
Long term deposits		**(405,000)**	(50,000)
Financial charges paid		**(3,028,752,866)**	(3,597,855,052)
Gratuity paid		**(10,861,261)**	(4,887,549)
Tax paid		**(548,257,159)**	(395,363,442)
Net cash used in operating activities		**(6,416,534,892)**	(6,895,165,814)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible assets in own use		**(21,216,797)**	(27,016,159)
Purchase of intangible assets		**-**	(2,117,456)
Purchase of investments		**-**	(100,000,000)
Proceeds from sale of tangible assets in own use		**3,646,499**	4,082,108
Proceeds from sale of investments		**323,218,694**	-
Dividends received		**7,513,144**	7,768,125
Net cash generated from / (used in) investing activities		**313,161,540**	(117,283,382)
CASH FLOWS FROM FINANCING ACTIVITIES			
Profit distributed		**(244,912,904)**	(229,983,752)
Payments of lease rentals against right of use assets	19	**(13,949,510)**	(7,353,669)
Issue of certificates of investment (musharaka)		**94,454,621,633**	79,522,043,150
Repayment of certificates of investment (musharaka)		**(92,966,457,240)**	(74,937,473,311)
Net cash generated from financing activities		**1,229,301,979**	4,347,232,418
Net decrease in cash and cash equivalents		**(4,874,071,373)**	(2,665,216,778)
Cash and cash equivalents at the beginning of the year		**(5,480,079,658)**	(2,814,862,880)
Cash and cash equivalents at the end of the year	30	**(10,354,151,031)**	(5,480,079,658)

The annexed notes from 1 to 46 form an integral part of these financial statements.

For Habib Metropolitan Modaraba Management Company (Private) Limited
(Modaraba Management Company)

Chief Executive Officer **Chief Financial Officer** **Director** **Director**

STATEMENT OF
CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2026

	Certificate capital	Capital reserves			Revenue reserves		Total equity
		Certificate premium	Amalgamation Reserve	Statutory reserves	General reserves	Unappropriated profit	
	---Rupees---						
Balance as at July 01, 2024	1,108,305,000	378,000,000	233,003,899	1,284,362,639	1,830,000,000	240,755,792	5,074,427,330
Total comprehensive income for the year	-	-	-	-	-	897,211,660	897,211,660
Profit distribution for the year ended June 30, 2024 at Rs. 2.1/- per certificate	-	-	-	-	-	(232,744,050)	(232,744,050)
Balance as at June 30, 2025	1,108,305,000	378,000,000	233,003,899	1,284,362,639	1,830,000,000	905,223,402	5,738,894,940
Balance as at July 01, 2025	1,108,305,000	378,000,000	233,003,899	1,284,362,639	1,830,000,000	905,223,402	5,738,894,940
Total comprehensive income for the year	-	-	-	-	-	741,499,005	741,499,005
Profit distribution for the year ended June 30, 2025 at Rs. 2.25/- per certificate	-	-	-	-	-	(249,368,625)	(249,368,625)
Transfer from unappropriated profit to general reserves	-	-	-	-	500,000,000	(500,000,000)	-
Balance as at June 30, 2026	1,108,305,000	378,000,000	233,003,899	1,284,362,639	2,330,000,000	897,353,782	6,231,025,320

The annexed notes from 1 to 46 form an integral part of these financial statements.

For Habib Metropolitan Modaraba Management Company (Private) Limited
(Modaraba Management Company)

Chief Executive Officer **Chief Financial Officer** **Director** **Director**

1. STATUS AND NATURE OF BUSINESS

First Habib Modaraba (the Modaraba) is a perpetual, multi-purpose modaraba floated and managed by Habib Metropolitan Modaraba Management Company (Private) Limited (the Modaraba Management Company). The Modaraba Management Company is incorporated in Pakistan under repealed Companies Ordinance, 1984 (now the Companies Act, 2017) and is registered with the Registrar of Modaraba Companies and Modaraba and under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. The Modaraba is engaged in the business of Diminishing Musharaka financing and other related business. The affairs, activities and transactions, performed by the Modaraba during the period comply with the rules and principles of Islamic Shariah in light of the guidelines and directives given by the Shariah Advisor and guidelines issued by office of the Registrar Modaraba, Securities and Exchange Commission of Pakistan Limited (SECP).

Geographical location and addresses of business units of the modaraba are as under:

Location	Address	Purpose
Karachi	6th Floor, HBZ plaza, I.I Chundrigar Road, Karachi	Head Office (Registered Office)
Karachi	3rd Floor, Al-Manzoor Building, Dr. Ziauddin Ahmed Road, Karachi	Branch Office
Lahore	1st Floor, 5-Z Block, Phase III, Defence Housing Authority, Lahore	Branch Office
Islamabad	Office No. 513, 5th Floor, ISE Tower, Jinnah Avenue, Blue Area, Islamabad	Branch Office
Multan	7th floor, United Mall, Abdali road, Multan	Branch Office

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 as applicable in Pakistan comprises of:

- IFRS Accounting Standards issued by International Accounting Standards Board (IASB) as notified under Companies Act, 2017 (the Act);

- Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan as notified under the provision of Companies Ordinance 1984, and made applicable to Modarabas;

- Provisions of, directives and notifications issued under the Act; and

- Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 (the Ordinance), Modaraba Companies and Modaraba Rules, 1981 (the Rules), Modaraba Regulations 2021 (the Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP).

Where provisions of, directives and notifications issued under the Ordinance, the Rules, the Regulations, the Act, and provisions of, directives and notifications issued by the Securities and Exchange Commission of Pakistan (SECP) differ from IFRS and IFAS, the requirements of the Ordinance, the Rules, the Regulations, the Act and provisions of, directives and notifications issued by the Securities and Exchange Commission of Pakistan (SECP) have been followed.

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis, unless otherwise stated.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees ('Rupees' or 'Rs'), which is the Modaraba's functional and presentation currency.

2.4 Significant accounting estimates, judgements, and assumptions

The preparation of financial statements in conformity with approved accounting and reporting standards requires the estimates and associated assumptions based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgement about the carrying values of assets and liabilities and income and expenses. Actual result may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognized in the period in which the estimates are reviewed if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods. Judgement made by the management in the application of the accounting and reporting standards and estimates that have a significant risk of material adjustments to the carrying amount of assets and liabilities are as follow:

a Useful lives, depreciation and amortization methods of property and equipment and intangible assets (notes 4.1, 4.2, 5 and 6);

b Lease liabilities and right-of-use assets (notes 4.18, 5.2, and 19);

c Measurement of staff retirement benefits (note 4.9);

d Impairment of financial assets (note 4.4 and 7.4);

e Provision for taxation (note 4.11, 4.12,10, 28.1 and 28.2); and

f Provisions and contingencies (note 4.15 and 23);

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS

3.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2026

The following standards, amendments and interpretations are effective for the year ended June 30, 2026. These standards, amendments and interpretations are either not relevant to the Modaraba's operations or did not have significant impact on the financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after)
Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' - Lack of Exchangeability	January 01, 2025

3.2 New accounting standards, amendments and interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Modaraba's operations or are not expected to have significant impact on the Modaraba's financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after)
Amendments to IFRS 7 'Financial Instruments: Disclosures' - Amendments regarding the classification and measurement of financial instruments	January 01, 2026
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding the classification and measurement of financial instruments	January 01, 2026
Amendments to IFRS 7 'Financial Instruments: Disclosures' - Amendments regarding nature-dependent electricity contracts that are often structured as power purchase agreements (PPAs)	January 01, 2026
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding nature-dependent electricity contracts that are often structured as power purchase agreements (PPAs)	January 01, 2026
Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' - Amendments regarding translations to a hyperinflationary presentation currency	January 01, 2027
Amendments to IFRS 9 'Financial Instruments' - Amendment regarding change when financial assets or liabilities are recognized and derecognized on settlement by Electronic payments	January 01, 2026
Amendments to IAS 28 'Investments in Associates' - Amendments to the Fair Value Option for Investments in Associates and Joint Ventures	January 01, 2027
IFRS 17 Insurance Contracts	January 01, 2027
IFRS 18 Presentation and Disclosures in Financial Statements	January 01, 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures	January 01, 2027

Certain annual improvements have also been made to a number of IFRSs and IASs.

IFRS 1 'First-time Adoption of International Financial Reporting Standards' has been issued by IASB effective from July 01, 2009. However, it has not been adopted yet locally by Securities and Exchange Commission of Pakistan (SECP)

IFRS 17 - 'Insurance contracts' has been notified by the IASB to be effective for annual periods beginning on or after January 1, 2023. However SECP has notified the revised timeframe for the adoption of IFRS - 17 which will be adopted by January 01, 2027.

IFRS 20 'Regulatory Assets and Regulatory Liabilities' has been issued by IASB effective from January 01, 2029. However, it has not been adopted yet locally by SECP.

IFRS 18 Presentation and Disclosure in Financial Statements, which was issued by the IASB in April 2024 supersedes IAS 1 and will result in major consequential amendments to IFRS Accounting Standards including IAS 8 Basis of Preparation of Financial Statements (renamed from Accounting Policies, Changes in Accounting Estimates and Errors). Even though IFRS 18 will not have any effect on the recognition and measurement of items in the financial statements, it is expected to have a significant effect on the presentation and disclosure of certain items. These changes include categorisation and sub-totals in the statement of profit or loss, aggregation/disaggregation and labelling of information, and disclosure of management-defined performance measures (MPM).

4. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies applied in the preparation of these financial statements are set out below. These have been consistently applied to all the years presented, unless otherwise stated.

4.1 Property and equipment

a) Tangible assets in own use

These are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged to statement of profit and loss and other comprehensive income applying the straight line method, in accordance with rates specified in note 5 to these financial statements, whereby the cost of an asset is written off over its estimated useful life. In respect of additions and disposals during the year, depreciation is charged proportionately for the period of use.

Maintenance and normal repairs are charged to statement of profit and loss and other comprehensive income as and when incurred. Major renewals and improvements are capitalized if the recognition criteria are met.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each year end.

b) Gain or loss on disposal

Gain or loss on disposal of assets, if any, is recognized in the Statement of profit and loss and other comprehensive income as and when incurred.

c) Impairment

The Modaraba assesses at each reporting date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where the carrying value exceeds the recoverable amount, assets are written down to the recoverable amount and the difference is charged to the statement of profit and loss and other comprehensive income. Reversal of impairment loss is restricted to the original cost of the asset.

4.2 Intangible assets

Intangible assets having definite useful life are stated at cost less accumulated amortization and impairment loss, if any.

Amortization is charged to statement of profit and loss and other comprehensive income applying the straight line method, in accordance with the rates specified in note 6 of these financial statements, whereby the cost of an asset is written off over its estimated useful life. In respect of additions and disposals during the year, amortization is charged proportionately for the period of use.

4.3 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Classification and measurement of financial assets

Financial assets are classified into appropriate categories at amortized cost, fair value through other comprehensive income or at fair value through profit or loss. The management determines the classification of financial assets into appropriate categories based on the Modaraba's business model for managing the financial assets and the contractual terms of the cash flows.

i) At amortized cost (Debt Instrument)

Financial assets are measured at amortized cost when:

- The asset is held within a business model whose objective is to hold 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.

ii) At fair value through other comprehensive income (Debt Instrument)

Financial assets are measured at fair value through other comprehensive income when:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling 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.

iii) At fair value through Profit or Loss (Debt Instruments)

All financial assets which do not fall into the first two categories must be stated at fair value through profit or loss.

iv) Financial assets designated at fair value through OCI (Equity Instruments)

Upon initial recognition, the Modaraba can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the profit and loss account. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Initial recognition and subsequent measurement

All financial assets are recognised at the time when the Modaraba becomes a party to the contractual provisions of the instrument.

Financial assets at amortized cost are initially recognised at fair value and are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses, if any. Interest income and impairment losses are recognised in the statement of profit and loss and other comprehensive income."

Financial assets carried at fair value through other comprehensive income are initially and subsequently measured at fair value plus transaction cost, with gains and losses arising from changes in fair value recognised in other comprehensive income.

Interest income on debt instruments and dividends on equity instruments when the right of payment has been established are recognised in the statement of profit and loss and other comprehensive income.

Financial assets carried at fair value through profit or loss are initially recorded at fair value and transaction costs are expensed in the statement of profit and loss . Realized and unrealized gains and losses arising from changes in the fair values of the financial assets held at fair value through profit or loss are included in the statement of profit and loss and other comprehensive income. in the period in which they arise.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Modaraba commits to purchase or sell the asset.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Modaraba has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Modaraba has:

(a) transferred substantially all of the risks and rewards of the asset; or

(b) neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Modaraba has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Modaraba's continuing involvement in the asset. In that case, the Modaraba also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Modaraba has retained. The Modaraba derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

Any gain or loss on arising on derecognisation is charged to statement of profit and loss and other comprehensive income.

Write-offs

The gross carrying amount of a financial asset is written off when the Modaraba has no reasonable expectations of recovering a financial asset in its entirely or a portion thereof. Against each customer's outstanding exposure which stands as impaired, Modaraba 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.

Restructured of financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing financial asset.

Impairment of financial assets

The Modaraba has adopted the requirement of IFRS 9, 'Financial Instruments' with respect to Expected Credit Loss (ECL) model. The ECL has an impact on the assets of the Modaraba which are exposed to credit risk and also follow the requirements for non-performing diminishing musharaka financing with the Modaraba Regulation 2021 for modarabas issued by SECP vide SRO 284 (I) / 2021 dated March 05, 2021 and subsequent amendments made therein.

The Modaraba while recognizing provisioning for impaired financial assets has considered the amount which is higher of:

- the provisioning required under the Modaraba Regulation, 2021; or

- the provisioning required under IFRS 9 using the Expected Credit Loss (ECL) model.

The provision against impaired financial assets are charged to statement of profit and loss and other comprehensive income.

The Modaraba has adopted the requirements of ECL model as given in IFRS 9 using a simplified and general approach. A lifetime ECL is recorded on diminishing musharakah financing in which there have been significant increase in credit risk and which are credit impaired as on the reporting date. 'Furthermore, the management has made an assessment of impairment under expected credit loss model of IFRS 9 for financial assets other than financing assets i.e. balances with banks and other financial assets, and concluded that impact is not material to the financial statements.

Financial liabilities

The financial liabilities are recognised in the Modaraba's statement of financial position when the Modaraba becomes a party to the contractual provisions of the instrument. These include trade payables, accrued and other liabilities and are recognised initially at fair value plus directly attributable cost, if any, and subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the statement of profit and loss and other comprehensive income.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set-off the recognized amounts and the Modaraba intends to either settle on a net basis, or to recognize the asset and settle the liability simultaneously.

4.4 Impairment of non-financial assets

The carrying amounts of non- financial assets are reviewed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the statement of profit and loss and other comprehensive income, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is determined through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cashflows (cash generating units).

An impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount. 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 recognized.

4.5 Deposits, advances, prepayments and other receivables

Deposits, advances, prepayments and other receivables are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

4.6 Cash and cash equivalents

Cash and cash equivalents are carried at cost.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, stamp in hand, current and saving accounts, short term deposits with maturity of 3 months or less from date of acquisition and running musharaka.

4.7 Finance arrangements including Certificate of Investment (Musharaka)

4.7.1 Certificate of Investment (Musharaka)

These are measured at principal amount on statement of financial position date. The amount received by the modaraba from Certificate of Investment holders is invested in the overall business activity of the modaraba on the basis of full participation in the profit and loss of the modaraba.

The profit shall be shared to Certificate of Investment holders and certificate holders in accordance with the agreed ratio. Profit on certificate of investment arrangement is recognized as financial expense in the statement of profit and loss and other comprehensive income in the period in which they are incurred.

4.7.2 Musharaka Financing

Profit on Musharaka finance is accounted for on the basis of the projected rate of profit. The effect of adjustments, if any, between actual rate and projected rate of profit is accounted for at the end of each quarter after determination of the actual rate. This amount is recognized as financial expense in the statement of profit and loss and other comprehensive income in the period in which it is incurred.

4.8 Revenue recognition

- Income on diminishing musharaka financing is recognized on accrual basis.

- Income on Sukuk is recognized on accrual basis. Where sukuk are purchased at premium / discount, those premium / discounts are amortised on effective rate over the remaining maturity.

- Dividend income is recognized when the right to receive the dividend is established.

- Return on deposit accounts is recognized on accrual basis.

- Gain or loss on disposal of tangible assets in own use are included in statement of profit and loss and other comprehensive income in the period in which they arise.

4.9 Staff retirement benefits

(a) Gratuity scheme

The Modaraba operates an approved funded defined benefit gratuity scheme for all its permanent employees. The scheme is administrated by the trustees nominated under the trust deed. The Scheme provides for a graduated scale of benefits dependent on the length of service of the employee on terminal date, subject to the completion of minimum qualifying period of service. Gratuity is based on employees' last drawn salary. Provisions are made to cover the obligations under the scheme on the basis of actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit Method. Actuarial gain or loss (remeasurements) are immediately recognised in 'Other Comprehensive Income' as they occur. The amount recognised in the statement of financial position represents the present value of defined benefit obligations as reduced by the fair value of the plan assets. Current service costs and any past service costs together with net interest cost are charged to statement of profit and loss and other comprehensive income.

(b) Provident fund

The Modaraba also operates an approved funded contributory provident fund scheme for all its employees who are eligible under the scheme. Equal monthly contributions at the rate of 10 percent of basic salary are made by both Modaraba and its employees. The amount of contribution by employer is charged to statement of profit and loss and other comprehensive income.

4.10 Compensated absences

The Modaraba accounts for these benefits in the period in which the absences are earned.

4.11 Taxation and Levy

a) Levy

In accordance with the Income Tax Ordinance, 2001, computation of final taxes is 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 and accordingly have been classified as levy in these financial statements.

b) **Income Tax**

Current

Provision for current taxation is based on taxable income at the enacted / corporate tax rate after taking into account tax credits and rebates available, if any, as per the Income tax Ordinance, 2001.

Deferred

Deferred tax is recognized using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured at the tax rate that are expected to apply in the year when the asset is utilized or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax is charged or credited in statement of profit and loss except to the extent that it relates to the item recognized directly in equity, in which case it is recognized in equity.

4.12 Provisions

Provisions are recognized when the Modaraba has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

4.13 Proposed profit distribution to Modaraba certificate holders and transfers between reserves

Proposed profit distribution and transfers between reserves made subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such profit distribution is declared / transfer is made.

4.14 Certificate capital and earning per certificate

The Modaraba presents basic and diluted earnings per certificate data for its ordinary certificates. Basic earning per certificate is calculated by dividing the profit or loss attributable to ordinary certificate holders of the Modaraba by the weighted average number of certificates outstanding during the year. Diluted earning per certificate is determined by adjusting the profit or loss attributable to ordinary certificate holders and the weighted average number of ordinary certificates outstanding for the effects of all dilutive potential ordinary certificates.

Ordinary certificates are classified as equity and are recorded at their face value. Incremental costs directly attributable to the issue of new certificates or options are shown in equity as a deduction, net of tax, from the proceeds.

4.15 Contingencies

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Modaraba. It can also be a present obligation arising from the past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

Contingent liabilities are not recognized but are disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as provision.

Contingent assets

A contingent asset is a probable asset that arises from past events and 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 Modaraba. Contingent assets are not recognized but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When an inflow is virtually certain, an asset is recognized.

4.16 Segment reporting

Segment reporting is based on the operating (business) segments of the Modaraba. An operating segment is a component of the Modaraba that engages in business activities from which it may earn revenue and incur expenses. An operating segment's operating results are reviewed regularly by the Management Committee of the Modaraba to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Chief Operating Decision Maker (CODM) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The business segments are engaged in providing products or services which are subject to risk and rewards which differ from the risk and rewards of other segments.

4.17 Details of related parties of the Modaraba

Name of related party	Nature of relationship	Basis of relationship	Percentage of certificate
Habib Metropolitan Bank Limited	Associate	Holding Company of Management Company	4.43%
Habib Metropolitan Modaraba Management Company (Private) Limited	Wholly owned subsidiary of Holding Company	Management Company of the Modaraba	10%
Habib Metropolitan Financial Services Limited	Associate	Wholly owned subsidiary of Holding Company	-
Habib Metro Exchange Services Limited	Associate	Wholly owned subsidiary of Holding Company	-
First Habib Modaraba Employee Contributory Provident Fund	Associate	Common Management	-
First Habib Modaraba - Staff Gratuity Fund	Associate	Common Management	-

4.18 Leases

Right-of-use assets

The Modaraba recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment loss if any, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Modaraba is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. The right of use assets are included in property and equipment.

Lease liabilities

At the commencement date of the lease, the Modaraba recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Modaraba uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Modaraba applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

	Note	2026	2025
		---------- Rupees ----------	
5. Property and equipment			
Tangible assets in own use	5.1 & 5.2	**65,526,704**	68,039,359
Right-of-use assets	5.4	**23,311,373**	20,444,968
		88,838,077	88,484,327

5.1 Tangible assets in own use

	Lease hold improvements	Vehicles	Furniture and fixtures	Office equipment	Total
Balance as at July 1,2025					
Cost	25,279,032	62,125,285	12,724,703	45,386,574	145,515,594
Accumulated Depreciation	(23,712,638)	(15,066,930)	(10,877,367)	(27,819,300)	(77,476,235)
Net book value	**1,566,394**	**47,058,355**	**1,847,336**	**17,567,274**	**68,039,359**
Additions	1,951,500	4,933,760	1,278,019	13,053,518	21,216,797
Disposals					
Cost	-	4,413,000	436,908	932,252	5,782,160
Depreciation	-	(1,356,800)	(436,902)	(777,979)	(2,571,681)
	-	(3,056,200)	(6)	(154,273)	(3,210,479)
Depreciation charge for the year	(734,239)	(8,050,811)	(797,211)	(10,936,712)	(20,518,973)
Closing net book value	**2,783,655**	**40,885,104**	**2,328,138**	**19,529,807**	**65,526,704**
Balance as at June 30, 2026					
Cost	27,230,532	62,646,045	13,565,814	57,507,840	160,950,231
Accumulated depreciation	(24,446,877)	(21,760,941)	(11,237,676)	(37,978,033)	(95,423,527)
Net book value	**2,783,655**	**40,885,104**	**2,328,138**	**19,529,807**	**65,526,704**
Balance as at July 1,2024					
Cost	24,958,032	54,408,445	13,630,129	44,678,767	137,675,373
Accumulated Depreciation	(22,767,596)	(12,744,385)	(12,003,853)	(27,017,418)	(74,533,252)
Net book value	**2,190,436**	**41,664,060**	**1,626,276**	**17,661,349**	**63,142,121**
Additions	321,000	17,432,840	873,810	8,388,509	27,016,159
Disposals					
Cost	-	9,716,000	1,779,236	7,680,702	19,175,938
Depreciation	-	(6,623,755)	(1,746,773)	(7,582,820)	(15,953,348)
	-	(3,092,245)	(32,463)	(97,882)	(3,222,590)
Depreciation charge	(945,042)	(8,946,300)	(620,287)	(8,384,702)	(18,896,331)
Closing net book value	**1,566,394**	**47,058,355**	**1,847,336**	**17,567,274**	**68,039,359**
Balance as at June 30, 2025					
Cost	25,279,032	62,125,285	12,724,703	45,386,574	145,515,594
Accumulated depreciation	(23,712,638)	(15,066,930)	(10,877,367)	(27,819,300)	(77,476,235)
Net book value	**1,566,394**	**47,058,355**	**1,847,336**	**17,567,274**	**68,039,359**
Depreciation rate (% per annum)	20	16.67	20-25	25-33	

5.2 The cost of fully depreciated assets which is still in use of the Modaraba amounting to Rs. 54.38 million (2025: 51.65 million).

5.3 The depreciation is allocated to administrative expenses.

	Note	2026	2025
		---------- Rupee ----------	

5.4 Right-of-use assets

	Note	2026	2025
Balance as at July 01, 2025		**20,444,968**	21,914,106
Additions during the year		**12,056,525**	6,253,618
Depreciation charge for the year	25	**(9,190,120)**	(6,095,148)
Terminated during the year		**-**	(1,627,608)
Balance as at June 30, 2026		**23,311,373**	20,444,968

5.5 The depreciation is allocated to administrative expenses.

6. INTANGIBLE ASSETS

Particulars	COST			AMORTIZATION			Written down value as at end of the year	Rate of Amortization %
	As at July 01, 2025	Additions	As at June 30, 2025	As at July 01, 2025	Charge for the year	As at June 30, 2025		
	---------- Rupees ----------							
Computer software:								
As at June 30, 2026	16,446,210	-	16,446,210	8,493,457	4,103,983	12,597,440	3,848,770	33.33
As at June 30, 2025	14,528,804	1,917,406	16,446,210	4,902,487	3,590,970	8,493,457	7,952,753	33.33

6.1 The amortization is allocated to administrative expenses.

	Note	2026	2025
		---------- Rupees ----------	

7. DIMINISHING MUSHARAKA FINANCING

	Note	2026	2025
Secured			
Staff	7.1	**51,675,142**	40,428,588
Others	7.2	**38,139,719,725**	31,764,709,654
		38,191,394,867	31,805,138,242
Less: Modification loss in respect of diminishing musharaka financing	7.3.1	**(11,361,276)**	-
Provision for doubtful diminishing musharaka financing	7.3 & 7.5	**(959,439,000)**	(1,000,986,483)
		(970,800,276)	(1,000,986,483)
		37,220,594,591	30,804,151,759
Diminishing musharaka financing - Non current portion		**24,664,586,083**	20,557,392,328
Diminishing musharaka financing - Current portion		**12,556,008,508**	10,246,759,431
		37,220,594,591	30,804,151,759

7.1 This represent finance provided to employees of the Modaraba against house and vehicles financing. These carry profit at the effective rates ranging from 4% to 13.49% (2025: 4% to 14.18%) per annum and are repayable on monthly basis ranging from 5 to 12 years (2025: 5 to 12 years). During the year, diminishing musharaka facility availed by the employees of the Modaraba with respect to house and vehicle financing amounting to Rs. 12.225 million (2025: Rs. nil) and Rs. 5.280 million (2025: Rs. 3.982 million) respectively. These are secured against diminishing musharaka financing assets.

7.2 This represents diminishing musharaka financing for a term of 1 to 7 years. These carry profit at the effective rates ranging from 11.22% to 17.10% (2025: 11.64% to 17.18%) per annum. These are secured against diminishing musharaka financing assets.

	2026	2025
	Rupees	
7.3 Movement of provision in respect of diminishing musharaka financing:		
Balance as at July 01, 2025	**1,000,986,483**	876,075,037
(Reversal) / charge for the year	**(41,547,483)**	124,927,933
Write off during the year	**-**	(16,487)
	(41,547,483)	124,911,446
Balance as at June 30, 2026	**959,439,000**	1,000,986,483

7.3.1 During the year, the Modaraba rescheduled certain diminishing musharaka financing arrangements with customers, resulting in the recognition of a modification loss.

7.4 The following table sets out information about the Expected Credit Losses (ECL) provision of diminishing musharaka financing:

	June 30, 2026		June 30, 2025	
	Amount outstanding	Expected credit loss allowance	Amount outstanding	Expected credit loss allowance
	Rupees			
Stage 1	35,848,945,088	13,290,693	31,146,217,007	51,315,696
Stage 2	1,288,771,422	41,218,792	552,382,514	2,822,656
Stage 3	1,053,678,357	628,311,689	106,538,721	54,350,597
	38,191,394,867	682,821,174	31,805,138,242	108,488,949

7.5 The provision as per the Modaraba Regulations, 2021, which includes classification into various categories based on objective and subjective evaluation of borrowers is shown in the table below.

Aging of diminishing musharaka financing	June 30, 2026		June 30, 2025	
	Amount outstanding	Provision	Amount outstanding	Provision
	Rupees			
Classification				
Considered good	37,126,355,235	-	30,423,610,061	-
Provision against classified portfolio:				
Other asset especially mentioned (OAEM)	-	-	980,452,655	631,026,468
Substandard	34,514,909	8,628,729	41,719,887	30,277,074
Doubtful	202,018,611	122,304,159	191,329,750	171,657,052
Loss	828,506,112	828,506,112	168,025,889	168,025,889
	1,065,039,632	959,439,000	1,381,528,181	1,000,986,483
	38,191,394,867	959,439,000	31,805,138,242	1,000,986,483

7.6 The Modaraba has provided Diminishing Musharakah (DM) financing facilities to branches of foreign companies operating in Pakistan. These companies qualify as foreign companies under Section 2(30) of the Companies Act, 2017. In compliance with the disclosure requirements of the Fourth Schedule to the Companies Act, 2017, the details are as follows:

					June 30, 2026			June 30, 2025						
Sr. No.	Name of Foreign Company	Jurisdiction of Incorporation	Branch Location in Pakistan	Beneficial Owner (Name & Address)	Amount in Rupees	Amount (Foreign Currency)	Return Received in Rupees	Amount in Rupees	Amount (Foreign Currency)	Return Received in Rupees	Terms & Conditions	Litigations in Foreign Jurisdiction	Default/Breach	Gain/Loss on Disposal
1	Exalo Drilling S.A.	Poland	Karachi	Mr. Pawel Piotr Urbanek, Poland	**5,154,384**	**USD 18,530**	**1,243,476**	12,407,082	USD 43,723	2,858,391	3-5 years, secured, profit rate: 3MK + 2.5% p.a.	None	None	-
2	Orient Petroleum Inc.	Cayman Islands	Islamabad	Hasan Ali Hashwani, Islamabad	**75,892,893**	**USD 272,839**	**8,963,469**	91,456,813	USD 322,298	17,748,209	3-4 years, secured, profit rate: 3MK + 1%-1.5% p.a.	None	None	-
3	Turkish Consulate General	Turkey	Karachi	Cemal Sangu, Clifton	**-**	**-**	**928,499**	6,524,379	USD 22,992	2,720,420	3 years, secured, profit rate: 3MK + 2% p.a.	None	None	-

8. LONG TERM DEPOSITS

	Note	2026	2025
		---------- Rupees ----------	
Central Depository Company of Pakistan Limited		**150,000**	150,000
Branch offices		**1,385,000**	980,000
Habib Metropolitan Bank Limited	8.1	**130,000**	130,000
Miscellaneous		**255,300**	255,300
		1,920,300	1,515,300

8.1 This represents security deposits maintained with Habib Metropolitan Bank Limited, a related party, in respect of locker charges.

9. INVESTMENTS

	Note	2026	2025
		---------- Rupees ----------	
At fair value through other comprehensive income			
Investment in shares of listed companies	9.1	**99,475,000**	92,795,000
Investment in sukuk bonds	9.2	**80,000,000**	80,000,000
		179,475,000	172,795,000
At amortized cost			
Investment in GOP Ijarah sukuk bonds	9.3	**-**	273,780,160
		179,475,000	446,575,160

9.1 Investment in shares of listed companies

2026	2025	Name of Investee Company	2026 Average Cost	2026 Market Value	2025 Average Cost	2025 Market Value
---- Number of shares ----			---------- Rupees ----------			
500,000	500,000	Engro Fertilizer Limited	**34,503,905**	**99,475,000**	34,503,905	92,795,000

9.2 Investment in Sukuks Bonds - at fair value through other comprehensive income

This includes perpetual, unsecured, subordinated, non-cumulative, and contingent convertible shariah compliant sukuks bonds having following characteristics:

Name of investee company	Rating	Rate	Face Value	Carrying Value, As at 30, June 2026	Market Value	Unrealised appreciation / (diminution)
			Rupees			
Meezan Bank Limited	AA+	3MK + 1.75%	1,000,000	**75,000,000**	**75,000,000**	-
Bank Islami Pakistan Limited	A	3MK + 2.75%	5,000	**5,000,000**	**5,000,000**	-
				80,000,000	**80,000,000**	-

9.3 Investment in GOP Ijarah Sukuk Bond

	Note	2026	2025	Face value	2026	2025	2026
		Number of certificates			Cost		Amortized cost
				Rupees			
Investment in GOP Ijarah Sukuk Bond	9.4	**3**	3	275,000,000	**273,675,000**	273,675,000	**273,780,160**

9.4 These represents placement with Habib Metropolitan Bank Limited carrying profit at rates ranging from 11.00% to 12.30% (2025: 11.00% to 22.00%) per annum, maturing on October 29, 2026.

10. DEFERRED TAX ASSET - NET

	As at June 30, 2025	Charge to Profit or loss	Charge to OCI	As at June 30, 2026
	Rupees			
Deductible temporary differences in respect of:				
- Provision in respect of diminishing musharaka financing	398,786,371	(19,153,821)	-	**379,632,550**
- Staff retirement benefits	4,235,892	-	732,901	**4,968,793**
- Depreciation on fixed assets	1,614,706	(76,400)	-	**1,538,306**
- Other deductible temporary difference	1,397,934	(8,470)	-	**1,389,464**
	406,034,903	(19,238,691)	732,901	**387,529,113**
Taxable temporary differences in respect of:				
- Surplus on revaluation of investments	(13,115,496)	-	(21,841,262)	**(34,956,758)**
- Investment in mutual funds	(13,894,816)	13,894,816	-	**-**
	(27,010,312)	13,894,816	(21,841,262)	**(34,956,758)**
	379,024,590	(5,343,875)	(21,108,361)	**352,572,355**

	As at June 30, 2024	Charge to Profit or loss	Charge to OCI	As at June 30, 2025
	Rupees			
Deductible temporary differences in respect of:				
- Provision in respect of diminishing musharaka financing	246,764,418	152,021,953	-	398,786,371
- Staff retirement benefits	2,331,336	-	1,904,556	4,235,892
- Depreciation on fixed assets	17,387,222	(15,772,516)	-	1,614,706
- Other deductible temporary difference	(24,394,752)	25,792,686	-	1,397,934
	242,088,224	162,042,122	1,904,556	406,034,902
Taxable temporary differences in respect of:				
- Surplus on revaluation of investments	(14,102,727)	-	987,231	(13,115,496)
- Investment in mutual funds	(6,731,954)	(7,162,862)	-	(13,894,816)
	(20,834,681)	(7,162,862)	987,231	(27,010,312)
	221,253,543	154,879,260	2,891,787	379,024,590

	Note	2026	2025
		Rupees	

11. SHORT TERM INVESTMENTS

	Note	2026	2025
At fair value through profit or loss - investment in mutual funds			
MCB Alhamra Islamic Money Market Fund	11.1	-	135,540,137
NBP Islamic Saving Fund	11.1	-	79,064,481
Faysal Islamic Saving Fund	11.1	-	50,094,858
At amortized cost			
Current portion of investment in GOP Ijarah sukuk bonds	9.3	**273,780,160**	-
Investment in GOP Ijarah sukuk bonds	11.2	-	47,572,897
		273,780,160	312,272,373

11.1 Investment In Mutual Funds

	2026		2025	
	Units	NAV	Units	NAV
MCB Alhamra Islamic Money Market Fund	-	-	1,316,818	99.51
NBP Islamic Saving Fund	-	-	8,236,312	9.587
Faysal Islamic Saving Fund	-	-	500,650	100.059

11.2 Investment in GOP Ijarah Sukuk Bond

	2026	2025	Face value	2026	2025	2026
	Number of certificates			Cost		Amortized cost
			Rupees			
Investment in Ijarah GOP Sukuk Bond	-	1	50,000,000	-	45,057,300	-

	Note	2026	2025
		Rupees	

12. DIMINISHING MUSHARAKA FINANCING INSTALLMENTS RECEIVABLE

	Note	2026	2025
Secured			
Diminishing musharaka financing installments receivable		**11,144,518**	22,422,374
Less: Provision against doubtful diminishing musharaka financing installments receivable	12.1	**(10,702,151)**	(21,542,674)
		442,367	879,700

12.1 Movement of provision in respect of diminishing musharaka financing installments receivable

	Note	2026	2025
Balance as at July 01, 2025		**21,542,674**	34,956,621
Reversal for the year		**(2,754,891)**	(12,949,586)
Write off during the year		**(8,085,632)**	(464,361)
Balance as at June 30, 2026	12.3	**10,702,151**	21,542,674

12.2 The following table sets out information about the Expected Credit Losses (ECL) provision of diminishing musharaka financing installments receivable:

	June 30, 2026		June 30, 2025	
	Amount outstanding	Expected credit loss allowance	Amount outstanding	Expected credit loss allowance
	Rupees			
Stage 1	10,460,771	3,879	21,957,840	74,847
Stage 2	376,184	12,032	389,425	1,327
Stage 3	307,564	183,400	75,109	256
	11,144,518	199,311	22,422,374	76,430

12.3 Aging of Diminishing Musharaka financing installments receivable

	June 30, 2026		June 30, 2025	
	Amount outstanding	Provision	Amount outstanding	Provision
	Rupees			
Classification				
Considered good	442,367	-	879,700	-
Provision against classified portfolio:				
Other asset especially mentioned (OAEM)	-	-	7,338,464	7,338,464
Substandard	3,926	3,926	3,954,641	3,954,641
Doubtful	212,535	212,535	5,251,150	5,251,150
Loss	10,485,690	10,485,690	4,998,419	4,998,419
	10,702,151	10,702,151	21,542,674	21,542,674
	11,144,518	10,702,151	22,422,374	21,542,674

	Note	2026	2025
		Rupees	
13. ADVANCES AND PREPAYMENTS			
Advances			
Advance against diminishing musharaka financing	13.1	**2,951,473,730**	1,854,282,130
Advance tax paid on booking of vehicle		**49,379,887**	11,150,485
Others		**3,788,222**	1,571,398
		3,004,641,839	1,867,004,013
Prepayments		**5,452,047**	1,652,105
		3,010,093,886	1,868,656,118

13.1 This is advance paid against the booking of vehicles under diminishing musharaka financing.

	2026	2025
	Rupees	
14. OTHER RECEIVABLES		
Unsecured - considered good		
Profit receivable on modaraba deposit account	**5,587,897**	7,562,839
Profit receivable on sukuk bonds	**8,121,443**	9,051,336
Others	**3,962,844**	7,947,849
	17,672,184	24,562,024

	Note	2026	2025
		Rupees	

15. CASH AND BANK BALANCES

	Note	2026	2025
Stamps in hand		**4,692,550**	3,799,100
At banks in:			
Current accounts			
State Bank of Pakistan		**1,711,259**	1,141,259
With other banks		**30,977,819**	109,719,369
Profit bearing accounts			
Redemption Reserve Funds	15.1	**368,624,607**	406,554,243
Modaraba deposit account with Habib Metropolitan Bank Limited (Islamic branch) - a related party	15.2	**154,081,320**	292,061,256
With other banks	15.3	**17,770,245**	2,034,338
		577,857,800	815,309,565

15.1 The deposits have been kept in order to comply with the requirement of the Modaraba Regulations, 2021, Section 17(4)(g) issued by the Securities and Exchange Commission of Pakistan with respect to the maintenance of the prescribed liquidity against the Certificates of Musharaka issued by the Modaraba.

15.2 These carry profit rates ranging between 9.50% to 10.80% (2025: 9.50% to 20.00%) per annum.

15.3 These carry profit rates ranging between 9.50% to 10.80% (2025: 9.50% to 20.00%) per annum.

16. ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL

2026	2025		2026	2025
Number of certificates			Rupees	
106,980,500	106,980,500	Rs.10 (2025: Rs.10) each issued for cash	**1,069,805,000**	1,069,805,000
3,850,000	3,850,000	Rs.10 (2025: Rs.10) each issued as bonus certificates	**38,500,000**	38,500,000
110,830,500	110,830,500		**1,108,305,000**	1,108,305,000

17. RESERVES

	2026	2025
	Rupees	
Capital reserves		
Certificate premium	**378,000,000**	378,000,000
Amalgamation reserve	**233,003,899**	233,003,899
Statutory reserves	**1,284,362,639**	1,284,362,639
	1,895,366,538	1,895,366,538
Revenue reserves		
General	**2,330,000,000**	1,830,000,000
Unappropriated profit	**897,353,782**	905,223,402
	3,227,353,782	2,735,223,402
	5,122,720,320	4,630,589,940

	Note	2026	2025
		---------- Rupees ----------	

18. SURPLUS ON REVALUATION OF INVESTMENTS

	Note	2026	2025
Fair value of investments		**179,475,000**	172,795,000
Less: Cost of investments		**(114,503,905)**	(114,503,905)
Deferred tax impact		**(34,956,759)**	(13,115,497)
	18.1	**30,014,336**	45,175,598
Surplus on revaluation at beginning of the year - net of tax		**45,175,598**	34,503,367
(Deficit) / surplus on revaluation classified at other comprehensive income during the year - net of tax		**(15,161,262)**	10,672,231
Surplus on revaluation at end of the year - net of tax		**30,014,336**	45,175,598

18.1 The surplus on revaluation of investments is presented under a separate head below equity as 'Surplus on Revaluation of Investments' in accordance with the requirements of Circular No. SC/M/PRDD/PRs/2017-259 dated December 11, 2017.

	Note	2026	2025
		---------- Rupees ----------	

19. LIABILITY AGAINST RIGHT OF USE ASSETS

	Note	2026	2025
Balance as at July 01, 2025		**24,029,413**	24,093,476
Additions during the year		**12,056,525**	6,253,618
Terminated during the year		**-**	(2,963,730)
Finance cost for the year	27	**4,737,672**	3,999,718
Payments made during the year		**(13,949,510)**	(7,353,669)
Balance as at June 30, 2026	19.1	**26,874,100**	24,029,413
Less: Current maturity		**(13,243,656)**	(8,160,336)
		13,630,444	15,869,077

19.1 The Modaraba has entered into lease agreements in respect of its various rented offices. These were initially measured at the present value of lease payments, discounted using the Modaraba's incremental borrowing rate that ranges from 13.49% to 22.61% per annum. The lease liabilities are subsequently being measured at amortised cost using the effective interest rate method.

19.2 Details of Minimum Lease Payments

	2026	
	Minimum Lease Payments	Present Value of Minimum Lease Payment
	---------- Rupees ----------	
Not later than one year	**9,980,901**	6,089,472
Later than one year but not later than five years	**21,935,461**	16,696,400
Later than five years	**4,901,151**	4,088,228
	36,817,513	26,874,100

	2025	
	Minimum Lease Payments	Present Value of Minimum Lease Payment
	---------- Rupees ----------	
Not later than one year	**8,925,336**	5,444,887
Later than one year but not later than five years	**19,615,601**	14,929,048
Later than five years	**4,382,813**	3,655,477
	32,923,750	24,029,413

	Note	2026	2025
		---------- Rupees ----------	

20. CERTIFICATES OF INVESTMENT (MUSHARAKA)

	Note	2026	2025
Unsecured			
Certificates of Investment (musharaka)	20.1 & 20.2	**22,261,256,971**	20,773,092,578

20.1 Movement in Certificates of Investment (musharaka)

		2026	2025
Balance as at July 01, 2025		**20,773,092,578**	16,188,522,739
Add: Issued during the year		**94,454,621,633**	79,522,043,150
		115,227,714,211	95,710,565,889
Less: Encashment during the year		**(92,966,457,240)**	(74,937,473,311)
Balance as at June 30, 2026		**22,261,256,971**	20,773,092,578

20.2 The estimated share of profit paid / payable on the above unsecured certificates of investments (musharaka) ranges between 8.10% to 12.30% (2025: 8.35% to 20.47%) per annum having maturity from 3 months to 1 year.

21. TRADE AND OTHER PAYABLES

	Note	2026	2025
		---------- Rupees ----------	
Accrued liabilities	21.1	**245,112,516**	253,311,307
Takaful premium payable - corporate		**128,360,306**	98,541,501
Takaful contribution payable - individual		**96,058,934**	70,988,512
Excess DM financing installments		**69,930,096**	79,164,125
Advance against sale of diminishing musharaka units		**59,003,590**	15,999,598
Diminishing musharaka customer contribution		**30,368,099**	22,601,877
Workers' Welfare Fund	21.2	**83,370,853**	74,287,180
Management fee payable	21.3	**142,114,644**	146,537,214
Sales tax on management fee payable	21.4	**105,164,724**	83,847,527
Sales tax on management fee payable to previous management company	21.5	**37,950,679**	37,950,679
Gratuity payable	21.6	**12,740,495**	10,861,261
		1,010,174,936	894,090,781

21.1 This includes charity payable amounting to Rs. 13.334 (2025: Rs. 11.547) million. The reconciliation is as follows:

	Note	2026	2025
		Rupees	
Balance as at July 01, 2025		**11,547,337**	11,749,960
Addition during the year		**18,534,181**	16,587,353
Paid to recognized charitable organizations		**(16,747,816)**	(16,789,976)
Balance as at June 30, 2026		**13,333,702**	11,547,337

21.1 This includes charity payable amounting to Rs. 13.334 (2025: Rs. 11.547) million. The reconciliation is as follows:

21.2 As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act (SWWF Act), 2014 was passed by the Government of Sindh as a result of which every Industrial Establishment (this definition also includes the Commercial Establishment including the Financial Institutions and Modaraba Companies) located in the province of Sindh, the total income of which in any accounting year after December 31, 2013 is not less than Rs.0.5 million, is required to pay Sindh Workers' Welfare Fund in respect of that year a sum equal to two (2%) percent of such income.

In financial year 2019-2020, the Modaraba received a notice vide letter no. SRB/AC-37/2019-20/63 dated August 19, 2019, wherein, the Sindh Revenue Board advised the Modaraba demanding all its income falling due under the SWWF Act. The Modaraba filed a Constitution Petition in September 13, 2019 to Honorable Sindh High Court on the ground that the Modaraba has its operations all across Pakistan therefore total income declared in its tax return is a cumulative sum of income for all provinces but the management understands that the SWWF Act is limited only to the province of Sindh and till the time there is any mechanism available for apportionment of total income relevant to the province of Sindh, no SWWF liability to Sind Revenue Board can be paid out on the entire income of the Modaraba which essentially includes the income of other provinces as well. The Honorable Sindh High Court through its order dated March 16, 2020 restrained the Sindh Revenue Board from levy of Sindh Worker's Welfare Fund under the SWWF Act and lastly ordered to deposit the amount as stated in these orders. However, the management as a matter of abundant caution recognized a provision in respect of Workers' Welfare Fund on a daily basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

In financial year 2019-2020, the Honorable Sindh High Court issued an order dated March 16, 2020 in respect of the above case requiring all the Petitioners in different other petitions including the Modarabas to pay the SWWF levy amount to 'Nazir' of the Honorable Sindh High Court or the Sindh Revenue Board. Accordingly, the Modaraba has made total payments of Rs.24,867,604 including payment of Rs.5,751,303 made during the financial year 2019-2020, to SRB based on proportionate income of the province of Sindh and based on the advice of it's legal advisor, retained the remaining provision until the Boards in other provinces are constituted under their respective provincial laws, the same are notified and such respective provinces raise demand for the payment of such amounts to the Modaraba relating to the income of their respective province. During the year ended June 30, 2025, the Honourable High Court of Sindh ruled in favour of Modarabas that the Modarabas having trans-provincial operations will pay Workers welfare fund (WWF) to FBR and Modarabas' operating within a single province will pay WWF to their respective Provincial Revenue Board. However, SRB has challenged such decision in Supreme Court of Pakistan.

21.3 The Modaraba Management Company is entitled to a remuneration for services rendered to the Modaraba under the provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 up to a maximum of 10% per annum of profit before levies and taxes during the year of the Modaraba. The fee for the year ended June 30, 2026 has been recognized at 10% of profit before levies and taxes (2025: 10%).

21.4 The Sindh sales tax levied on remuneration of Modaraba Management Company has been charged at the rate of 15% (2025: 15%).

21.5 Pursuant to order of Sindh Revenue Board, the Modaraba has recorded a provision in respect of Sindh sales tax on Management Company's remuneration at the rate of 15% (2025: 15%) per annum. A show cause notice was issued wherein sales tax was demanded under the provision of Sindh Sales Tax on Service Act, 2011. This notice was challenged by the Appellant before Assistant Commissioner in which Assistant Commissioner maintained that the Appellant was liable to pay sales tax. The management is of the view that the management fee is a profit sharing rather than a fixed fee against rendering of management services by the management company up to the 10% of Modarabas profit as provided in the Modaraba Ordinance, in case of loss the management company is not entitled to claim any remuneration. Habib Management (Private) Limited has filed a reference appeal before Honorable High Court of Sindh in which stay has been granted against the order of Appellate Tribunal of Sindh Revenue Board. As the case is still pending, the final outcome cannot be determined.

21.6 Staff retirement benefits - Defined benefit plan

a. General description

As mentioned in note 4.9(a), the Modaraba operates an approved funded gratuity scheme for all of its permanent employees. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuation was carried out as at June 30, 2026 using the Projected Unit Credit Method (PUCM).

b. Description of the risks associated with Defined Benefit Plan

The gratuity scheme exposes the company to the following risks:

Longevity Risk - The risk arises when the actual lifetime of retirees is longer than expected. This risk is measured at the plan level over the entire retiree population.

Salary Increase Risk - The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expected and impacts the liability accordingly.

Withdrawal Risk - The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

c. Number of employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2026	2025
	(Number)	
Gratuity fund	**91**	81

d. Principal actuarial assumptions

i) The actuarial valuations were carried out as at June 30, 2026 using the following significant assumptions:

	2026	2025
	Per annum	
Valuation Discount Rate	**11.75%**	11.75%
Valuation Discount Rate for P&L	**11.75%**	14.75%
Salary Increase Rate	**12.25% p.a.**	12.25% p.a.
Salary Increase Timings	**1st July**	1st July
Withdrawal Rate	**Heavy**	Heavy
Mortality Rates	**SLIC 2001-05 - 1**	
Expected Return on Plan Assets	**11.75% p.a.**	11.75% p.a.
Duration	**8.83 Years**	8.32 Years

ii) The assumptions selected are in accordance with PSOA guidelines.

	2026	2025
	---- Rupees ----	
e. Reconciliation of payable to defined benefit plan		
Present value of defined benefit obligation	**77,921,297**	58,094,464
Fair value of plan assets	**(73,219,890)**	(55,272,291)
Net defined liability	**4,701,407**	2,822,173
f. Movement in defined benefit obligation		
Obligation as at July 01, 2025	**58,094,464**	47,776,687
Current service cost	**5,135,275**	4,671,798
Interest cost	**6,945,350**	7,272,572
Benefits paid	**(211,950)**	(4,887,549)
Re-measurement loss	**7,958,158**	3,260,956
Obligation as at June 30, 2026	**77,921,297**	58,094,464
g. Movement in fair value of plan assets		
Fair value as at July 01, 2025	**55,272,291**	47,776,687
Expected return (interest income) on plan assets	**6,494,494**	7,272,572
Contribution during the year	**10,861,261**	8,039,088
Benefits paid	**(211,950)**	(4,887,549)
Re-measurement gain / (loss)	**803,794**	(2,928,507)
Fair value as at June 30, 2026	**73,219,890**	55,272,291
h. Movement in payable under defined benefit scheme		
Balance as at July 01, 2025	**2,822,173**	-
Charge for the year	**5,586,131**	4,671,798
Contribution during the year	**(10,861,261)**	(8,039,088)
Re-measurement loss recognized in OCI during the year	**7,154,364**	6,189,463
Balance as at June 30, 2026	**4,701,407**	2,822,173
i. Cost recognized in profit and loss and other comprehensive income during the year		
Current service cost	**5,135,275**	4,671,798
Net interest on fair value of plan assets / defined benefit obligation	**450,856**	-
	5,586,131	4,671,798
j. Re-measurements (loss) / gain recognized in		
OCI during the year		
Re-measurement loss	**(7,154,364)**	6,189,463
Less: Deferred tax	**732,901**	(1,904,558)
Net re-measurement	**(6,421,463)**	4,284,905
k. Components of plan assets		
Cash and cash equivalents - net	**73,219,890**	33,952,291
Non-Government Debt Securities	**-**	21,320,000
	73,219,890	55,272,291

	2026	2025
	Rupees	
l. Sensitivity analysis		
Base obligation	**77,921,297**	58,094,464
1% increase in discount rate	**72,117,960**	53,539,230
1% decrease in discount rate	**84,475,350**	63,237,513
1% increase in expected rate of salary increase	**84,758,150**	63,445,886
1% decrease in expected rate of salary increase	**71,771,558**	53,281,026

m. Expected charge for the next financial year ending June 30, 2027 Rs. 6.81 million (2026: Rs. 5.46 million).

	2026	2025
	Rupees	
n. Maturity profile		
The weighted average duration of the obligation (in years)	**8.83**	8.32

o. Funding Policy

The Modaraba endeavors to ensure that liability under employee benefit scheme is covered by the fund on any valuation date having regards to the various actuarial assumptions such as projected future salary increase, expected future contributions to the fund, projected increase in liability associated with future service and the projected investment income of the fund.

21.7 Investments out of the funds of retirement fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

	Note	2026	2025
		Rupees	
22. RUNNING MUSHARAKA			
Meezan Bank Limited	22.1	**3,999,974,573**	1,895,336,810
Faysal Bank Limited	22.2	**2,436,986,067**	1,900,052,413
MCB Islamic Bank Limited	22.3	**1,650,000,000**	1,600,000,000
Dubai Islamic Bank Pakistan Limited	22.4	**600,000,000**	400,000,000
Al- Baraka Bank Limited	22.5	**1,245,048,191**	500,000,000
Bank Islami Pakistan Limited	22.6	**1,000,000,000**	-
		10,932,008,831	6,295,389,223

22.1 The facility obtained has a limit of Rs. 3,000 million which has been enhanced up to Rs. 5,000 million during the year. The profit rate on this facility is 3 month KIBOR plus 0.25% per annum. The facility is secured against Pari Passu hypothecation charge on all Modaraba's present and future movable/immovable financing assets with 30% margin.

22.2 The facility obtained has a limit up to Rs. 2,500 million. The profit rate on this facility is 3 month KIBOR plus 0.25% per annum. The facility is secured against First Pari Passu hypothecation charge on all Modaraba's present and future movable/immovable financing assets with 30% margin amounting to Rs. 5,716 million.

22.3 The facility obtained has a limit up to Rs. 1,700 million. The profit rate on this facility is 3 month KIBOR plus 0.25% per annum. The facility is secured against First Pari Passu letter of hypothecation charge on all Modaraba's present and future financing assets with 30% margin.

22.4 The facility obtained has a limit up to Rs. 1,000 million. The profit rate on this facility is 3 month KIBOR plus 0.25% per annum. The facility is secured against first (1st) supplemental letter of hypothecation charge on all Modaraba's present and future movable/immovable financing assets for Rs. 1,430 million.

22.5 The facility obtained has a limit up to Rs. 1,250 million. The profit rate on this facility is 3 month KIBOR plus 0.20% per annum. The facility is secured against First Pari Pasu hypothecation charge all over Modaraba's present and future movable financing assets for Rs. 1,430 million with 30% margin.

22.6 The facility obtained has a limit up to Rs. 1,000 million. The profit rate on this facility is 3 month KIBOR plus 0.25% per annum. The facility is secured against First Pari Pasu hypothecation charge all over Modaraba's present and future movable/immovable financing assets for Rs. 1,334 million with 25% margin.

23. CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

The Modaraba received a notice from Sindh Revenue Board (SRB) dated August 09, 2018, wherein, it is mentioned that the Assistant Commissioner (Unit-12) of the SRB came to know through scrutiny of the financial statements of the Modaraba for the fiscal year years 2012-2019, the Modaraba is engaged in providing / rendering taxable services which falls under the Second Schedule of Sindh Sales Tax on Services Act, 2011, and the sales tax on such service, i.e. on lease rentals.

In view of this, the Modaraba was advised to submit certain financial records to SRB to ascertain the actual tax liability. Such notice were also received by some other Modarabas and collectively, a petition against the same was filed through a common legal counsel in the Honourable High Court of Sindh (HCS) challenging levy of Services Sales Tax on lease financing transactions including the vires of various headings of the Second Schedule of the Act. A stay order in this regard has been granted by the HCS stating that no adverse order in respect of the proposed treatment shall be made against the Modaraba's.

The management of the Modaraba based on its discussions with its legal counsel is of the view that in light of the stay order of HCS and the merits of the matter involved, no provision for any sales tax liability on rentals of lease financing is required to be maintained in the financial statements for the year ended June 30, 2026.

23.2 Commitments

Commitments in respect of financing transactions amounted to Rs. 1,872 million (2025: Rs. 1,209 million).

	2026	2025
	---------- Rupees ----------	
24. INCOME FROM DIMINISHING MUSHARAKA FINANCING		
Corporate & SMEs	**4,130,928,926**	4,496,199,234
Individuals	**719,613,171**	475,615,976
	4,850,542,097	4,971,815,210

	Note	2026	2025
		---------- Rupees ----------	

25. ADMINISTRATIVE EXPENSES

	Note	2026	2025
Salaries, allowances and other benefits	25.1	**208,419,823**	180,519,958
Staff training and workshop		**348,540**	625,380
Printing, stationery and advertising		**9,541,187**	7,179,065
Travelling and conveyance		**2,012,022**	1,909,954
Insurance / takaful charges		**1,377,532**	1,241,064
Utilities		**10,522,497**	12,756,170
Postage		**1,511,848**	1,114,837
Newspapers and periodicals		**28,810**	24,850
Repairs and maintenance		**7,256,401**	6,579,820
Telecommunication		**2,001,183**	1,512,177
Fees and subscriptions		**14,099,381**	12,331,322
Legal and professional charges	25.2	**10,221,847**	13,388,229
Depreciation on tangible assets in own use	5.1	**20,518,973**	18,896,331
Depreciation expense on right of use assets	5.4	**9,190,120**	6,095,148
Amortization on intangible assets	6	**4,103,983**	3,791,018
Auditors' remuneration	25.3	**5,712,410**	5,495,810
Certificate registrar expenses		**1,586,866**	1,715,462
Vehicle running expenses		**5,808,955**	5,841,907
Office expense		**9,151,815**	7,782,680
Vault Rent expense		**560,150**	309,095
Information technology expenses		**9,667,100**	7,973,936
Miscellaneous		**2,371,439**	1,165,136
		336,012,882	298,249,349

25.1 Salaries, allowances and other benefits

The aggregate amount charged in the financial statements for remuneration to officers and other employees of the Modaraba is as follows:

	Note	June 30, 2026			June 30, 2025		
		Executives Note 25.1.4	Other employees	Total	Executives Note 25.1.4	Other employees	Total
		---------- Rupees ----------					
Salaries		**34,004,476**	**34,100,816**	**68,105,292**	27,842,484	34,115,582	61,958,066
Bonus		**18,489,164**	**24,877,092**	**43,366,256**	16,056,418	21,603,842	37,660,260
Other allowances		**33,994,598**	**44,846,024**	**78,840,622**	27,842,503	38,684,931	66,527,434
Insurance		**2,252,156**	**3,526,906**	**5,779,062**	1,645,751	2,577,268	4,223,019
Gratuity fund	21.8(h)	**2,377,812**	**3,208,319**	**5,586,131**	2,221,730	2,450,068	4,671,798
Provident fund	25.1.4	**3,370,444**	**3,372,016**	**6,742,460**	2,544,252	2,935,129	5,479,381
		94,488,650	**113,931,173**	**208,419,823**	78,153,138	102,366,820	180,519,958
Number of employees		**13**	**98**	**111**	12	95	107

25.1.1 Certain executives are also provided with self maintained cars by the Modaraba.

25.1.2 No remuneration paid to the directors of the Modaraba Management Company during the year (2025: Nil).

25.1.3 This includes contribution to staff provident fund amounting to Rs. 6.743 million (2025: Rs. 5.479) million.

25.1.4 These represent executives as prescribed under the Companies Act, 2017.

25.2 This includes Shariah Advisor's remuneration in compliance with the Shariah Governance Regulations, 2023 issued by the Securities and Exchange Commission of Pakistan (SECP). The remuneration paid to the Shariah Advisor for the year amounted to Rs. 1.692 million (2025: Rs. 1.020) million.

	Note	2026	2025
		---------- Rupees ----------	
25.3 Auditors' remuneration:			
Audit fee		**1,972,250**	1,715,000
Special audit		**-**	1,530,000
Fee for half yearly review and code of corporate governance		**664,125**	577,500
Statutory certifications and other services		**1,582,440**	530,000
Out of pocket expenses		**1,070,454**	736,213
		5,289,269	5,088,713
Sales tax		**423,141**	407,097
		5,712,410	5,495,810
26. OTHER INCOME			
Income from financial assets			
Dividend on listed securities		**7,513,144**	7,768,125
Profit on modaraba's deposit accounts		**66,977,300**	62,102,402
Profit on Redemption Reserve Funds		**16,167,107**	33,671,120
Profit on GOP Ijara sukuks bonds		**32,621,434**	48,808,346
Profit on sukuk bonds		**10,344,002**	13,666,543
Dividend from mutual funds		**14,266,110**	18,261,739
Miscellaneous income		**76,463,650**	39,688,370
		224,352,747	223,966,645
Income from non financial assets			
Gain on disposal of tangible assets in own use - net		**436,020**	839,239
Gain on termination of liability against right of use assets		**-**	1,336,120
		224,788,767	226,142,004
27. FINANCIAL CHARGES			
Profit on certificates of investment (musharaka)		**2,784,104,166**	2,780,045,345
Profit on Running Musharaka Financing		**559,565,293**	536,736,379
Financial charges on liability against right of use assets	19	**4,737,672**	3,999,718
Bank charges		**2,705,510**	1,575,940
		3,351,112,641	3,322,357,382
28. TAXATION AND LEVY			
Levy	28.1	**16,005,503**	25,666,378
Taxation	28.2	**468,634,335**	343,754,310
		484,639,838	369,420,688

28.1 This represents final taxes paid under section 5AA and 150 of the Income Tax Ordinance, 2001, representing levy in terms of requirements of IFRIC 21 and IAS 37.

	2026	2025
	---------- Rupees ----------	

28.2 Taxation

Current	**457,959,678**	505,747,931
Prior year	**5,330,784**	(7,114,361)
Deferred	**5,343,873**	(154,879,260)
	468,634,335	343,754,310

28.3 Relationship between accounting and tax expense

Accounting profit	**1,216,554,803**	1,245,250,875
Tax at the applicable rate of 29%	**352,800,893**	361,122,754
Super tax	**128,848,147**	149,962,823
Levy	**16,005,503**	25,666,378
Final tax regime and income subject to lower tax rate	**2,770,458**	6,143,177
Effect of prior period tax	**5,330,784**	(7,114,361)
Permanent differences	**(14,587,458)**	(84,054,894)
Others	**(6,528,489)**	(83,371,489)
	484,639,838	369,420,688

29. EARNINGS PER CERTIFICATE - BASIC AND DILUTED

29.1 Basic

Basic earnings per certificate are calculated by dividing the net profit for the year by the weighted average number of certificates outstanding during the year as follows:

	2026	2025
	---------- Rupees ----------	
Profit for the year	**747,920,468**	901,496,565
Weighted average number of certificates outstanding during the year	**110,830,500**	110,830,500
Earnings per certificate	**6.75**	8.13

29.1.1 Diluted

No figure for diluted earnings per certificate has been presented as the Modaraba has not issued any instruments which would have an impact on earnings per certificate when exercised.

	Note	2026	2025
		---------- Rupees ----------	

30. CASH AND CASH EQUIVALENT

Cash and bank balances	15	**577,857,800**	815,309,565
Running Musharaka	22	**(10,932,008,831)**	(6,295,389,223)
		(10,354,151,031)	(5,480,079,658)

30.1 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASHFLOWS ARISING FROM FINANCING ACTIVITIES

The table below states changes in the Modaraba's liabilities arising from financing activities, including cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Modaraba's statement of cash flows as cash flows from financing activities.

	July 01, 2025	Financing cash inflows	Financing cash ouflows	Non cash changes	June 30, 2026
	Rupees				
Certificate of Musharaka	20,773,092,578	94,454,621,633	(92,966,457,240)	-	**22,261,256,971**
Lease liabilities	24,029,413	12,056,525	(13,949,510)	4,737,672	**26,874,100**
Unclaimed dividend	55,896,247	249,368,625	(244,912,904)	-	**60,351,968**
	20,853,018,238	94,716,046,783	(93,225,319,654)	4,737,672	**22,348,483,039**

	July 01, 2024	Financing cash inflows	Financing cash ouflows	Non cash changes	June 30, 2025
	Rupees				
Certificate of Musharaka	16,188,522,739	79,522,043,150	(74,937,473,311)	-	20,773,092,578
Lease liabilities	24,093,476	6,253,618	(10,317,399)	3,999,718	24,029,413
Unclaimed dividend	53,135,949	232,871,134	(230,110,836)	-	55,896,247
	16,265,752,164	79,761,167,902	(75,177,901,546)	3,999,718	20,853,018,238

31. TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise the Management Company (Habib Metropolitan Modaraba Management Company (Private) Limited), Habib Metropolitan Bank Limited, Habib Metropolitan Financial Services Limited, Habib Metro Exchange Services Limited, First Habib Modaraba Employees' Contributory Provident Fund, First Habib Modaraba Staff Gratuity Fund and key management personnel (which are employed by the Modaraba Management Company) under the terms of their employment. Transactions and balances outstanding with related parties and associated undertakings are as follows:

			2026	2025
			Rupees	
Balances held				
Related party	**Related party relationship**	**Nature of balances**		
Habib Metropolitan Bank Limited	Holding Company	Bank balances	**273,551,929**	764,812,898
		Certificates of investment (musharaka)	**2,200,000,000**	2,300,000,000
		Redemption Reserve Fund (RRF)	**111,825,499**	403,487,546
		Financial charges payable	**52,827,671**	34,498,767
		Utility charges payable	**-**	5,920,297
		Security deposit	**130,000**	130,000
Habib Metropolitan Modaraba Management Company (Private) Limited	Modaraba Management Company	Management fee payable	**142,114,644**	146,537,214
		Sale tax on management fee payable	**105,164,724**	83,847,527
First Habib Modaraba Staff Gratuity Fund	Associate	Gratuity Payable	**12,740,495**	10,861,261

Related party	Related party relationship	Nature of transactions	2026	2025
			---------- Rupees ----------	
Transactions during the year				
Habib Metropolitan Bank Limited	Holding Company	Profit on bank accounts	**66,977,300**	95,773,522
		Bank charges	**1,291,539**	1,193,906
		Utility charges	**7,446,174**	6,743,257
		Financial charges	**371,427,914**	752,646,951
Habib Metropolitan Modaraba Management Company (Private) Limited	Modaraba Management Company	Management fee	**142,114,644**	146,537,214
		Sale tax on management fee	**21,317,197**	21,980,582
		Management fee paid	**146,537,214**	137,733,353
		Dividend paid	**24,936,863**	23,274,405
First Habib Modaraba Staff Gratuity Fund	Associate	Gratuity expense	**5,586,131**	4,671,798
		Contribution made to the fund	**10,861,261**	8,039,088
First Habib Modaraba Employee Contributory Provident Fund	Associate	Contribution made to the fund	**6,742,460**	5,479,381

31.1 No remuneration in kind has been paid by the Modaraba to the Directors and Key Management Personnel of Modaraba Management Company.

31.2 The Modaraba carries out transactions with related parties at commercial terms and conditions as per the Modaraba's policy.

32. CAPITAL MANAGEMENT

The Board's policy is to maintain a sound capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors of management company monitors the return on capital, which the Modaraba defines as profit after taxation divided by total Certificate holders' equity. The Board of Directors also monitors the level of dividend to Ordinary Certificate Holders.

The Modaraba manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. As at reporting date Modaraba has running musharaka facility , Certificate of Musharaka and has sufficient surplus funds to manage the affairs of the Modaraba effectively.

Consistently with others in the industry, the Modaraba monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. The Modaraba is subject to externally exposed capital requirement. The gearing ratio of the Modaraba at year end is as follows:

	2026	2025
	---------- Rupees ----------	
Debts	**33,193,265,802**	27,068,481,801
Bank balances	**(577,857,800)**	(815,309,565)
Net debt	**33,771,123,602**	27,883,791,366
Equity	**6,231,025,320**	5,738,894,940
Net debt to equity ratio	**5.401:1**	4.858:1

33. FINANCIAL RISK MANAGEMENT

33.1 Risk management policies

The Modaraba's objective in managing risks is the creation and protection of Certificate holders' value. Risk is inherent in the Modaraba's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Modaraba's continuing profitability. The Modaraba is exposed to market risk (which includes profit rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

The Modaraba primarily invests in diminishing musharaka, diversified portfolio of listed securities, collective investment schemes (mutual funds), and Ijarah GOP Sukuk bonds. Such investments are subject to varying degrees of risk, which emanate from various factors that include but are not limited to:

- Credit Risk
- Liquidity Risk
- Market Risk.

33.2 Credit Risk

Credit risk is the risk that the counter party to a financial instrument will cause a financial loss for the Modaraba by failing to discharge its obligation. The Modaraba's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines and regulator requirements. The modaraba has reassessed it's portfolio as at June 30, 2026 and none of it's customers require further downgrading on subjective basis.

Exposure to credit risk

The maximum exposure to credit risk before any credit enhancements are as follows:

	2026	2025
	---------- Rupees ----------	
Diminishing musharaka financing	**37,220,594,591**	30,804,151,759
Diminishing musharaka financing installments receivable	**442,367**	879,700
Investment in sukuk bonds	**353,780,160**	353,780,160
Investment in mutual funds	**-**	264,699,476
Long term deposits	**1,920,300**	1,515,300
Bank balances	**571,453,991**	778,193,372
Other receivables	**17,672,184**	24,562,024
	38,165,863,593	32,227,781,791

Credit risk ratings

Credit risk rating of the banks and their respective balances are given below:

Banks	Rating: Short term	Rating: Long term	Agency	2026	2025
				---------- Rupees ----------	
Habib Metropolitan Bank Limited	A1+	AAA	PACRA	**273,551,929**	764,812,898
Soneri Bank Limited	A1+	AA	PACRA	**248,076**	226,897
Al Baraka (Pakistan) Limited	A1	AA-	JCR-VIS	**94,852**	111,552
Bank Islami Pakistan Limited	A1	AA-	PACRA	**232,782**	244,632
Meezan Bank Limited	A1+	AAA	JCR-VIS	**274,569,353**	4,994,465
MCB Islamic Bank Limited	A1	A+	PACRA	**15,633,836**	-
Bank Al-Habib Limited	A1+	AAA	PACRA	**51,500**	74,520
Dubai Islamic Bank Pakistan Limited	A1+	AA	JCR-VIS	**1,533,578**	15,745
Habib Bank Limited	A1+	AAA	JCR-VIS	**5,538,085**	7,712,665
				571,453,991	778,193,372

Credit risk ratings

Credit risk rating of the banks and their respective balances are given below:

Concentration of credit risk

Concentration is the relative sensitivity of the Modaraba's performance to developments affecting a particular industry or geographical location.

Concentration of risks arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Modaraba's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk. Details of Modaraba's concentration of credit risk by industrial distribution are detailed in note 37 to the financial statements.

Impaired Assets

Refer note 7 and 12 to the financial statements for details on impairment of financial assets.

33.3 Liquidity risk

Liquidity risk is the risk that the Modaraba will not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. In the case of Modaraba, the liquidity level of Modaraba remained on satisfactory level during the year and Modaraba did not face any difficulty or problem for generation of liquidity. Note 35 to the financial statements summarizes the maturity profile of the Modaraba's financial instruments.

Mitigating / managing the risk

Modaraba's policy is to invest the majority of its assets in investments that includes Redemption Reserve Funds and Mutual Funds that are having short-term maturities. Only a limited proportion of its investments are of long-term in nature.

33.4 Market Risk

a Price Risk

The risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities due to a 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.

Exposure

The Modaraba is exposed to changes in the fair values of investments as a result of changes in prices of securities.

As at June 30, 2026, the fair value of equity and debt securities exposed to price risk was as follows:

Particulars	Average Cost 2026	Fair Value 2026	Average Cost 2025	Fair Value 2025
	Rupees			
Shares of listed companies	**34,503,905**	**99,475,000**	34,503,905	92,795,000
Sukuk	**353,780,160**	**353,780,160**	353,780,160	353,780,160
Mutual Funds	**-**	**-**	264,699,476	264,699,476
	388,284,065	**453,255,160**	388,284,065	446,575,160

Risk Management

The Modaraba's policy is to manage price risk through diversification and selection of securities and other financial instruments within specified limits set by Investment Committee.

The majority of the Modaraba's investments are publicly traded and are valued at the rates provided by Stock Exchange and MUFAP which is set as per the trading trend and volumes in the security.

b Profit rate risk

Profit rate risk arises from the effects of fluctuations in the prevailing levels of market profit rates on the fair value of financial assets and liabilities and future cash flows.

Risk exposure

The Modaraba has diminishing musharaka financing portfolio and certificate of musharaka. The majority of diminishing musharaka financing portfolio and certificate of musharaka is linked with KIBOR rate as a bench mark. The Modaraba reviews KIBOR on diminishing musharaka financing portfolio and certificate of musharaka on quarterly / six monthly basis.

As at June 30, 2026, the profile of the Modaraba's variable value financial instruments were as follows:

	2026	2025
	---------- Rupees ----------	
Variable rate instruments		
Assets		
Sukuk bonds of financial institutions	**80,000,000**	80,000,000
GOP Ijarah sukuk bonds	**273,780,160**	273,780,160
Diminishing musharaka financing	**38,139,719,725**	31,764,709,654
	38,493,499,885	32,118,489,814
Liabilities		
Certificate of Investment (Musharaka)	**(22,261,256,971)**	(20,773,092,578)
Running Musharaka	**(10,932,008,831)**	(6,295,389,223)
	(33,193,265,802)	(27,068,481,801)
	5,300,234,083	5,050,008,013

Fair value sensitivity analysis for variable rate instruments

An increase of 100 basis points in profit rates would have increased / decreased the profit and loss by the amounts shown below. Reduction in profit rates by 100 basis points would have a vice versa impact. This analysis assumes that all variables remain constant. The analysis is performed on the same basis for the comparative period.

Asset / liability class (Having variable interest rates)	(Increase / Decrease) (+/-)	Changes in profit / (loss) --------------(Rupees)--------------	
Assets			
Sukuk Bonds	100 basis points	800,000	800,000
GOP Ijarah sukuk bonds	100 basis points	2,737,802	2,737,802
Diminishing musharaka	100 basis points	381,397,197	317,647,097
Liability			
Certificate of Investment	100 basis points	(222,612,570)	(207,730,926)
Running Musharaka	100 basis points	(109,320,088)	(62,953,892)

Above sensitivities are calculated on the assumption that all factors remain constant except profit rates and resulting variation in fair values of the investments and impact on the profit and loss.

Risk Management / Mitigation

The Modaraba monitors the profit rate environment on a regular basis and alters the portfolio mix of fixed and floating rate securities.

The Modaraba's policy requires the Modaraba management to manage this risk by measuring the mismatch of the profit rate sensitivity gap of financial assets and liabilities and calculating the average duration of the portfolio of fixed profit securities.

The average effective duration of the Modaraba's portfolio is a measure of the sensitivity of the fair value of the Modaraba's variable profit securities to changes in market profit rates.

The Modaraba's policy refrains from holding profit bearing instruments that induce the average effective duration of the variable profit portfolio to pass the benchmark of the average duration.

33.5 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Modaraba's operations either internally within the Modaraba or externally at the Modaraba's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Modaraba's activities.

The Modaraba's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for certificate holders. The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors of the Management Company. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table shows financial instruments recognized at fair value, analyzed between those whose fair value is based on:

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2026			
	Fair value			
	Level 1	Level 2	Level 3	Total
	---------- Rupees ----------			
Financial assets measured at fair value				
Shares of listed company	**99,475,000**	**-**	**-**	**99,475,000**
Sukuk Bonds	**-**	**80,000,000**	**-**	**80,000,000**
	99,475,000	**80,000,000**	**-**	**179,475,000**

	2025			
	Fair value			
	Level 1	Level 2	Level 3	Total
	---------- Rupees ----------			
Financial assets measured at fair value				
Shares of listed company	92,795,000	-	-	92,795,000
Sukuk Bonds	-	80,000,000	-	80,000,000
Investment in MCB Arif Habib funds (Alhamra Islamic Money Market Fund)	-	135,540,137	-	135,540,137
Investment in NBP Funds (Islamic Saving Funds)	-	79,064,481	-	79,064,481
Investment in Faysal Funds (Islamic Saving Funds)	-	50,094,858	-	50,094,858
	92,795,000	344,699,476	-	437,494,476

34.1 Valuation techniques used in determination of fair values within level 1 and level 2

Non-Government debt securities	Sukuks are valued on the basis of rates announced by the Mutual Funds Association of Pakistan (MUFAP).
Units of mutual funds	The fair values of units of mutual funds are determined based on their net asset values as published by the Mutual Funds Association of Pakistan (MUFAP) at the close of each business day.
Listed equity securities	The fair value of listed equity securities is determined using quoted (unadjusted) market prices available in active markets for identical instruments at the reporting date.

34.2 There are no transfer among the levels during the year.

34.3 The fair values of all other assets and liabilities other than disclosed above, is approximately to its carrying amount.

35. MATURITIES OF ASSETS AND LIABILITIES

Liquidity risk is the risk that the Modaraba will be unable to meet its net funding requirements. To guard against this risk, the Modaraba has adequate funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of working capital.

	2026									
	Total	Up to 1 month	Over 1 month to 3 month	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 year	Over 2 year to 3 year	Over 3 year to 5 year	Over 5 year to 10 year	Over 10 year
	Rupees									
Assets										
Diminishing musharaka financing	37,220,594,591	1,042,481,171	2,156,576,357	3,190,878,351	6,166,072,629	10,444,674,045	7,673,995,892	5,985,761,785	560,154,360	-
Investments	453,255,160	-	-	273,780,160	-	-	-	-	179,475,000	
Diminishing musharaka financing installments receivable	442,367	110,200	31,558	37,742	60,655	188,807	6,958	3,189	3,258	-
Advances, deposits and prepayments	3,012,014,186	84,568,010	112,983,558	183,366,396	367,505,351	841,306,099	963,729,860	458,554,913	-	-
Other receivables	17,672,184	17,672,184	-	-	-	-	-	-	-	-
Cash and bank balances	577,857,800	577,857,800	-	-	-	-	-	-	-	-
	41,281,836,288	1,722,689,365	2,269,591,473	3,648,062,649	6,533,638,635	11,286,168,951	8,637,732,710	6,444,319,887	739,632,618	-
Liabilities										
Liability against right of use assets	26,874,100	1,258,792	820,239	1,423,421	1,093,332	2,637,709	2,514,911	4,056,453	13,069,243	-
Certificates of investment (musharaka)	22,261,256,971	218,610,224	3,636,918,719	10,854,723,339	7,551,004,689	-	-	-	-	-
Unearned diminishing musharaka installments	34,229,470	-	-	-	34,229,470	-	-	-	-	-
Advance diminishing musharaka installments	14,989,358	-	-	-	14,989,358	-	-	-	-	-
Trade and other payables	1,010,174,936	590,515,848	150,498,329	188,697,134	80,463,625	-	-	-	-	-
Profit payable on certificates of investment (musharaka)	464,837,630	464,837,630	-	-	-	-	-	-	-	-
Running Musharaka	10,932,008,831	10,932,008,831	-	-	-	-	-	-	-	-
Unclaimed dividend	49,615,068	-	-	-	-	-	-	10,563,398	18,563,478	20,488,192
Dividend payable	10,736,900	897,326	1,048,267	1,190,256	1,342,681	3,280,952	2,977,418	-	-	-
	34,804,723,264	12,208,128,651	3,789,285,554	11,046,034,150	7,683,123,156	5,918,661	5,492,329	14,619,851	31,632,721	20,488,192

	2025									
	Total	Up to 1 month	Over 1 month to 3 month	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 year	Over 2 year to 3 year	Over 3 year to 5 year	Over 5 year to 10 year	Over 10 year
	Rupees									
Assets										
Diminishing musharaka financing	30,804,151,759	866,484,197	1,786,575,262	2,607,151,432	4,860,674,614	8,671,216,370	6,111,929,045	5,226,094,928	674,025,911	-
Investments	758,847,533	-	-	312,272,373	-	273,780,160	-	-	172,795,000	
Diminishing musharaka financing installments receivable	879,700	281,902		75,054	120,621	375,466	13,836	6,341	6,480	-
Advances, deposits and prepayments	1,870,171,418	53,078,966	70,913,936	115,089,604	230,664,103	528,044,330	604,883,393	267,497,086	-	-
Other receivables	24,562,024	24,562,024	-	-	-	-	-	-	-	-
Cash and bank balances	815,309,565	815,309,565	-	-	-	-	-	-	-	-
	34,273,921,999	1,759,716,654	1,857,489,198	3,034,588,463	5,091,459,338	9,473,416,326	6,716,826,274	5,493,598,354	846,827,391	-
Liabilities										
Liability against right of use assets	24,029,413	1,125,546	733,415	1,272,749	977,601	2,358,501	2,248,702	3,627,068	11,685,831	-
Certificates of investment (musharaka)	20,773,092,578	203,996,137	3,393,790,807	10,129,085,394	7,046,220,241	-	-	-	-	-
Unearned diminishing musharaka installments	12,265,316	-	-	-	12,265,316	-	-	-	-	-
Advance diminishing musharaka installments	14,329,272	-	-	-	14,329,272	-	-	-	-	-
Trade and other payables	894,090,781	529,839,617	135,034,441	169,308,271	59,908,452	-	-	-	-	-
Profit payable on certificates of investment (musharaka)	274,874,695	274,874,695	-	-	-	-	-	-	-	-
Running Musharaka	6,295,389,223	6,295,389,223	-	-	-	-	-	-	-	-
Unclaimed dividend	46,745,395	-	-	-	-	-	-	9,952,426	17,489,789	19,303,180
Dividend payable	9,150,852	764,772	625,413	746,426	1,144,341	2,892,482	2,977,418	-	-	-
	28,343,967,525	7,305,989,990	3,530,184,075	10,300,412,839	7,134,845,223	5,250,983	5,226,120	13,579,494	29,175,620	19,303,180

36. SEGMENT BY CLASS OF BUSINESS OF FINANCING ASSETS

	2026		2025	
	Rupees	%	Rupees	%
Auto and allied	**546,877,426**	**1.43**	573,158,148	1.80
Cable and electric goods	**1,372,343,780**	**3.59**	1,233,256,039	3.88
Cargo, courier and logistic services	**1,071,020,364**	**2.80**	1,032,094,510	3.25
Cement	**197,358,149**	**0.52**	181,130,980	0.57
Chemical	**3,241,700,918**	**8.49**	3,047,856,768	9.58
Construction	**557,680,629**	**1.46**	422,481,008	1.33
Education	**181,830,890**	**0.48**	116,198,646	0.37
Fertilizer	**535,959,722**	**1.40**	572,484,240	1.80
Financial institutions	**283,355,342**	**0.74**	141,171,123	0.44
Food and allied	**3,612,614,075**	**9.46**	3,455,463,405	10.86
Fuel, power and energy	**497,106,727**	**1.30**	254,262,911	0.80
Glass and ceramics	**59,473,412**	**0.16**	70,725,420	0.22
Health care	**718,847,627**	**1.88**	727,488,531	2.29
Individuals	**5,174,681,606**	**13.55**	3,040,963,649	9.56
Information technology	**1,859,956,776**	**4.87**	1,643,858,082	5.17
Leather and tanneries	**54,557,783**	**0.14**	49,281,435	0.15
Oil and gas exploration	**1,005,450,847**	**2.63**	1,031,199,248	3.24
Paper and board	**705,606,023**	**1.85**	448,309,882	1.41
Pharmaceutical	**5,779,952,817**	**15.13**	5,040,345,633	15.85
Refinery, lubricant, oil and gas marketing	**159,109,956**	**0.42**	127,547,817	0.40
Services	**4,298,253,296**	**11.25**	3,633,122,651	11.42
Steel and engineering	**331,561,313**	**0.87**	355,839,144	1.12
Sugar and allied	**1,140,522,709**	**2.99**	1,295,956,828	4.07
Textile	**4,163,809,995**	**10.90**	3,135,036,770	9.86
Others	**641,762,685**	**1.68**	175,905,374	0.55
	38,191,394,867	**100.00**	31,805,138,242	100.00

36.1 The Modaraba's operations are restricted to Pakistan only.

37. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Modaraba has established procedures to manage credit exposure including credit approvals, credit limits and obtaining collaterals.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other considerations. Concentration of credit risk indicates the relative sensitivity of the Modaraba's performance to developments affecting a particular industry.

The Modaraba manages concentration of credit risk exposure through diversification of portfolio of its customers to avoid undue concentration of risk with specific industry, sector, or group as follows:

	2026			2025		
	Advances, deposits, prepayments	Diminishing musharaka financing	Diminishing musharaka financing installment receivables	Advances, deposits, prepayments	Diminishing musharaka financing	Diminishing musharaka financing installment receivables
	---------- Rupees ----------					
Segment by class of business						
Auto and allied	**124,578,312**	**546,877,426**	**89,187**	47,872,240	573,158,148	167,221
Cable and electric goods	**118,346,447**	**1,372,343,780**	**25,891**	79,316,813	1,233,256,039	-
Cargo, courier and logistic services	**234,596,596**	**1,071,020,364**	**588,325**	60,782,560	1,032,094,510	2,385,867
Cement	**3,847,200**	**197,358,149**	**70,352**	-	181,130,980	-
Chemical	**277,282,884**	**3,241,700,918**	**163,920**	56,179,660	3,047,856,768	476,822
Construction	**72,535,537**	**557,680,629**	**285,180**	105,523,930	422,481,008	166,067
Education	**15,158,001**	**181,830,890**	**-**	-	116,198,646	-
Fertilizer	**-**	**535,959,722**	**2,489,193**	10,895,580	572,484,240	78,371
Financial institutions	**65,000,747**	**283,355,342**	**4,720**	21,988,360	141,171,123	-
Food and allied	**191,486,984**	**3,612,614,075**	**4,889,350**	72,071,472	3,455,463,405	11,553,217
Fuel, power and energy	**30,026,701**	**497,106,727**	**450,253**	37,152,000	254,262,911	138,717
Glass and ceramics	**8,709,310**	**59,473,412**	**72,367**	-	70,725,420	792,691
Health care	**65,545,502**	**718,847,627**	**31,304**	14,132,229	727,488,531	118,240
Individuals	**300,288,071**	**5,174,681,606**	**1,083,183**	516,118,870	3,040,963,649	3,298,160
Information technology	**124,891,795**	**1,859,956,776**	**197,072**	94,700,063	1,643,858,082	118,885
Leather and tanneries	**-**	**54,557,783**	**-**	7,263,720	49,281,435	-
Oil and gas exploration	**27,506,408**	**1,005,450,847**	**-**	-	1,031,199,248	-
Paper and board	**5,042,625**	**705,606,023**	**63,826**	30,772,914	448,309,882	363,703
Pharmaceutical	**42,746,193**	**5,779,952,817**	**24,972**	238,723,649	5,040,345,633	826,919
Refinery, lubricant, oil and gas marketing	**269,900,087**	**159,109,956**	**22,893**	-	127,547,817	-
Services	**68,639,992**	**4,298,253,296**	**5,931**	256,956,489	3,633,122,651	458,018
Steel and engineering	**461,768,560**	**331,561,313**	**383,913**	3,680,541	355,839,144	-
Sugar and allied	**8,813,100**	**1,140,522,709**	**538**	112,242,606	1,295,956,828	607,197
Textile	**82,682,065**	**4,163,809,995**	**-**	78,894,495	3,135,036,770	454,613
Others	**352,080,605**	**641,762,685**	**202,148**	9,013,939	175,905,374	417,666
	2,951,473,730	**38,191,394,867**	**11,144,518**	1,854,282,130	31,805,138,242	22,422,374

38. SEGMENT INFORMATION

As per IFRS 8 - 'Operating Segments', operating segments are reported in a manner consistent with the internal reporting used by the Chief Operating decision maker. The Chief Executive Officer of the Management Company has been identified as the Chief Operating Officer decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Chief Executive Officer is responsible for Modaraba's entire product portfolio and consider business to have a single operating segment. The Modaraba's assets allocation decisions are based on a single integrated investment strategy and the Modaraba's performance is evaluated on an overall basis.

The internal reporting provided to the Chief Executive Officer for the Modaraba's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting and reporting standards as applicable in Pakistan.

The Modaraba's is domiciled in Pakistan. All of the Modaraba's income is from the investments in entities incorporated in Pakistan.

The Modaraba operates in a single reportable operating segment i.e diminishing musharaka financing. Accordingly, no separate segment information is required to be disclosed in accordance with IFRS 8.

39. FINANCIAL INSTRUMENTS BY CATEGORY

	2026						
	Profit bearing			Non-profit bearing			
	Maturity up to one year	Maturity after one year up to five years	Sub-total	Maturity up to one year	Maturity after one year and up to five years	Sub-total	Total
	-- Rupees --						
Financial assets							
Cash and bank balances	540,476,172	-	540,476,172	-	-	540,476,172	1,080,952,344
Other receivables	13,709,340	-	13,709,340	3,962,844	-	3,962,844	17,672,184
Investments	80,000,000	-	80,000,000	99,475,000	-	99,475,000	179,475,000
Diminishing musharaka financing installments receivable	442,367	-	442,367	-	-	-	442,367
Long term deposits	-	-	-	-	1,920,300	1,920,300	1,920,300
Advances and prepayments	-	-	-	3,010,093,886	-	3,010,093,886	3,010,093,886
Diminishing musharaka financing	12,556,008,508	24,664,586,083	37,220,594,591	-	-	-	37,220,594,591
	13,190,636,387	24,664,586,083	37,855,222,470	3,113,531,730	1,920,300	3,655,928,202	41,511,150,672
Financial liabilities							
Certificates of investment (musharaka)	22,261,256,971	-	22,261,256,971	-	-	-	22,261,256,971
Unearned diminishing musharaka installments	34,229,470	-	34,229,470	-	-	-	34,229,470
Advance diminishing musharaka installments	14,989,358	-	14,989,358	-	-	-	14,989,358
Trade and other payables	89,371,689	-	89,371,689	920,803,247	-	920,803,247	1,010,174,936
Profit payable on certificates of investment (musharaka)	-	-	-	464,837,630	-	464,837,630	464,837,630
Running Musharaka	10,932,008,831	-	10,932,008,831	-	-	-	10,932,008,831
Unclaimed profit distribution	-	-	-	49,615,068	-	49,615,068	49,615,068
	33,331,856,319	-	33,331,856,319	1,435,255,945	-	1,435,255,945	34,767,112,264

The expected rates of profit for financial assets and liabilities are mentioned in the respective notes to the financial statements.

	2025						
	Profit bearing			Non-profit bearing			
	Maturity up to one year	Maturity after one year up to five years	Sub-total	Maturity up to one year	Maturity after one year and up to five years	Sub-total	Total
	-- Rupees --						
Financial assets							
Cash and bank balances	-	-	-	-	-	-	-
Other receivables	-	-	-	35,712,509	-	35,712,509	35,712,509
Investments	80,000,000	-	80,000,000	92,795,000	-	80,000,000	160,000,000
Diminishing musharaka financing installments receivable	879,700	-	879,700	-	-	-	879,700
Long term deposits	-	-	-	-	1,515,300	1,515,300	1,515,300
Advances and prepayments	1,854,282,130	-	1,854,282,130	3,223,503	-	3,223,503	1,857,505,633
Diminishing musharaka financing	10,246,759,431	15,862,875,979	26,109,635,410	-	-	-	26,109,635,410
	12,181,921,261	15,862,875,979	28,044,797,240	131,731,012	1,515,300	120,451,312	28,165,248,552
Financial liabilities							
Certificates of investment (musharaka)	20,773,092,578	-	20,773,092,578	-	-	-	20,773,092,578
Unearned diminishing musharaka installments	12,265,316	-	12,265,316	-	-	-	12,265,316
Advance diminishing musharaka installments	14,329,272	-	14,329,272	-	-	-	14,329,272
Trade and other payables	-	-	-	698,005,395	-	698,005,395	698,005,395
Profit payable on certificates of investment (musharaka)	-	-	-	274,874,695	-	274,874,695	274,874,695
Running Musharaka	6,295,389,223	-	6,295,389,223	-	-	-	6,295,389,223
Unclaimed profit distribution	-	-	-	46,745,395	-	46,745,395	46,745,395
	27,095,076,389	-	27,095,076,389	1,019,625,485	-	1,019,625,485	28,114,701,874

The expected rates of profit for financial assets and liabilities are mentioned in the respective notes to the financial statements.

40. SHARIAH COMPLIANCE DISCLOSURE

40.1 Shariah Disclosures under Clause VII of Part I of Schedule IV of the Companies Act, 2017

			Note	2026	2025
				Rupees	
Statement of Financial Position - Liability Side					
(i)	Financing obtained as per Islamic mode;				
	Current liabilities				
	Certificates of investment (Musharaka)	Shariah Compliant	20	**22,261,256,971**	20,773,092,578
	Running musharaka	Shariah Compliant	22	**10,932,008,831**	6,295,389,223
	Unearned diminishing musharaka installments	Shariah Compliant		**34,229,470**	12,265,316
	Advance diminishing musharaka installments	Shariah Compliant		**14,989,358**	14,329,272
	Profit payable on certificates of investment (musharaka)	Shariah Compliant		**464,837,630**	274,874,695
	Profit payable on running musharaka	Shariah Compliant		**249,421,337**	124,467,679
(ii)	Interest or markup accrued on any conventional loan or advance;			**-**	-
Statement of Financial Position - Asset Side					
(iii)	Long term shariah compliant investments;	Shariah Compliant	9	**179,475,000**	446,575,160
(iv)	Short term shariah compliant investments;	Shariah Compliant	11	**273,780,160**	312,272,373
(v)	Shariah compliant bank deposits, bank balances and Redemption Reserve Funds (RRF);				
	Cash and bank balances	Shariah Compliant	15	**577,857,800**	815,309,565
Statement of profit and loss and other comprehensive income					
(vi)	Revenue earned from shariah compliant business segment;				
	Income from diminishing musharaka financing	Shariah Compliant	24	**4,850,542,097**	4,971,815,210
(vii)	Breakup of late payments or liquidated damages;			**-**	-
(viii)	Gain or loss or dividend earned on shariah compliant investments or share of profit from shariah compliant associates;				
	Dividend income	Shariah Compliant	26	**32,123,256**	39,696,407
(ix)	Profit earned from shariah compliant bank deposits, bank balances or Redemption Reserve Funds (RRF);				
	Profit on bank deposits and RRF	Shariah Compliant	26	**83,144,407**	95,773,522
(x)	Exchange gain earned from actual currency;			**-**	-
(xi)	Exchange gain earned using conventional derivative financial instruments;			**-**	-
(xii)	Profit paid on Islamic modes of financing;				
	Financial and other charges	Shariah Compliant	27	**3,346,374,969**	3,318,357,664
(xiii)	Total interest earned on any conventional loan or advance;			**-**	-
(xiv)	Source and detailed breakup of other income, including breakup of other or miscellaneous portions of other income into shariah compliant and non compliant income; and				
	Gain on sale of tangible assets in own use	Shariah Compliant	26	**436,020**	839,239
	Miscellaneous income	Shariah Compliant	26	**76,463,650**	39,688,370

(xv) Relationship with shariah compliant financial institutions, including banks, takaful operators and their windows etc.

Name of the Modaraba shariah compliant financial institutions	Arrangement
Al Baraka Bank Pakistan Limited	Funded facility and bank balance
Dubai Islamic Bank Limited	Funded facility and bank balance
Faysal Bank Limited	Funded facility
Habib Bank Limited	Funded facility and bank balance
MCB Islamic Bank Limited	Funded facility
Habib Metropolitan Bank Limited	Bank balance
Meezan Bank Limited	Funded facility and bank balance
Bank Islami Pakistan Limited	Funded facility and bank balance
Jubilee General Insurance Company Limited	Takaful
Jubilee Life Insurance Company Limited	Takaful
EFU General Insurance Limited	Takaful
IGI General Insurance Limited	Takaful
The United Insurance Company Limited	Takaful

The Modaraba also has relationship with shariah compliant Asset Management Companies (AMCs), in respect of investment in mutual funds amounting to Rs. nil (June 30, 2025: Rs. 264.70) million.

42. PROFIT DISTRIBUTION AND APPROPRIATION

42.1 Subsequent to the year ended June 30, 2026, the Board of Directors of the Modaraba Management Company has declared a final distribution of Rs. 2.25 per certificate, amounting to total profit distribution of Rs. 249.37 million (2025: Rs. 2.25 per certificate, amounting to total profit distribution of Rs. 249.37 million) in its meeting held on August 06, 2026.

	Note	2026	2025
		---- Rupees ----	
41. CASH GENERATED FROM OPERATIONS			
Profit before taxation		**1,216,554,803**	1,245,250,875
Adjustments for:			
Levy	28.1	**16,005,503**	25,666,378
Gain on tangible assets in own use	26	**(436,020)**	(839,239)
Gain on termination of liability against right of use assets	26	**-**	(1,336,120)
Depreciation of tangible assets in own use	25	**20,518,973**	18,896,331
Depreciation on Right of use assets	25	**9,190,120**	6,095,148
Amortization of intangible assets	25	**4,103,983**	3,791,018
(Reversal) / provision in respect of diminishing musharaka financing	7.3.1	**(41,547,483)**	124,927,933
Reversal in respect of diminishing musharaka financing installments receivable	12.1	**(2,754,891)**	(12,949,586)
Modification loss in respect of diminishing musharaka financing		**11,361,276**	-
Provision for gratuity	21.8(h)	**5,586,131**	4,671,798
Dividend income	29	**(7,513,144)**	(7,768,125)
Financial charges		**3,348,407,131**	3,320,781,442
Movement in working capital	41.1	**(870,448,542)**	(364,465,466)
		3,709,027,840	4,362,722,387

	2026	2025
	Rupees	
41.1 Movement in working capital		
Increase in current assets:		
Diminishing Musharaka financing installments receivable	**437,333**	4,328,020
Advances and prepayments	**(1,141,437,768)**	(408,308,533)
Other receivables	**6,889,840**	(2,568,563)
	(1,134,110,595)	(406,549,076)
Decrease in current liabilities:		
Advance diminishing musharaka installments	**660,086**	(10,690,838)
Unearned diminishing musharaka installments	**21,964,154**	(12,696,065)
Trade and other payables	**116,084,155**	59,900,780
Profit payable on running musharaka	**124,953,658**	5,569,733
	263,662,053	42,083,610
	(870,448,542)	(364,465,466)

42. PROFIT DISTRIBUTION AND APPROPRIATION

42.1 Subsequent to the year ended June 30, 2026, the Board of Directors of the Modaraba Management Company has declared a final distribution of Rs. 2.25 per certificate, amounting to total profit distribution of Rs. 249.37 million (2025: Rs. 2.25 per certificate, amounting to total profit distribution of Rs. 249.37 million) in its meeting held on August 06, 2026.

42.2 Subsequent to the year ended June 30, 2026, the Board of Directors of the Modaraba Management Company has authorized a transfer of Rs. 500 million from unappropriated profit to the general reserve in its meeting held on August 06, 2026.

	2026	2025
	(Number)	
43. NUMBER OF EMPLOYEES		
Total number of employees at end of the year	**91**	81
Average number of employees for the year	**86**	84

44. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, to facilitate comparisons. There were no significant reclassifications during the year except as disclosed below:

Reclassified from	Reclassified to	---Rupees---
Other income	Advances and prepayments	
- Receivable from customers	- Advance tax paid on booking of vehicle	11,150,485

45. GENERAL

Figures have been rounded off to the nearest rupee.

46. DATE OF AUTHORIZATION FOR ISSUE [BCR 5.18]

These financial statements were authorized for issue on August 06, 2026 by the Board of Directors of the Modaraba Management Company.

For Habib Metropolitan Modaraba Management Company (Private) Limited
(Modaraba Management Company)

Chief Executive Officer **Chief Financial Officer** **Director** **Director**

OTHER INFORMATION

over Four Decades of

OTHER INFORMATION

Over four decades of transparency, integrity, and continuous improvement, FHM has shared comprehensive information that reflects responsible governance, operational excellence, and stakeholder commitment. Meaningful disclosures and clear communication reinforce confidence while supporting informed decisions and long-term sustainable growth.

CATEGORIES OF CERTIFICATE HOLDERS

As at June 30, 2026 [BCR 5.15 (a)]

Categories of Certificate Holders	Certificate Holders	Certificate Held	Percentage
Directors, Chief Executive Officer and their spouse(s) and minor children			
NIL	-	-	-
Associated Companies, undertakings and related parties			
HABIB METROPOLITAN BANK LIMITED	1	4,909,995	4.43
HABIB METROPOLITAN MODARABA MANAGEMENT COMPANY (PVT.) LTD	2	11,088,097	10.00
NIT and ICP	1	2,730	0.00
Banks Development Financial Institutions, Non-Banking Financial Institutions	1	444	0.00
Insurance Companies	3	2,007,510	1.81
Mutual Funds	4	671,365	0.61
General Public			
a. Local	4435	25,365,480	22.89
b. Foreign	770	1,060,168	0.96
Foreign Companies	9	863,768	0.78
Others	41	64,860,943	58.52
Totals	5267	110,830,500	100.00

Certificate holders holding 10% or more	Certificate Held	Percentage
HABIB METROPOLITAN MODARABA MANAGEMENT COMPANY (PVT.) LTD	11,088,097	10.00
H4 MANAGEMENT (PRIVATE) LIMITED	62,225,816	56.15

PATTERN OF CERTIFICATE HOLDING [BCR 5.15 (b)]

As at June 30, 2026

Number of Certificate Holders	Certificate Holdings			Total Certificate Held
1132	1	to	100	43,731
1818	101	to	500	468,218
717	501	to	1000	505,510
1009	1001	to	5000	2,281,767
186	5001	to	10000	1,361,058
110	10001	to	15000	1,366,424
48	15001	to	20000	846,376
40	20001	to	25000	909,167
27	25001	to	30000	753,024
14	30001	to	35000	459,479
14	35001	to	40000	518,462
12	40001	to	45000	503,133
24	45001	to	50000	1,159,959
13	50001	to	55000	674,153
6	55001	to	60000	348,190
7	60001	to	65000	436,862
6	65001	to	70000	398,747
8	70001	to	75000	585,081
5	75001	to	80000	394,760
4	80001	to	85000	325,566
3	85001	to	90000	260,680
5	90001	to	95000	464,159
2	95001	to	100000	200,000
3	100001	to	105000	304,550
4	105001	to	110000	429,555
1	110001	to	115000	113,400
2	120001	to	125000	246,486
1	125001	to	130000	129,750
4	130001	to	135000	528,418
1	135001	to	140000	138,372
2	140001	to	145000	282,485
1	145001	to	150000	150,000
1	160001	to	165000	161,280
1	165001	to	170000	168,487
2	170001	to	175000	350,000
1	180001	to	185000	182,500
1	190001	to	195000	191,440
1	195001	to	200000	195,250
2	200001	to	205000	400,400
1	225001	to	230000	229,664
1	235001	to	245000	239,597
1	245001	to	250000	247,076
2	250001	to	255000	502,469
1	255001	to	260000	259,000
1	265001	to	270000	270,000
1	275001	to	280000	276,435
1	300001	to	345000	332,000
1	345001	to	350000	350,000
3	410001	to	415000	1,236,416
1	420001	to	425000	424,500
2	425001	to	430000	855,750
1	475001	to	480000	476,250
1	620001	to	625000	623,100
1	630001	to	635000	634,785
1	650001	to	655000	650,096
1	695001	to	700000	700,000
1	790001	to	795000	790,122
1	995001	to	1000000	1,000,000
1	1005001	to	1010000	1,007,500
1	1115001	to	1120000	1,120,000
1	1145001	to	1150000	1,150,000
1	4800000	to	4910000	4,909,995
1	11080001	to	11085000	11,083,050
1	59240001	to	62226000	62,225,816
5267				110,830,500

NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that the Annual Review Meeting of Certificate-Holders of First Habib Modaraba will be held on October 07, 2026 at 3.00 p.m. at the Institute of Cost and Management Accountants of Pakistan (ICMAP) Building, ST-18/C Block-6, Gulshan-e-Iqbal, Karachi, to review the performance of the Modaraba for the year ended June 30, 2026.

The Certificate Holders whose names appear in the register of Certificate Holders of FHM as on September 30, 2026 will be eligible to attend the Annual Review Meeting.

By order of the Board

Danish Liaquat Ali
Company Secretary
Karachi: September 15, 2026

REQUEST TO CERTIFICATE HOLDERS

- The individual certificate holders who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) to the Modaraba / Share Registrar, are one again reminded to send the same at the earliest directly to Modaraba's Share Registrar, M/s CDC Share Registrar Services Limited. In case of non-receipt of the copy of a valid CNIC, the Modaraba would be constrained under section 243 (3) of the Companies Act, 2017 to withhold dividend of such certificate holders.
- In accordance with the provisions of section 242 of the Companies Act, 2017 and Companies (Distribution of Dividend) Regulations, 2017, it is mandatory for a listed company to pay cash dividend to its certificate holder only through electronic mode directly into the bank account designated by the entitled certificate holder. Therefore, certificate holders are requested to fill in "Electronic Credit Mandate Form" as reproduced below and send it duly signed along with a copy of valid CNIC/NTN to their respective CDC participant / CDC Investor account services.

(i)	Certificate holder's details	
	Name of the certificate holder (s)	
	Folio # / CDS Account No.(s)	
	CNIC NO. (copy attached)	
	Mobile/Landline no.	

(ii)	Certificate holder's Bank detail	
	Title of Bank Account	
	International Bank Account number (IBAN)	
	Bank's Name	
	Branch's name and address	

It is stated that the above-mentioned information is correct and in case of any change herein I will immediately intimate the Share Registrar accordingly.

BCR CRITERIA CROSS REFERENCE

S.No.	BCR Criteria	Page No.
1	**Organizational Overview and External Environment**	
1.01	Mission, vision, code of conduct, ethical, principal and core values.	20, 21, 22, 23
1.02	Profile of the company including principal business activities, markets (local and international), key brands, products and services.	60, 61
1.03	Geographical location and address of all business units including sales units and plants.	62
1.04	The legislative and regulatory environment in which the company operates.	73
1.05	Ownership, operating structure and relationship with group companies (i.e. subsidiary, associated undertaking etc.) and number of countries in which the organization operates.	44
1.06	Name and country of origin of the holding company / subsidiary company, if such companies are a foreign company.	44
1.07	Disclosure of beneficial (including indirect) ownership and flow chart of group shareholding and relationship as holding company, subsidiary company or associated undertaking.	146
1.08	Organization chart indicating functional and administrative reporting, presented with legends.	64
1.09	A general review of the performance of the company, including its subsidiaries, associates, divisions etc., for the year and major improvements from last year.	67
1.10	Description of the performance of the various activities / product(s) / service(s) / segment(s) of the entity and its group entities during the period under review.	67
1.11	Position of the reporting organization within the value chain showing connection with other businesses in the upstream and downstream value chain.	66
1.12	"a) Explanation of significant factors affecting the external environment including political, economic, social, technological, environmental and legal environment that is likely to be faced in the short, medium and long term and the organization's response. b) The effect of seasonality on business in terms of production and sales."	68, 69
1.13	The legitimate needs, interests of key stakeholders and industry trends.	70
1.14	SWOT Analysis of the company.	71
1.15	Competitive landscape and market positioning (considering factors such as the threat of new competition and substitute products or services, the bargaining power of customers and suppliers, relative strengths and weaknesses of competitors and customer demand and the intensity of competitive rivalry).	72
1.16	History of major events.	63
1.17	Details of significant events occurred during the year and after the reporting period.	63

2.	**Strategy and Resource Allocation**	
2.01	Short, medium and long-term strategic objectives and strategies in place to achieve objectives.	76

S.No.	BCR Criteria	Page No.
2.02	"Resource allocation plans to implement the strategy. Resource mean 'Capitals' including: a) Financial Capital; b) Human Capital; c) Manufactured Capital; d) Intellectual Capital; e) Social and Relationship Capital; and f) Natural Capital."	77
2.03	The capabilities and resources of the company that provide sustainable competitive advantage, resulting in value creation by the company.	79
2.04	Company's strategy on market development, product and service development.	80
2.05	"The effects of the given factors on the company strategy and resource allocation: a) Technological Changes; b) Sustainability reporting and challenges; c) Initiatives taken by the company in promoting and enabling innovation; and d) Resource shortages (if any)."	81
2.06	Key Performance Indicators (KPIs) to measure the achievement against strategic objectives including statement as to whether the indicators used will continue to be relevant in the future.	82
2.07	The linkage of strategic objectives with company's overall mission, vision and objectives.	84
2.08	Board's statement on the internal controls including IT controls of the company.	85
2.09	Board's statement on the significant plans and decisions such as corporate restructuring, business expansion, major capital expenditure or discontinuance of operations.	86
2.10	"a) Information about defaults in payment of any debt with reasons and its repayment plan; b) Board strategy to overcome liquidity problems and plans to meet operational losses."	86, 87

3.	**Risks and Opportunities**	
3.01	Key risks and opportunities (internal and external), including sustainability-related risks and opportunities, affecting availability, quality and affordability of Capitals.	91 to 95
3.02	Company's robust assessment of the principal risks and uncertainties being faced, including those that would threaten the business model, future performance and solvency or liquidity. This may include operational risk, IT risk, regulatory risk, legal risk, political risk, strategic risk, and credit risk etc.	99
3.03	Risk Management Framework covering principal risks and uncertainties facing by the company, risk methodology, risk appetite and risk reporting.	90
3.04	Specific steps being taken to mitigate or manage key risks or to create value from key opportunities by identifying the associated strategic objectives, strategies, plans, policies, targets and KPIs.	91 to 95
3.05	Disclosure of a risk of supply chain disruption due to an environmental, social or governance incident and company's strategy for monitoring and mitigating these risks (if any).	100

S.No.	BCR Criteria	Page No.
4.	**Sustainability Disclosures & Corporate Social Responsibility (CSR)**	
4.01	"Disclosure of the role of the Board to address the company's sustainability risks and opportunities, as required under the recent amendments of the SECP 'Listed Companies (Code of Corporate Governance) Regulations, 2019, SECP SRO 920/2024 dated June 12, 2024 for the following: a) Disclosures of company specific sustainability-related risks and opportunities (climate-related risks and opportunities) and their impact on the financial performance in the short, medium and long term and how these are managed or mitigated; b) Disclosures about four-pillars core content (Governance, Strategy, Risk Management and Metrics and Targets), together with the specific metrices designed by the company to demonstrate the performance and progress of the company. c) Disclosure of company's sustainability and DE&I related strategies, priorities and targets, the measures taken to promote in the company as well as performance against these targets are periodically reviewed and monitored. d) Boards are encouraged to adopt of the SECP's ESG Disclosure Guidelines (https://www.secp.gov.pk/document/secp-esg-disclosure-guidelines-for-listed-companies/)"	104
4.02	"Highlights of the company's performance, policies, initiatives and plans in place relating to the various aspects of sustainability: - Social initiatives - financial inclusion, research and development, employment generation, community health and education, and health and safety of staff etc.; - Environmental initiatives - climate change mitigation etc. by focusing on 3R's (Reduce, Reuse & Recycle), how does the company reduce pollution, depletion and degradation of natural resources; and indirect like investment/ financing in green /sustainable project. - Technological innovation - use of advanced technology, innovative ideas leading to sustainability practices like energy-e cient processes or eco-friendly product designs; - Information on consumption and management of materials, energy, water, emissions and waste."	109 to 113
4.03	a) Has the board established a dedicated sustainability committee, having at least one female director, or assign additional responsibilities to an existing board committee. b) Has the committee submitted to the board a report, at least once a year, on embedding sustainability principles into the organization's strategy and operations to increase corporate value.	115
4.04	Board's statement for the adoption of CSR best practices including Board's commitment to promote CSR and how the company's sustainable practices can affect the financial performance of the company.	115
4.05	Highlights of the company's performance, policies, initiatives for CSR.	120

S.No.	BCR Criteria	Page No.
5.	**Governance**	
5.01	"Board composition: a) Leadership structure of those charged with governance; b) Name of independent directors indicating justification for their independence; c) Diversity in the board i.e. competencies, requisite knowledge & skills, and experience; d) Profile of each director including education, experience and engagement in other entities as CEO, Director CFO or Trustee etc.; e) No. of companies in which the executive director of the reporting organization is serving as non-executive director."	38 to 40
5.02	A brief description about role of the Chairman and the CEO.	41
5.03	A statement of how the board operates, including a high-level statement of which types of decisions are to be taken by the board and which are to be delegated to management.	134
5.04	"Chairman's Review Report on the overall performance of the board including: a) Effectiveness of the role played by the board in achieving the company's objectives; b) Chairman's significant commitments, such as strategic, financial, CSR and ESG etc., and any changes thereto from last year'; c) Board statement on the company's structure, processes and outcomes of internal control system and whether board has reviewed the adequacy of the system of internal control."	32 to 33
5.05	Board statement of its commitment to establish high level of ethics and compliance in the company.	130 to 131
5.06	Annual evaluation of performance, along with a description of criteria used for the members of the board, including CEO, Chairman, and board's committees.	132
5.07	Disclosure if the board's performance evaluation is carried out by an external consultant once in every three years.	136
5.08	Details of formal orientation courses for directors.	49
5.09	Directors' Training Program (DTP) attended by directors, female executives, and head of departments from the institutes approved by the SECP, along with names of those who availed exemptions during the year.	49
5.10	Description of external oversight of various functions like systems audit or internal audit by an external specialist and other measures taken to enhance credibility of internal controls and systems.	134
5.11	"Disclosure about related party transactions: a) Approved policy for related party transactions; b) Details of all related party transactions, along with the basis of relationship describing common directorship and percentage of shareholding; c) Contract or arrangement with the related party other than in the ordinary course of business on an arm's length basis, if any along with the justification for entering into such contract or arrangement; d) Disclosure of director's interest in related party transactions; e) In case of conflict, disclosure of how conflicts are managed and monitored by the board."	135

S.No.	BCR Criteria	Page No.
5.12	"Disclosure of Board's Policy on the following significant matters: a) Risk Management and internal control policies. b) Disclosure of director's interest in significant contracts and arrangements. c) Remuneration of non-executive directors including independent directors for attending board meetings and general meetings. d) Retention of board fee by the executive director earned by him against his services as non-executive director in other companies. e) Security clearance of foreign directors. f) Board meetings held outside Pakistan. g) Human resource management including: - Preparation of succession plan; - Merit based recruitment; - Performance based appraisal system; - Promotion, reward and motivation; - Training and development; - Diversity, Equity & Inclusion (DE&I) policy; and - Employee engagement /feedback. h) Social and environmental responsibility including managing and reporting policies like procurement, waste and emissions. i) Communication with stakeholders. j) Dividend policy. k) Investors' relationship and grievances. l) Employee's health, safety and protection. m) Whistle blowing policy n) anti-harassment policy to safeguard the rights and well-being of employees. o) Safety of records of the company."	41, 49, 135 to 143
5.13	Board statement of the organization's business continuity plan or disaster recovery plan.	144
5.14	Compliance with the Best Practices of Code of Corporate Governance (No marks in case of any non-compliance).	147 to 149
5.15	"Disclosure about: a) Shares held by Sponsors / Directors / Executives; b) Distribution of shareholders (Number of shares as well as category, e.g. Promoter, Directors / Executives or close family member of Directors / Executives etc.) or foreign shareholding (if any)."	272 to 273
5.16	Details about Board meetings and its attendance.	50
5.17	TORs, composition and meeting attendance of the board committees including (Audit, Human Resource, Nomination and Risk management).	152 to 153
5.18	"Timely Communication: Date of authorization of financial statements by the board of directors: Within 40 days - 6 marks Within 50 days - 6 marks (in case of holding company who has listed subsidiary / subsidiaries) Within 60 days - 3 marks (Entities requiring approval from a Regulator before finalization of their financial statements would be provided a 20 days relaxation, on providing evidence to the Committee)."	269

S.No.	BCR Criteria	Page No.
5.19	"Audit Committee report should describe the work of the committee in discharging its responsibilities. The report should include: a) Composition of the committee with at least one member qualified as "financially literate" and all members are non-executive / Independent directors including the Chairman of the Audit Committee. b) Committee's overall role in discharging its responsibilities for the significant issues related to the financial statements, and how these issues were addressed. c) Committee's overall approach to risk management and internal control, and its processes, outcomes and disclosure. d) Role of Internal Audit in risk management and internal control, and the approach to Internal Audit to have direct access to Audit Committee and evaluation of Internal Auditor's performance. e) Review of arrangements for staff and management to report to Audit Committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters, and recommended instituting remedial and mitigating measures. f) An explanation as to how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor; and if the external auditor provides non-audit services, an explanation as to how auditor's objectivity and independence is safeguarded. g) If Audit Committee recommends external auditors other than the retiring external auditors, before the lapse of three consecutive years, reasons shall be reported. h) The Audit Committee's views whether the Annual Report was fair, balanced and understandable and also whether it provided the necessary information to shareholders to assess the company's position and performance, business model and strategy. i) Results of the self-evaluation of the Audit Committee carried out of its own performance. j) Disclosure of the number of whistle-blowing incidences reported to the Audit Committee during the year."	155
5.20	Presence of the chairman of the Audit Committee at the AGM to answer questions on the Audit Committee's activities / matters that are within the scope of the Audit Committee's responsibilities.	157
5.21	"Board disclosure on Company's use of Enterprise Resource Planning (ERP) software including: a) How it is designed to manage and integrate the functions of core business processes / modules like finance, HR, supply chain and inventory management in a single system; b) Management support in the effective implementation and continuous updation; c) Details about user training of ERP software; d) How the company manages risks or control risk factors on ERP projects; e) How the company assesses system security, access to sensitive data and segregation of duties."	158 to 159
5.22	Disclosure about the Government of Pakistan policies related to company's business / sector in Directors' Report and their impact on the company business and performance.	177

S.No.	BCR Criteria	Page No.
5.23	Information on company's contribution to the national exchequer (in terms of payment of duties, taxes and levies) and to the economy (measured in terms of GDP contribution, new jobs creation, increase in exports, contributions to society & environment and community development etc.)	49

6.	**Analysis of the Financial Information**	
6.01	"Analysis of the financial and non-financial performance using both qualitative and quantitative indicators, showing linkage between: a) Past and current performance; b) Performance against targets /budget; and The analysis should cover significant deviations from previous year in operating results and the reasons for loss, if incurred, as well as future prospects of profits."	162 to 163
6.02	"a) Analysis of financial ratios (Annexure I) with graphical presentation and disclosure of methods and assumptions used in compiling the indicators. b) Explanation of negative change in the performance as compared to last year."	164, 172
6.03	Vertical and horizontal analysis of Balance Sheet, Profit and Loss Account and summary of Cash Flow Statement for last 6 years. Weightage to be given to graphical presentation.	166 to 167
6.04	Cash Flow Statement based on Direct Method (separate Cash Flow for specific funds e.g. Zakat).	174
6.05	"a) Information about business segment and non-business segment; and b) Segmental analysis of business performance including segment revenue, segment results, profit before tax, segment assets and liabilities."	175 to 176
6.06	Disclosure of market share of the company and share price sensitivity analysis.	177
6.07	"Statement of value added and its distribution with graphical presentation: a) Employees as remuneration; b) Government as taxes (separately direct and indirect); c) Shareholders as dividends; d) Providers of financial capital as financial charges; e) Society as donation; and f) Retained within the business."	181
6.08	"Statement of Economic value added (EVA) [EVA = NOPAT – WACC x TC, where NOPAT is Net Operating Profit After Tax, WACC is Weighted Average Cost of Capital, and TC is Total Invested Capital]"	179
6.09	CEO presentation video on the company's business performance of the year covering the company business strategy to improve and future outlook. (Please provide relevant webpage link of the video in the company's annual report).	176

7.	**Business Model**	
7.01	Describe the business model including inputs, business activities, outputs and outcomes as per international applicable framework.	187
7.02	Explanation of any material changes in the entity's business model during the year.	187

S.No.	BCR Criteria	Page No.
8.	**Disclosures on IT Governance and Cybersecurity**	
8.01	The Board responsibility statement on the IT system/ controls and AI strategy of the company including compliance of legal and regulatory requirements regarding data privacy and cyber security and how the board is engaging with management in case of any breaches.	190
8.02	Disclosure related to IT governance and cybersecurity programs, policies and procedures and industry specific requirements for cybersecurity and strategy in place.	190
8.03	Disclosure that at least one board-level committee is charged with oversight of IT governance and cybersecurity matters and how the board administers its IT risk oversight function related to these risks.	190
8.04	Disclosure about company's controls and procedures about an "early warning system" that enables the company to identify, assess, address, make timely disclosures and timely communications to the board about cybersecurity risks and incidents.	191
8.05	Disclosure of policy related to independent comprehensive security assessment of technology environment, including third party risks and when last such review was carried out.	191
8.06	Disclosure about resilient contingency and disaster recovery plan in terms of dealing with a possible IT failure or cyber breach and details about company's cyber insurance.	192
8.07	Disclosure of advancement in digital transformation on how the organization has leveraged 4.0 Industrial revolution (Artificial Intelligence (AI), RPA, Data Analytics, Block Chain, Cloud Computing etc.) to improve transparency and governance, value creation and reporting.	192
8.08	Disclosure about education and training efforts of the Company to mitigate cybersecurity risks. "Explanatory Note Companies are recommended to assess the risks related to the potential theft or compromise of their technology, data or intellectual property in connection with their operations, as well as how the recognition of these risks may impact their business, including their financial condition and results of operations, and any effects on their reputation, stock price -and long-term value. Where these risks are material to investment and voting decisions, they should be disclosed, and we encourage companies to provide disclosure that allows investors to evaluate these risks through the eyes of management. Further, the Company should not make such detailed disclosures that could compromise its cybersecurity efforts – for example, by providing a "roadmap or product details" for those who seek to penetrate a company's security protections. However, companies should disclose IT governance and cybersecurity risks and incidents that are material to investors, including the associated financial, legal, or reputational consequences, if any."	192

9.	**Future Outlook**	
9.01	Forward-looking statement in narrative and quantitative form, including projections or forecasts about known trends and uncertainties that could affect the company's resources, revenues and operations in the short, medium and long term.	196
9.02	Status of the projects in progress and those disclosed in the forward-looking statement in the previous year and whether the performance of the company is aligned with the forward- looking statement.	197

S.No.	BCR Criteria	Page No.
9.03	Disclosures about the company's future plans for AI adoption and its potential impact on the company's long-term strategy.	198
9.05	Sources of information and assumptions used for projections / forecasts in the forward- looking statement, and any assistance taken by any external consultant	200
9.04	Disclosure about company's future Research & Development initiatives.	201

10.	**Stakeholders Relationship and Engagement**	
10.01	Stakeholder's engagement policy of the company and how the company has identified its stakeholders.	204
10.02	"Stakeholders' engagement process and the frequency of such engagements during the year. Explanation on how the relationship is likely to affect the performance and value of the company, and how those relationships are managed. These engagements may be with: a) Institutional investors; b) Customers & suppliers; c) Banks and other lenders; d) Media; e) Regulators; f) Local committees; and g) Analysts."	204
10.03	Steps taken by the management to encourage the minority shareholders to attend the general meetings.	206
10.04	Investors' Relations section on the corporate website with all relevant information including audited annual reports are available in the section.	206
10.05	Issues raised in the last AGM, decisions taken and their implementation status.	157
10.06	"a) Steps board has taken to solicit and understand the views of stakeholders through corporate briefing sessions; and b) Disclosure of brief summary of Corporate Analyst briefing conducted during the year."	207
10.07	Highlights about redressal of investors' complaints including number of complaints received and resolved during the year.	207
10.08	Details about corporate benefits to shareholders like value appreciation, dividend etc.	31
10.09	Disclosure of whistle blowing mechanism to receive and handle complains in a fair and transparent manner, and provide protection to the complainant against victimization and reporting in the Audit Committee's report.	142

11.	**Striving for Excellence in Corporate Reporting**	
11.01	Board's responsibility statement on full compliance of financial accounting and reporting standards as applicable in Pakistan (i.e. International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB)).	210
11.02	BCR criteria cross referred with page numbers of the annual report. (details can be maintained by companies on the Investor Relation section of the company's website).	275

12.	**Specific Disclosures of the Financial Statements**	
12.01	Specific disclosures of the financial statements required under the Companies Act, 2017 and IFRSs (Annexure II).	285

Annexure I - Financial Ratios (refer section 6 of the criteria)		
Financial Sector		
Profitability Ratios		**Page No.**
a)	Profit before tax ratio	164
b)	Gross Yield on Earning Assets	164
c)	Gross Spread ratio	164
d)	Cost/Income ratio	164
e)	Return on Equity	164
f)	Return on Capital employed	164
g)	Gross Profit ratio	164
h)	Net Profit to Sales	164
i)	EBITDA Margin to Sales	164
j)	Return on Equity / Shareholders' Funds	164
Liquidity Ratios		
a)	Advances to deposits ratio	165
b)	Current ratio	165
c)	Net interest income as a percentage of working funds / operating cost – E ciency ratio	165
d)	Non-interest income as a percentage of working funds	165
e)	Quick / Acid test ratio	165
f)	Cash to Current Liabilities	165
g)	Cost of Funds	165
h)	Cash flow coverage ratio	165
i)	Gross Non-Performing assets to gross advances	165
Investment / Market Ratios		
a)	Earnings per share (EPS) and diluted EPS	165
b)	Price Earnings ratio	165
c)	Price to Book ratio	165
d)	Dividend Yield ratio	165
e)	Dividend Payout ratio / Dividend Cover Ratio	165
f)	Cash Dividend per share / Stock Dividend per share	165
g)	Market value per share at the end of the year and high/low during the year	165
h)	DuPont Analysis	165
i)	Free Cash Flow	165
j)	Economic Value Added (EVA)	165
Capital Structure		
a)	Capital Adequacy ratio	165
b)	Earning assets to total assets ratio	165
c)	Weighted Average cost of deposit	165
d)	Net assets per share	165
e)	Debt to Equity ratio (as per book and as per market value)	165
Non-Financial Ratios		
a)	Staff turnover ratio	165
b)	Customer Satisfaction Index	165
c)	Employee Productivity Rate	165
d)	Revenue per Employee	165
e)	Customer Retention Ratio	165

For Specific Disclosures of the Financial Statements

	"Annexure II - Specific Disclosures of the Financial Statements (refer section 12 of the criteria)"	Page No.
1	Fair value of Property, Plant and Equipment.	237
2	Particulars of significant / material assets and immovable property including location and area of land.	Not Applicable
3	Capacity of an industrial unit, actual production and the reasons for shortfall.	Not Applicable
4	Specific disclosures required for shariah compliant companies / companies listed on the Islamic Indices as required under clause 10 of the Fourth Schedule of the Companies Act, 2017.	286
5	Disclosure requirements for common control transactions as specified under the Accounting Standard on 'Accounting for common control transactions' developed by ICAP and notified by SECP (through SECP S.R.O. 53(I)/2022 dated January 12, 2022)	Not Applicable
6	Disclosure about Human Resource Accounting (includes the disclosure of process of identifying and measuring the cost incurred by the company to recruit, select, hire, train, develop, allocate, conserve, reward and utilize human assets).	Not Applicable
7	Where any property or asset acquired with the funds of the company and is not held in the name of the company or is not in the possession and control of the company, this fact along with reasons for the property or asset not being in the name of or possession or control of the company shall be stated; and the description and value of the property or asset, the person in whose name and possession or control it is held shall be disclosed.	Not Applicable

Specific Disclosures For Shariah Compliant Companies And The Companies Listed On The Islamic Indices

The disclosures required under clause 10 of the Fourth Schedule of the Companies Act, 2017 for Sharia complaint companies and the companies listed on Islamic index are as follows:

Disclosure Required	Reference to the disclosure in financial statements	Page No.
Loans/advances obtained as per Islamic mode	Refer Note 20 and 22	246 and 250
Shariah compliant bank deposits/bank balances;	Refer Note 9.2 and 15	241 and 244
Profit earned from shariah compliant bank deposits/bank balances	Refer Note 26	253
Revenue earned from a shariah compliant business segment	all revenue earned is from shariah compliant business	-
Gain/loss or dividend earned from shariah compliant investments	Refer Note 26	253
Exchange gain earned from actual currency	Not applicable	-
Financial Charges paid on Islamic mode of financing	Refer "Financial Charges paid" in Cashflow from Operating Activities	223
Relationship with shariah compliant banks	Refer Note 15	244
Profits earned or interest paid on any conventional loan or advance	Not applicable	-