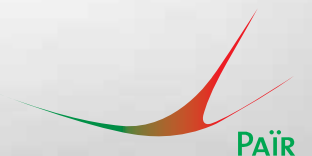




**PASSION
FOR
PROGRESS**

ANNUAL REPORT 2021



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VISION

To be the Premier Development Finance Institution of Pakistan and contribute to the economic development of both the brotherly countries through investment and Pakistan-Iran trade flows.

MISSION

Our Company is committed to developing the economic relationship between Pakistan and Iran through investment into projects in Pakistan and enhancing the two-way trade by providing the most professional and innovative services to our customers. We focus on providing a range of products and services to our customers (both Pakistani and Iranian) in a manner which creates value for them and promotes investment flows and trade between the two countries.



ENTITY RATING

Assigned by PACRA

MEDIUM TO LONG-TERM

AA (Double A)

This denotes a very low expectation of credit risk, indicating a very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

SHORT-TERM

A1+ (A One Plus)

This denotes that obligations are supported by the highest capacity for timely repayments.



CORE VALUES



OUR CLIENTS COME FIRST

Each and every client is different and so are their needs. Hence, we at PAİR tend to our clients by tailoring our service in such a manner that our clients' needs are satisfied and ultimately our success is guaranteed.

OUR PEOPLE AND CULTURE

Our people are our greatest asset. We continuously strive to improve our working standards and ambiance in order to provide the best environment for our employees' personal and professional growth.

PROFESSIONAL QUALITY OF WORK

We strive very hard to maintain our work quality and standards with those of internationally accepted professional levels by constantly improving our quality, timelines and results.

TEAMWORK

We focus on being team players and working as a team in order to achieve individual, departmental and Company growth, hence maximising output and results.

CONSTANT UPGRADE AND DEVELOPMENT

We are constantly adapting the latest trends and technologies in all fields, from international standards of accounting and compliance to the latest technology in IT, to professional development of our employees by conducting presentations and providing them with trainings on the latest implemented software usage or organising staff training sessions, workshops and activities related to their respective fields.

INTEGRITY, CONFIDENTIALITY AND HONESTY

We maintain high ethical standards of integrity, confidentiality and honesty in everything we do, as that is what sets us apart from the crowd and gives us our own unique identity.

CORPORATE INFORMATION

Board of Directors

Mr. Zahoor Ahmed	Director / Acting Chairman
Mr. Abbas Daneshvar Hakimi Meibodi	Director / MD & CEO
Mr. Aamer Mahmood Hussain	Director
Mr. Hamidreza Raufi	Director
Mr. Gholamreza Khalil Arjmandi	Director
Ms. Kauser Safdar	Chief Financial Officer
Mr. Amir Aizaz	Company Secretary

Board Audit Committee

Mr. Aamer Mahmood Hussain	Chairman
Mr. Zahoor Ahmed	Member
Mr. Hamidreza Raufi	Member
Mr. Gholamreza Khalil Arjmandi	Member
Mr. Syed Muhammad Amin Kazmi	Secretary – Board Audit Committee

Board Risk Management Committee

Mr. Aamer Mahmood Hussain	Chairman
Mr. Abbas Daneshvar Hakimi Meibodi	Member
Mr. Hamidreza Raufi	Member
Mr. Salman Raza Naqvi	Secretary – Board Risk Management Committee

Board Human Resource Committee

Mr. Zahoor Ahmed	Chairman
Mr. Aamer Mahmood Hussain	Member
Mr. Abbas Daneshvar Hakimi Meibodi	Member
Mr. Gholamreza Khalil Arjmandi	Member
Ms. Saadia Shaikh	Secretary – Board Human Resource Committee

Board Strategic Investment Committee

Mr. Zahoor Ahmed	Chairman
Mr. Abbas Daneshvar Hakimi Meibodi	Member
Mr. Gholamreza Khalil Arjmandi	Member
Mr. Hamidreza Raufi	Member
Mr. Ahmad Bilal Darr	Secretary – Board Strategic Investment Committee

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisors

Mohsin Tayebaly & Co.
Corporate Legal Consultants

Bankers

Allied Bank Limited
MCB Bank Limited
National Bank of Pakistan

BOARD COMMITTEES

TERMS OF REFERENCE

Board Risk Management Committee

The Board Risk Management Committee (BRMC) is responsible to ensure a continuous Board level formal oversight of the credit, market, liquidity, environmental risk and operational risks embedded in PAİR's operations. It assists the Board of Directors in determining PAİR's strategic direction by providing an overall risk perspective to the relevant business units and Risk Management Unit. It ensures implementation of risk-related policies, including the review and monitoring of the Company's overall portfolio, and a review of the risk limits under the Company's overall risk appetite, determined through risk assessment rating methodologies by keeping in view the nature, size and complexity of the transactions.

Board Audit Committee

The primary responsibilities of the Board Audit Committee (BAC) are to determine the appropriateness of the measures taken by the Management to safeguard the DFI's assets, ensure integrity of the Financial Statements and recommend the appointment of the external auditors and ensure close coordination with them to fulfill statutory requirements and adherence to the best practices of the Code of Corporate Governance.

BAC is inter alia responsible to ascertain the effectiveness of the Internal Control System, including financial and operational controls, ensuring adequate and effective accounting and reporting structures, and monitoring compliance with the best practices of the Corporate Governance and the applicable legal and regulatory requirements and code of conduct / ethics of the Company. The other function of BAC includes the assurance that an independent and effective internal audit function is in place.

Board Human Resource Committee

The objective of the Board Human Resource Committee (BHRC) is to supervise and govern the Compensation Mechanism and devise an institution-wide Human Resource Policy which reflects fair, competitive and reasonable pay structure for all cadres of employees. BHRC shall be responsible to ensure the review of existing policies and revision in these policies as deemed necessary, development of in-house expertise, approval and revision of organisational set-up, set-up of the latest criterion for recruitment, training, disciplinary matters and performance appraisals.

Board Strategic Investment Committee

The main task of the Board Strategic Investment Committee is to review long-term strategic plans, operational plans and material strategic initiatives, including acquisitions, mergers, disposals, strategic projects / investments, joint ventures and any new business / expansion, recommending such to the Board for approval.

DIRECTORS' PROFILES



DIRECTOR (ACTING CHAIRMAN)

MR. ZAHOOR AHMED
**Additional Secretary Ministry of Housing & Projects,
Government of Pakistan**

Mr. Zahoor Ahmed has worked with United Nations, USAID, civil society organisations and Government of Pakistan. He has played a key role in articulating public diplomacy and outreach initiatives of the Federal Government during 2010-13; he democratised the whole process. He has vast experience in designing, managing and delivering policy reforms in the education sector. He has deep insight of public sector reforms with emphasis on Governance, Human Resources, Sector Financing, Devolution, Information and Accountability Mechanisms. He has a proven track record of excellence in negotiations, policy dialogue, strategic communications and management with demonstrated success of enhancing bilateral economic relations of Pakistan with its western neighbours.



DIRECTOR (MD / CEO)

MR. ABBAS DANESHVAR HAKIMI MEIBODI
Managing Director / CEO

Mr. Abbas Daneshvar Hakimi Meibodi holds a Master's Degree in Economics from Imam Sadiq University in Tehran, Iran. He has a long, diversified and successful track record in Iranian banking where his key skill areas were Risk, Finance, AML / CFT, Treasury, International Banking and Compliance. He started his banking career with Bank of Industry and Mine in 2001 where he held various senior positions and climbed up the executive ladder step by step.



DIRECTOR

MR. HAMIDREZA RAUFI

Mr. Raufi is the Director / Board Member of PAIR Investment Company Limited. He was nominated by the Iran Foreign Investment Company on behalf of the Government of Iran. He holds a Master's Degree in Economics and PhD Economics from Tehran University.



DIRECTOR

MR. AAMER MAHMOOD HUSSAIN

Additional Secretary Ministry of Finance, Government of Pakistan

Mr. Aamer Mahmood Hussain holds a Master's Degree in Business Administration from Punjab University, Lahore. He has extensive experience spanning over 25 years in the Financial Sector working in the Finance Division of Ministry of Finance and Federal Board of Revenue, Government of Pakistan. He held various positions including Joint Secretary - Investment, Banking, Expenditure, Development and Financial Advisor to different Federal Ministries. He has also served as Deputy Commissioner of Income Tax for more than 10 years. He has represented Government of Pakistan on different Boards and their Committees including Security Papers Ltd., Industrial Development Bank of Pakistan, Employees Old-Age Benefits Institution, Export Development Fund, Workers Welfare Fund, PAIR Investment Company Ltd. and National Power Parks Management Company (Pvt) Ltd., etc.



DIRECTOR

MR. GHOLAMREZA KHALIL ARJMANDI

Mr. Arjmandi is the Director / Board Member of PAIR Investment Company Limited. He was nominated by the Iran Foreign Investment Company on behalf of the Government of Iran. He holds a Doctorate Degree PhD in Economics and Doctor of Business Accounting (DBA) in Accounting, Iran Accounting Association, Ministry of Science, Research and Technology, Iran. He also attended various seminar conferences nationally and internationally.

At present, Mr. Arjmandi is serving as Managing Director, Iran Khadro Investment Development (IKIDO). In the past, he was associated with Iran Foreign Investment Company as a Board Member. He also served as Head of Council in the Supreme Council of Banks and Private Institutions, as CEO & Consultant, Capital Market Committee and as Managing Board Member, Member Risk Committee of SAMAN Bank, Iran. He also served as a Management Board Member of International Petroleum Exchange Company, SABA TAMIN (Monetary, Fiscal, and Social Security Holding), Shahr Atiyeh Investment Company, Pars Engineering Development Company (PEDCO) & Iran Stock Exchange.

Mr. Arjmandi also served as Minister's Consultant in Economic Affairs.

MANAGING DIRECTOR / CEO





MR. ABBAS DANESHVAR HAKIMI MEIBODI
Managing Director / CEO

SENIOR MANAGEMENT



MR. KHURRAM FAIZYAB
Head of Corporate & Investment
Banking Group



MRS. KAUSER SAFDAR
Chief Financial Officer



MR. AHMAD BILAL DARR
Head of Treasury & Investments



MR. AMIR AIZAZ
Company Secretary / Head of
Administration / BCP



MR. SALMAN RAZA NAQVI
Head of Credit & Risk
Management



MR. JAHANGEER JAMIL
Head of Capital Market



MR. S. M. AMIN KAZMI
Chief Internal Auditor



MR. AFAQ SHAH
Chief Compliance Officer



MR. HABIB AMEER ALI
Head of Information Technology



MS. SAADIA SHAIKH
Head of Human Resource

MANAGEMENT

SITTING LEFT TO RIGHT

Jahangeer Jamil
Saadia Shaikh
Abbas Daneshvar Hakimi Meibodi
Amir Aizaz
Kauser Safdar

STANDING LEFT TO RIGHT

S. M. Amin Kazmi
Afak Shah
Khurram Faizyab
Habib Ameer Ali
Salman Raza Naqvi
Ahmad Bilal Darr





TEN YEARS' VERTICAL ANALYSIS

Statement of Financial Position / Profit & Loss Account

For the year ended 31 December 2021

	2021	%	2020	%	2019	%	2018	%
Assets								
Cash and balances with treasury banks	75,966	0.30	54,919	0.26	46,383	0.22	73,144	0.39
Balances with other banks	162,471	0.65	74,589	0.35	83,751	0.39	60,653	0.33
Lendings to financial institutions	-	-	-	-	150,000	0.70	105,000	0.57
Investments	16,975,437	67.86	13,651,952	64.12	14,664,301	68.29	11,259,928	60.78
Advances	6,516,564	26.05	6,165,043	28.96	5,389,709	25.10	6,223,926	33.60
Fixed assets	227,812	0.91	219,675	1.03	229,709	1.07	193,031	1.04
Intangible assets	5,000	0.02	146	0.00	314	0.00	211	0.00
Deferred tax assets - net	461,472	1.84	414,100	1.95	375,527	1.75	346,484	1.87
Other assets	589,140	2.36	709,380	3.33	534,895	2.49	263,060	1.42
Total Assets	25,013,862	100.00	21,289,804	100.00	21,474,589	100.00	18,525,437	100.00
Liabilities								
Borrowings from financial institutions	13,658,356	54.60	10,223,036	48.02	10,842,781	50.49	7,915,859	42.73
Deposits and other accounts	1,132,247	4.53	923,702	4.34	775,323	3.61	1,221,724	6.59
Other liabilities	568,117	2.27	480,808	2.26	385,766	1.80	278,164	1.50
	15,358,720	61.40	11,627,546	54.62	12,003,870	55.90	9,415,747	50.83
Net Assets	9,655,142	38.60	9,662,258	45.38	9,470,719	44.10	9,109,690	49.17
Represented by:								
Share Capital	6,000,000	23.99	6,000,000	28.18	6,000,000	27.94	6,000,000	32.39
Advance against Share Capital	-	-	-	-	-	-	-	-
Reserves	1,004,551	4.02	965,805	4.54	888,356	4.14	840,066	4.53
Unappropriated Profit	2,661,253	10.64	2,680,452	12.59	2,526,058	11.76	2,341,325	12.64
Surplus / (Deficit) on revaluation of assets - net of tax	(10,662)	(0.04)	16,001	0.08	56,305	0.26	(71,701)	(0.39)
Total Equity and Liabilities	9,655,142	38.60	9,662,258	45.38	9,470,719	44.10	9,109,690	49.17
Profit and Loss Account								
Mark-up / return / interest earned	1,562,373	76.92	1,960,461	96.52	1,967,277	101.88	907,417	89.96
Fee, commission and brokerage income	18,790	0.93	8,346	0.41	7,822	0.41	12,767	1.27
Dividend income	88,045	4.33	43,840	2.16	57,509	2.98	29,295	2.90
Gain on sale of securities - net	52,321	2.58	18,907	0.93	(102,270)	(5.30)	58,211	5.77
Other income / charges	14,917	0.73	(376)	(0.02)	727	0.04	963	0.10
Total Income	1,736,446	85.49	2,031,178	100.00	1,931,065	100.00	1,008,653	100.00
Mark-up / return / interest expensed	825,739	40.65	956,826	47.11	1,024,210	53.04	472,607	46.86
Total non mark-up / return / interest expenses	391,600	19.28	377,402	18.58	335,235	17.36	267,425	26.51
Profit before Provision	519,107	25.56	696,950	34.31	571,620	29.60	268,621	26.63
Provision and Impairment	265,099	13.05	190,666	9.39	177,153	9.17	257,163	25.50
Profit before Taxation	254,008	12.51	506,284	24.93	394,467	20.43	11,458	1.14
Taxation - net	60,276	2.97	119,039	5.86	153,015	7.92	21,689	2.15
Profit after Taxation	193,732	11.16	387,245	19.07	241,452	12.50	(10,231)	(1.01)

(Rupees in '000)											
2017	%	2016	%	2015	%	2014	%	2013	%	2012	%
											(Restated)
37,870	0.21	64,205	0.35	46,114	0.20	33,303	0.18	27,829	0.16	43,999	0.28
91,727	0.52	432,783	2.33	215,426	0.93	261,059	1.39	158,417	0.92	106,586	0.68
970,000	5.48	-	-	-	-	-	-	-	-	-	-
11,044,299	62.45	11,842,973	63.68	18,543,009	79.85	14,114,870	75.30	12,745,355	73.75	10,841,572	68.89
4,652,932	26.31	5,424,351	29.17	3,502,948	15.09	3,592,178	19.16	3,678,206	21.28	4,325,337	27.48
197,598	1.12	176,708	0.95	190,800	0.82	208,870	1.11	191,748	1.11	47,695	0.30
405	0.00	274	0.00	511	0.00	1,482	0.01	4,453	0.03	8,352	0.05
260,554	1.47	238,128	1.28	259,691	1.12	272,920	1.46	204,896	1.19	110,582	0.70
430,280	2.43	419,049	2.25	462,778	1.99	259,534	1.38	270,782	1.57	253,291	1.61
17,685,665	100.00	18,598,471	100.00	23,221,277	100.00	18,744,216	100.00	17,281,686	100.00	15,737,414	100.00
6,370,738	36.02	6,549,981	35.22	11,652,435	50.18	9,221,225	49.20	8,489,171	49.12	6,721,178	42.71
1,814,001	10.26	2,079,728	11.18	1,890,502	8.14	386,060	2.06	25,080	0.15	545,080	3.46
245,594	1.39	518,803	2.79	484,862	2.09	344,186	1.84	326,705	1.89	273,446	1.74
8,430,333	47.67	9,148,512	49.19	14,027,799	60.41	9,951,471	53.09	8,840,956	51.16	7,539,704	47.91
9,255,332	52.33	9,449,959	50.81	9,193,478	39.59	8,792,745	46.91	8,440,730	48.84	8,197,710	52.09
6,000,000	33.93	6,000,000	32.26	6,000,000	25.84	6,000,000	32.01	6,000,000	34.72	6,000,000	38.13
-	-	-	-	-	-	-	-	-	-	-	-
840,066	4.75	794,107	4.27	673,449	2.90	553,966	2.96	483,592	2.80	415,746	2.64
2,452,552	13.87	2,572,774	13.83	2,390,166	10.29	2,062,742	11.00	1,781,247	10.31	1,611,197	10.24
(37,286)	(0.21)	83,078	0.45	129,863	0.56	176,037	0.94	175,891	1.02	170,767	1.09
9,255,332	52.33	9,449,959	50.81	9,193,478	39.59	8,792,745	46.91	8,440,730	48.84	8,197,710	52.09
1,045,117	89.05	1,243,694	95.89	1,509,674	80.76	1,233,407	76.81	1,153,996	80.12	1,487,341	89.63
10,327	0.88	19,631	1.51	13,825	0.74	14,985	0.93	18,210	1.26	23,359	1.41
39,683	3.38	30,205	2.33	30,260	1.62	27,125	1.69	22,765	1.58	18,093	1.09
79,271	6.75	2,993	0.23	313,567	16.77	327,977	20.43	246,533	17.12	128,809	7.76
(771)	(0.07)	413	0.03	2,108	0.11	2,258	0.14	(1,089)	(0.08)	1,830	0.11
1,173,627	100.00	1,296,936	100.00	1,869,434	100.00	1,605,752	100.00	1,440,415	100.00	1,659,432	100.00
387,358	33.01	533,274	41.12	627,125	33.55	508,046	31.64	488,889	33.94	678,102	40.86
351,464	29.95	318,427	24.55	302,029	16.16	283,150	17.63	220,483	15.31	239,010	14.40
434,805	43.11	445,235	44.14	940,280	93.22	814,556	80.76	731,043	72.48	742,320	73.60
66,591	6.60	(415,856)	(32.06)	16,949	0.91	350,559	21.83	274,562	19.06	106,953	6.45
368,214	36.51	861,091	85.37	923,331	91.54	463,997	46.00	456,481	45.26	635,367	62.99
138,419	11.79	257,800	19.88	325,917	17.43	112,128	6.98	117,251	8.14	195,343	11.77
229,795	19.58	603,291	46.52	597,414	31.96	351,869	21.91	339,230	23.55	440,024	26.52

TEN YEARS' HORIZONTAL ANALYSIS

Statement of Financial Position / Profit & Loss Account

For the year ended 31 December 2021

	2021	%	2020	%	2019	%	2018	%
Assets								
Cash and balances with treasury banks	75,966	38.32	54,919	18.40	46,383	(36.59)	73,144	93.14
Balances with other banks	162,471	117.82	74,589	(10.94)	83,751	38.08	60,653	(33.88)
Lendings to financial institutions	-	-	-	-	150,000	-	105,000	-
Investments	16,975,437	24.34	13,651,952	(6.90)	14,664,301	30.23	11,259,928	1.95
Advances	6,516,564	5.70	6,165,043	14.39	5,389,709	(13.40)	6,223,926	33.76
Fixed assets	227,812	3.70	219,675	(4.37)	229,709	19.00	193,031	(2.31)
Intangible assets	5,000	3,324.66	146	(53.50)	314	48.63	211	(47.84)
Deferred tax assets - net	461,472	11.44	414,100	10.27	375,527	8.38	346,484	32.98
Other assets	589,140	(16.95)	709,380	32.62	534,895	103.34	263,060	(38.86)
Total Assets	25,013,862	17.49	21,289,804	(0.86)	21,474,589	15.92	18,525,437	4.75
Total Equity								
Total Equity	9,655,142	(0.07)	9,662,258	2.02	9,470,719	3.96	9,109,690	(1.57)
Borrowings from financial institutions	13,658,356	33.60	10,223,036	(5.72)	10,842,781	36.98	7,915,859	24.25
Deposits and other accounts	1,132,247	22.58	923,702	19.14	775,323	(36.54)	1,221,724	(32.65)
Other liabilities	568,117	18.16	480,808	24.64	385,766	38.68	278,164	13.26
Total Equity and Liabilities	25,013,862	17.49	21,289,804	(0.86)	21,474,589	15.92	18,525,437	4.75
Profit and Loss Account								
Mark-up / return / interest earned	1,562,373	(20.31)	1,960,461	(0.35)	1,967,277	116.80	907,417	(13.18)
Mark-up / return / interest expensed	825,739	(13.70)	956,826	(6.58)	1,024,210	116.71	472,607	22.01
Net mark-up / interest income	736,634	(26.60)	1,003,635	6.42	943,067	116.89	434,810	(33.90)
Non Mark-up / Interest Income								
Fee, commission and brokerage income	18,790	125.14	8,346	6.70	7,822	(38.73)	12,767	23.63
Dividend income	88,045	100.83	43,840	(23.77)	57,509	96.31	29,295	(26.18)
Income from dealing in foreign currencies	1,552	(512.77)	(376)	(158.93)	638	(33.75)	963	(224.90)
Gain on sale of securities - net	53,303	180.56	18,999	(118.66)	(101,802)	(253.73)	66,221	(4.84)
Unrealised (loss) / Gain on revaluation of investments classified as held for trading	(982)	967.39	(92)	(80.34)	(468)	(94.16)	(8,010)	(182.75)
Other income / charges	13,365	100.00	-	(100.00)	89	100.00	-	-
Total non mark-up / return / interest income	174,073	146.15	70,717	(295.29)	(36,212)	(135.77)	101,236	(21.22)
Total Income	910,707	(15.23)	1,074,352	18.47	906,855	69.17	536,046	(31.82)
Total non mark-up / interest expenses								
Total non mark-up / interest expenses	391,600	3.76	377,402	12.58	335,235	25.36	267,425	(23.91)
Profit before Provision	519,107	(25.52)	696,950	21.93	571,620	112.80	268,621	(38.22)
Provision and Impairment	265,099	39.04	190,666	7.63	177,153	(31.11)	257,163	286.18
Profit before Taxation	254,008	(49.83)	506,284	28.35	394,467	3,342.72	11,458	(96.89)
Taxation - net	60,276	(49.36)	119,039	(22.20)	153,015	605.50	21,689	(84.33)
Profit after Taxation	193,732	(49.97)	387,245	60.38	241,452	(2,460.00)	(10,231)	(104.45)
Basic and diluted earnings per share	0.32	(49.97)	0.65	60.38	0.40	(2,460)	(0.02)	(104.45)

(Rupees in '000)											
2017	%	2016	%	2015	%	2014	%	2013	%	2012	%
										(Restated)	
37,870	(41.02)	64,205	39.23	46,114	38.47	33,303	19.67	27,829	(36.75)	43,999	381.23
91,727	(78.81)	432,783	100.90	215,426	(17.48)	261,059	64.79	158,417	48.63	106,586	415.53
970,000	-	-	-	-	-	-	-	-	-	-	-
11,044,299	(6.74)	11,842,973	(36.13)	18,543,009	31.37	14,114,870	10.75	12,745,355	17.56	10,841,572	20.81
4,652,932	(14.22)	5,424,351	54.85	3,502,948	(2.48)	3,592,178	(2.34)	3,678,206	(14.96)	4,325,337	74.75
197,598	11.82	176,708	(7.39)	190,800	(8.65)	208,870	8.93	191,748	302.03	47,695	2.15
405	47.81	274	(46.38)	511	(65.52)	1,482	(66.72)	4,453	(46.68)	8,352	510.97
260,554	9.42	238,128	(8.30)	259,691	(4.85)	272,920	33.20	204,896	85.29	110,582	36.93
430,280	2.68	419,049	(9.45)	462,778	78.31	259,534	(4.15)	270,782	6.91	253,291	6.43
17,685,665	(4.91)	18,598,471	(19.91)	23,221,277	23.89	18,744,216	8.46	17,281,686	9.81	15,737,414	32.85
9,255,332	(2.06)	9,449,959	2.79	9,193,478	4.56	8,792,745	4.17	8,440,730	2.96	8,197,710	6.07
6,370,738	(2.74)	6,549,981	(43.79)	11,652,435	26.37	9,221,225	8.62	8,489,171	26.30	6,721,178	81.88
1,814,001	(12.78)	2,079,728	10.01	1,890,502	389.69	386,060	1,439.31	25,080	(95.40)	545,080	109.65
245,594	(52.66)	518,803	7.00	484,862	40.87	344,186	5.35	326,705	19.48	273,446	69.04
17,685,665	(4.91)	18,598,471	(19.91)	23,221,277	23.89	18,744,216	8.46	17,281,686	9.81	15,737,414	32.85
1,045,117	(15.97)	1,243,694	(17.62)	1,509,674	22.40	1,233,407	6.88	1,153,996	(22.41)	1,487,341	12.42
387,358	(27.36)	533,274	(14.97)	627,125	23.44	508,046	3.92	488,889	(27.90)	678,102	68.38
657,759	(7.41)	710,420	(19.50)	882,549	21.67	725,361	9.06	665,107	(17.81)	809,239	(12.07)
10,327	(47.39)	19,631	42.00	13,825	(7.74)	14,985	(17.71)	18,210	(22.04)	23,359	82.54
39,683	31.38	30,205	(0.18)	30,260	11.56	27,125	19.15	22,765	25.83	18,093	(11.71)
(771)	(288.97)	408	(24.72)	542	(181.02)	(669)	(200.75)	664	(10.90)	745	2,158.15
69,591	1,316.47	4,913	(98.43)	313,567	(4.39)	327,977	33.04	246,533	91.39	128,809	309.33
9,680	(604.17)	(1,920)	(360.16)	738	(22.96)	958	(122.10)	(4,334)	(812.57)	608	(107.53)
-	(100.00)	5	(99.40)	828	(57.95)	1,969	(23.71)	2,581	441.09	477	(70.74)
128,510	141.37	53,242	(85.20)	359,760	(3.38)	372,345	30.00	286,419	66.43	172,091	194.98
786,269	2.96	763,662	(38.53)	1,242,309	13.17	1,097,706	15.36	951,526	(3.04)	981,330	0.27
351,464	10.38	318,427	5.43	302,029	6.67	283,150	28.42	220,483	(7.67)	238,798	42.35
434,805	(2.34)	445,235	(52.65)	940,280	15.43	814,556	11.42	731,043	(1.55)	742,532	(8.44)
66,591	(116.01)	(415,856)	(2,553.57)	16,949	(95.17)	350,559	27.68	274,562	156.71	106,953	(67.00)
368,214	(57.24)	861,091	(6.74)	923,331	99.00	463,997	1.65	456,481	(28.18)	635,579	30.56
138,419	(46.31)	257,800	(20.90)	325,917	190.67	112,128	(4.37)	117,251	(40.00)	195,417	(19.99)
229,795	(61.91)	603,291	0.98	597,414	69.78	351,869	3.73	339,230	(22.93)	440,162	81.47
0.38	(61.91)	1.01	0.98	1.00	68.76	0.59	3.51	0.57	(21.92)	0.73000	82.50

CASH FLOW SUMMARY

For the year ended 31 December 2021

(Rupees in '000)

	2021	2020	2019	2018	2017	2016	2015	2014
Cash flows from operating activities	3,569,651	(876,884)	3,179,671	519,893	(213,566)	(725,103)	4,181,808	1,601,343
Cash flows from investing activities	(3,261,864)	1,051,582	(3,183,334)	(415,693)	446,175	1,110,551	(4,139,630)	(1,493,227)
Cash flows from financing activities	(198,858)	(175,324)	-	(100,000)	(600,000)	(150,000)	(75,000)	-
Cash and cash equivalents at beginning of the year	129,508	130,134	133,797	129,597	496,988	261,540	294,362	186,246
Cash and cash equivalents at end of the year	<u>238,437</u>	<u>129,508</u>	<u>130,134</u>	<u>133,797</u>	<u>129,597</u>	<u>496,988</u>	<u>261,540</u>	<u>294,362</u>

KEY FINANCIAL RATIOS

For the year ended 31 December 2021

	2021	2020	2019	2018	2017	2016	2015	2014
Profitability Ratios (%)								
Gross Profit Margin	47.15	51.19	47.94	47.92	62.94	57.12	58.46	58.81
Operating Margin	14.63	24.93	20.43	1.14	31.37	66.39	49.39	28.90
Net Profit Margin	11.16	19.07	12.50	(1.01)	19.58	46.52	31.96	21.91
Yield on Investment	8.48	10.71	9.73	7.24	6.73	6.25	9.13	9.13
Yield on Advances	6.28	8.64	11.17	2.74	7.17	7.35	10.28	10.28
Debt Equity Ratio	153.19	115.36	122.67	100.31	88.43	91.32	147.31	109.26
Return to Shareholders (%)								
Return on Average Assets (ROA)	1.10	2.37	1.97	0.06	2.03	4.12	4.40	2.58
Return on Average Equity (ROE)	2.63	5.29	4.25	0.12	3.94	9.24	10.27	5.38
Return on Capital Employed (ROCE)	0.79	1.86	1.14	(0.06)	1.32	3.34	2.63	1.91
Earning per Share	0.32	0.65	0.40	(0.02)	0.38	1.01	1.00	0.59
Earning Growth	0.85	1.05	1.91	0.86	0.90	0.69	1.16	1.11
Profit Growth	0.50	1.28	34.43	0.03	0.43	0.93	1.99	1.02
Break-up Value per Share	16.09	16.10	15.78	15.18	15.43	15.75	15.32	14.65
Performance / Liquidity (%)								
Total Assets Turnover	7.50	9.50	9.66	5.57	6.47	6.20	8.91	8.91
Total Liabilities / Equity	159.07	120.34	126.75	103.36	91.09	96.81	152.58	113.18
Paid-up Capital / Total Assets	23.99	28.18	27.94	32.39	33.93	32.26	25.84	32.01
Equity / Total Assets	38.60	45.38	44.10	49.17	52.33	50.81	39.59	46.91

STATEMENT OF VALUE ADDED

For the year ended 31 December 2021

Rupees in '000

WEALTH GENERATED	2021		2020		2019		2018		2017		2016	
Financial & Other Income	1,736,446		2,031,178		1,931,065		1,008,653		1,173,627		1,296,936	
Financial & Other Expenses	918,062		1,072,181		1,120,909		553,746		539,020		631,087	
	<u>818,384</u>		<u>958,997</u>		<u>810,156</u>		<u>454,907</u>		<u>634,607</u>		<u>665,849</u>	
WEALTH DISTRIBUTED												
<i>To Employees</i>												
- Salaries, Benefits and Related Costs	268,591	33%	237,238	25%	211,922	26%	174,891	38%	185,710	29%	205,369	31%
<i>To Government</i>												
- Income Tax	125,672	15%	155,592	16%	205,483	25%	100,817	22%	120,909	19%	225,542	34%
<i>To Shareholders</i>												
Cash dividend	150,000	18%	180,000	19%	150,000	19%	-	0%	100,000	16%	300,000	45%
<i>Retained for Reinvestment & Future Growth</i>												
- Depreciation, Amortisation	30,686	4%	24,809	3%	26,614	3%	11,395	3%	14,092	2%	15,245	2%
- Provision and Impairment	265,099	32%	190,666	20%	177,153	22%	257,163	57%	66,591	10%	-415,856	-62%
- Retained Profits	-21,664	-3%	170,692	18%	38,984	5%	-89,359	-20%	147,305	23%	335,549	50%
	<u>818,384</u>	<u>100%</u>	<u>958,997</u>	<u>100%</u>	<u>810,156</u>	<u>100%</u>	<u>454,907</u>	<u>100%</u>	<u>634,607</u>	<u>100%</u>	<u>665,849</u>	<u>100%</u>

PAİR INVESTMENT COMPANY LIMITED

CHAIRMAN'S REVIEW

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2021

I am pleased to present the Financial Statements of PAİR Investment Company Limited ("the Company") for the year ended December 31, 2021. Economies around the world, after being battered by the COVID-19 Pandemic, have either recovered or are on the path of recovery. We all have come to terms with the new normal. Pakistan's economy has shown a V-shaped recovery and posted a 3.9% growth in FY2021. The steps taken by the Government and the State Bank of Pakistan have provided momentum for the growth expected to continue in FY2022.

I feel pleased to share with you that for the year ended December 31, 2021, the Company has posted a profit before tax of PKR 254.008 million and a profit after tax of 193.732 million respectively. I would also like to share with you that the Government of Pakistan ("GOP"), through the Ministry of Finance ("MOF"), continues to play a pivotal role in the growth of the Company. There are no uncertainties surrounding the future of the Company and its key executive team. The whole management team is fully functional and is geared towards increasing business and strengthening the Company for the periods to come.

In the post-COVID scenario, the State Bank of Pakistan continued to take steps that helped the borrowers to avoid defaults and saved the lenders from the stockpile of non-performing loans. Overall, the non-performing loans of the Company witnessed a reduction as the management of the Company continues to prudently monitor the same. Coverage ratios improved significantly as more of the provisions were taken into account, in line with the guidance of the Prudential Regulations. Further efforts of recovering are being made and positive out-of-court settlements are expected to be reached with some of the defaulters. After careful analysis of the causes and effects, the due diligence mechanism has been further strengthened and stricter monitoring controls are being implemented to ensure that corrective actions are taken before an account goes bad.

Investment portfolio composition changes were done keeping in view the change in the interest rate scenario, while the opportunities were capitalised in the equity market throughout the year.

The Asset and Liability Committee continues to oversee the asset profile and keeps aligning asset booking and fund generation after taking into account prevalent economic constraints. Efforts are being made to diversify revenue sources and increase the customer base. As such, there were many new names added and will continue to be added to the portfolio.

I assure you that the Company is fundamentally strong, has the full support of its shareholders and will continue to contribute towards the economic growth of the country. We, at the Board level, are fully aware of the challenges currently being faced by the Company. We have full confidence in the management team that comprises of seasoned professionals in their respective fields.

I would like to offer my sincere appreciation to all the stakeholders who continue to support the Company, including Iran Foreign Investments Company, Ministry of Finance - Government of Pakistan, State Bank of Pakistan and Securities & Exchange Commission of Pakistan for their guidance and cooperation extended to our Company. I also appreciate the staff and colleagues for their commitment and their team spirit as they hold hands with each other during a turbulent time for the Company, and their contribution to the progress of the business.

Zahoor Ahmed
Acting Chairman of the Board of Directors
Pakistan: February 20, 2022

چیسر مین کا جائزہ

مالی سال 31 دسمبر، 2021 کے اختتام پر

31 دسمبر 2021 کو ختم ہونے والے سال کے لیے PAIR انویسٹمنٹ کمپنی لمیٹڈ ("کمپنی") کے مالیاتی گوشوارے پیش کرنا میرے لیے باعث مسرت ہے۔ دنیا بھر کی معیشتیں کرونا وائرس سے جنگ لڑنے کے بعد یا تو استحکام حاصل کر چکی ہیں یا اس کی جانب گامزن ہیں۔ ان حالات کو عمومی حالات کے طور پر قبول کر لیا گیا ہے۔ پاکستانی معیشت نے ان حالات میں "V" شکل سے مماثلت رکھتی ہوئی بحالی کا خاکہ پیش کرتے ہوئے 2021 میں 3.9% فیصد شرح نمو حاصل کی ہے۔ حکومت اور اسٹیٹ بینک آف پاکستان کی جانب سے اٹھائے گئے اقدامات نے معیشت کو متحرک کرنے میں خاص مدد دی ہے اور ان اقدامات سے بننے والی رفتار کے بارے میں خیال کیا جا رہا ہے کہ وہ 2022 میں بھی برقرار رہے گی۔

مجھے آپ کو یہ بتاتے ہوئے خوشی محسوس ہو رہی ہے کہ 31 دسمبر 2021 کو ختم ہونے والے مالی سال میں کمپنی نے قبل از ٹیکس کی مد میں 254.008 ملین روپے اور بعد از ٹیکس کی مد میں 193.72 ملین روپے کمائے ہیں۔ میں آپ کو یہ بھی بتانا چاہتا ہوں کہ حکومت پاکستان (جی او پی)، وزارت خزانہ (ایم او ایف) کے توسط سے کمپنی معیشت کی نمود و نشوونما میں اپنا کلیدی کردار ادا کر رہی ہے۔ کمپنی ایگزیکٹو اور ٹیم کو کمپنی کے مستقبل کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔ پوری انتظامی ٹیم مکمل طور پر فعال ہے اور آنے والے ادوار میں کاروبار کو بڑھانے اور کمپنی کو مضبوط بنانے کے لیے پوری طرح تیار ہے۔

اسٹیٹ بینک آف پاکستان نے COVID-19 کی صورت حال میں بہتری آنے کے بعد بھی ایسے اقدامات اٹھائے ہیں جن سے قرض لینے والوں کو نادر ہندگی سے بچنے میں مدد مل سکے اور مالیاتی ادارے غیر فعال قرضوں کے انبار سے بچ سکیں۔ مجموعی طور پر کمپنی کے غیر فعال قرضوں میں کمی ہوئی ہے جبکہ انتظامیہ احتیاط سے ان قرضوں کا جائزہ لیتی رہی ہے۔ پروڈینشل ریگولیشن کی جانب سے دی گئی ہدایت کے مطابق مزید پروویں کر کے وصولی کے تناسب کو بہتر بنایا گیا ہے۔

کچھ نادر ہندگان کے ساتھ عدالت سے باہر ثبوت تصفیہ ممکن بنانے کے لیے کوششیں کی جا رہی ہیں۔ وجوہات اور اثرات کا محتاط انداز میں تجزیہ کرنے کے بعد، لازمی چھان بین کے طریقہ کار کو مزید مستحکم کیا گیا ہے اور نگرانی کے زیادہ سخت ضوابط لاگو کیے گئے ہیں تاکہ کسی اکاؤنٹ میں بگاڑ پیدا ہونے سے قبل اصلاحی اقدامات کو یقینی بنایا جاسکے۔

شرح سود کو مد نظر رکھتے ہوئے سرمایہ کاری کے تناسب میں رد و بدل کیا گیا جبکہ اسٹاک مارکیٹ میں ملنے والے مواقع کو کمپنی کے فائدہ کے لیے استعمال کیا گیا۔ ایسیٹ اینڈ لائیوٹیز کمیٹی موجودہ معاشی رکاوٹوں کو مد نظر رکھتے ہوئے ایسیٹ پروفائل کی نگرانی اور ایسیٹ بلنگ اور فنڈز ریزرویشن کو متوازن رکھنے کا عمل جاری رکھے ہوئے ہے۔ آمدنی کے ذرائع میں تنوع پیدا کرنے اور کسٹمر بیس کو بڑھانے کی کوششیں کی جا رہی ہیں۔ اسی طرح بہت سے نئے ناموں کا اضافہ ہوا ہے اور انہیں پورٹ فولیو میں شامل کیا جائے گا۔

میں آپ کو یقین دلاتا ہوں کہ کمپنی بنیادی طور پر مستحکم ہے اور اسے اپنے حصص یافتگان کی مکمل حمایت حاصل ہے اور وہ ملک کی معاشی نمو میں اپنا کردار ادا کرتی رہے گی۔ بورڈ کی سطح پر ہم کمپنی کو درپیش چیلنجوں سے پوری طرح واقف ہیں۔ ہمیں انتظامیہ کی ٹیم پر مکمل اعتماد ہے جو اپنے اپنے شعبوں کے تجربہ کار پیشہ ور افراد پر مشتمل ہے۔

میں کمپنی کی مسلسل سرپرستی پر تمام اسٹیک ہولڈرز، بشمول ایران فارن انویسٹمنٹ کمپنی، وزارت خزانہ، حکومت پاکستان، اسٹیٹ بینک آف پاکستان اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کو ان کی رہنمائی اور تعاون کے لیے اپنا پر خلوص خراج تحسین پیش کرنا چاہتا ہوں۔ میں کمپنی کے پُر آزمائش وقت میں ایک دوسرے کا ہاتھ تھامے رکھنے اور کاروبار کو ترقی دینے میں ان کے کردار پر اپنے عملے اور ساتھیوں کی لگن، ان کی ٹیم اسپرٹ پر ان کی حوصلہ افزائی کرنا چاہتا ہوں گا۔

ظہور احمد

قائم مقام چیئر مین، بورڈ آف ڈائریکٹر

پاکستان: 20 فروری 2022

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2021

On behalf of the Board of Directors, I am pleased to present the Financial Statements of PAİR Investment Company Limited (PAİR) for the year ended December 31, 2021. These Financial Statements have been prepared in compliance with the requirements of BPRD Circular No. 02 dated January 25, 2018, and BPRD Circular No. 10 dated November 27, 2018.

Economic Overview:

Pakistan's economy showed signs of recovery from the Pandemic - induced contraction, better than expected. The recovery which was earlier being termed as fragile turned out to be more stable and resilient. COVID waves continued to create temporary turbulence, however, the economic impact continues to remain contained. This was possible through continued progress in vaccination, and overall deft management of the Pandemic by the Government; the economic recovery now appears less vulnerable to Pandemic-related uncertainties. Therefore, a greater emphasis is being placed on ensuring the appropriate policy mix to protect the longevity of growth, to keep the inflation expectations anchored, and slow the growth in the current account deficit increasing on the back of increases in import and higher commodity prices in the international markets as was seen in parts of 2021.

In its most recent meeting held in January 2022, the Monetary Policy Committee (MPC) decided to maintain the policy rate at 9.75 percent. Its focus remained to lower inflation and keep the ongoing economic recovery sustainable. There has been cumulative 275 basis point increase in the policy rate since September 2021, higher bank cash reserve requirements, regulatory tightening of consumer finance, and curtailment of non-essential imports being the tools in operation.

On the current account, according to statistical bureau reports, imports rose drastically, with energy imports and COVID vaccines accounting for more than half of the rise. Encouragingly, imports excluding energy and vaccines have stabilised in the last two months of 2021. Exports grew by nearly 25 percent year on year to reach \$15.1 billion, buoyed by record-high shipments of textiles as well as strong rice exports. Meanwhile, remittances rose by 11.3 percent year on year to an all-time high of \$15.8 billion during the first half of the fiscal year. Looking ahead, the current account deficit is expected to decline through the remainder of FY22, as import growth slows in response to a normalisation of global commodity prices and the fuller impact of demand-moderating measures. The current account projection is subject to risks on both sides. On the one hand, the deficit could be larger if global commodity prices take longer to normalise. On the other, it could be smaller if the fiscal consolidation associated with the Finance (Supplementary) Act has a faster and more pronounced impact on demand.

FBR tax collections grew strongly looking ahead, with the passage of the Finance (Supplementary) Act that withdraws certain tax exemptions, the fiscal deficit is projected to be around 0.5 percent of GDP lower than previously expected for FY22. Together with recent policy rate increases and accounting for the usual lagged impact of fiscal measures, this additional fiscal consolidation should help further moderate the pace of domestic demand growth. Private sector credit cumulatively grew by 13.4 percent, largely driven by increased demand for working capital loans especially by rice, textile, petroleum and steel industries.

During 2021, the stock market remained range-bound and posted a 1.9 percent return, bottoming at 42,780 points in March 2021 and peaking at 48,726 in mid of June 2021. The market remained range-bound as it oscillated between bottom-up bulls and top-down bears. From the fundamental perspective, the market is trading at an attractive forward Price-to-Earnings (P/E) and there is consensus on the double digit returns expectations from the market on the back of healthy growth in the corporate profits for the 2021 result season.

Financial Highlights

Total assets increased by PKR 3.724 billion and closed at PKR 25.013 billion as against PKR 21.289 billion as of December 31, 2020. Net investment increased approximately by PKR 3.323 billion whereas net advances increased by PKR 352 million when compared to December 31, 2020. Keeping a close eye on the upward interest rate trend and the forward policy guidelines from the regulator, management considers it prudent to be invested in shorter tenors, hence the focus of investments was kept in short-term bonds or floating rate debt securities. The Equity portfolio was kept at consistent levels during the year wherein trading and capital gain opportunities were captured throughout the year.

On the Advance side, the portfolio growth is slow, however, new names are being added in on an ongoing basis. Further as the portfolio is growing, the volumes are increasing in terms of disbursements i.e. the total disbursements amounting to PKR 3.152 billion were done, however, the repayments and in some cases the early repayments continued to be the challenges which are evident from the repayment amount of PKR 2.537 billion. These are known challenges for the management and team expansion and increasing the outreach is being ensured. It is anticipated that the on the back of the healthy pipeline that the business team has worked on, the portfolio will pace up its organic growth.

The earnings for the year ended 31 December, 2021 showed a decline in terms of mark-up income by 20% while non mark-up income increased more than double, year on year basis. The Company earned Net Revenue from Funds ("NRFF") of PKR 736.6 million which is a decrease of 27%, year on year basis. The reduction in the earning came from the fact that the Asset and Liability portfolio were repriced for the 625-bps rate cut in FY 2020 and also that the high yielding Government bonds that were a part of the portfolio previously stand matured. Respite came from non mark-up income that increased by 146% over the last year. The contributory to this performance is Fee and Commission Income which was PKR 18.7 million versus PKR 8.3 million, Dividend Income was PKR 88.045 million versus PKR 43.840 million, Gain on Sale of Securities were PKR 52.321 million in place of PKR 18.907 million last year. On aggregate basis, the other income was PKR 174.07 million as compared to PKR 70.717 million, year on year. Sensitivity towards cost management remained at the heart of the daily affairs of the Company without compromising on the regulatory and social obligations, yet the belt was tight enough that the total administrative expenses increased by 4% as compared to the last year.

In terms of provision against non-performing loans, there were no surprises, the heavy loads carried forward from the yesteryears were adequately provided for. An incremental provision of PKR 273.951 million on non-performing portfolio was taken during the year. The management is vigilantly monitoring for timely recovery of the various exposures, where relief was given in terms of restructuring of the facilities due to COVID-19 circumstances taking into account the hardship being faced by the respective borrowers as well as the directives announced by State Bank of Pakistan ("SBP").

Credit Rating

Pakistan Credit Rating Agency Limited (PACRA) has reaffirmed the entity rating Long-Term Entity Rating 'AA' (Double A) and a Short-Term Entity Rating of 'A1+' (A-One Plus). These ratings indicate a very low expectation of credit risk, emanating a very strong capacity for timely payment of financial commitments. The ratings of PAiR primarily reflect the joint sovereign ownership of Pakistan and Iran.

Statement of Internal Controls

The Board is pleased to endorse the statement made by the management relating to internal controls, including the management's evaluation of ICFR. The management's Statement on Internal Controls is included in the Annual Report.

Corporate and Financial Reporting Framework

The Board of Directors of PAİR, for the purpose of establishing a framework of good corporate governance, has implemented the relevant provisions of the Code of Corporate Governance for the year ended December 31, 2021. The Review Report on the Statement of Compliance with the Code of Corporate Governance from the external auditors is annexed with this Report. As required under the Code of Corporate Governance, the Board of Directors states that:

- The Financial Statements prepared by the management of PAİR present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of the Financial Statements and accounting estimates are based on reasonable and prudent judgement.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of the Financial Statements and any departure therefrom has been adequately disclosed.
- As a continuous process, efforts have been made to effectively implement the Internal Control System. An effective and sound System of Internal Control is in place in accordance with the requirements of the regulatory authorities.
- There is no doubt regarding PAİR's ability to continue as a going concern.
- There has been no material departure from the best practices of the Code of Corporate Governance.
- Key operating and financial data for the years 2012-2021 in a summarised form is included in the Annual Report.
- The tax outstanding amount and reason thereon are properly disclosed in the attached Financial Statements.

Risk Management Framework

Taking cognisance of various types of business risks, an effective Risk Management Framework is embedded in PAİR's strategy and organisation structure. An independent Credit and Risk Management Department ("CRMD") is working as a core function to strengthen Company-wide risk management activities by adopting Basel II / III Framework. PAİR is fully compliant with the Capital Adequacy Requirements of the State Bank of Pakistan under the Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk.

The prevailing economic situation has led the Company to set its focus towards the deployment of stringent risk management policies to assess, mitigate and monitor major risks associated with business operations of the Company. Accordingly, your Company has established a set of activities and creates core functions to administer, manage and report in order to complement its core business objectives and to remain abreast with the latest developments & challenges to safeguard shareholders' interests & enhance shareholders' wealth.

Your Company has implemented a robust Internal Capital Adequacy Assessment Process (ICAAP) to establish more Risk Sensitive Assessment, Capital Planning, formalisation of Company-wide Risk Appetite, and to remain abreast of the internal and external risks that may impact future operations of the Company. The deployment of this process allowed adequate management of capital as the Capital Adequacy Ratio stood at 49.45% against the regulatory requirement of 11.50% including Capital Conservation Buffer (CCB) of 2.5%. This contributed to the development of risk appetite and concentration levels with respect to the transaction level risk profiling as well as integrated portfolio management.

PAİR also periodically evaluates the organic strength of the business by conducting Stress Testing of overall risk exposure. It helps to ensure the smooth operations of the business under hypothetically stressed circumstances. For this, CRMD applies shocks on different risk factors including interest rate, credit, equity price, and liquidity. Results of the latest stress testing exercise depict the solid and resilient financial position of your Organisation. The stress testing methodology implemented by PAİR is in adherence to SBP Guidelines.

The Credit & Risk Management Department is also involved in the development of entity-wide policies, procedures, systems, and reporting mechanisms to achieve and maintain entity-wide best rating status and adaption of risk management principals in true letter and spirit. Further, the Board Risk Management Committee and Board of Directors of your Organisation oversee the strategy related to risk management. In addition, the Internal Audit Department conducts independent, risk-based review and verification of major functions throughout the year for evaluation of control systems supplemented by Internal Control and Compliance Divisions.

Events After the Date of Statement of Financial Position

There have not been any material events that occurred subsequent to the date of the Statement of the Financial Position that requires adjustments to the enclosed Financial Statements, except those which have already been made or disclosed.

Corporate Social Responsibility

The Company firmly believes in being a responsible corporate citizen; this plays an integral role in our long-term success, and we strive to incorporate the approach into every aspect of our work culture. In addition to our priority of operating profitability, the Company is aware of its responsibilities that go beyond its business, particularly its commitment towards employees, society, and the environment.

The Company will continue to encourage community growth and development, thereby contributing in building a sustainable future in FY 2022 and beyond. Being a joint venture between the two brotherly countries, inclusion of the charitable organisations from Iran will also be ensured, subject to the regulatory approvals for the latter.

PAİR Investment, on an annual basis, sponsors one of its staff members to perform Hajj, through a transparent balloting mechanism.

During the year, the Company paid donations to the following institutions where none of the directors, executives or their spouses had any interest in the donee.

Name of the Institution	PKR '000
Sindh Institute of Urology and Transplantation	300
Patient Aid Foundation	300
The Citizen Foundation	300

Board of Directors

Five (5) Board Meetings were held during the year 2021. The Director(s) who were not able to attend any of the meeting(s) were duly granted a leave of absence by the Board. The Directors of the Company attended the meetings, as under:

Name of Director	Category	Representing	Meetings Attended
Zahoor Ahmed* – Director	Non-Executive Director	MOF - Pakistan	5
Aamer Mahmood Hussain – Director	Non-Executive Director	MOF - Pakistan	5
Gholamreza Khalil Arjmandi – Director	Non-Executive Director	IFIC - Iran	5
Hamidreza Raufi – Director	Non-Executive Director	IFIC - Iran	5
Abbas Daneshvar Hakimi Meibodi – MD / CEO	Executive Director	IFIC - Iran	5

*Mr. Arif Ahmed Khan resigned from the Board on 21 March, 2019. Mr. Zahoor Ahmed is presiding the meetings thereafter as the Acting Chairman of the Board with the unanimous consensus of the Board Members.

The remuneration paid to Directors for participation in Board and Committee Meetings is disclosed in Note 38.2 to the Financial Statements.

Board Committees

Five (5) meetings of the Board Audit Committee (BAC), four (4) meetings of the Board Risk Management Committee (BRMC), four (4) meetings of the Board Human Resource Committee (BHRC) and three (3) meetings of the Board Strategic Investment Committee (BSIC) were held during 2021.

The member(s) who were not able to attend any of the meeting(s) were duly granted leave of absence by the Committee. The details of the meetings attended by each Committee member are as under:

Name of Director	Representing	Designation and Name of Committee	No. of Meetings Attended			
			BAC	BRMC	BHRC	BSIC
Zahoor Ahmed – Acting Chairman	MOF - Pakistan	Chairman - BSIC				3
		Chairman - BHRC			4	
Aamer Mahmood Hussain – Director	MOF - Pakistan	Chairman - BAC	5			
		Member - BHRC			4	
		Chairman - BRMC		4		
		Invitee - BSIC				3
Gholamreza Khalil Arjmandi – Director	IFIC - Iran	Member - BAC	5			
		Member - BHRC			4	
		Member - BSIC				3
Hamidreza Raufi – Director	IFIC - Iran	Member - BAC	5			
		Member - BRMC		4		
		Member - BSIC				3
Abbas Daneshvar Hakimi Meibodi – MD / CEO	IFIC - Iran	Member - BHRC			4	
		Member - BSIC				3
		Member - BRMC		4		

Staff End of Service Benefits

The Bank operates two post-retirement funds, Provident Fund & Gratuity Fund. The carrying value of investments and bank balance of the respective funds as at December 31, 2021 were:

Value of the Investments and Bank Balances	Provident Fund	Gratuity Fund
	-----PKR '000-----	
2021 – unaudited	94,456	96,999
2020 – audited	90,632	65,342

Earnings / (Loss) Per Share

Basic and Diluted (loss) / earnings per share have been disclosed in Note 33 of the Financial Statements.

Pattern of Shareholding

Shareholders	Shareholding
Government of Pakistan through the Ministry of Finance	50%
Government of Iran through Iran Foreign Investment Company	50%
Total	100%

Appointment of Auditors

The present auditors M/s. KPMG Taseer Hadi & Company, Chartered Accountants, have retired and are not eligible for re-appointment in the forthcoming Annual General Meeting. Therefore, on the suggestion of the Audit Committee, the Board of Directors recommends to the shareholders to appoint M/s. Yousuf Adil & Co. Chartered Accountants as the statutory auditor of the Company for the financial year ending December 31, 2022.

Future Outlook

Given the mounting challenges on the economic front in the form of elevated Current Account Deficit (CAD) & inflationary pressure due to commodity upcycle and higher aggregate demand, management considers that the Government and Central Bank have been very proactive to bring stability and preserve growth in the economy. The passing of the mini budget, which aims to collect additional revenues / remove subsidies of around PKR 350 billion, will also address fiscal concerns but will keep inflation in double digits. The revival of the EFF facility with the IMF will not only allow resumption of multilateral flows of IFIs, easing pressure on the Balance of Payment, it will also bring discipline on part of the Government towards macro-prudential measures.

All the economic activity bodes well for PAİR, we anticipate a positive outlook since the long-term measures are being taken rather than the short-term quick fixes. Opportunities for earnings are available both in the Debt and Equity Market, however, the private sector offtake remains a concern for the loan booking.

PAİR Investment sees a wide scope of business for itself in the year 2022, however it takes full cognisance of the challenges in terms of the high cost of funds and mounting inventory of non-performing loans. Therefore, it will be focusing on raising low funds from non-conventional sources for a DFI and will be expanding its customer base through its diversified product portfolio.

Appreciation and Acknowledgement

We would like to thank our customers and business partners for the trust they have placed in us. We offer sincere appreciation to the Iran Foreign Investment Company, Ministry of Finance - Government of Pakistan, State Bank of Pakistan and Securities & Exchange Commission of Pakistan for their guidance and cooperation extended to our Company. Finally, we are also thankful to our associates, staff, and colleagues for their commitment and their contribution to the progress of our business.

Zahoor Ahmed
Acting Chairman of the Board of Directors

Abbas Daneshvar Hakimi Meibodi
Managing Director / Chief Executive Officer

February 20, 2022
Islamabad, Pakistan

آڈیٹرز کا تقرر

موجودہ آڈیٹرز کے پی ایم جی تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس ریٹائر ہو چکے ہیں اور سالانہ جنرل اجلاس میں دوبارہ تقرری کے لئے اہل نہیں ہیں۔ لہذا آڈٹ کمیٹی کی تجویز پر، بورڈ آف ڈائریکٹرز حصص یافتگان کو یوسف عادل سلیم اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی 31 دسمبر 2022 کو ختم ہونے والے مالی سال کے لئے کمپنی کے قانونی آڈیٹر کی حیثیت سے تقرری کی سفارش کرتے ہیں۔

مستقبل کا نظریہ

معیشت میں بڑھتے ہوئے کرنٹ اکاؤنٹ خسارے اور اجناس کی قیمتوں میں اضافے کے رجحان اور زیادہ مجموعی طلب کی وجہ سے مہنگائی کے دباؤ کی صورت میں معاشی محاذ پر بڑھتے ہوئے چیلنجوں کو دیکھتے ہوئے، انتظامیہ کا خیال ہے کہ حکومت اور مرکزی بینک استحکام لانے اور ترقی کو برقرار رکھنے کے لیے بہت فعال رہے ہیں۔ منی بجٹ کی منظوری، جس کا مقصد تقریباً 350 ارب روپے کے اضافی محصولات جمع کرنا/سبسڈیز کو ہٹانا ہے، مالیاتی خدشات کو دور کرے گی لیکن مہنگائی کو دوہرے ہندسے میں رکھے گی۔ آئی ایم ایف کے ساتھ ای ایف ایف سہولت کی بحالی سے آئی ایم ایف کے کثیر الجہتی بہاؤ کی بحالی، ادائیگی کے توازن پر دباؤ میں کمی اور حکومت کی جانب سے پروڈنشل اقدامات کے حوالے سے نظم و ضبط بھی لائے گا۔

پائر کے لیے تمام اقتصادی سرگرمیاں اچھی ہیں، ہم ایک مثبت نقطہ نظر کی توقع کرتے ہیں کیونکہ مختصر مدت کی فوری اصلاحات کے بجائے طویل مدتی اقدامات کیے جا رہے ہیں۔ قرض اور ایکویٹی مارکیٹ، دونوں میں کمائی کے مواقع دستیاب ہیں، تاہم قرض کی بکنگ کے لیے نجی شعبے کا حصول تشویش کا باعث ہے۔

پائر کی سرمایہ کاری سال 2022 میں اپنے لیے کاروبار کا وسیع امکان دیکھتی ہے، تاہم یہ فنڈز کی زیادہ لاگت اور غیر فعال قرضوں کی بڑھتی ہوئی انویسٹری کے لحاظ سے چیلنجوں کا مکمل ادراک رکھتا ہے۔ لہذا، یہ DFI کے لیے غیر روایتی ذرائع سے کم فنڈز اکٹھا کرنے پر توجہ مرکوز کرے گا اور اپنے متنوع پروڈکٹ پورٹ فولیو کے ذریعے اپنے کسٹمرز کو بڑھا رہا ہے۔

قدر دانی کا اعتراف

ہم تہہ دل سے اپنے صارفین اور شرکاء کاروبار کا شکریہ ادا کرتے ہیں کہ جنہوں نے ہم پر بھرپور اعتماد کا اظہار کیا اور ہم ایران فارن انویسٹمنٹ کمپنی، وزارت خزانہ، حکومت پاکستان، بینک دولت پاکستان اور سیکوریٹی اینڈ ایچینج کمیشن آف پاکستان کی دل کی گہرائیوں سے قدر کرتے ہیں۔ جنہوں نے ہماری کمپنی کی بھرپور رہنمائی اور اعانت فرمائی۔ آخر میں ہم ہمارے وابستگان، عملے اور رفقاء سے بھی اظہار تشکر بجالاتے ہیں، جنہوں نے ہمارے کاروبار کی ترقی و فروغ کے لئے اپنا زبردست عزم اور حصہ فراہم کیا۔

عباس دانشور حکیمی میبودی
مینجنگ ڈائریکٹر/چیف ایگزیکٹو آفیسر

ظہور احمد
ایگزیکٹو چیئر مین آف بورڈ آف ڈائریکٹرز

20 فروری، 2022

اسلام آباد، پاکستان

BSIC	BHRC	BRMC	BAC	عہدہ اور کمیٹی کا نام	نمائندہ برائے	ڈائریکٹر کا نام
3				BSIC چیئر مین	ایم اوائف - پاکستان	ظہور احمد - ایکٹنگ چیئر مین
	4			BHRC چیئر مین		
			5	BAC چیئر مین	ایم اوائف - پاکستان	عامر محمود حسین - ڈائریکٹر
	4			BHRC ممبر		
		4		BRMC چیئر مین		
3				BSIC نوائی		
			5	BAC ممبر	آئی ایف آئی سی - ایران	غلام رضا خلیل رحمدی - ڈائریکٹر
	4			BHRC ممبر		
3				BSIC ممبر		
			5	BAC ممبر	آئی ایف آئی سی - ایران	حامد رضا رونی - ڈائریکٹر
		4		BRMC ممبر		
3				BSIC ممبر		
	4			BHRC ممبر	آئی ایف آئی سی - ایران	عباس دانشور حکیمی مہبودی - ایم ڈی/سی ای او
3				BSIC ممبر		
		4		BRMC ممبر		

عملے کے اختتام ملازمت پر فوائد

کمپنی کے بعد ملازمت کے دوران فونڈز ہیں۔ پروویڈنٹ فنڈ اور گریجویٹ فنڈ۔ ان میں سے کی جانے والی سرمایہ کاریاں اور بینک بیلنس کی تفصیلات برطابق 31 دسمبر 2021 درج ذیل ہیں۔

سرماہ کاری اور بینک بیلنس کی قدر	پروویڈنٹ فنڈ	گریجویٹ فنڈ
----- ہزار روپے -----		
2021 - غیر آڈٹ شدہ	94,456	96,999
2020 - آڈٹ شدہ	90,632	65,342

آمدن فی حصص

بنیادی اور تخفیف شدہ آمدن فی حصص مالیاتی گوشواروں کے نوٹ نمبر 33 میں ظاہر کر دی گئی ہے۔

شیئر ہولڈنگ کا اسلوب

شیئر ہولڈنگ	شیئر ہولڈرز
50 فیصد	وزارت خزانہ کے ذریعے حکومت پاکستان
50 فیصد	ایران فارن انویسٹمنٹ کمپنی کے ذریعے حکومت ایران
100 فیصد	کل

پاڙن سالانہ بنیاد پر اپنے عملے کے ایک فرد کو بذریعہ شفاف قرضہ اندازی حج کی ادائیگی کیلئے بھی مدد فراہم کی ہے۔

انسٹیٹیوٹ کا نام	ہزار پاکستانی روپے
سندھ انسٹیٹیوٹ آف یورولوجی اینڈ ٹرانسپلانٹیشن	300
پشٹ ایڈ فاؤنڈیشن	300
دی سٹیزن فاؤنڈیشن	300

بورڈ آف ڈائریکٹرز اور ان کے اجلاس

سال 2021ء میں بورڈ کے 5 اجلاس منعقد ہوئے۔ ڈائریکٹرز جو اجلاس میں شریک ہونے سے قاصر تھے انہیں بورڈ کی جانب سے حاضری سے رخصت مرحمت کی گئی تھی۔ کمپنی کے ڈائریکٹرز نے درج ذیل اجلاس میں شرکت کی۔

ڈائریکٹر کا نام	کیٹیگری	نمائندہ برائے	اجلاس میں شرکت کی تعداد
ظہور احمد * - ڈائریکٹر	نان ایگزیکٹو ڈائریکٹر	ایم او ایف۔ پاکستان	5
عامر محمود حسین - ڈائریکٹر	نان ایگزیکٹو ڈائریکٹر	ایم او ایف۔ پاکستان	5
غلام رضا خلیل ارجند - ڈائریکٹر	نان ایگزیکٹو ڈائریکٹر	آئی ایف آئی سی۔ ایران	5
حامد رضارونی - ڈائریکٹر	نان ایگزیکٹو ڈائریکٹر	آئی ایف آئی سی۔ ایران	5
عباس دانشور حکیمی میبودی۔ ایم ڈی/سی ای او	ایگزیکٹو ڈائریکٹر	آئی ایف آئی سی۔ ایران	5

* مسٹر عارف احمد خان نے 25 مارچ 2019 کو بورڈ سے استعفیٰ دے دیا۔ مسٹر ظہور احمد اس کے بعد بورڈ کے ممبروں کی متفقہ رائے کے ساتھ بورڈ کے قائم مقام چیئرمین کی حیثیت سے اجلاسوں کی صدارت کر رہے ہیں۔

بورڈ کے ممبروں کو بورڈ میٹنگز کے لیے دیا گیا معاوضہ نوٹ نمبر 38.2 میں بیان کیا گیا ہے۔

بورڈ کمیٹیاں اور ان کے اجلاس

2021 کے دوران بورڈ آڈٹ کمیٹی (بی اے سی) کی پانچ (5) میٹنگز، بورڈ رسک مینجمنٹ کمیٹی (بی آر ایم سی) کی چار (4) میٹنگز اور چار (4) بورڈ ہیومن ریسورس کمیٹی (بی ایچ آر سی) کی میٹنگز اور بورڈ اسٹریٹجی انویسٹمنٹ کمیٹی (بی ایس آئی سی) کی تین (3) میٹنگز ہوئیں۔

وہ ممبر جو کمیٹی کے کسی بھی اجلاس میں شرکت کے قابل نہیں تھے، ان کو کمیٹی کی طرف سے باقاعدگی سے غیر حاضری کی چھٹی دے دی گئی۔ کمیٹی کے ہر ممبر کے اجلاسوں کی تفصیلات کچھ اس طرح ہیں۔

موجودہ معاشی صورتحال کے پیش نظر کمپنی اس بات پر آمادہ ہے کہ وہ اپنی توجہ نظم کاری کی سخت پالیسیوں کو استعمال میں لاتے ہوئے کمپنی کے کاروبار سے منسلک بڑے خطرات تعین کرے اور ان کے بچاؤ کی تدبیر کرے اور ان کی نگرانی کرے۔ ان امور کی وجہ سے آپ کی کمپنی نے سرگرمیوں کے ایک مجموعہ کی تشکیل کی ہے جس کے تحت ایک مرکزی طریقے کار کے ساتھ کمپنی کے اغراض و مقاصد کی ایک منظم طرح سے تکمیل کی جائے اور نئی کاروباری پیش رفت اور دشواریوں کو بروقت سمجھتے ہوئے کمپنی کے مالکان کے مفادات کا تحفظ کیا جائے اور ان کی دولت میں اضافہ کیا جائے۔

آپ کی کمپنی نے ایک بہترین اندرونی شرائط کفایت سرمایہ (ICAAP) کی جانچ پڑتال کا طریقہ کار اپنایا ہوا ہے تاکہ زیادہ حساس خطرات کا تخمینہ، سرمائے کی منصوبہ بندی، کمپنی بھر میں خطرات کا میلان کی باضابطگی قائم کی جائے تاکہ اندرونی اور بیرونی خطرات سے آگاہی رکھی جائے جو کہ کمپنی کے کام پر اثر انداز ہوتے ہیں۔ اس پر عمل کرنے سے کفایت سرمایہ کی مناسب نظم کاری ممکن ہوئی ہے جس کا تناسب کفایت سرمایہ 49.45 فیصد، بمع 2.5 فیصد کمپیٹل کنزرویشن بفر ہا جبکہ ریگولیٹری شرط کے مطابق یہ 11.5 فیصد تک ہونا چاہیے۔ اس کی وجہ سے لین دین کے سطح کے خطرات کی خاکہ سازی کے ساتھ ساتھ (Integrated Portfolio Management) کے لحاظ سے (Level Concentration) اور انفرادی لین دین کی حدود کا تعین کیا گیا ہے۔ پائروٹا فوٹا اپنی نامیاتی قوت کا اندازہ لگانے کے لئے (آزمائشی دباؤ) کا انعقاد کرتا رہتا ہے۔ یہ فرضی جائزہ دباؤ کے حالات میں کاروبار کے ہموار و یکساں کو یقینی بنانے میں مدد دیتا ہے۔ اس کے لیے CRMD مختلف خطرات پر مختلف دباؤ ڈال کر دیکھتا ہے جس میں شرح سود، قرضے کی فراہمی، حصص کی قیمت اور زریاں شامل ہیں۔ تازہ ترین آزمائشی دباؤ کے طریقہ کار سے جو نتائج برآمد ہوئے ہیں ان کے مطابق آپ کے ادارے کی مالیاتی حیثیت و مقام ٹھوس و مضبوط معلوم ہوتی ہے۔ آزمائش دباؤ کے طریقہ کار، جو پائز کی جانب سے نافذ ہیں، وہ بینک دولت پاکستان کے رہنما اصولوں سے مکمل طور پر پیوستہ وہم آہنگ ہیں۔ CRMD پوری کمپنی کے طریقہ کار، نظام ہائے کار اور طریقہ کار گزارشات کی تشکیل فروغ میں شامل رہا ہے۔ تاکہ کمپنی کی Rating بہترین رکھی جائے اور خطرات کی نظم کاری کے اصولوں کو معنی و مفہوم کے ساتھ اختیار کیا جائے۔ مزید یہ کہ بورڈ کی خطرات کی نظم کاری کرنے والی کمیٹی آپ کی کمپنی کی خطرات کی نظم کاری سے متعلق حکمت عملی کی نگرانی کرتی ہیں۔ اس کے ساتھ اندرونی آڈٹ کا محکمہ آزدانہ طور پر بڑے بڑے خطرات کا جائزہ لیتا ہے۔ اور یہ کام سال بھر جاری رہتا ہے اس میں کمپلائنس کا محکمہ اور اندرونی کنٹرول، اندرون آڈٹ کے محکمہ کی مدد کرتا ہے۔

مالیاتی گوشواروں کی تاریخ کے بعد ہونے والے واقعات

مالیاتی گوشواروں کی تاریخ کے بعد ایسا کوئی واقعہ رونما نہیں ہوا جس کی وجہ سے ان گوشواروں میں تبدیلی کی ضرورت ہو، ماسوائے ان واقعات کے جن کے بارے میں ان گوشواروں میں بیان پہلے سے شامل ہے۔

کارپوریٹ سماجی ذمہ داری

کمپنی مضبوطی سے ایک ذمہ دار کارپوریٹ شہری ہونے پر یقین رکھتی ہے اور ہماری طویل مدتی کامیابی میں لازمی کردار ادا کرتی ہے، اور اپنے کام کی ثقافت کے ہر پہلو میں نقطہ نظر کو شامل کرنے کی کوشش کرتی ہے۔ آپریٹنگ منافع کی ہماری ترجیح کے علاوہ، کمپنی اپنی سماجی ذمہ داریوں سے بھی آگاہ ہے، جو کاروبار سے بالاتر ہے، خاص طور پر ملازمین، معاشرے اور ماحولیات سے متعلق اپنی وابستگی سے۔

کمپنی کمیونٹی کی ترقی اور فروغ کی حوصلہ افزائی کرتی رہے گی، اس طرح مالی سال 2022 اور اس سے آگے کے پائیدار مستقبل کی تعمیر میں اپنا کردار ادا کرے گی۔ دو برادرانہ ملکوں کی مشترکہ کمپنی ہونے کے ناطے ایران سے فلاحی اداروں کی شمولیت کو بھی یقینی بنایا جائے گا۔ جو کہ ثانی الذکر کی قانونی منظور یوں سے مشروط ہے۔

کرڈیٹ ریٹنگ

پاکستان کرڈیٹ ریٹنگ ایجنسی لمیٹڈ (پیکرا) نے کمپنی کی طویل المدت درجہ بندی (ڈبل اے) اور قلیل المدت درجہ بندی (اے ون پلس) کی توثیق کی ہے۔ ان درجہ بندی سے قرضوں کے خطرہ کی بہت کم توقع کی نشاندہی ہوتی ہے جس میں مالی وعدوں کی بروقت ادائیگی کے لئے ایک بہت ہی مضبوط صلاحیت پیدا ہوتی ہے۔ پائز کی درجہ بندی بنیادی طور پر پاکستان اور ایران کی مشترکہ خود مختار ملکیت کی عکاسی کرتی ہے۔

اندرونی کنٹرول کا بیان

بورڈ مسرت کے ساتھ انتظامیہ کی جانب سے اندرونی کنٹرول پر جاری کردہ بیان، بشمول آئی سی ایف آر کے بارے میں بیان، کی تصدیق کرتا ہے۔ انتظامیہ کا اندرونی کنٹرول پر بیان سالانہ رپورٹ میں شامل ہے۔

ادارہ جاتی اور مالیاتی رپورٹنگ کا دائرہ کار

دسمبر 2021 کو ختم ہونے والے مالیاتی سال میں پائز کے بورڈ آف ڈائریکٹرز نے ایک اچھے ادارہ جاتی نظم و نسق کے نفاذ کی خاطر ادارہ جاتی نظم کے ضابطے کی متعلقہ شقوں پر عمل درآمد کیا ہے۔ ادارہ جاتی ضابطوں کی پابندی کے مطابق بیرونی آڈیٹر کی جائزہ رپورٹ اس رپورٹ کے ساتھ منسلک ہے۔ جیسا کہ ادارہ جاتی نظم کے ضابطے کے تحت درکار ہے۔ بورڈ آف ڈائریکٹرز بیان کرتے ہیں کہ:

- پائز کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے اس کے امور کار، اس کی سرگرمیوں کے نتائج، نقد بہاؤ اور ملکیت میں تبدیلی کو منصفانہ طور پر پیش کرتے ہیں۔
- کمپنی نے مناسب کھاتے اپنے پاس رکھے ہیں۔
- حسابات کی مناسب طریقہ کار کو مالیاتی گوشواروں کی تشکیل کے لئے مستقل بنیادوں پر بروئے کار لایا گیا ہے اور ان میں استعمال کئے جانے والے اہم اعداد و اہم معقول تھے۔
- ان مالیاتی گوشواروں کے بنانے میں انٹرنیشنل اکاؤنٹنگ اسٹینڈرز، جس حد تک پاکستان میں لاگو ہے، کی پیروی کی گئی ہے اور جہاں انحراف کیا گیا ہے اس کو مناسب انداز میں ظاہر کر دیا گیا ہے۔
- ایک مسلسل جاری عمل کے طور پر، اندرونی کنٹرول کے نظام کو موثر انداز سے نافذ رکھنے کے لئے کوشش کی جا رہی ہے جو کہ حکام کی شرائط کے بھی عین مطابق ہو۔
- پائز کے ایک جاری و ساری کاروبار ہونے کی صلاحیت پر کوئی شک و شبہ نہیں ہے۔
- ادارہ جاتی نظم کے ضابطے کے بہترین طور طریقوں سے کوئی عملی انحراف نہیں کیا گیا۔
- پائز کے 2013 سے 2021 تک کے کلیدی عملی اور مالیاتی معلومات خلاصے کی شکل میں اس رپورٹ میں شامل کی گئی ہے۔
- ٹیکس بقایا جات کی رقم اور اس سے منسلک وجوہات ان مالیاتی گوشواروں میں مناسب طور پر ظاہر کر دی گئی ہیں۔

خطرات کی نظم کاری کا دائرہ

مختلف کاروباری خطرات کی آگاہی رکھتے ہوئے ایک موثر خطرات کی نظم کاری کا دائرہ کار پائز کی ادارہ جاتی حکمت عملی کا حصہ ہے۔ ایک خود مختار خطرات کی نظم کاری کا محکمہ (CRMD) ایک مرکزی حصہ کے طور پر کام کر رہا ہے تاکہ پورے ادارے میں خطرات کی نظم کاری سرگرمیوں کو BASEL II/III کے مطابق مضبوط کیا جائے۔ پائز بینک دولت پاکستان کے تحت دیئے جانے والے (Standardized Approach for Credit & Market Risk) اور (Basic Indicator Approach for Operational Risk) کے مطابق شرائط کفایت سرمایہ کے ساتھ مکمل ہم آہنگ ہے۔

اقدامات سے، جن کے اثرات اب ظاہر ہونا شروع ہوں گے، ان تمام تر چیزوں سے طلب میں کمی ہونی چاہئے۔ سال بھر میں نجی شعبے کے قرضے میں مجموعی طور پر 13.4 فی صد اضافہ ہوا ہے جس کی بڑی وجہ چاول، ٹیکسٹائل، پٹرولیم اور اسٹیل کی صنعتوں کی جانب سے ورکنگ کیپٹل قرضوں کی بڑھتی ہوئی مانگ تھی۔

2021 میں اسٹاک مارکیٹ ایک حد پابند کے اندر رہتے ہوئے کام کرتی رہی اور اس نے سالانہ 1.9 فی صد اضافہ دیا۔ مارچ 2021 میں 42780 کے درجے پر اس سال میں سب سے نچلی سطح پر تھی جبکہ جون 2021 کے وسط میں 48726 سال کی بلند ترین سطح تک پہنچی۔ مارکیٹ سال بھر اپنی تیزی کی بلند ترین سطح اور مندی کی نچلی ترین سطح کے درمیان گھومتی نظر آتی۔ بنیادی نقطہ نظر سے مارکیٹ اس وقت ایک پرکشش پرائس ٹو آرنگز (P/E) پر ٹریڈ کر رہی ہے اور 2021 کے کارپوریٹ نتائج، جو کہ منافع میں صحت مند ترقی دکھا رہے ہیں، اس بات پر اتفاق رائے ہے کہ جلد ہی مارکیٹ دوہرے ہندسے کے برابر آمدنی دینا شروع کر دے گی۔

مالیاتی جھلکیاں

کل اثاثے 3.724 بلین روپے کے اضافے کے ساتھ 25.013 بلین روپے پر بند ہوئے جبکہ کل اثاثے 31 دسمبر 2020 کو 21.289 بلین روپے تھے۔ خالص سرمایہ کاری میں تقریباً 3.323 بلین روپوں کا اضافہ ہوا جبکہ 31 دسمبر 2020 کے مقابلے میں خالص قرضہ جات میں 352 بلین روپوں کا اضافہ ہوا۔ شرح سود کے بڑھتے ہوئے رجحان کے پیش نظر اور ریگولیٹری کی جانب سے فارورڈ پالیسی کے رہنما خطوط کو مد نظر رکھتے ہوئے انتظامیہ مختصر مدت میں سرمایہ کاری میں بہتری سمجھتی ہے۔ اس لئے سرمایہ کاری کرتے ہوئے اس بات کو ترجیح دی گئی کہ مختصر مدت کے بانڈز میں یا پھر فلوٹنگ ریٹ سیکورٹیز میں سرمایہ رکھا جائے۔ حصص کے کاروبار کو سال کے دوران یکساں سطح پر رکھا گیا تھا جبکہ سال بھر خرید و فروخت کے ذرائع آمدنی کمانے اور بڑھانے کے مواقع استعمال کئے گئے۔

قرضہ جات کی ترقی عمومی طور پر سست روی کا شکار ہے، تاہم نئے ناموں کو مسلسل بنیادوں پر شامل کرنے کا کام جاری ہے۔ مزید برآں جوں جوں مجموعی قرضوں کے حجم میں اضافہ ہو رہا ہے، ویسے ویسے ان قرضوں کی تقسیم سے متعلق کام میں بھی اضافہ دیکھا گیا ہے، یہاں تک کہ سال کے دوران مجموعی طور پر 3.152 بلین روپے کے قرضے دیئے گئے۔ تاہم ادائیگیاں اور بعض صورتوں میں وقت سے پہلے ادائیگیاں مشکلات بنی رہیں۔ اس بات کا اندازہ ادائیگی کی رقم سے واضح ہے جو کہ سال کے دوران 2.537 بلین روپے رہی۔ انتظامیہ ان مشکلات سے بخوبی آگاہ ہے اور اسی لئے ٹیم بڑھانے اور درتک رسائی کو یقینی بنانے کے لئے کوشاں ہے۔ کاروباری ٹیم کے کئے ہوئے کام کو بنیاد بنا کر توقع کی جاسکتی ہے کہ مجموعی قرضہ جات میں جلد ہی ترقی ہوگی۔

31 دسمبر 2021 کو ختم ہونے والے سال کی آمدنی میں مارک اپ سے حاصل ہونے والی آمدنی میں 20 فی صد جبکہ دیگر آمدنیوں میں سال بہ سال کی بنیاد پر دو گنے سے بھی زیادہ اضافہ ہوا ہے۔ کمپنی نے سرمایہ کاری کی مد میں 736.6 بلین روپے کی خالص آمدنی حاصل کی جو سال بہ سال کی بنیاد پر 27 فی صد کم ہے اس کمی کی وجوہات میں اس بات کو مد نظر رکھنا چاہیے کہ سال 2020 میں شرح سود 625 پیسے پوائنٹس زیادہ تھی اور گزشتہ سال کی آمدن میں شامل سرمایہ کاری کا پورٹ فولیو ختم ہو چکا ہے۔ دیگر آمدنیوں نے صورتحال کو کچھ بہتر بنایا جو کہ گزشتہ سال کے مقابلے میں 146 فی صد زیادہ تھیں۔ اس کارکردگی میں پروسیڈنگ فیس اور کمیشن سے حاصل ہونے والی آمدنی ہے جو کہ 8.3 بلین روپوں کے مقابلے میں 18.7 بلین رہی، ڈیویڈنڈ کی آمدنی 88.045 بلین روپے کو پہنچ گئی جو کہ گزشتہ برس 43.840 بلین روپے تھی۔ حصص کی فروخت سے حاصل ہونے والے کیپٹل گین کی مد میں 187 بلین روپے کی آمدنی ہوئی جو کہ گزشتہ برس میں 52.321 بلین روپے تھی۔ مجموعی طور پر دیگر آمدنی 70.717 بلین روپے کے مقابلے میں 174.07 بلین رہی۔ ریگولیٹری اور سماجی ذمہ داریوں پر سمجھوتہ کئے بغیر انتظامی اخراجات کو قابو میں رکھا گیا جس کی وجہ سے انتظامی اخراجات میں صرف 4 فی صد اضافہ ہوا۔

غیر فعال قرضوں کی مد میں کی جانے والی پروویژن انتظامیہ کے لئے تعجب کی بات نہیں تھی۔ یہ تمام پچھلے سالوں کے بوجھ ہیں جن کو انتظامیہ نے مناسب طریقہ سے سنبھال لیا۔ سال رواں کے دوران غیر فعال قرضوں کی مد میں 273.95 بلین کا اضافی پروویژن لیا گیا۔ انتظامیہ مختلف قرضہ جات پر گہری نظر رکھے ہوئے چوکس نگرانی کر رہی ہے۔ یہ وہ قرضہ جات ہیں جہاں قرض دہندگان کو کوویڈ 19 کی وجہ سے درپیش مشکلات کی بنا پر اسٹیٹ بینک کی جانب سے خاص مراعات دینے کی ہدایت کی گئی تھی۔

ڈائریکٹرز رپورٹ

سال جس کا اختتام 31 دسمبر 2021ء کو ہوا

بورڈ آف ڈائریکٹرز کی جانب سے، میں مسرت کے ساتھ 31 دسمبر 2021 کو ختم ہونے والے سال کے لیے پائرا نوویسٹمٹ کمپنی لمیٹڈ کے مالیاتی گوشوارے پیش کرتا ہوں۔ یہ مالیاتی گوشوارے BSD circular No.14 بتاریخ 24 دسمبر 2004 کے مطابق بنائے گئے ہیں۔

معاشی جائزہ

پاکستان کی معیشت میں وبائی مرض کی وجہ سے ہونے والے سکڑاؤ سے بحالی کی توقع سے بہتر آٹا نظر آئے ہیں۔ اس بحالی کو، جس کو نازک قرار دیا جا رہا تھا، وہ زیادہ مستحکم اور پکدار نکلی۔ کوویڈ کی لہریں عارضی طور پر ہنگامہ خیزی پیدا کرتی رہیں، تاہم ان کے اثرات کو معیشت پر اثر انداز ہونے سے بچائے رکھا گیا۔ یہ ڈیکسینیشن میں مسلسل پیشرفت، اور حکومت کی جانب سے وبائی مرض کے مجموعی طور پر مستعد انتظام کے ذریعہ ممکن ہوا، معاشی بحالی اب وبائی امراض سے متعلق غیر یقینی صورتحال سے کم خطرے میں نظر آتی ہے۔ لہذا ترقی کو زیادہ عرصہ تک پائیدار کرنے کی غرض سے مناسب پالیسی کس کو یقینی بنانے پر زور دیا جا رہا ہے، تاکہ افراط زر کی توقعات کو لنگر انداز رکھا جاسکے اور درآمدات میں اضافے اور اشیاء کی بلند قیمتوں کی وجہ سے بڑھتے ہوئے کرنٹ اکاؤنٹ خسارے میں نمو کو سست کیا جاسکے جبکہ یہ خسارہ 2021 میں بین الاقوامی منڈیوں میں قیمتوں میں اضافہ کی وجہ سے نمودار ہوا۔

جنوری 2022 میں ہونے والی اپنی تازہ ترین میٹنگ میں مانیٹری پالیسی کمیٹی (MPC) نے پالیسی ریٹ کو 9.75 فیصد پر برقرار رکھنے کا فیصلہ کیا۔ اس فیصلے میں زیادہ توجہ افراط زر کو کم کرنے اور جاری اقتصادی بحالی کو پائیدار رکھنے پر مرکوز رکھی گئی۔ ستمبر 2021 کے بعد سے پالیسی ریٹ میں مجموعی طور پر 275 بیسیس پوائنٹ اضافہ ہوا ہے، بیسک کیش ریزرو کی مدد بڑھائی گئی ہے۔ صارفین کے مالیات کی ریگولیٹری سختی اور غیر ضروری درآمدات کو کم کرنے کو ترجیح دی گئی ہے۔

شماراتی بیورو کی رپورٹس کے مطابق کرنٹ اکاؤنٹ میں خسارے کی وجوہات میں کئی چیزیں شامل ہیں، جیسے درآمدات میں زبردست اضافہ ہے۔ جبکہ درآمدات میں توانائی کی درآمدات اور کوویڈ ڈیکسینیشن نصف سے زیادہ اضافے کا باعث ہیں۔ حوصلہ افزا بات یہ ہے کہ 2021 کے آخری مہینوں میں توانائی اور ویکسینز کو چھوڑ کر درآمدات میں استحکام آیا ہے۔ برآمدات سال بہ سال تقریباً 25 فیصد بڑھ کر 15.1 بلین ڈالر تک پہنچ گئیں، جو ٹیکسٹائل کی ریکارڈ اعلیٰ ترسیل کے ساتھ ساتھ چاول کی مضبوط برآمدات کی وجہ سے بڑھی۔ دریں اثناء مالی سال کی پہلی ششماہی کے دوران ترسیلات زر سال بہ سال 11.3 فیصد بڑھ کر 15.8 بلین ڈالر کی بلند ترین سطح پر پہنچ گئیں۔ آگے کا جائزہ لیتے ہوئے توقع ہے کہ مالی سال 2022 میں کرنٹ اکاؤنٹ کے خسارے میں کمی واقع ہوگی کیونکہ عالمی اجناس کی منڈی میں قیمتوں میں کمی متوقع ہے اور طلب میں اعتدال لانے کے لئے کئے گئے اقدامات کے بھرپور اثرات مرتب ہوتے ہوئے نظر آ رہے ہیں جن سے درآمدی اشیاء کی نمو میں سست روی پیدا ہوگی۔ کرنٹ اکاؤنٹ کے اندازے دو جانب سے مشروط ہیں۔ ایک طرف اگر عالمی منڈی میں اجناس کی قیمتوں کو معمول پر لانے میں زیادہ وقت لگا تو خسارہ زیادہ ہو سکتا ہے، دوسری طرف اس میں کمی آسکتی ہے، اگر ضمنی بجٹ سے وابستہ مالی استحکام کا طلب پر تیز اور زیادہ واضح اثر ہو۔

ایف بی آر کی محصولات کی وصولیوں میں اضافہ ہوا۔ آنے والے وقت کا جائزہ لیا جائے تو ضمنی بجٹ کی منظوری کے ساتھ جو ٹیکسز میں تخفیفات (چھوٹ) میں کمی کی گئی ہے، اس سے نظر آتا ہے کہ مالیاتی خسارہ G.D.P کا تقریباً 5.0 فی صد ہوگا، جو کہ اس اندازہ سے کم ہے جو 2022 کے لئے لگایا گیا تھا۔ حالیہ پالیسی ریٹ میں اضافے اور مالیاتی

STATEMENT OF INTERNAL CONTROLS

For the Year Ended December 31, 2021

This Statement is being issued in compliance with the Guidelines on Internal Controls, issued by the State Bank of Pakistan (SBP) vide BSD Circular No. 7 dated May 27, 2004. Paragraph 7a of the SBP Guidelines on Internal Controls requires all Banks and DFIs to assess their internal controls and their effectiveness.

Evaluation of Internal Control Systems by Management

The management of PAİR Investment is responsible for (i) preparing the DFI's annual Financial Statements in accordance with the approved accounting standards as applicable in Pakistan, and (ii) establishing and maintaining an adequate internal control structure and procedures for financial reporting.

The management of PAİR Investment maintains an effective organisational structure, institutes appropriate control procedures and monitors the adequacy / effectiveness of internal control systems. The Board of Directors is ultimately responsible for ensuring that an adequate and effective System of Internal Controls is established, efforts are made to implement sound control procedures and a suitable control environment is maintained.

The management of PAİR Investment has adopted the internationally accepted COSO Integrated Framework, in accordance with the Guidelines on Internal Controls from the State Bank of Pakistan, and has completed all stages of Internal Control over Financial Reporting (ICFR). In addition the DFI has formulated comprehensive guidelines for adherence to the COSO Framework on a continuing basis.

Because of its inherent limitations, Internal Control over Financial Reporting may not prevent or detect and correct misstatements. Also, projections of any evaluation of the effectiveness of future periods are subject to the risk that Controls may become inadequate because of changes, or that the degree of compliance with the policies and procedures may deteriorate.

At a management level, the Internal Control Monitoring Committee (ICMC) is responsible for monitoring the adequacy and effectiveness of the Internal Control System, including ICFR, by periodical review and implementation of the internal control gaps / deficiencies identified by the respective departments as a result of self-assessment, internal auditors, external auditors and regulator's reviews. The gap / recommendation report is then submitted to ICMC which decides on the priority and implementation initiatives required, taking into account the nature and size of the business and cost-benefit analysis of the proposed controls.

Furthermore, it also oversees the implementation of the internal controls framework and monitors the progress. Significant findings of testing are presented to the Audit Committee of the Board.

As required by the SBP, the Long Form Report (LFR) on the assessment of the DFI's ICFR for the year 2020 was issued by the statutory auditors and has been submitted to the SBP. None of the deficiencies identified are expected to have a material impact on Financial Reporting. Respective departments have carried out testing of the effectiveness of ICFR prevalent throughout the DFI for the year 2021. Statutory auditors were engaged to prepare a Long Form Report on ICFR as of December 31, 2021.

The DFI is continuously making efforts to ensure that an effective and efficient Internal Control System remains active and is implemented through consistent and continuous monitoring that would help in further improving the overall control environment.

Based upon the results achieved from reviews and audits conducted during the year, management considers that the existing Internal Control System is adequate and has been effectively implemented and monitored, though room for improvement always exists.

**Managing Director /
Chief Executive Officer**

Chief Financial Officer

Chief Internal Auditor

Date: 19 February, 2022



INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of PAiR Investment Company Limited

Review report on the Statement of Compliance with the best practices of the 'Code of Corporate Governance' issued by the Securities & Exchange Commission of Pakistan (SECP)

We have reviewed the enclosed Statement of Compliance with the best practices of the 'Code of Corporate Governance' issued by the Securities & Exchange Commission of Pakistan (SECP) ("the Regulations") prepared by the Board of Directors of **PAiR Investment Company Limited** ('the Company') for the year ended 31 December, 2021 in accordance with the requirements of the Regulations (as adopted).

The responsibility for voluntary compliance with the Regulations (as adopted) is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations (as adopted) and report if it does not and to highlight any non-compliance with the requirements of the Regulations (as adopted). A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations (as adopted).

As 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 Company's corporate governance procedures and risks.

The Regulations (as adopted) requires the 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 and also ensure compliance with the requirements of Section 208 of the Companies Act, 2017. 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. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

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 Company's compliance, in all material respects, with the requirements contained in the Regulations (as adopted) by the Company for the year ended 31 December, 2021. We draw attention to the following matters described in the enclosed Statement:

- The Regulations are not applicable on Development Finance Institutions (DFIs) vide BPRD Circular No. 14 dated October 20, 2016 issued by the State Bank of Pakistan. However, the Company has voluntarily adopted certain provisions of the Regulations as mentioned in the enclosed Statement.
- The Company has also obtained an exemption from State Bank of Pakistan (SBP), from Prudential Regulation G-1 regarding the appointment of independent directors and membership of the Chairman in any two sub-committees, subject to compliance with all other applicable laws, rules and regulations.

Date: 12 March, 2022

Karachi

UDIN: CR2021102017FLdi8bRI

**KPMG Taseer Hadi & Co.
Chartered Accountants**

STATEMENT OF COMPLIANCE WITH BEST PRACTICE OF THE CODE OF CORPORATE GOVERNANCE For the Year Ended December 31, 2021

SBP vide BPRD Circular No. 14 dated October 20, 2016 has advised that the requirement in terms of Prudential Regulation G-1 with regards to the applicability of Code of Corporate Governance issued by the Securities & Exchange Commission of Pakistan (SECP) shall not be applicable on DFIs. However, it is expected that all DFIs will continue to follow the best practices of Corporate Governance. Accordingly, the Company has adopted certain provisions of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the 'Regulations'), as applicable.

Accordingly, the Statement of Compliance prescribed by SECP as given below has been adjusted to the extent the same has been adopted by the Company.

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

1. As per the joint venture arrangement between Government of Pakistan and Government of Iran, the Company's Board of Directors comprises of six directors and all directors are nominated by both the shareholders. The Company encourages representation of non-executive directors on its Board of Directors (the Board). At present, the Board includes the following five Directors:

Category	Names
Executive Director	Mr. Abbas Daneshvar Hakimi Meibodi
Non-Executive Directors	Mr. Zahoor Ahmed Mr. Aamer Mahmood Hussain Mr. Gholamreza Khalil Arjmandi Mr. Hamidreza Raufi

The Company has obtained relaxation from State Bank of Pakistan with regards to the requirement of independent directors.

2. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
3. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
4. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that a complete record of particulars of significant policies along with their date of approval or updating is maintained by the Company.
5. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board as empowered by the relevant provisions of the Act and these Regulations (as adopted).
6. 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 directives issued by the State Bank of Pakistan and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.

7. The Board has a formal policy and transparent procedure for remuneration of directors in accordance with the directives issued by the State Bank of Pakistan and the Regulations.

8. The Board has arranged Directors' Training Program for the following:

Name of Director	Designation
Mr. Zahoor Ahmed	Director / Acting Chairman

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

10. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

11. The Chief Financial Officer and the Chief Executive Officer duly endorsed the Financial Statements before approval of the Board;

12. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

13. The Company has complied with all the corporate and financial reporting requirements of the CCG.

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

a) Board Audit Committee (BAC):

Name of Director	Category
Mr. Aamer Mahmood Hussain	Non-executive / Chairman
Mr. Gholamreza Khalil Arjmandi	Non-executive / Member
Mr. Hamidreza Raufi	Non-executive / Member
Mr. Zahoor Ahmed	Non-executive / Member

b) Board HR Committee (BHRC):

Name of Director	Category
Mr. Zahoor Ahmed	Non-executive / Chairman
Mr. Aamer Mahmood Hussain	Non-executive / Member
Mr. Abbas Daneshvar Hakimi Meibodi	Executive Director / Member
Mr. Gholamreza Khalil Arjmandi	Non-executive / Member

c) Board Risk Management Committee (BRMC):

Name of Director	Category
Mr. Aamer Mahmood Hussain	Non-executive / Chairman
Mr. Abbas Daneshvar Hakimi Meibodi	Executive Director / Member
Mr. Hamidreza Raufi	Non-executive / Member

d) Board Strategic Investment Committee (BSIC):

Name of Director	Category
Mr. Zahoor Ahmed	Non-executive / Chairman
Mr. Gholamreza Khalil Arjmandi	Non-executive / Member
Mr. Abbas Daneshvar Hakimi Meibodi	Executive Director / Member
Mr. Hamidreza Raufi	Non-executive / Member

15. The frequency of meetings of the Committee were as per the following:

(a) Audit Committee: Minimum quarterly meetings of the Audit Committee were held, the details of which are as under:

Sr. No.	Particulars of Meetings	Date of Meetings
1	52nd BAC Meeting	19-Feb-21
2	53rd BAC Meeting	23-Apr-21
3	54th BAC Meeting	25-Sep-21
4	55th BAC Meeting	23-Oct-21
5	56th BAC Meeting	11-Dec-21

(b) Board Human Resource Committee: The BHRC Committee met quarterly during the year, the details of which are as under:

Sr. No.	Particulars of Meetings	Date of Meetings
1	32nd BHRC Meeting	20-Feb-21
2	33rd BHRC Meeting	24-Apr-21
3	34th BHRC Meeting	25-Sep-21
4	35th BHRC Meeting	23-Oct-21

(c) Board Risk Management Committee (BRMC): The BRMC met quarterly during the year, the details of which are as under:

Sr. No.	Particulars of Meeting	Date of Meetings
1	38th BRMC Meeting	19-Feb-21
2	39th BRMC Meeting	23-Apr-21
3	40th BRMC Meeting	25-Sep-21
4	41st BRMC Meeting	23-Oct-21

(d) Board Strategic Investment Committee (BSIC): The BSIC met on the following dates during the year, details of which are as under:

Sr. No.	Particulars of Meetings	Date of Meetings
1	16th BSIC Meeting	25-Sep-21
2	17th BSIC Meeting	23-Oct-21
3	18th BSIC Meeting	11-Dec-21

16. The terms of reference of the aforesaid Committees have been formed, documented and advised to the Committee for compliance.

17. The Board has set up an effective internal audit function, which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Programme 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, Chief Internal Auditor, Company Secretary or Director of the Company;
19. 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; and
20. We confirm that all requirements of Regulations 3, 8, 32, 33 and 36 of the Regulations have been complied with.

Abbas Daneshvar Hakimi Meibodi
MD / CEO

Zahoor Ahmed
Acting Chairman

INDEPENDENT AUDITOR'S REPORT

To the Members of PAİR Investment Company Limited

Report on the Audit of the Financial Statements



Opinion

We have audited the annexed Financial Statements of PAİR Investment Company Limited (the Company), which comprise the statement of financial position as at 31 December 2021, and the Profit and Loss account, the statement of comprehensive income, the statement of changes in equity and cash flow statement for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies 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, the Profit and Loss account, the statement of comprehensive income, the statement of changes in equity and cash flow statement 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 Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of the profit, the 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 Company 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.

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 Company's Annual Report for the year ended 31 December, 2021, 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 for the Financial Statements

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of the Companies Act, 2017 (XIX of 2017) 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 is responsible for assessing the Company'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 either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance 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 judgement 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management'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 Company'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 Company to cease to continue as a going concern.
- 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 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 to the Board of Directors 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.

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 Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the Profit and Loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) No Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Mr. Aryn Pirani.

Date: 11 March, 2022

Karachi

UDIN: AR2021102019SO1AxUCT

KPMG Taseer Hadi & Co.
Chartered Accountants

FINANCIAL STATEMENT



PAİR INVESTMENT COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	31 December 2021	31 December 2020
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks	5	75,966	54,919
Balances with other banks	6	162,471	74,589
Lendings to financial institutions	7	-	-
Investments	8	16,975,437	13,651,952
Advances	9	6,516,564	6,165,043
Fixed assets	10	227,812	219,675
Intangible assets	11	5,000	146
Deferred tax asset	12	461,472	414,100
Other assets	13	589,140	709,380
		25,013,862	21,289,804
LIABILITIES			
Bills payable		-	-
Borrowings	15	13,658,356	10,223,036
Deposits and other accounts	16	1,132,247	923,702
Liabilities against assets subject to finance lease		-	-
Subordinated loans		-	-
Deferred tax liabilities		-	-
Other liabilities	17	568,117	480,808
		15,358,720	11,627,546
NET ASSETS			
		9,655,142	9,662,258
REPRESENTED BY			
Share capital	18	6,000,000	6,000,000
Reserves	19	1,004,551	965,805
(Deficit) / Surplus on revaluation of assets	20	(10,662)	16,001
Unappropriated profit		2,661,253	2,680,452
		9,655,142	9,662,258
CONTINGENCIES AND COMMITMENTS			
	21		

The annexed notes 1 to 46 form an integral part of these Financial Statements.

Chief Financial
Officer

Chief Executive and
Managing Director

Chairman

Director

Director

PAiR INVESTMENT COMPANY LIMITED
PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2021

	Note	31 December 2021	31 December 2020
(Rupees in '000)			
Mark-up / return / interest earned	24	1,562,373	1,960,461
Mark-up / return / interest expensed	25	825,739	956,826
Net mark-up / interest income		736,634	1,003,635
NON MARK-UP / INTEREST INCOME			
Fee and Commission Income	26	18,790	8,346
Dividend income		88,045	43,840
Foreign Exchange income / (loss)		1,552	(376)
Income / (loss) from derivatives		-	-
Gain on securities	27	52,321	18,907
Other income	28	13,365	-
Total non mark-up / interest income		174,073	70,717
Total Income		910,707	1,074,352
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	29	380,756	363,707
Workers Welfare Fund		10,619	13,671
Other charges	30	225	24
Total non mark-up / interest expenses		391,600	377,402
Profit before provisions		519,107	696,950
Provisions and write-offs - net Extraordinary / unusual items	31	265,099	190,666
		-	-
PROFIT BEFORE TAXATION		254,008	506,284
Taxation	32	60,276	119,039
PROFIT AFTER TAXATION		193,732	387,245
Basic and diluted earnings per share	33	0.32	0.65

The annexed notes 1 to 46 form an integral part of these Financial Statements.

Chief Financial
Officer

Chief Executive and
Managing Director

Chairman

Director

Director

PAİR INVESTMENT COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	31 December 2021	31 December 2020
(Rupees in '000)			
Profit after taxation for the year		193,732	387,245
Other comprehensive income			
<i>Items that may be reclassified to Profit and Loss Account in subsequent periods:</i>			
Movement in deficit on revaluation of investments - net of tax		(24,957)	(73,228)
<i>Items that will not be reclassified to Profit and Loss Account in subsequent periods:</i>			
Remeasurement gain / (loss) on defined benefit obligations - net of tax		4,109	(5,402)
Movement in surplus on revaluation of non-banking asset - net of tax	20.1	-	32,924
Total comprehensive income		172,884	341,539

The annexed notes 1 to 46 form an integral part of these Financial Statements.

Chief Financial
Officer

Chief Executive and
Managing Director

Chairman

Director

Director

PAİR INVESTMENT COMPANY LIMITED

CASH FLOW STATEMENT

For the year ended 31 December 2021

Note	31 December 2021	31 December 2020
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	254,008	506,284
Less: Dividend income	<u>(88,045)</u>	<u>(43,840)</u>
	165,963	462,444
Adjustments:		
Depreciation on owned fixed assets	17,722	9,670
Amortisation	118	168
Depreciation on right-of-use assets	12,846	14,971
Mark-up / return / profit / interest expensed on lease liability against right-of-use assets	2,328	4,045
Provision / (Reversal) of diminution in value of investments	2,988	(34,830)
Provision against loans and advances	262,111	225,496
Gain on sale of fixed assets	1,698	-
Charge for defined benefit plan	12,835	10,900
Unrealised (loss) / gain on revaluation of held-for-trading investments	<u>(982)</u>	<u>92</u>
	311,664	230,512
	477,627	692,956
<i>(Increase) / Decrease in operating assets</i>		
Lendings to financial institutions	-	150,000
Held-for-trading securities	<u>(18,331)</u>	<u>(7,318)</u>
Advances	<u>(613,632)</u>	<u>(1,000,830)</u>
Others assets (excluding advance taxation)	164,084	(104,572)
	<u>(467,879)</u>	<u>(962,720)</u>
<i>Increase / (Decrease) in operating liabilities</i>		
Borrowings	3,435,320	(619,745)
Deposits	208,545	148,379
Other liabilities (excluding provision for taxation - net)	114,968	107,006
	<u>3,758,833</u>	<u>(364,360)</u>
	3,768,581	(634,124)
Income tax paid	<u>(168,157)</u>	<u>(234,533)</u>
Defined benefits paid	<u>(30,773)</u>	<u>(8,227)</u>
Net cash flows from operating activities	<u>3,569,651</u>	<u>(876,884)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	<u>(3,125,905)</u>	632,502
Net investments in held-to-maturity securities	<u>(188,715)</u>	386,981
Dividend income received	89,841	41,894
Investment in operating fixed assets	<u>(38,712)</u>	<u>(5,785)</u>
Proceeds from sale of fixed assets	1,627	(4,010)
Net cash flows from investing activities	<u>(3,261,864)</u>	1,051,582
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	<u>(180,000)</u>	(150,000)
Payment of lease liability against right-of-use assets	<u>(18,858)</u>	<u>(25,324)</u>
Net cash flows from financing activities	<u>(198,858)</u>	<u>(175,324)</u>
Increase / (decrease) in cash and cash equivalents	<u>108,929</u>	<u>(626)</u>
Cash and cash equivalents at beginning of the year	129,508	130,134
Cash and cash equivalents at end of the year	<u>238,437</u>	<u>129,508</u>

The annexed notes 1 to 46 form an integral part of these Financial Statements.

Chief Financial
Officer

Chief Executive and
Managing Director

Chairman

Director

Director

PAİR INVESTMENT COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

Note	Share capital	Statutory reserve	Surplus / (deficit) on revaluation of		Unappropriated profit	Total
			Investments	Non-Banking asset		
(Rupees in '000)						
Balance as at 01 January, 2020	6,000,000	888,356	56,305	-	2,526,058	9,470,719
Total comprehensive income for the year						
Profit for the year ended 31 December, 2020	-	-	-	-	387,245	387,245
Other comprehensive income						
Movement in deficit on revaluation of investments - net of tax	-	-	(73,228)	-	-	(73,228)
Remeasurement gain / (loss) on defined benefit obligations - net of tax	-	-	-	-	(5,402)	(5,402)
Movement in surplus on revaluation of non-banking asset - net of tax and incremental depreciation	-	-	-	32,924	-	32,924
Total comprehensive income for the year ended 31 December, 2020	-	-	(73,228)	32,924	381,843	341,539
Transfer to statutory reserve	19	77,449	-	-	(77,449)	-
Final cash dividend - 31 December, 2019 declared subsequent to the year end	-	-	-	-	(150,000)	(150,000)
Balance as at 31 December, 2020	6,000,000	965,805	(16,923)	32,924	2,680,452	9,662,258
Total comprehensive income						
Profit for the year ended 31 December, 2021	-	-	-	-	193,732	193,732
Other comprehensive income						
Movement in deficit on revaluation of investments - net of tax	-	-	(24,957)	-	-	(24,957)
Remeasurement gain / (loss) on defined benefit obligations - net of tax	-	-	-	-	4,109	4,109
Transferred to accumulated profit in respect of incremental depreciation for the year	20.1	-	-	(1,706)	1,706	-
Total comprehensive income for the year ended 31 December, 2021	-	-	(24,957)	(1,706)	199,547	172,884
Transfer to statutory reserve	19	38,746	-	-	(38,746)	-
Transactions with owners recorded directly in equity						
Final cash dividend - 31 December, 2020 declared subsequent to the year end in 2021	-	-	-	-	(180,000)	(180,000)
Balance as at 31 December, 2021	6,000,000	1,004,551	(41,880)	31,218	2,661,253	9,655,142

The annexed notes 1 to 46 form an integral part of these Financial Statements.

Chief Financial Officer

Chief Executive and Managing Director

Chairman

Director

Director

PAIR INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

1 STATUS AND NATURE OF BUSINESS

PAIR Investment Company Limited (the Company) is an unlisted Public Limited Company incorporated in Pakistan on 15 January, 2007 under the Companies Act, 2017 (repealed Companies Ordinance, 1984). The Company has been notified as a Development Financial Institution (DFI) by the Ministry of Finance, Government of Pakistan.

The Company is a Joint Venture (50:50) between Government of Pakistan and Iran Foreign Investment Company which is owned by the Government of Iran. The Company's objectives inter alia include financing for industrial and commercial projects, capital and money market operations and other investment banking activities. Its registered and principal office is situated at ICCI Building, Clifton, Karachi.

2 BASIS OF PRESENTATION

2.1 These Financial Statements have been prepared in conformity with the format of Financial Statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 02 dated 25 January, 2018 effective from the accounting year ending 31 December, 2018.

These Financial Statements have been presented in Pakistani Rupees, which is the Company's functional and presentation currency.

2.2 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 comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of the IFRS or IFAS, requirements of the Companies Act, 2017 and the said directives shall prevail.

- The SBP through its BSD Circular Letter No. 11 dated 11 September, 2002 has deferred the implementation of IAS 39 'Financial Instruments: Recognition and Measurement' and IAS 40 'Investment Property' for Non-Banking Financial Institutions (NBFIs) in Pakistan. Further, SECP has deferred the implementation of IFRS 7 'Financial Instruments: Disclosures' through SRO 411(1) / 2008. Accordingly, the requirements of these standards, however investments have been classified and valued in accordance with the requirement prescribed by SBP through various circulars, have not been considered in the preparation of these Financial Statements.

Further, SBP has directed all banks / DFIs to implement IFRS 9 'Financial Instruments' with effect from 01 January, 2022 vide BPRD Circular No. 24 of 2021 dated 5 July, 2021. Accordingly, the requirements of these standards have not been considered in the preparation of these Financial Statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

2.3 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year

There are certain new standards, amendments and interpretations that are mandatory for the Company's accounting periods beginning on or after 01 January, 2021 but are considered not to be relevant or do not have any significant effect on the Company's operations and are, therefore, not disclosed in these Financial Statements.

2.4 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 1 January, 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after 1 January, 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprises the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
- The following annual improvements to IFRS Standards 2018 - 2020 are effective for annual reporting periods beginning on or after 1 January, 2022:
 - IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 percent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability.
 - IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
 - IAS 41 – The amendment removes the requirement in Paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after 1 January, 2022 clarifies that sales proceeds and costs of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognised in Profit or Loss in accordance with applicable standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the Financial Statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.
- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January, 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.
- Classification of liabilities as current or non-current (Amendments to IAS 1) amendments apply retrospectively for the annual periods beginning on or after 1 January, 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:
 - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
 - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
 - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January, 2023 with earlier application permitted.

- Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the Financial Statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January, 2023 and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – The amendments narrow the scope of the Initial Recognition Exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 1 January, 2023 with earlier application permitted.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.
- As per State Bank of Pakistan (SBP) BPRD Circular Letter No. 24 of 2021, IFRS 9 'Financial Instruments' is applicable to banks / DFIs / MFBs effective 1 January, 2022. The aforementioned Circular Letter contained instructions for quarterly parallel reporting purposes to the SBP only and it was stated that final instructions will be issued based on the results of parallel reporting. However, banks have submitted their reservations on instructions issued for parallel reporting through the Pakistan Banks Association (PBA) and requested that they are addressed in the final instructions to be issued. The reservations are pervasive and points of contention inter alia include, retaining some relaxations given presently in the Prudential Regulations, prescription of macro-economic variables, retaining local regulatory requirements related to IFRS 9 related areas on overseas branches, impact on capital adequacy ratio, adequacy of significant increase in credit risk criteria, future tax impact of any reversals, recording of expected credit loss on local currency denominated Government securities, further clarifications required in certain areas, etc.

Due to the fact that final instructions have not yet been issued and the large number of reservations over the draft instructions, above entities are collectively of the opinion that impact on initial application of IFRS 9 cannot be determined as required under IAS 8.

2.5 Critical accounting estimates and judgements

The preparation of Financial Statements in conformity with accounting standards as applicable in Pakistan requires management to make judgements, estimates and associated assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The judgements, estimates and associated assumptions are based on historical experiences, current trends and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future period if the revision affects both current and future periods. The estimates and judgements that have a significant effect on the Financial Statements are in respect of the following:

	<i>Note</i>
- Classification and valuation of investments and impairment	4.3 & 8
- Provision against non-performing advances including net investment in finance lease	4.4 & 9
- Provision against off-balance sheet obligations	4.20
- Non-banking asset acquired in satisfaction of claims	4.6 & 13
- Useful life of fixed and intangible assets, depreciation and amortisation	4.5, 10 & 11
- Current and deferred taxation	4.12, 12 & 32
- Accounting for defined benefit plan	4.8 & 36

3 BASIS OF MEASUREMENT & FUNCTIONAL AND PRESENTATION CURRENCY

3.1 Basis of measurement

These Financial Statements have been prepared under the historical cost convention except for certain investments, non-banking asset acquired in satisfaction of claims and derivative financial instruments which are revalued as referred to in Notes 4.3, 4.6 and 4.17.

3.2 Functional and presentation currency

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Company operates. The Financial Statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these Financial Statements are consistent with those of the previous financial year.

4.1 Cash and cash equivalents

For the preparation of the Cash Flow Statement, cash and cash equivalents include cash and balances with treasury banks and balances with other banks excluding any term deposit with original terms of greater than three months.

4.2 Repurchase / resale agreements

The Company enters into repurchase / resale agreements at contracted rates for a specified period of time. These are recorded as under:

Sale under repurchase obligations

Securities sold with a simultaneous commitment to repurchase at a specified future date (repo) continue to be recognised in the Statement of Financial Position and are measured in accordance with accounting policies for investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between sale and repurchase price is amortised as expense over the term of the repurchase agreement.

Purchase under resale obligation

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognised as investments in the Statement of Financial Position. Amounts paid under these arrangements are included in repurchase agreement lendings. The difference between purchase and resale price is accrued as income over the term of the resale agreement.

4.3 Investments

The Company classifies its investments as follows:

Held-for-Trading

These are securities, which are acquired with the intention to trade by taking advantages of short-term market / interest rate movements and are carried at market value. Cost of investment is determined on weighted average basis. These securities are required to be sold within 90 days from the date of their classification as 'held-for-trading' under normal circumstances, in accordance with the requirements of State Bank of Pakistan.

Held-to-Maturity

These are securities with fixed or determinable payments and fixed maturity in respect of which the Company has the positive intent and ability to hold to maturity.

Available-for-Sale

Investments that do not fall under the 'held-for-trading' or 'held-to-maturity' categories are classified as 'available-for-sale'.

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Company commits to purchase or sell the investment.

Initial Recognition

Investments other than those categorised as 'held-for-trading' are initially recognised at fair value which includes transaction costs associated with the investment. Investments classified as 'held-for-trading' are initially recognised at fair value, and transaction costs are expensed in the Profit and Loss Account.

Subsequent Measurement

Investments in Government securities and quoted investments, categorised as 'held-for-trading' and 'available-for-sale' are valued at rates quoted on PKRV, PKFRV and Pakistan Stock Exchange (PSX) as at the date of Statement of Financial Position respectively. Any surplus or deficit arising as a result of revaluation of securities categorised as 'held-for-trading' is taken to the Profit and Loss Account and that of 'available-for-sale' is taken to the Statement of Financial Position, and shown within equity in accordance with the requirements of State Bank of Pakistan.

Management has determined fair value of certain investments by using quotations from active market, and review of conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matter of judgement (e.g. evaluation, interest rates, etc.) and therefore, cannot be determined with precision.

Investments classified as 'held-to-maturity' are stated at their amortised cost less impairment in value, if any.

Unquoted equity securities are valued at the lower of cost and break-up value less impairment losses, if any. Break-up value of unquoted equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in subsidiaries and associates, if any (which qualify for accounting under International Accounting Standard - 28) are carried at cost less impairment, if any.

Premium or discount on acquisition of investments is amortised through the Profit and Loss Account over the remaining period till maturity using effective interest method.

Impairment

Impairment loss on investments in respect of available-for-sale (except Term Finance Certificates) and held-to-maturity is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in the fair value of an investment below its cost is also considered an objective evidence of impairment. Provision for diminution in the value of debt securities is made as per the Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available-for-sale securities, the cumulative loss that has been recognised below equity is removed and recognised in the Profit and Loss Account. For investments classified as 'held-to-maturity', the impairment loss is recognised in the Profit and Loss Account.

4.4 Advances

The Company reviews its loan portfolio to assess the amount of non-performing advances and provision required there against on a regular basis. While assessing this requirement, various factors including the delinquency in the account, financial position of the borrowers and the requirements of the Prudential Regulations are considered.

Loans and advances

Advances are stated net of specific provision. Specific provision for doubtful debts is determined on the basis of Prudential Regulations issued by SBP and the other directives issued by the SBP and charged to the Profit and Loss Account. These regulations prescribe an age-based criteria (as supplemented by subjective evaluation of advances) for classification of non-performing loans and advances and computing provision / allowance there against. Advances are written-off when there is no realistic prospect of recovery.

Finance lease receivables

Leases in which the Company transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessees are classified as finance leases. A receivable is recognised at an amount equal to the present value of the minimum lease payments, including any guaranteed residual value which are included in the Financial Statements as 'net investment in finance lease'.

4.5 Fixed Assets

Capital work in progress

Capital work in progress are stated at cost less impairment, if any. These are transferred to specific assets as and when assets become available for use.

Property and equipment - owned

Operating fixed assets, except capital work in progress, are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged to the Profit and Loss Account on straight line basis so as to write-off the assets over their expected economic lives at the rates specified in Note 10.1 to these Financial Statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date. Full month depreciation is charged in the month the assets are available-for-use and no depreciation is charged in the month of disposal.

Normal repairs and maintenance are charged to the Profit and Loss Account as and when incurred. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in operating fixed assets.

Gains and losses on disposal of assets are included in the Profit and Loss Account. The Company reviews the rate of depreciation / useful life, residual values and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of operating fixed assets with a corresponding effect on depreciation charge and impairment.

Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and impairment losses, if any. Intangible assets are amortised from the month when these are available for use, using the straight line method, whereby the cost of an intangible asset is amortised over the period which takes into account the economic benefits that will be available to the Company. The residual value, useful life and amortisation method is reviewed and adjusted, if appropriate, at each reporting date.

4.6 Non-banking assets acquired in satisfaction of claims

Non-banking assets acquired in satisfaction of claims are initially measured at settlement amount and upon revaluation, are carried at revalued amounts less accumulated depreciation and impairment, if any. These assets are revalued as per SBP's requirement by independent professionally qualified valuers to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of property is credited to the 'Surplus on Revaluation of Fixed Assets' account and any deficit arising on revaluation is taken to the Profit and Loss Account directly. Legal fees, transfer costs and direct costs of acquiring title of property is charged to the Profit and Loss Account and not capitalised.

4.7 Borrowings and deposits

Borrowings and deposits are recorded at the amount of proceeds received. Mark-up on borrowings and deposits are charged to the Profit and Loss Account on a time proportion basis.

4.8 Staff retirement benefit

Defined benefit plan

The Company operates an approved funded Gratuity scheme for all its permanent employees who have completed the qualifying period under the Scheme. The Scheme is administered by a Board of Trustees and contributions therein are made in accordance with the actuarial recommendations. The valuation in this regard is carried out at each balance sheet date, using the Projected Unit Credit Method for the valuation of the scheme.

Gratuity is payable to staff on completion of two years of service.

Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment. The Company recognises past service cost as an expense at the earlier of the following dates:

- a) when the plan amendment or curtailment occurs; or
- b) and when the Company recognises related restructuring costs or termination benefits.

The Company has adopted certain actuarial assumptions as disclosed in the Note 36.3 for valuation of defined benefit obligation and fair value of plan assets, based on actuarial advice.

Defined contribution plan

The Company operates a recognised Provident Fund scheme for its employees. Equal monthly contributions are made, both by the Company and the employees, to the Fund at the rate of 10% of the basic salary.

4.9 Employees' compensated absences

Employees' entitlement to annual leave is recognised when they accrue to employees. A provision is made for estimated liability for annual leave as a result of services rendered by the employee against unavailed leaves up to the reporting date.

4.10 Foreign currencies

Transaction and balances in foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the exchange rates prevailing at the reporting date. Foreign currency transactions during the year are recorded at the rates prevailing on the date of transaction.

Translation gains and losses

Exchange gains and losses are included in the Profit and Loss Account.

4.11 Revenue recognition

Mark-up / return / interest income is recognised on accrual basis taking into account effective yield on the asset, except where recovery is considered doubtful, the income is recognised on receipt basis. Interest / return / mark-up on rescheduled / restructured advances and investments is recognised as permitted by the Prudential Regulations issued by the SBP.

A gain / loss on sale of securities is recognised in the Profit and Loss Account at the time of sale of relevant securities.

The surplus / deficit arising on revaluation of the Company's held-for-trading investment portfolio is taken to the Profit and Loss Account.

Premium or discount on acquisition of investments is capitalised and amortised through the Profit and Loss Account over the remaining period through effective interest method.

Dividend income is recognised when the Company's right to receive the dividend is established.

Fee, commission and brokerage income is recognised as the services are rendered.

4.12 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in Profit and Loss Account except to the extent that it relates to the items recognised directly in equity or surplus on revaluation of assets, in which case it is recognised in equity or surplus on revaluation of assets.

Current

Provision for current taxation is based on the taxable income at the current rates of taxation after taking into account available tax credit and rebates, if any. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments / developments made during the year. The charge for current tax is calculated using prevailing tax rates enacted at the balance sheet date and, any adjustments to tax payable relating to prior years.

In making the estimates for income taxes currently payable by the Company, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provisions for deferred taxes, estimates of the Company's future taxable profits are also taken into account.

Deferred

Deferred tax is recognised using the balance sheet method on all temporary differences between the amounts attributed to the assets and liabilities for financial reporting purposes and amounts used for taxation purpose. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits would be available against which it can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is not probable that related tax benefits will be realised.

4.13 Impairment

The carrying amount of the Company's assets (other than deferred tax asset) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the relevant asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Profit and Loss Account. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

4.14 Off-setting

Financial assets and financial liabilities are only offset and the net amount is reported in the Financial Statements when there is a legally enforceable right to set-off the recognised amount and the Company intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

4.15 Other provisions

Other provisions are recognised when the Company has a legal or constructive obligation as a result of a past event, and it is probable that outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

4.16 Financial assets and liabilities

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provision of the instrument. Financial assets are de-recognised when the contractual right future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specific in the contract discharge, cancel or expire. Any gain or loss on derecognition of the financial asset and liability is recognised in the Profit or Loss Account of the current year.

4.17 Derivative financial instruments

Derivative financial instruments are initially recognised at their fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as asset when fair value is positive and liabilities when fair value is negative. Any change in the value of derivative financial instruments is taken to the Profit and Loss Account.

4.18 Dividend distribution

Dividend and appropriation to reserves, except appropriation which is required by the law after the reporting date, is recognised as liability in the Company's Financial Statements in the period in which these are approved.

4.19 Earnings per share

The Company presents Earnings Per Share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

4.20 Provisions against off-balance sheet obligations

The Company, in the ordinary course of business, issues guarantees. The commission against such contracts is recognised in the Profit and Loss Account under 'Fees and Commission Income' over the period of contracts. The Company's liability under such contracts is measured at the higher of the amount representing unearned commission income at the reporting date and the best estimate of the amount expected to settle any financial obligation arising under such contracts.

4.21 Segment reporting

A segment is a distinguishable component of the Company that is engaged in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company's primary format of reporting is based on business segments.

4.21.1 Business segments

Following are the main segments of the Company:

Corporate Finance and Commercial Banking	It includes loans, advances, leases and other transactions with corporate customers. Further, it undertakes advisory services including mergers and acquisitions, listed debt syndication, trustee activities and other investment banking activities.
Trading & Sales (other than Capital Market)	Undertakes Company's fund management activities through leveraging and investing in liquid assets such as short-term placements, Government securities and reverse repo activities. It carries out spread-based activities in the inter-bank market and manages the interest rate risk exposure of the Company.
Capital Market	Includes trading in listed securities with a view to trade and earn the benefit of market fluctuations and to hold securities for dividend income and capital gains.

4.21.2 Geographical segments

The Company operates only in Pakistan.

4.22 Statutory reserve

Every Bank / DFI incorporated in Pakistan is required to transfer 20% of its profit to a statutory reserve until the reserve equals share capital, thereafter 5% of the profit of the DFI is to be transferred to this reserve.

	Note	2021	2020
(Rupees in '000)			
5 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		51	51
Foreign currencies		5,514	560
		5,565	611
With State Bank of Pakistan in			
Local currency current account	5.1	69,702	53,634
With National Bank of Pakistan in			
Local currency current account		17	17
Local currency deposit account	5.2	682	657
		699	674
		75,966	54,919

5.1 This represents current account maintained for minimum cash reserve required to be maintained with the State Bank of Pakistan in accordance with its requirements of BSD Circular No. 04 dated May 22, 2004.

5.2 This carries mark-up at the rate 6.75% per annum (2020: 5.50%).

	Note	2021 (Rupees in '000)	2020
6 BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		12,161	7,505
In deposit accounts	6.1	<u>150,310</u>	<u>67,084</u>
		<u>162,471</u>	<u>74,589</u>
6.1	These deposit accounts carry annual mark-up rate of 3.50% to 6.75% (2020: 2.85% to 5.50%).		
7 LENDINGS TO FINANCIAL INSTITUTIONS			
Call / clean money lendings		-	-
Certificate of Investment	7.2	<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
7.1 Particulars of lendings			
In local currency		<u>-</u>	<u>-</u>
7.2	These carried mark-up rates Nil (2020: Nil) per annum, with maturity Nil (2020: Nil).		

8 INVESTMENTS

8.1 Investments by type:

	Note	2021		2020					
		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
----- (Rupees in '000) -----									
Held-for-trading securities									
Shares - listed		63,250	-	(982)	62,268	43,139	-	(92)	43,047
		63,250	-	(982)	62,268	43,139	-	(92)	43,047
Available-for-sale securities									
Federal Government securities	8.2 & 8.4	9,974,057	-	(6,431)	9,967,626	7,668,021	-	40,280	7,708,301
Shares - listed	8.4.2	1,231,302	(42,980)	(123,070)	1,065,252	1,081,173	(44,678)	(26,627)	1,009,868
Non Government Debt Securities	8.4.3	5,629,683	(37,322)	99,215	5,691,576	4,956,955	(32,636)	(33,583)	4,890,736
		16,835,042	(80,302)	(30,286)	16,724,454	13,706,149	(77,314)	(19,930)	13,608,905
Held-to-maturity securities									
Commercial papers	8.5	188,715	-	-	188,715	-	-	-	-
		188,715	-	-	188,715	-	-	-	-
Total investments		17,087,007	(80,302)	(31,268)	16,975,437	13,749,288	(77,314)	(20,022)	13,651,952

8.2 Investments by segments

Note	2021				2020			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	----- (Rupees in '000) -----							
	3,691,787	-	(9,378)	3,682,409	1,915,467	-	1,500	1,916,967
8.6	6,282,270	-	2,947	6,285,217	5,752,554	-	38,780	5,791,334
8.7	9,974,057	-	(6,431)	9,967,626	7,668,021	-	40,280	7,708,301
	1,266,943	(42,980)	(127,227)	1,096,736	1,096,703	(44,678)	(26,719)	1,025,306
8.4.2	27,609	-	3,175	30,784	27,609	-	-	27,609
	1,294,552	(42,980)	(124,052)	1,127,520	1,124,312	(44,678)	(26,719)	1,052,915
	1,249,917	(11,245)	19,380	1,258,052	1,056,746	-	(1,033)	1,055,713
8.4.3	2,759,084	-	65,754	2,824,838	2,957,162	(11,245)	(23,742)	2,922,175
	600,000	-	8,961	608,961	300,000	-	-	300,000
	1,020,682	(26,077)	5,120	999,725	643,047	(21,391)	(8,808)	612,848
	5,629,683	(37,322)	99,215	5,691,576	4,956,955	(32,636)	(33,583)	4,890,736
	188,715	-	-	188,715	-	-	-	-
	17,087,007	(80,302)	(31,268)	16,975,437	13,749,288	(77,314)	(20,022)	13,651,952

	2021	2020
	(Rupees in '000)	
8.2.1 Investments given as collateral		
Market Treasury Bills		
Carrying value - before revaluation	1,086,421	256,410
(Deficit) / surplus	(3,893)	97
	<u>1,082,528</u>	<u>256,507</u>
Pakistan Investment Bonds		
Carrying value - before revaluation	5,911,160	4,224,607
Deficit	(7,360)	(4,817)
	<u>5,903,800</u>	<u>4,219,790</u>
Shares		
Carrying value - before revaluation	97,595	101,540
Impairment	(17,453)	(17,458)
Deficit	(3,195)	(7,578)
	<u>76,947</u>	<u>76,504</u>

Above debt securities are pledged against the repurchase borrowings, while shares are pledged with National Clearing Company Pakistan Limited (NCCPL) against ready market exposure.

8.3 Provision for diminution in value of investments

8.3.1 Available-for-Sale Investment

Opening balance	77,314	112,144
Charge / reversals		
Charge for the year	10,463	86,154
Reversal on disposals	(7,475)	(120,984)
	<u>2,988</u>	<u>(34,830)</u>
Closing Balance	<u>80,302</u>	<u>77,314</u>

8.3.2 Particulars of provision against Non-Performing Investments (NPI) - Debt Securities

	2021		2020	
	NPI	Provision	NPI	Provision
	(Rupees in '000)		(Rupees in '000)	
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	43,290	37,322	44,672	32,636
	<u>43,290</u>	<u>37,322</u>	<u>44,672</u>	<u>32,636</u>

8.3.2.1 The Company has availed the benefit of Forced Sales Value (FSV) against the non-performing investments. Had this benefit of FSV not been taken by the Company, the specific provision against non-performing investment would have been higher by Rs. 5.96 million (2020: Rs. 12.036 million) and profit for the year before tax would have been lower by the same amount. Further, this amount arising from availing the benefit of FSV is not available for distribution amongst the shareholders either in the form of cash or stock dividend.

8.4 Quality of Available-for-Sale Securities

Details regarding quality of Available-for-Sale (AFS) securities are as follows:

	Note	Cost	
		2021	2020
8.4.1 Federal Government Securities - Government Guaranteed		(Rupees in '000)	
Market Treasury Bills	8.6	3,691,787	1,915,467
Pakistan Investment Bonds	8.7	6,282,270	5,752,554
		<u>9,974,057</u>	<u>7,668,021</u>
8.4.2 Shares			
Listed Companies			
- Commercial Banks		414,314	335,125
- Textile Composite		199,195	160,293
- Power Generation and Distribution		151,008	145,202
- Fertiliser		127,739	127,684
- Oil and Gas Exploration Companies		102,219	51,534
- Oil and Gas Marketing Companies		67,131	71,122
- Cement		33,686	32,051
- Fixed Line Telecommunication		30,808	29,946
- Others		29,884	6,089
- Insurance		27,745	27,745
- Chemicals		27,609	27,609
- Automobile Parts and Accessories		15,688	12,555
- Engineering		11,922	11,838
- Household Goods		10,321	9,302
- Automobile Assembler		10,218	24,994
- Personal goods		9,448	8,652
- Pharmaceuticals		8,983	8,984
- Industrial Transportation		6,072	2,714
- Food Producers		5,041	5,041
- Financial Services		3,107	2,905
- Industrial Metals and Mining		2,414	11,450
- Technology Hardware and Equipment		-	2,911
- Paper & Board		-	6,032
- Synthetic & Rayon		-	2,534
		<u>1,294,552</u>	<u>1,124,312</u>
8.4.3 Non Government Debt Securities - Available-for-Sale			
8.4.3.1 Listed Term Finance (TFC) and Sukuk Certificates			
AAA		-	496,296
AA+, AA, AA-		690,962	12,259
A+, A, A-		1,147,710	860,450
Unrated		11,245	-
		<u>1,849,917</u>	<u>1,369,005</u>
8.4.3.1.1 Investment by holding of Term Finance Certificates (TFC) and Sukuk Certificates			
Askari Bank Limited - TFC		501,000	-
Soneri Bank Limited - TFC		399,040	399,280
Agha Steel Industries Limited - Sukuk		300,000	300,000
Mughal Iron and Steel Industries - Sukuk		300,000	-
Samba Bank Limited - TFC		189,962	-
KASHF Foundation - TFC		87,500	-
Soneri Bank Limited - TFC		61,170	61,170
Trust Investment Bank Limited - TFC		11,245	-
Sadaqat Textile Mills Limited - TFC		-	100,000
Fatima Fertilizer Company Limited - Sukuk		-	12,259
Habib Bank Limited - TFC		-	496,296
		<u>1,849,917</u>	<u>1,369,005</u>

	Cost	
	2021	2020
	(Rupees in '000)	
8.4.3.2 Unlisted TFC and Sukuk Certificates		
AA+, AA, AA-	1,859,094	1,693,959
A+, A, A-	1,738,628	1,679,319
BBB+, BBB, BBB-	150,000	170,000
Unrated	32,044	44,672
	3,779,766	3,587,950

8.4.3.2.1 Investment by holding of TFC and Sukuk Certificates

Bank AL Habib Limited - Perpetual TFC	500,000	500,000
JS Bank Limited - TFC	499,990	-
Pakistan Services Limited - Sukuk	328,638	337,361
Khushhali Microfinance Bank Limited - TFC	300,000	300,000
Bank AL Habib Limited - TFC	299,640	299,760
Bank of Punjab - TFC	295,026	244,599
Gas & Oil Pakistan Limited - Sukuk	250,000	-
Bank of Punjab - TFC	249,500	249,600
U Microfinance Bank Limited - TFC	225,000	-
Al Baraka Bank Limited - Sukuk	200,000	-
Pakarab Fertilizers Limited	150,000	225,000
Shakarganj Food Products Limited - Sukuk	150,000	170,000
Sadaqat Textile Mills Limited - TFC	100,000	-
NRSP Micro Finance Bank Limited - TFC	100,000	-
Aspin Pharma (Private) Limited - Sukuk	60,000	90,000
U Microfinance Bank Limited - TFC	39,928	39,944
Eden Housing - Sukuk	19,680	19,680
Sitara Peroxide Limited - Sukuk	12,364	13,747
KASHF Foundation - TFC	-	137,500
JS Bank Limited - TFC	-	549,514
Askari Bank Limited - TFC	-	400,000
Trust Investment Bank Limited - TFC	-	11,245
	3,779,766	3,587,950

8.5 Particulars relating to Held-to-Maturity securities are as follows:**Non Government Debt Securities - Unlisted - Commercial Papers**

A-2	47,542	-
A-2	141,173	-
	188,715	-

Above respectively carry profit rates ranging between 9.84% to 11.01% per annum and are due for maturity on 28 July, 2022 and 03 August, 2022.

- 8.6** Market treasury bills carry yield ranging from 7.44% to 10.79% (2020: 7.30% to 9.65%) per annum with maturities up to 10 March, 2022 (2020: 23 September, 2021).
- 8.7** The investments in Pakistan Investment Bonds are maturing up to 22 October, 2030 (2020: 22 October, 2030) and the effective yield ranges from 7.33% to 14.60% (2020: 7.33% to 14.60%) per annum.

9 ADVANCES

	Note	Performing		Non-performing		Total	
		2021	2020	2021	2020	2021	2020
----- (Rupees in '000) -----							
Loans, cash credits, running finances, etc.	9.1 & 9.2	6,236,305	5,368,461	1,888,940	2,081,878	8,125,245	7,450,339
Islamic financing and related assets		-	266,275	173,292	-	173,292	266,275
Bills discounted and purchased		31,709	-	-	-	31,709	-
Advances - gross	9.3	6,268,014	5,634,736	2,062,232	2,081,878	8,330,246	7,716,614
Provision against advances							
- Specific	9.4 & 9.5	-	-	(1,813,682)	(1,551,571)	(1,813,682)	(1,551,571)
- General		-	-	-	-	-	-
		-	-	(1,813,682)	(1,551,571)	(1,813,682)	(1,551,571)
Advances - net of provision		6,268,014	5,634,736	248,550	530,307	6,516,564	6,165,043

9.1 These include personal loans and house loans of Rs. 124.635 million (2020: Rs. 122.569 million) advanced to employees in accordance with their terms of employment. These personal loans and house loans carry mark-up at the rates of 3% and 5% (2020: 3% and 5%) respectively.

9.2 Includes net investment in finance lease as disclosed below:

	2021			2020		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
----- (Rupees in '000) -----						
Lease rentals receivable	323,094	548,465	871,559	321,633	420,973	742,606
Residual value	94,851	163,296	258,147	89,512	137,696	227,208
Minimum lease payments	417,945	711,761	1,129,706	411,145	558,669	969,814
Financial charges for future periods	(67,050)	(72,920)	(139,970)	(49,784)	(45,393)	(95,177)
Present value of minimum lease payments	350,895	638,841	989,736	361,361	513,276	874,637

The Company's implicit rate of return on leases ranges between 9.32% and 16.91% (2020: 8.60% and 19.90%) per annum. These are secured against leased assets and security deposits generally up to 50% (2020: 38%) of the cost of leased assets.

	2021	2020
----- (Rupees in '000) -----		
9.3 Particulars of advances (Gross) (Rupees in '000)		
In local currency	8,330,246	7,716,614
In foreign currencies	-	-
	8,330,246	7,716,614

9.4 Advances include Rs. 2,062 million (2020: Rs. 2,081.8 million) which has been placed under non-performing status as detailed below:

9.4.1 Category of classification

	2021		2020	
	Non performing loans	Provision	Non performing loans	Provision
	----- (Rupees in '000) -----			
Domestic				
Other Assets Especially Mentioned	173,292	-	176,275	-
Substandard	2,763	743	21,179	5,446
Doubtful	26,005	8,804	-	-
Loss	1,860,172	1,804,135	1,884,424	1,546,125
	<u>2,062,232</u>	<u>1,813,682</u>	<u>2,081,878</u>	<u>1,551,571</u>

9.5 Particulars of provision against advances

	2021			2020		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	1,551,571	-	1,551,571	1,259,215	-	1,259,215
Charge for the year	273,951	-	273,951	230,870	-	230,870
Reversals	(11,840)	-	(11,840)	(5,374)	-	(5,374)
	262,111	-	262,111	225,496	-	225,496
Amounts written-off	-	-	-	-	-	-
Other movements	-	-	-	66,860	-	66,860
Closing balance	<u>1,813,682</u>	<u>-</u>	<u>1,813,682</u>	<u>1,551,571</u>	<u>-</u>	<u>1,551,571</u>

9.5.1 Particulars of provision against advances

In local currency	1,813,682	-	1,813,682	1,551,571	-	1,551,571
In foreign currencies	-	-	-	-	-	-
	<u>1,813,682</u>	<u>-</u>	<u>1,813,682</u>	<u>1,551,571</u>	<u>-</u>	<u>1,551,571</u>

9.5.2 In accordance with BSD Circular No. 1 dated 21 October, 2011 issued by the SBP, the Company has availed the benefit of Forced Sales Value (FSV) against the non-performing advances. Had this benefit of FSV not been taken by the Company, the specific provision against non-performing advances would have been higher by Rs. 60.451 million (2020: Rs. 338.299 million) and profit for the year before tax would have been lower by the same amount. Further, this amount arising from availing the benefit of FSV is not available for distribution amongst the shareholders either in the form of cash or stock dividend.

2021 2020
(Rupees in '000)

10. FIXED ASSETS

Property and equipment	10.2	198,876	197,658
Capital Work in Progress	10.1	20,783	-
Right-of-use assets	10.5	8,153	22,017
		<u>227,812</u>	<u>219,675</u>

10.1 This represents amount of advance provided for the renovation of the Company's office.

10.2 Property and equipment

2021

	Buildings	Furniture and fixtures	Electrical, office and computer equipments	Vehicles	Total
At 01 January, 2021			(Rupees in '000)		
Cost	183,093	36,495	40,143	12,245	271,976
Accumulated depreciation	-	(35,581)	(32,430)	(6,307)	(74,318)
Net book value	183,093	914	7,713	5,938	197,658
Year ended 31 December, 2021					
Opening net book value	183,093	914	7,713	5,938	197,658
Additions	-	275	5,741	6,941	12,957
Disposals	-	-	-	-	-
Cost	-	-	562	2,070	2,632
Accumulated Depreciation	-	-	(491)	(2,070)	(2,561)
Depreciation charge	(4,577)	(303)	(3,756)	(3,032)	(11,668)
Closing net book value	178,516	886	9,627	9,847	198,876
At 31 December, 2021					
Cost	183,093	36,770	45,322	17,116	282,301
Accumulated depreciation	(4,577)	(35,884)	(35,695)	(7,269)	(83,425)
Net book value	178,516	886	9,627	9,847	198,876
Rate of depreciation (percentage)	2.50%	20%	25%-50%	25%	

		2020				Total
		Buildings	Furniture and fixtures	Electrical, office and computer equipments	Vehicles	
		(Rupees in '000)				
At 01 January, 2020						
Cost	-	36,148	34,834	15,389	86,371	
Accumulated depreciation	-	(35,357)	(30,430)	(10,953)	(76,740)	
Net book value	-	791	4,404	4,436	9,631	
Year ended 31 December, 2020						
Opening net book value	-	791	4,404	4,436	9,631	
Additions	-	403	5,901	7,500	13,804	
Transfer from capital work in progress	183,093	-	-	-	183,093	
Disposals						
Cost	-	56	592	10,644	11,292	
Accumulated depreciation	-	(37)	(592)	(6,653)	(7,282)	
Depreciation charge	-	19	-	3,991	4,010	
Closing net book value	-	(261)	(2,592)	(2,007)	(4,860)	
	183,093	914	7,713	5,938	197,658	
At 31 December, 2020						
Cost	183,093	36,495	40,143	12,245	271,976	
Accumulated depreciation	-	(35,581)	(32,430)	(6,307)	(74,318)	
Net book value	183,093	914	7,713	5,938	197,658	
Rate of depreciation (percentage)	2.50%	20%	25%-50%	25%		

10.3 The gross cost of fully depreciated assets still in use is as follows:

	2021	2020
	(Rupees in '000)	
Furniture and fixture	35,259	35,156
Electrical, office and computer equipment	29,197	28,505
Vehicles	2,675	4,745
	67,131	68,406

10.4 The gross cost and sale proceeds of disposals / write-offs:

Asset	Cost	Book value	Sale price	Purchaser Details
	----- (Rupees in '000) -----			
<i>Vehicle</i>				
Honda Civic VTI	2,070,000	-	1,670,000	Car First
Equipment				
MOBILE PHONE (Samsung Galaxy A50)	45,000	-	-	Mr. Zeeshan Rauf - Employee
MOBILE PHONE (Samsung Galaxy A30s)	35,000	-	-	Mr. Tahir Habib - Employee
MOBILE PHONE (Samsung Galaxy A50)	50,000	-	-	Mr. Habib Ameer Ali - Employee
MOBILE PHONE (Apple iPhone 7)	55,000	-	-	Mr. Ahmad Bilal Darr - Employee
MOBILE PHONE (Samsung Galaxy A30s)	35,000	-	-	Mr. Tariq Memon - Employee
MOBILE PHONE (Huawei P-30)	55,000	-	-	Mr. Amir Aizaz - Employee
MOBILE PHONE (Samsung Galaxy A50)	50,000	-	-	Ms. Saadia Shaikh - Employee
MOBILE PHONE (Apple iPhone 11 Promax)	50,000	-	-	Mr. Afak Shah - Employee
MOBILE PHONE (Apple iPhone 11)	50,000	-	-	Mr. Amin Kazmi - Employee
LAPTOP (HP Probook 450 G5 Notebook)	137,358	71,541	99,500	Insurance Claim
	<u>562,358</u>	<u>71,541</u>	<u>99,500</u>	

10.5 Right-of-use assets

	Right-of-use assets	
	2021	2020
	----- (Rupees in '000) -----	
At 01 January		
Cost	63,184	63,184
Accumulated amortisation	(41,167)	(26,196)
Net book value	<u>22,017</u>	<u>36,988</u>
Year ended 31 December		
Opening net book value	22,017	36,988
Modification in lease liability	(1,018)	
Amortisation charge	(12,846)	(14,971)
Closing net book value	<u>8,153</u>	<u>22,017</u>
At 31 December		
Cost	63,184	63,184
Accumulated amortisation	(55,031)	(41,167)
Net book value	<u>8,153</u>	<u>22,017</u>
Rate of amortisation (percentage)	<u>10%</u>	<u>10%</u>

11 INTANGIBLE ASSETS

	Note	Computer software	
		2021	2020
Computer Softwares and Licenses	11.2	28	146
Capital Work in Progress	11.1	4,972	-
		<u>5,000</u>	<u>146</u>

11.1 The amount represents payment made to software company for the software being implemented.

11.2 Computer Softwares and Licenses	Computer software	
	2021	2020
	(Rupees in '000)	
At 01 January		
Cost	19,540	19,542
Less: Accumulated amortisation	(19,394)	(19,228)
Net book value	<u>146</u>	<u>314</u>
Year ended 31 December		
Opening net book value	146	314
Less: Amortisation charge	(118)	(168)
At 31 December		
Cost	19,540	19,540
Less: Accumulated amortisation	(19,512)	(19,394)
Net book value	<u>28</u>	<u>146</u>
Rate of amortisation (percentage)	<u>33%</u>	<u>33%</u>

11.3 The gross cost of fully amortised assets still in use is as follows;

Software License	19,239	19,239
	<u>19,239</u>	<u>19,239</u>

The amount represents fully depreciated softwares being used by the Company i.e. IPAMS, HCM, GL-SHMA, FA-SHMA.

12 DEFERRED TAX ASSETS	2021	2020
	(Rupees in '000)	
Deferred tax asset - net	<u>461,472</u>	<u>414,100</u>

12.1 Deferred tax asset

	2021			
	At 01 January, 2021	Recognised in Profit and Loss Account	Recognised in other comprehensive income	At 31 December, 2021
	----- (Rupees in '000) -----			
Deductible Temporary Differences on				
- Provision against advances, off-balance sheet, etc.	430,566	76,012	-	506,578
- Lease liability against right-of-use assets	6,163	(4,794)	-	1,369
- Others	1,645	(14)	-	1,631
	<u>438,374</u>	<u>71,204</u>	<u>-</u>	<u>509,578</u>
Taxable Temporary Differences on				
- Surplus on revaluation of investments - net	3,007	-	(14,601)	(11,594)
- Post-retirement employee benefits	2,441	-	(4,120)	(1,679)
- Surplus on revaluation of non-banking asset	(13,590)	-	697	(12,893)
- Right-of-use assets - net	(6,385)	4,021	-	(2,364)
- Accelerated tax depreciation	11,743	(20,326)	-	(8,583)
- Lease assets	(21,490)	10,497	-	(10,993)
	<u>(24,274)</u>	<u>(5,808)</u>	<u>(18,024)</u>	<u>(48,106)</u>
	<u>414,100</u>	<u>65,396</u>	<u>(18,024)</u>	<u>461,472</u>

Deferred tax asset of Rs. 25.5 million on deductible temporary difference of Rs. 204.3 million have not been recorded under prudence. Further, the provision for NPL includes an amount of Rs. 66.8 million which is not eligible for booking deferred tax asset.

	2020			
	At 01 January, 2020	Recognised in Profit and Loss Account	Recognised in other comprehensive income	At 31 December, 2020
	----- (Rupees in '000) -----			
Deductible Temporary Differences on				
- Capital losses on equity shares carried forward	15,270	(15,270)	-	-
- Post-retirement employee benefits	(516)	-	2,957	2,441
- Provision against advances, off-balance sheet, etc.	365,172	65,394	-	430,566
- Provision against investments	16,822	(16,822)	-	-
- Lease liability against right-of-use assets	12,334	(6,171)	-	6,163
- Others	880	765	-	1,645
	409,962	27,896	2,957	440,815
Taxable Temporary Differences on				
- Surplus on revaluation of investments - net	(9,796)	150	12,653	3,007
- Surplus on revaluation of non-banking asset	-	-	(13,590)	(13,590)
- Right-of-use assets	(10,727)	4,342	-	(6,385)
- Accelerated tax depreciation	(3,680)	15,423	-	11,743
- Lease assets	(10,232)	(11,258)	-	(21,490)
	(34,435)	8,657	(937)	(26,715)
	<u>375,527</u>	<u>36,553</u>	<u>2,020</u>	<u>414,100</u>

13 OTHER ASSETS	Note	2021	2020
		(Rupees in '000)	
Income / mark-up accrued in local currency - net of provision	13.3	271,836	275,824
Advances, advance rent and other prepayments		16,926	177,290
Advance taxation (payments less provisions)		162,809	115,856
Non-banking asset acquired in satisfaction of claims	13.1 & 13.2	80,471	84,821
Receivable from defined benefits plan	36.4	5,788	-
Dividend receivable		150	1,946
Security deposits		6,701	6,781
Other assets (net of provision)		544,681	662,518
Surplus on revaluation of non-banking asset acquired in satisfaction of claims		44,459	46,862
Other Assets - total		<u>589,140</u>	<u>709,380</u>

13.1 Market value of non-banking asset acquired in satisfaction of claims	<u>135,060</u>	<u>135,060</u>
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Non-banking asset acquired in satisfaction of claims was revalued by independent professional valuer as of 10 August, 2020 (full scope). The revaluation was carried out by M/s Joseph Lobo (Private) Limited on the basis of an assessment of present market values.

13.2 Non-banking asset acquired in satisfaction of claim	2021	2020
	(Rupees in '000)	
Opening balance	131,683	89,632
Revaluation during the year	-	48,064
Less: Depreciation for the year	(8,807)	(6,013)
Closing balance	<u>122,876</u>	<u>131,683</u>

13.3 Provision held against other assets

Mark-up suspended amounting to Rs. 1,497.74 million (2020: Rs. 1,298.11 million) included in provision against other asset, has been netted off against the mark-up receivable amount.

14 CONTINGENT ASSETS

There are no contingent assets as at the balance sheet date.

15 BORROWINGS

Details of borrowings secured / unsecured	Note	2021	2020
(Rupees in '000)			
Secured			
Borrowings from State Bank of Pakistan - Under financing facility			
-Imported & Locally Manufactured Plant & Machinery (LTFF)	15.1	1,989,827	1,649,321
-Renewable Energy Facility (REF)	15.2	520,431	478,844
-Temporary Economic Refinance Facility (TERF)	15.3	552,381	-
Repurchase agreement borrowings	15.4	7,012,384	4,478,204
Term borrowings	15.5	3,583,333	3,616,667
Total Secured		13,658,356	10,223,036
Unsecured			
		-	-
		13,658,356	10,223,036

15.1 The Company has obtained funds from the SBP for extending Long Term Financing Facility (LTFF) for Imported & Locally Manufactured Plant & Machinery. These borrowings carry mark-up rate of 2.0% to 2.5% per annum (2020: 2.0% to 2.5%). These borrowings will mature by 2031 (2020: 2031).

15.2 The Company has obtained funds from the SBP for extending financing facility for Renewable Energy Facility (REF). These borrowings carry mark-up rate of 2.0% to 3% per annum (2020: 2.0% to 2.5%). These borrowings will mature by 2033 (2020: 2029).

15.3 The Company has obtained funds from the SBP for extending Temporary Economic Refinance Facility (TERF) for economic relief. These borrowings carry mark-up rate of 1.0% per annum (2020: Nil). These borrowings will mature by 2031 (2020: Nil).

15.4 These carry mark-up at the rates ranging from 10.45% to 10.65% per annum (2020: 7.15% to 7.25% per annum) and are secured against Government securities having carrying amount of Rs. 6.997 billion & market value of Rs. 6.986 (2020: carrying value Rs. 4.481 billion & market value of Rs. 4.476 billion). These borrowings will mature up to January 2022 (2020: January 2021).

15.5 These represent finances obtained from Allied Bank Limited to finance regular business operations of the Company. These finances are secured against pledge of all present and future movable assets (excluding investments). It carries mark-up at the rate of 6 months KIBOR +0.10 to 0.25% per annum. These are repayable in semi-annual installments and shall be repaid by 2026. Total available facility is Rs. 6 billion.

15.6 Particulars of borrowings with respect to currencies

	2021	2020
(Rupees in '000)		
In local currency	13,658,356	10,223,036
In foreign currencies	-	-
	13,658,356	10,223,036

16 DEPOSITS AND OTHER ACCOUNTS

	Note	2021			2020		
		In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
(Rupees in '000)							
Customers							
Term deposits	16.2	311,570	-	311,570	239,403	-	239,403
Financial Institutions							
Term deposits	16.3	820,677	-	820,677	684,299	-	684,299
		1,132,247	-	1,132,247	923,702	-	923,702

16.1 Composition of deposits	Note	2021 (Rupees in '000)	2020
- Individuals	16.4	97,249	97,927
- Public Sector Entities		-	-
- Non-Banking Financial Institution (related party)		820,677	684,299
- Private Sector		214,321	141,476
		<u>1,132,247</u>	<u>923,702</u>

16.2 The mark-up rates on these Certificate of Investments (COI) range between 7.4% to 10.1% per annum (2020: 7.10% to 7.25% per annum). These COIs will mature up to March 2022 (2020: November 2021).

16.3 The mark-up rates on these Certificate of Investments (COI) is 10% to 10.1% per annum (2020: 7.25% per annum). These COIs will mature up to March 2022 (2020: February 2021).

16.4 These include both interest bearing and non-interest bearing Certificate of Investments (COI) issued to the employees of the Company maturing up to November 2024 (2020: November 2021). The interest bearing deposits carry interest rates ranging between 7.4% to 10% per annum.

17 OTHER LIABILITIES	Note	2021 (Rupees in '000)	2020
Mark-up / return / interest payable in local currency		65,100	54,275
Accrued expenses		21,706	37,973
Payable to a financial institution	17.1	77,745	-
Payable to defined benefit plan	36.4	-	12,150
Provision for compensated absences		4,655	4,248
Payable to an associated undertaking		8,129	8,068
Government levies payable		3,013	4,059
Provision for audit fee		1,293	1,320
Advance insurance premium on lease		544	248
Security deposits against finance lease		258,147	227,208
Payable Brokerage / NCCPL		9,893	-
Provision for staff rewards		20,983	28,438
Provision for Workers Welfare Fund		92,187	81,569
Lease liability against right-of-use assets		4,722	21,252
		<u>568,117</u>	<u>480,808</u>

17.1 This amount represents inadvertent transfer to the Company's account by a financial institution. Subsequently the transfer was reversed.

18 SHARE CAPITAL

18.1 Authorised capital

2021 (Number of shares)	2020 (Number of shares)	2021 (Rupees in '000)	2020 (Rupees in '000)
<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
Ordinary shares of Rs. 10 each			

18.2 Issued, subscribed and paid-up share capital

<u>600,000,000</u>	<u>600,000,000</u>	<u>6,000,000</u>	<u>6,000,000</u>
Ordinary shares of Rs. 10 each and fully paid in cash			

18.3 Major shareholders (holding more than 5% of total paid-up capital)

Name of shareholder	2021		2020	
	Number of shares held	Percentage of shareholding	Number of shares held	Percentage of shareholding
Government of Pakistan *	300,000,000	50%	300,000,000	50%
Iran Foreign Investment Company *	300,000,000	50%	300,000,000	50%
	<u>600,000,000</u>	<u>100%</u>	<u>600,000,000</u>	<u>100%</u>

* This includes nominal shares allotted to the nominee Directors of the Company nominated by Government of Pakistan and Iran Foreign Investment Company.

19 RESERVES

	2021	2020
	----- (Rupees in '000) -----	
Statutory reserve		
Opening balance	965,805	888,356
Transfer during the year	38,746	77,449
Closing balance	<u>1,004,551</u>	<u>965,805</u>

- 19.1 According to BPD Circular No. 15 dated 31 May, 2004 issued by SBP, an amount not less than 20% of the after tax profits shall be transferred to create a reserve fund till such time the reserve fund equals the amount of the paid-up capital and after that a sum not less than 5% of profit after tax shall be credited to the statutory reserve.

20 SURPLUS ON REVALUATION OF ASSETS

	Note	2021	2020
		----- (Rupees in '000) -----	
Surplus / (deficit) on revaluation of			
- Available-for-sale securities	8.1	(30,286)	(19,930)
- Non-banking asset acquired in satisfaction of claims		<u>48,064</u>	<u>48,064</u>
		<u>17,778</u>	<u>28,134</u>
Deferred tax on surplus / (deficit) on revaluation of			
- Available-for-sale securities		(11,594)	3,007
- Non-banking asset acquired in satisfaction of claims		<u>(12,893)</u>	<u>(13,938)</u>
		<u>(24,487)</u>	<u>(10,931)</u>
Incremental depreciation charged during the year		<u>(3,953)</u>	<u>(1,202)</u>
		<u>(10,662)</u>	<u>16,001</u>

20.1 Surplus on revaluation of a non-banking asset acquired in satisfaction of claim

Surplus on revaluation as of 01 January	48,064	-
Revaluation during the year	-	48,064
	<u>48,064</u>	<u>48,064</u>
Less:		
Related deferred tax	(12,893)	(13,938)
Incremental depreciation as of 31 December	<u>(3,953)</u>	<u>(1,202)</u>
	<u>(16,846)</u>	<u>(15,140)</u>
	<u>31,218</u>	<u>32,924</u>

21 CONTINGENCIES AND COMMITMENTS

- 21.1 With respect to tax year 2009, ADCIR amended assessment under Section 122(5A) of the Ordinance. The ACIR has passed order under Section 122(5A) raising demand amounting to Rs. 23.3 million. The Company filed an appeal against the order before the CIR(A). The CIR(A) upheld the order of ACIR. The Company then filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) in respect of the order passed by the CIR(A). The appeal has been heard and reserved for order. The Company, in consultation with its tax advisor, is confident of a favourable outcome.

- 21.2** With respect to tax year 2011, ADCIR amended the assessment under Section 122(5A) of the Ordinance. The ACIR has passed order under Section 122(5A) raising demand amounting to Rs. 57.6 million. The Company filed an appeal against the order before the CIR(A). The CIR(A) upheld the order of ACIR. The Company then filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) in respect of the order passed by the CIR(A). The appeal has been heard and reserved for order. The Company, in consultation with its tax advisor, is confident of a favourable outcome.
- 21.3** The Additional Commissioner Inland Revenue (ACIR) amended the assessment for the tax year 2012 under Section 122(5A) of the Ordinance. Income tax demand of Rs.148.747 million was created including liability of Workers Welfare Fund (WWF) amounting to Rs. 16.364 million. The Company filed a rectification application to rectify the errors apparent in the order. Through rectified order under Section 221(1) of the Ordinance, short credit of advance tax of Rs. 116.595 million paid under Section 147 of the Ordinance was allowed and demand of Rs.148.747 million was reduced to Rs. 32.152 million. The Company has paid the demand under protest and has challenged the impugned order through appeal under Section 127 of the Ordinance with the Commissioner Inland Revenue (Appeals) - CIR(A). However the CIR(A) has confirmed the issues. Thereafter, the Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the order passed by CIR(A). The appeal has been heard and reserved for order. The Company, in consultation with its tax advisor, is confident of a favourable outcome.
- 21.4** The Additional Commissioner Inland Revenue (ADCIR) amended the assessment for the tax year 2013 under Section 122(5A) of the Income Tax Ordinance, 2001 (the Ordinance). Income tax demand of Rs. 51.113 million was created including liability of Workers Welfare Fund (WWF) amounting to Rs. 13.874 million. The Company filed a rectification application to rectify the errors apparent in the order and paid under protest the demand of Rs. 45.219 million in respect of said demand. The Company also challenged the impugned order through appeal under Section 127 of the Ordinance with the Commissioner Inland Revenue (Appeals) - CIR(A). However, CIR(A) has confirmed all the issues except the issue pertaining to premium amortisation which has been set aside and against which the Company has been provided a relief. Thereafter, the Company has filed appeal before Appellate Tribunal Inland Revenue (ATIR) against the order passed by CIR(A). The appeal has been heard and reserved for order. The Company, in consultation with its tax advisor, is confident of a favourable outcome.
- 21.5** The Additional Commissioner Inland Revenue (ADCIR) amended the assessments for tax year 2014 and raised demand of Rs. 53.826 million, including liability of WWF of Rs. 11.508 million which was later revised to Rs. 72.210 million. The demand was challenged by the Company by filing an appeal with the CIR(A). However, on confirmation of the demand order by CIR(A) the Company filed an appeal before the ATIR and made payment under protest of Rs. 17.5 million. The ATIR through its order dated 24 November, 2016 deleted the demand amounting to Rs. 40 million and directed the department to work out the liability of WWF in the light of the Supreme Court's order. Through the said order, the ATIR also remanded back the issue of taxing amortisation of TFCs and preference shares and taxing of capital gain on sale of TFC and T-bills under the head business income instead of capital gain for re-adjudication, for both the tax years. Consequently, the tax department filed a reference in High Court, dated 16 February, 2017, which is yet to be admitted for hearing whereas the Company filed a request before the CIR(A) in respect of remanded back issues on 05 November, 2019 against which no reply has yet been received from the CIR(A). The Company, in consultation with its tax advisor, is confident of a favourable outcome with respect to both, department's appeal before the High Court and the remand back issue.
- 21.6** The Additional Commissioner Inland Revenue (ADCIR) amended the assessments for tax year 2015 and raised demand of Rs. 80.433 million which was later revised to Rs. 87.014 million. The demand was challenged by the Company by filing an appeal with the CIR(A). However, on confirmation of the demand order by CIR(A), the Company filed an appeal before the ATIR and made payment under protest of Rs. 17.5 million. The ATIR through its order dated 24 November, 2016 deleted the demand and directed the department to work out the liability of WWF in the light of Supreme Court's order. Consequently, the tax department filed a reference in High Court, dated 16 February, 2017, which is yet to be admitted for hearing. Moreover, certain issues were remanded back by the ATIR under the aforementioned order against which relief has been allowed by the CIR(A) however, appeal effect order is pending. The Company is confident of a favourable outcome in relation to this matter.

- 21.7** With respect to tax year 2016, ADCIR amended the assessment and demand amounting to Rs. 52.049 million was created. The Company admitted tax imposed on commission income amounting to Rs. 1.031 million, which was paid and on other issues filed appeal to CIR(A) against ADCIR order. The CIR(A) passed order and decided the appeal and allowed partial relief. Order to the extent of apportionment of finance cost was confirmed by CIR(A). An appeal effect order under Section 124 of the Ordinance is required to be passed for the relief allowed by CIR(A). The Company and the department has filed appeals before the Appellate Tribunal Inland Revenue (ATIR) on the issue decided against it. The Company, in consultation with its tax advisor, is confident of a favourable outcome.
- 21.8** With respect to tax year 2017, ADCIR amended the assessment and demand amounting to Rs. 134.499 million was created. The order passed under 122(5A) contained mistakes which were rectified subsequently, ACIR subsequently passed order under 221(1) dated 22 January, 2019 and rectified demand to Rs. 46.351 million. The Company paid the demand and paid Rs. 18.0 million while remaining amount of Rs. 28.351 million was adjusted from the refund of tax year 2018. The Company filed appeal against order before CIR(A). The CIR(A) passed order and has decided the appeal and allowed partial relief and accepted contention except on apportionment of mark-up expenses. An appeal effect order under Section 124 of the Ordinance is required to be passed for the relief allowed by CIR(A). Moreover, both the Company and the department have filed appeals before the ATIR on the issues decided against them. The appeal is awaited to be heard. The issue is pending before ATIR and the Company, in consultation with its tax advisor, is confident of a favourable outcome.
- 21.9** With respect to tax year 2018, ADCIR amended the assessment under Section 122(5A) of the Ordinance. The ACIR has passed order under Section 122(5A) reducing the refund amounting to Rs. 17.962 million. The order passed under 122(5A) contained mistakes which were rectified subsequently, ACIR subsequently passed order under 221(1) dated 22 January, 2019. The Company filed an appeal against the order before the CIR(A) on 31 January, 2019. The CIR(A) passed order and has decided the appeal and allowed partial relief and accepted our contention except on apportionment of mark-up expenses. An appeal effect order under Section 124 of the Ordinance is required to be passed for the relief allowed by CIR(A). Whereas, the Company has filed an appeal before the ATIR in respect of the issue of apportionment of finance and administration cost and the Company, in consultation with its tax advisor, is confident of a favourable outcome.

21.10 Commitments in respect of repo transactions

	2021	2020
	(Rupees in '000)	
Repurchase agreement borrowings	<u>7,012,384</u>	<u>4,478,204</u>

21.11 Direct credit substitutes

	<u>402,000</u>	<u>100,000</u>
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The amount represents Standby Letter of Credit and Letter of Comfort facilities issued to the Company's clients in its normal course of business.

21.12 Commitments to extend credit

The Company makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

21.13 Capital commitments

At the year end, capital commitments amounted to Rs. 79.071 million (2020: Nil).

22 OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

Off-balance sheet financial instruments includes derivatives, contracts the characteristics of which are derived from those of underlying assets. These include forwards and swaps in money and foreign exchange markets. The Company's exposure in these instruments represents equity futures. The Company also enters into repo transactions against Government securities carrying fixed interest rates and having fixed contractual maturities. The credit risk associated with repo transactions is secured through underlying Government securities.

23 DERIVATIVE INSTRUMENTS

The Company at present does not offer structured derivative products such as interest rate swaps, forward rate swaps, forward rate agreements or forward exchange options. However, the Company's treasury and investment group buys and sells derivative instruments such as equity futures.

23.1 Equity futures

An equity futures contract is a standardised contract, traded on a futures counter of the stock exchange, to buy or sell a certain underlying scrip at a certain date in the future, at a specified price.

The Company uses equity futures as a hedging instrument to hedge its equity portfolio against equity price risk. Only selected shares are allowed to be traded on futures exchange. Equity futures give flexibility to the Company either to take delivery on the future settlement date or to settle it by adjusting the notional value of the contract based on the current market rates.

Maximum exposure limit to the equity futures is 10% of tier 1 capital of the Company, based on prevailing SBP regulations.

24 MARK-UP / RETURN / INTEREST EARNED

	2021	2020
	(Rupees in '000)	
On:		
a) Loans and advances	398,080	499,356
b) Investments	1,158,918	1,457,319
c) Lendings to financial instruments	3,577	2,260
d) Balances with banks	1,798	1,526
	<u>1,562,373</u>	<u>1,960,461</u>

25 MARK-UP / RETURN / INTEREST EXPENSED

Deposits	71,487	96,105
Securities sold under repurchase agreements	286,683	376,955
On borrowing from State Bank of Pakistan - Under financing facility		
-Imported & Locally Manufactured Plant & Machinery (LTFF)	37,769	31,868
-Temporary Economic Refinance Facility (TERF)	1,754	-
-Renewable Energy (REF)	11,818	6,751
Unwinding cost of liability against the right-of-use assets	2,328	4,045
Term borrowing	263,075	361,720
Clean borrowing	150,825	79,382
	<u>825,739</u>	<u>956,826</u>

26 FEE & COMMISSION INCOME		2021	2020
	Note	(Rupees in '000)	
Credit-related fees		16,896	6,504
Investment banking fees		1,246	1,200
Commission on guarantees		648	642
		<u>18,790</u>	<u>8,346</u>
27 GAIN / (LOSS) ON SECURITIES - NET			
Realised	27.1	53,303	18,999
Unrealised - held-for-trading	8.1	(982)	(92)
		<u>52,321</u>	<u>18,907</u>
27.1 Realised			
Shares		53,303	8,795
Federal Government Securities		-	10,204
		<u>53,303</u>	<u>18,999</u>
28 OTHER INCOME			
Gain on sale of fixed assets		1,698	-
Reversal of excess provisions		11,667	-
		<u>13,365</u>	<u>-</u>
29 OPERATING EXPENSES			
Total compensation expense	29.1	268,591	237,238
Property expense			
Rent & taxes		1,156	662
Insurance		3,314	2,549
Utilities cost		7,853	7,151
Security		526	1,078
Repair & maintenance		8,133	12,522
Depreciation on owned fixed assets		13,967	7,079
Depreciation on right-of-use assets		12,846	14,971
		<u>47,795</u>	<u>46,012</u>
Information technology expenses			
Software maintenance		1,257	6,260
Depreciation		3,755	2,591
Amortisation		118	168
Network charges		5,746	4,965
Others		883	553
		<u>11,759</u>	<u>14,537</u>
Other operating expenses			
Directors' fees and allowances	38.2	18,250	15,611
Legal & professional charges		11,007	23,329
Travelling & conveyance		10,402	14,256
Training & development		1,241	1,135
Postage & courier charges		187	227
Communication		1,481	1,319
Stationary & printing		935	477
Marketing, advertisement & publicity		890	352
Charity & Donations	29.3	900	-
Auditors' Remuneration	29.2	2,498	2,365
Commission and brokerage		2,618	2,810
Bank charges and miscellaneous expenses		2,202	4,039
		<u>52,611</u>	<u>65,920</u>
		<u>380,756</u>	<u>363,707</u>

29.1 Total compensation expense	Note	2021 (Rupees in '000)	2020
Fees and Allowances, etc.		-	-
Employees' Remuneration			
i) Fixed		141,226	124,552
ii) Variable			
of which;			
a) Cash Bonus / Awards, etc.		20,000	22,781
b) Bonus & Awards in Shares, etc.		-	-
Charge for defined benefit plan		12,835	10,900
Contribution to defined contribution plan		10,791	10,062
Rent & house maintenance		35,334	28,984
Utilities		8,316	7,094
Medical		9,906	8,712
Conveyance		30,183	24,153
Total		268,591	237,238
29.2 Auditors remuneration			
Audit fee		726	660
Half yearly review		287	261
Special certifications and sundry advisory services		808	741
Tax Services		495	484
Out of pocket expenses		182	219
		2,498	2,365
29.3 Donations and charity			
None of the directors, executives or their spouses had any interest in the donee. Details of donations made during the year are as follows:			
Sindh Institute of Urology and Transplantation		300	-
Patient Aid Foundation		300	-
The Citizen Foundation		300	-
		900	-
30 OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		225	24
		225	24
31 PROVISIONS & WRITE-OFFS - NET	Note	2021 (Rupees in '000)	2020
Provisions / (reversal) of diminution in value of investments	8.3.1	2,988	(34,830)
Provisions against loans and advances - net	9.5	262,111	225,496
		265,099	190,666
32 TAXATION			
Current		125,672	157,310
Prior year		-	(1,718)
Deferred		(65,396)	(36,553)
		60,276	119,039

	Note	2021 (Rupees in '000)	2020
32.1 Relationship between tax expense and accounting profit			
Profit before taxation		<u>254,008</u>	<u>506,284</u>
Tax on income @ 29% (2020: 29%)		73,662	146,822
Net tax effect on income taxed at reduced rates		(15,173)	(5,480)
Net tax effect on income subject to FTR		(13,071)	-
Prior year's charge		-	(1,718)
Deferred tax asset derecognised		-	24,010
Unabsorbed depreciation on leased assets		-	(9,918)
Permanent difference		14,828	(34,677)
Others		30	-
Tax charge		<u>60,276</u>	<u>119,039</u>
33 BASIC AND DILUTED EARNINGS PER SHARE			
Profit for the year		<u>193,732</u>	<u>387,245</u>
		(Number of shares in '000)	
Weighted average number of ordinary shares		<u>600,000</u>	<u>600,000</u>
		(Rupees per share)	
Basic and diluted earnings per share		<u>0.32</u>	<u>0.65</u>
There are no instruments that may have a dilutive effect on earnings per share.			
34 CASH AND CASH EQUIVALENTS			
		(Rupees in '000)	
Cash and balances with treasury banks	5	75,966	54,919
Balances with other banks	6	162,471	74,589
		<u>238,437</u>	<u>129,508</u>

34.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2021						
	Liabilities			Equity			Total
	Borrowings	Deposits and other accounts	Other liabilities	Share capital	Reserves	Unappropriated profit	
Balance as at 01 January, 2021	10,223,036	923,702	480,808	6,000,000	965,805	2,660,452	21,273,803
Changes from financing cash flows							
Payment of lease liability against right-of-use assets	-	-	(18,858)	-	-	-	(18,858)
Dividend paid	-	-	(180,000)	-	-	(180,000)	(360,000)
Total changes from financing cash flows	-	-	(198,858)	-	-	(180,000)	(378,858)
Other changes							
Liability - related							
Changes in borrowings	3,435,320	-	-	-	-	-	3,435,320
Changes in deposits and other accounts	-	208,545	-	-	-	-	208,545
Changes in other liabilities	-	-	282,058	-	-	-	282,058
- Cash based	-	-	4,109	-	-	4,109	8,218
- Non-cash based - Actuarial loss on remeasurements of defined benefit plan	-	-	-	-	-	(38,746)	-
Transfer of profit to reserve	-	-	-	-	38,746	193,732	193,732
Profit for the year	3,435,320	208,545	286,167	-	38,746	160,801	4,129,579
Balance as at 31 December, 2021	13,658,356	1,132,247	568,117	6,000,000	1,004,551	2,661,253	25,024,524

	2020					Total	
	Liabilities		Equity				
	Borrowings	Deposits and other accounts	Other liabilities	Share capital	Reserves	Unappropriated profit	
Balance as at 01 January, 2020	10,842,781	775,323	385,766	6,000,000	888,356	2,526,058	21,418,284
Changes from financing cash flows							
Payment of lease liability against right-of-use assets	-	-	(25,324)	-	-	-	(25,324)
Dividend paid	-	-	(150,000)	-	-	(150,000)	(300,000)
Total changes from financing cash flows	-	-	(175,324)	-	-	(150,000)	(325,324)
Other changes							
Liability - related							
Changes in borrowings	(619,745)	-	-	-	-	-	(619,745)
Changes in deposits and other accounts	-	148,379	-	-	-	-	148,379
Changes in other liabilities	-	-	275,768	-	-	-	275,768
- Cash based	-	-	(5,402)	-	-	(5,402)	(10,804)
- Non-cash based - Actuarial loss on remeasurements of defined benefit plan	-	-	-	-	77,449	(77,449)	-
Transfer of profit to reserve	-	-	-	-	-	387,245	387,245
Profit for the year	(619,745)	148,379	270,366	-	77,449	304,394	180,843
Balance as at 31 December, 2020	10,223,036	923,702	480,808	6,000,000	965,805	2,680,452	21,273,803

(Rupees in '000)

	2021	2020
	(Number of employees)	
35 STAFF STRENGTH		
Permanent	48	44
Temporary / on contractual basis	7	7
Company's own staff at end of the year	<u>55</u>	<u>51</u>
Outsourced	-	-
Total staff strength	<u><u>55</u></u>	<u><u>51</u></u>

36 DEFINED BENEFIT PLAN

36.1 General description

As mentioned in Note 4.8, the Company operates an approved funded Gratuity scheme for all its permanent employees. The benefits under the Gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn salary for each year of eligible service or part thereof, subject to a minimum of two years of service.

36.2 Number of employees under the scheme

The number of employees covered under the defined benefit schemes are 44 (2020: 44).

36.3 Principal actuarial assumptions

The actuarial valuation was carried out as at 31 December, 2021 using the 'Projected Unit Credit Actuarial Cost Method'. The information provided in Notes 36.3 to 36.15 has been obtained from the actuarial valuation carried out as at 31 December, 2021.

	2021	2020
	(Per annum)	
Discount rate	11.75%	9.75%
Expected rate of return on plan assets	11.75%	9.75%
Expected rate of salary increase	9.75%	9.75%
Mortality rates (for death in service)	SLIC(2001-05)-1	SLIC(2001-05)-1
Rates of employee turnover	Moderate	Moderate

	Note	2021	2020
		(Rupees in '000)	
36.4 Reconciliation of (receivable from) / payable to defined benefit plans			
Present value of obligations	36.5	91,211	77,533
Fair value of plan assets	36.6 & 36.9	(96,999)	(65,383)
(Receivable) / payable		<u>(5,788)</u>	<u>12,150</u>

36.5 Movement in defined benefit obligations

Obligations at the beginning of the year	77,533	59,706
Current service cost	11,940	10,451
Interest cost	7,960	7,138
Benefits paid during the year	-	(7,264)
Re-measurement loss / (gain)	(6,222)	7,502
Obligations at the end of the year	<u><u>91,211</u></u>	<u><u>77,533</u></u>

	Note	2021 (Rupees in '000)	2020
36.6 Movement in fair value of plan assets			
Fair value at the beginning of the year		65,383	55,631
Interest income on plan assets		7,065	6,689
Contribution by the Company - net		24,985	3,978
Re-measurement gain / (loss) on plan assets		(434)	(915)
Fair value at the end of the year	36.9	<u>96,999</u>	<u>65,383</u>
36.7 Movement in payable under defined benefit schemes			
Opening balance		12,150	4,075
Charge for the year	36.8.1	12,835	10,900
Contribution by the Company - net		(24,985)	(11,242)
Re-measurement Loss / (Gain) recognised in other comprehensive income during the year	36.8.2	(5,788)	8,417
Closing balance		<u>(5,788)</u>	<u>12,150</u>
36.8 Charge for defined benefit plans			
36.8.1 Cost recognised in Profit and Loss			
Current service cost		11,940	10,451
Net interest on defined benefit liability / (asset)		895	449
		<u>12,835</u>	<u>10,900</u>
36.8.2 Re-measurements recognised in OCI during the year			
Loss / (gain) on obligation		-	-
- Demographic assumptions		411	(264)
- Financial assumptions		(6,633)	7,766
- Experience adjustment		434	915
Actuarial loss on plan assets		434	915
Total re-measurements recognised in OCI		<u>(5,788)</u>	<u>8,417</u>
36.9 Components of plan assets			
Cash and cash equivalents		14,994	2,008
Government Securities (Defence Saving Certificates)		52,900	59,032
Non Government Debt Securities (Certificate of Investments)		29,105	4,343
		<u>96,999</u>	<u>65,383</u>
36.10 Sensitivity analysis			
The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarised below:			
		2021 (Rupees in '000)	2020
0.5% increase in discount rate		87,306	73,976
0.5% decrease in discount rate		95,379	81,343
0.5% increase in expected rate of salary increase		95,467	81,418
0.5% decrease in expected rate of salary increase		87,190	73,875

	2022 (Rupees in '000)
36.11 Expected contributions to be paid to the funds in the next financial year	<u>12,330</u>
36.12 Expected charge / (reversal) for the next financial year	<u>12,330</u>

36.13 Maturity profile

The weighted average duration of the obligation is 9.49 years.

Distribution of timing of benefit payments (time in years):

	(Rupees in '000)
1	3,996
2	4,754
3	5,283
4	5,235
5	13,520
6-10	192,638

36.14 Funding Policy

An implicit, though not formally expressed, objective is that the liabilities under the scheme in respect of members in service on the valuation date on a going concern basis and having regard to projected future salary increases, should be covered by the Fund on the valuation date, the total book reserve as of the valuation date, future contributions to the Fund, future additions to the book reserve and future projected investment income of the Fund.

As far as possible, there is an implicit objective that the contribution to the Fund should remain reasonably stable, as a percentage of salaries, under the Actuarial Cost Method employed.

36.15 The significant risk associated with the staff retirement benefit plan may include:

Mortality Risk

The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service / age distribution and the benefit.

Investment Risk

The risk of the investment underperforming and not being sufficient to meet the liabilities.

Final salary risks

The risk that the final salary at the time of cessation of service is higher than what we assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

Withdrawal risk

The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service / age distribution and the benefit.

37 DEFINED CONTRIBUTION PLAN

The general description of the note is included in Note 4.8.

Contributions made during the year:	2021	2020
	(Rupees in '000)	
Employer's contribution	<u>10,791</u>	<u>10,062</u>
Employees' contribution	<u>10,791</u>	<u>10,062</u>

The member of employees covered under the defined contribution plan are 44 (2020: 44).

38 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

38.1 Total Compensation Expense

Items	2021						
	Chairman	Directors Executives (other than CEO)	Non- Executives	Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	(Rupees in '000)						
Fees and Allowances, etc.	4,500	-	13,750	-	-	-	-
Managerial Remuneration	-	-	-	-	30,677	53,628	14,765
i) Fixed	-	-	-	-	-	-	-
ii) Total Variable of which	-	-	-	-	8,022	8,720	2,420
a) Cash Bonus / Awards	-	-	-	-	-	-	-
b) Bonus & Awards in Shares	-	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	2,832	4,102	1,131
Contribution to defined contribution plan	-	-	-	-	4,109	16,408	4,525
Rent & house maintenance	-	-	-	-	1,492	4,102	1,131
Utilities	-	-	-	-	137	5,127	1,440
Medical	-	-	-	-	2,012	12,165	4,282
Conveyance	-	-	-	-	-	696	256
Others	-	-	-	-	-	-	-
Total	4,500	-	13,750	-	49,281	104,948	29,950
Number of Persons	1	-	3	-	1	10	6

* This includes outgoing MD / CEO during the year.

2020

Items	Directors		Non-Executives	Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Executives (other than CEO)					
	----- (Rupees in '000) -----						
Fees and Allowances, etc.	4,187	-	11,424	-	-	-	-
Managerial Remuneration	-	-	-	-	29,654	47,758	13,397
i) Fixed	-	-	-	-	-	-	-
ii) Total Variable	-	-	-	-	-	-	-
of which	-	-	-	-	-	-	-
a) Cash Bonus / Awards	-	-	-	-	3,410	6,030	1,949
b) Bonus & Awards in Shares	-	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	2,622	3,667	1,038
Rent & house maintenance	-	-	-	-	-	14,722	4,153
Utilities	-	-	-	-	-	3,680	1,038
Medical	-	-	-	-	-	4,601	1,298
Conveyance	-	-	-	-	-	11,379	3,567
Others	-	-	-	-	-	692	198
Total	4,187	-	11,424	-	35,686	92,529	26,638
Number of Persons	1	-	3	-	2*	10	5

* This includes outgoing MD / CEO during the year.

The term 'Key Management Personnel' means the following functional responsibilities:

- (a) Any executive or key executive, acting as second to CEO, by whatever name called, and including the Chief Operating Officer (COO) and Deputy Managing Director.
- (b) Any executive or key executive reporting directly to the CEO / President or the person mentioned in (a) above.

The terms Directors / Executive Directors / Non-Executive Directors, CEO and Key Executives have same meaning as defined in Prudential Regulations (PRs) for Corporate and Commercial Banking. For the purpose of these disclosures Key Executive will also include Executives who have direct reporting line to the President / CEO or BoD or its Committees.

38.2 Remuneration paid to Directors for participation in Board and Committee Meetings

		2021					
		Meeting Fees and Allowances Paid					
Sr. No.	Name of Director	For Board Meetings		For Board Committees			
		Board Audit Committee	Board Risk Management Committee	Board Human Resource Compensation Committee	Board Strategic Investment Committee	Total Amount Paid	Total Amount Paid
----- (Rupees in '000) -----							
1	Mr. Aamer Mahmood Hussain	3,125	625	500	500	-	4,750
2	Mr. Zahoor Ahmed	3,750	-	500	500	250	4,500
3	Mr. Gholamreza Khalil Arjmandi	3,125	625	500	500	250	4,500
4	Mr. Hamidreza Raufi	3,125	625	500	-	250	4,500
Total amount paid		13,125	1,875	1,000	1,500	750	18,250
----- (Rupees in '000) -----							
		2020					
		Meeting Fees and Allowances Paid					
Sr. No.	Name of Director	For Board Meetings		For Board Committees			
		Board Audit Committee	Board Risk Management Committee	Board Human Resource Compensation Committee	Board Strategic Investment Committee	Total Amount Paid	Total Amount Paid
----- (Rupees in '000) -----							
1	Mr. Aamer Mahmood Hussain	2,988	125	313	313	375	4,114
2	Mr. Zahoor Ahmed	3,500	250	61	-	375	4,187
3	Mr. Gholamreza Khalil Arjmandi	2,842	250	250	-	288	3,631
4	Mr. Hamidreza Raufi	2,829	250	250	300	50	3,679
Total amount paid		12,159	875	874	613	1,088	15,611

39 FAIR VALUE MEASUREMENTS

39.1 Fair value of financial assets

The fair value of financial assets and liabilities not carried at fair value are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in case of loan are frequently repriced.

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair values' estimates.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Note	2021		2020	
	Book value	Fair value	Book value	Fair value

----- (Rupees in '000) -----

39.2 On-balance sheet financial instruments

Assets

Cash and balances with treasury banks	75,966	-	54,919	-
Balances with other banks	162,471	-	74,589	-
Investments (other than commercial paper) 39.3	16,786,722	16,786,722	13,651,952	13,651,952
Investments - commercial paper	188,715	-	-	-
Advances	6,516,564	-	6,165,043	-
Other assets	295,967	-	284,551	-
	24,026,405	16,786,722	20,231,054	13,651,952

Liabilities

Borrowings from financial institutions	13,658,356	-	10,223,036	-
Deposits and other accounts	1,132,247	-	923,702	-
Other liabilities	472,373	-	394,932	-
	15,262,976	-	11,541,670	11,541,670
	8,763,429	16,786,722	8,689,384	2,110,282

- 39.3 The table below analyses the investments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measured is categorised:

On-balance sheet financial instruments	2021			
	Fair value			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Financial assets measured at fair value				
Investments - other than commercial papers				
Federal Government Securities	-	9,967,626	-	9,967,626
Units of Mutual Funds	-	-	-	-
Shares in Listed Companies	1,127,520	-	-	1,127,520
Non Government Debt Securities	-	5,691,576	-	5,691,576
	<u>1,127,520</u>	<u>15,659,202</u>	<u>-</u>	<u>16,786,722</u>
	2020			
	Fair value			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Financial assets measured at fair value				
Investments - other than commercial papers				
Federal Government Securities	-	7,708,301	-	7,708,301
Units of Mutual Funds	-	-	-	-
Shares in Listed Companies	1,052,915	-	-	1,052,915
Non Government Debt Securities	-	4,890,736	-	4,890,736
	<u>1,052,915</u>	<u>12,599,037</u>	<u>-</u>	<u>13,651,952</u>

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Fair value of financial instruments is based on:

Government Securities	PKRV / PKFRV rates (MUFAP rates)
Term Finance Certificates and Sukuk Bonds (other than Government)	MUFAP rates
Listed Securities	PSX rates

- 39.4 Fair value of other financial assets and liabilities are for short-term or repriced frequently. Therefore, their carrying values are reasonable approximations of their fair values.

40 SEGMENT INFORMATION

40.1 Segment details with respect to business activities

	2021				Total
	(Rupees in '000)				
	Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	
Profit & Loss					
Net mark-up / return / profit	517,349	241,597	-	(22,312)	736,634
Inter segment revenue - net	-	-	-	-	-
Non mark-up / return / interest income	19,071	-	140,084	14,918	174,073
Total Income	536,420	241,597	140,084	(7,394)	910,707
Segment direct expenses	44,137	25,143	15,631	304,983	389,894
Inter segment expense allocation	-	-	-	-	-
Total expenses	44,137	25,143	15,631	304,983	389,894
Provisions / (reversals)	266,798	-	(1,699)	-	265,099
Profit before tax	225,485	216,454	126,152	(312,377)	255,714
Balance Sheet					
Cash & Bank balances	-	-	-	238,437	238,437
Investments	4,903,381	10,999,436	1,072,620	-	16,975,437
Net inter segment lending	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-
Advances - performing	6,143,380	-	-	124,634	6,268,014
Advances - non-performing	248,550	-	-	-	248,550
Others	770,572	107,088	150	405,614	1,283,424
Total Assets	12,065,883	11,106,524	1,072,770	768,685	25,013,862
Borrowings	5,142,716	8,188,543	327,097	-	13,658,356
Subordinated debt	-	-	-	-	-
Deposits & other accounts	657,255	371,638	103,354	-	1,132,247
Net inter segment borrowing	-	-	-	-	-
Others	272,990	21,591	9,893	263,643	568,117
Total liabilities	6,072,961	8,581,772	440,344	263,643	15,358,720
Equity	5,992,922	2,524,752	632,426	505,042	9,655,142
Total equity & liabilities	12,065,883	11,106,524	1,072,770	768,685	25,013,862
Contingencies & Commitments	402,000	7,012,384	-	-	7,414,384

	2020				Total
	(Rupees in '000)				
	Corporate Finance & Commercial Banking	Trading & Sales (other than Capital Market)	Capital Markets	Others	
Profit & Loss					
Net mark-up / return / profit	620,042	414,257	-	(30,664)	1,003,635
Inter segment revenue - net	-	-	-	-	-
Non mark-up / return / interest income	10,301	10,204	50,588	(376)	70,717
Total Income	630,343	424,461	50,588	(31,040)	1,074,352
Segment direct expenses	23,930	45,794	13,376	294,302	377,402
Inter segment expense allocation	-	-	-	-	-
Total expenses	23,930	45,794	13,376	294,302	377,402
Provisions	228,640	-	(37,974)	-	190,666
Profit before tax	377,773	378,667	75,186	(325,342)	506,284
Balance Sheet					
Cash & Bank balances	-	-	-	129,508	129,508
Investments	3,661,244	9,045,494	945,214	-	13,651,952
Net inter segment lending	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-
Advances - performing	5,508,761	-	-	125,975	5,634,736
Advances - non-performing	530,307	-	-	-	530,307
Others	734,458	102,611	5,954	500,278	1,343,301
Total Assets	10,434,770	9,148,105	951,168	755,761	21,289,804
Borrowings	3,731,090	6,146,158	345,788	-	10,223,036
Subordinated debt	-	-	-	-	-
Deposits & other accounts	409,390	425,998	88,314	-	923,702
Net inter segment borrowing	-	-	-	-	-
Others	249,853	30,300	-	200,655	480,808
Total liabilities	4,390,333	6,602,456	434,102	200,655	11,627,546
Equity	6,044,437	2,545,649	517,066	555,106	9,662,258
Total equity & liabilities	10,434,770	9,148,105	951,168	755,761	21,289,804
Contingencies & Commitments	100,000	4,478,204	-	-	4,578,204

41 RELATED PARTY TRANSACTIONS

The Company has related party transactions with its associates, employee benefit plans and its Directors and key management personnel.

Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration of the key management personnel is determined in accordance with the terms of their appointment. Other transactions are at agreed rates.

Details of balances and transactions with related parties as at the end of and during the year, other than those which have been disclosed elsewhere in these Financial Statements, are as follows:

RELATED PARTY TRANSACTIONS	2021			2020		
	Directors	Key Management Personnel	Other Related Parties*	Directors	Key Management Personnel	Other Related Parties*
Advances	----- (Rupees in '000) -----					
Opening balance	-	90,427	-	-	75,735	-
Addition during the year	-	6,958	-	-	21,200	-
Repaid during the year	-	(20,353)	-	-	(6,508)	-
Closing balance	-	77,032	-	-	90,427	-
Other Assets						
Other receivable (associated)	-	-	11,492	-	-	10,394
Deposits and other accounts						
Opening balance	-	3,087	691,699	-	3,170	585,356
Received during the year	-	128,326	3,295,303	-	28,697	2,113,079
Withdrawn during the year	-	(97,286)	(3,134,220)	-	(28,780)	(2,006,738)
Closing balance	-	34,127	852,782	-	3,087	691,697
Other Liabilities						
Interest / mark-up payable	-	497	13,029	-	29	12,083
Other liabilities	-	-	-	-	-	-
- bonus payable to MD / CEO	-	1,702	-	-	-	-
- payable to Iran Foreign Investment Company - associate	-	-	8,129	-	-	8,068
director fee payable	-	-	2,000	-	-	400
Receivable from / (payable) to defined benefit plan	-	-	5,788	-	-	(12,150)
Income	----- (Rupees in '000) -----					
Mark-up / return / interest earned	-	4,074	-	-	3,784	-
Expense						
Mark-up / return / interest paid	-	1,749	58,416	-	344	63,279
Operating expenses						
Fees for Board & Committee Meeting	18,250	-	-	15,611	-	-
Allowances for Board & Committee Meeting	-	-	-	-	-	-
Managerial Remuneration	-	84,305	-	-	77,412	-
Cash Bonus / Awards	-	16,742	-	-	9,440	-
Contribution to defined contribution plan	-	6,934	-	-	6,289	-
Rent & house maintenance	-	20,516	-	-	14,722	-
Utilities	-	5,594	-	-	3,680	-
Medical	-	5,264	-	-	4,601	-
Conveyance	-	14,178	-	-	11,379	-
Others	-	696	-	-	692	-
Contribution to the defined contribution plan	-	-	10,791	-	-	5,100
Payment to the defined benefit plan	-	-	24,985	-	-	3,978
Charge for defined benefit plan	-	-	12,835	-	-	10,900

* Associate and retirement benefits plans.

42 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Capital adequacy

As per requirements of SBP, the Bank is required to comply with the capital adequacy framework which comprises the following capital standards:

i) Minimum Capital Requirement (MCR):

The MCR standard sets the paid-up capital that the Company is required to hold at all times.

As of the Statement of Financial Position date, the Company's paid-up capital stands at Rs. 6 billion as against the required MCR of Rs. 6 billion.

ii) Capital Adequacy Ratio:

The Capital Adequacy Ratio (CAR) assesses the capital requirement based on the risks faced by the banks / DFIs. The banks / DFIs are required to comply with the CAR as specified by SBP on standalone as well as consolidated basis.

During the year 2013, SBP issued revised instructions on the computation of CAR based on Basel III Capital Reform as published by the Basel Committee on Banking Supervision. These instructions also specify the transitional arrangements from 2013 to 2019 which have now fully implemented from 31 December, 2019.

Accordingly, the Bank has assessed and reported its Capital Adequacy Ratio in the Financial Statements on the basis of Basel III requirements as prescribed by SBP.

	2021		2020	
	(Rupees in '000)			
Minimum Capital Requirement (MCR):				
Paid-up capital (net of losses)		6,000,000		6,000,000
Capital Adequacy Ratio (CAR):				
Eligible Common Equity Tier 1 (CET 1) Capital		6,122,373		6,431,285
Eligible Additional Tier 1 (ADT 1) Capital		-		-
Total Eligible Tier 1 Capital		6,122,373		6,431,285
Eligible Tier 2 Capital		-		-
Total Eligible Capital (Tier 1 + Tier 2)		6,122,373		6,431,285
Risk Weighted Assets (RWAs):				
Credit Risk		8,872,115		8,286,993
Market Risk		1,654,795		1,608,255
Operational Risk		1,854,382		1,621,542
Total		12,381,292		11,516,790
		2021		2020
	Required	Actual	Required	Actual
Common Equity Tier 1 Capital Adequacy Ratio	6.00%	49.45%	6.00%	55.84%
Tier 1 Capital Adequacy Ratio	7.50%	49.45%	7.50%	55.84%
Total Capital Adequacy Ratio	11.50%	49.45%	11.50%	55.84%

Standardised Approach of Basel III is used for calculating Capital Adequacy for Credit and Market Risk while Basic Indicator Approach is used for calculating Capital Adequacy for Operational Risk.

Leverage Ratio (LR):	2021	2020
	(Rupees in '000)	
Eligible Tier-1 Capital	6,122,373	6,431,285
Total Exposures	21,869,470	17,610,587
Leverage Ratio	28.00%	36.52%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	5,280,683	4,034,704
Total Net Cash Outflow	2,258,417	1,186,531
Liquidity Coverage Ratio	2.34	3.40
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	16,052,867	15,123,909
Total Required Stable Funding	11,831,174	10,457,783
Net Stable Funding Ratio	136%	145%

- 42.1** State Bank of Pakistan issued Green Banking Guidelines vide IH&SMEFD Circular No. 08 of 2017 with a view to safeguarding against environmental risks emerging from banks and DFIs' businesses and operations. In order to align the DFI with regulatory expectations, PICL has put in place a Green Banking Framework focusing on following three areas:

1) Environmental Risk Management

For increasing financial stability through management and mitigation of Environmental Risks of Lending portfolio, PICL has in place integration of environmental risk considerations into the credit risk assessment by introducing an Environmental Risk Rating, which is part of the Credit Risk Assessment.

2) Business Facilitation

The DFI is pursuing a Green portfolio through soliciting clients for Renewable Energy related Lending by offering the SBP's Renewable Energy Refinance Scheme.

3) Own Impact Reduction

In order to reduce its own impact on environment, the DFI has set targets to lower its energy consumption, paper and waste reduction, bring energy efficient equipments, and plantation of greenery in surroundings.

- 42.2** The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time have been placed on the website. The link to the full disclosure is available at [http:// www.pairinvestment.com](http://www.pairinvestment.com).

43 RISK MANAGEMENT

The primary risks associated with the Company's exposure are:

Credit Risk: The risk of loss resulting from client or counterparty default.

Market Risk: The exposure to market variables such as interest rates and equity prices.

Operational Risk: The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and therefore includes legal risk.

The Company manages risk through a sound framework based on risk principles which includes an optimal organisational structure, risk assessment and monitoring processes. Credit & Risk Management Department (CRMD) is mandated to implement this framework as a function independent of business segments working under the guidance of Board's Risk Management Committee (BRMC).

The Company's Credit & Risk Management Department has Basel Compliant Credit, Market, Liquidity and Operational Risk functions. Furthermore, Environmental Risk Management mechanism, through Green Banking Framework, has been defined and is currently in the implementation phase.

The Company's portfolio and exposures are governed through relevant policies, procedures and various risk measurement techniques by adopting Internal Capital Adequacy Assessment Process (ICAAP) and Stress Testing with a purpose to achieve efficiency, effectiveness and compliance. Internal Risk Rating mechanism and transaction level risk analytics are in place to have ongoing risk sensitive assessment and reporting. The Company is more focused towards implementing system-based risk assessment in order to have more efficiency in overall risk management processes.

43.1 Credit risk

Credit risk is the risk of loss to the Company as a result of failure by a client or counterparty to meet its contractual obligations. It is inherent in loans, commitments to lend, traded products, repurchase agreements (reverse repos), placements and other lending transactions. The role of Credit Risk Management particularly includes:

- Participation in portfolio planning and management.
- Establishment of credit policies and standards that conform to regulatory requirements and the Company's overall objectives.
- Working with Business Units in keeping aggregate credit risk exposure within the Company's risk appetite.
- Organising portfolio reviews focusing on quality assessment, risk profiles, industry concentrations.
- Setting systems to identify significant portfolio indicators, problem credits and level of provisioning required.

The Company has designed an Internal Risk Rating Model and methodology to gauge credit risk elements in the banking book of the Company.

The Credit products mainly comprise of Fund based & Non-Fund based, including short-term and long-term financing, project finance, term lending, reverse repurchase, bridge finance, investment in TFCs, Sukuk Bonds and placements with financial institutions, etc. Exposures are collateralised by cash equivalents, fixed assets, and current assets including property plant and equipment, land and building, hypothecation, pledge on stocks and receivables, as the case may be. The Company manages limits and controls concentrations of credit risk as identified, in particular to individual counterparties and groups, and to industries, where appropriate.

Concentrations of credit risk exist if clients are engaged in similar activities, or are located in the same geographic region or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. The Company sets limits on its credit exposure to counterparty, to groups, and to industry, which are in line with SBP standards.

Stress testing on credit portfolio is being carried out on a regular basis to assess the impact of defaults on Company's earning and capital adequacy. Credit concentration, rating migration, default shocks and risk aggregation of large exposures are few of the main shocks used to gauge the strength of Credit Risk standing of the Company.

43.1.1 Credit Risk – General Disclosures Basel II / III Specific

The Company is more focused on the intent of Basel II / III rather than just treating it as a regulatory requirement. Therefore, in addition to the adoption of Standardised Approach and reporting to SBP, the Company has already adopted the practice of ongoing assessment as required under the advanced approaches of Basel II. The Company has adopted Pillar II ICAAP requirements duly approved by the Board of Directors.

43.1.2 Credit Risk: Disclosure for portfolio subject to the Standardised Approach

For the calculation of Risk Weighted Assets under the Standardised Approach, external credit ratings have been used for all exposures, where available, against bank lending, corporate lending and debt instruments. The external ratings are further mapped with SBP ratings scale to arrive at risk weights of each transaction.

43.1.3 Types of exposures and ECAI's used

Exposures	JCR-VIS	PACRA
Banks	✓	✓
Corporate	✓	✓

Credit exposures subject to standardised approach

Exposures	Rating Category	Amount Outstanding	Deduction	Net Amount
----- (Rupees in '000) -----				
Corporate	1	922,551	-	922,551
	2	6,127,641	-	6,127,641
	3,4	215,409	-	215,409
	5,6	-	-	-
	Unrated 1	2,134,973	-	2,134,973
	Unrated 2	314,446	-	314,446
Banks		7,175,556	7,148,930	26,626
Sovereigns		10,308,908	-	10,308,908
Retail Portfolio		15,070	-	15,070
Residential Mortgage Finance		109,565	-	109,565
Past Due Loans		360,281	-	360,281
Listed Equity Investments		654,336	-	654,336
Unlisted Equity Investments		130,608	-	130,608
Cash and Cash Equivalents		5,482	-	5,482
Others		760,400	-	760,400
		<u>29,235,226</u>	<u>7,148,930</u>	<u>22,086,296</u>

43.1.4 Credit Risk: Disclosure with respect to Credit Risk Mitigation for Standardised Approach - Basel II Specific

The credit policy of the Company covers credit risk mitigation process and requirements for all secured transactions. Key elements include:

- Collateral type;
- Collateral quality and ranking;
- Collateral valuation process, and
- Margin requirements

Equitable Mortgage, Token Registered Mortgage, Hypothecation Charge Over Fixed Assets, Current Assets, Pledge of Shares, Lending against Government Securities (for repo style transaction), GOP Guarantee and Pledge of Stocks are the main type of collaterals taken against the exposure.

43.1.5 Lendings to financial institutions

Credit risk by public / private sector	Gross investments		Non-performing investments		Provision held	
	2021	2020	2021	2020	2021	2020
	----- (Rupees in '000) -----					
Public / Government	-	-	-	-	-	-
Private	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

43.1.6 Investment in debt securities

Credit risk by industry sector	Gross investments		Non-performing investments		Provision held	
	2021	2020	2021	2020	2021	2020
	----- (Rupees in '000) -----					
Chemical and Pharmaceuticals	150,000	237,259	-	-	-	-
Financial Institutions	3,959,001	3,688,908	11,245	11,245	11,245	11,245
Manufacture of bakery / other food products	150,000	170,000	-	-	-	-
Manufacture of basic iron and steel	647,542	300,000	-	-	-	-
Manufacture of chemicals and chemical products	12,365	13,747	12,365	13,747	6,397	1,711
Manufacture of medicinal and pharmaceutical products	60,000	90,000	-	-	-	-
Manufacture of refined petroleum and products	250,000	-	-	-	-	-
Real estate activities	348,318	357,041	19,680	19,680	19,680	19,680
Spinning, weaving, finishing of textiles	100,000	100,000	-	-	-	-
Manufacture of domestic appliances n.e.c.	141,172	-	-	-	-	-
	<u>5,818,398</u>	<u>4,956,955</u>	<u>43,290</u>	<u>44,672</u>	<u>37,322</u>	<u>32,636</u>

Credit risk by public / private sector	Gross investments		Non-performing investments		Provision held	
	2021	2020	2021	2020	2021	2020
	----- (Rupees in '000) -----					
Public / Government	-	-	-	-	-	-
Private	5,818,398	4,956,955	43,290	44,672	37,322	32,636
	<u>5,818,398</u>	<u>4,956,955</u>	<u>43,290</u>	<u>48,882</u>	<u>37,322</u>	<u>32,636</u>

43.1.7 Advances

Credit risk by industry sector	Gross advances		Non-performing advances		Provision held	
	2021	2020	2021	2020	2021	2020
----- (Rupees in '000) -----						
Manufacture of electrical machinery and apparatus	575,000	575,000	-	-	-	-
Cargo handling	96,452	150,405	14,062	14,062	14,062	14,062
Casting of iron and steel	254,815	205,740	194,288	194,288	194,288	52,042
Education	241,279	108,933	15,648	21,179	7,087	5,552
Financial Institution	-	17,647	-	-	-	-
Hotels and Tourism	-	90,000	-	-	-	-
Manufacture of basic iron and steel	498,718	476,611	476,611	476,611	476,611	389,061
Manufacture of cement	187,500	225,000	75,000	75,000	75,000	75,000
Manufacture of medicinal and pharmaceutical products	165,505	224,035	-	-	-	-
Manufacture of other grain mills products	85,441	221,922	-	-	-	-
Manufacture of parts and accessories for motor vehicles	34,287	44,934	-	-	-	-
Manufacture of refined petroleum and products	112,500	187,500	-	-	-	-
Manufacture of rubber tyres and tubes	464,740	173,412	-	-	-	-
Manufacture of sugar	562,681	603,333	70,000	70,000	70,000	70,000
Manufacture of textiles	2,330,532	2,327,596	500,000	500,000	500,000	500,000
Poultry and other animal farming and related products	95,250	95,250	95,250	95,250	95,250	95,250
Production, transmission and distribution of electricity	323,606	326,590	322,813	326,590	94,063	55,435
Real estate activities	284,860	284,860	284,860	284,860	284,860	284,860
Staff Loans	124,635	125,976	-	-	-	-
Textile - others	9,000	33,037	-	24,037	-	10,309
Printing, publishing and allied industries	45,550	49,424	-	-	-	-
Maintenance and repair	28,175	28,298	-	-	-	-
Manufacture of other fabricated metal products	37,005	35,545	-	-	-	-
Manufacture of edible oil and ghee	-	-	-	-	-	-
Manufacture of bakery other food products n.e.c.	406,853	132,397	-	-	-	-
Printing and publishing of newspapers, journals, periodicals and related	25,027	26,938	13,700	-	2,461	-
Manufacture of food products and beverages (other)	509,476	505,554	-	-	-	-
Construction (Non-residential)	146,945	215,677	-	-	-	-
Extraction of natural gas and service activities excluding surveying	182,812	225,000	-	-	-	-
Manufacture of soap, cosmetics, perfumes, toilet preparation and detergents	128,634	-	-	-	-	-
Manufacture of plastics products	88,215	-	-	-	-	-
Rice processing (husking, semi-wholly milled, etc.)	175,044	-	-	-	-	-
Publishing of music and reproduction of recorded media	78,000	-	-	-	-	-
Manufacture of paper, paperboard and products thereof	31,709	-	-	-	-	-
	8,330,246	7,716,614	2,062,232	2,081,878	1,813,682	1,551,571

Credit risk by public / private sector	Gross advances		Non-performing advances		Provision held	
	2021	2020	2021	2020	2021	2020
	----- (Rupees in '000) -----					
Public / Government	-	-	-	-	-	-
Private	8,330,246	7,716,614	2,062,232	2,081,878	1,813,682	1,551,571
	<u>8,330,246</u>	<u>7,716,614</u>	<u>2,062,232</u>	<u>2,081,878</u>	<u>1,813,682</u>	<u>1,551,571</u>

Contingencies and Commitments

43.1.8 Credit risk by industry sector

	2021	2020
	(Rupees in '000)	
Production & transmission of energy	300,000	100,000
Manufacture of medicinal and pharmaceutical products	-	-
Production, transmission and distribution of electricity	-	-
	<u>300,000</u>	<u>100,000</u>
Credit risk by public / private sector		
Public / Government	-	-
Private	300,000	100,000
	<u>300,000</u>	<u>100,000</u>

43.1.9 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 4.15 billion (2020: 3.68 billion) are as following:

	2021	2020
	(Rupees in '000)	
Funded	4,146,353	3,683,666
Non Funded	-	-
Total Exposure	<u>4,146,353</u>	<u>3,683,666</u>

The sanctioned limits against these top 10 exposures aggregated to Rs. 4.73 billion (2020: Rs. 3.87 billion).

	2021		2020	
	Amount	Provision held	Amount	Provision held
	----- (Rupees in '000) -----			
Total Funded Classified Therein				
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	1,020,899	1,020,899	826,611	739,061
Total	<u>1,020,899</u>	<u>1,020,899</u>	<u>826,611</u>	<u>739,061</u>

43.1.10 Advances - Province / Region-wise Disbursement & Utilisation

Province / region	2021			
	Disbursements *	Utilisation **		
		Punjab	Sindh	Federal Capital Territory - Islamabad
----- (Rupees in '000) -----				
Sindh	3,151,771	2,105,077	1,046,694	-
Total	3,151,771	2,105,077	1,046,694	-

Province / region	2020			
	Disbursements *	Utilisation **		
		Punjab	Sindh	Federal Capital Territory - Islamabad
----- (Rupees in '000) -----				
Sindh	2,907,668	973,413	1,709,255	225,000
Total	2,907,668	973,413	1,709,255	225,000

* 'Disbursements of Province / Region-wise' refers to the place from where the funds are being issued by the banks to the borrowers.

** 'Utilisation of Province / Region-wise' refers to the place where the funds are being utilised by borrower.

43.2 Market Risk

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions. After recovery of the economy after COVID-19, the State Bank of Pakistan has also taken various fiscal and regulatory measures and reforms to stabilise the same. The major step taken by SBP was to increase the policy rate by 275 bps to sustain economic activities.

Trading activities are executed in the Treasury & Investment Unit (T&IU). Major equity holdings are held to earn capital gain and dividend to support the Company's business activities while some of the investment positions of equity holding are made for revenue generation as part of strategic initiatives. The Company is active in the Money Market, Fixed Income and Equity Market that carry interest rate and equity price risk on both trading and banking book respectively. Management level Market Risk Committee has been invoked to ensure specific & general risk assessment of all market-related products on a timely basis.

Controls are also applied to prevent any undue risk concentrations in trading books, taking into account variations in price volatility and market depth and liquidity. They include controls on exposure to individual market risk variables, such as individual interest or equity price ('risk factors'), and on positions in the securities of individual issuers.

Market risk measures and controls are applied at the portfolio level, and concentration limits and other controls are applied where necessary to individual risk types, to particular books and to specific exposures. Portfolio risk measures are common to all market risks, but concentration limits and other controls are tailored to the nature of the activities and the risks they create.

The Company has developed Market Risk Policy, which covers the techniques to gauge, monitor and report the impact of interest rate and price risk implications.

Details of Market Risk Weighted Assets subject to Basel III Capital Adequacy Calculation are given below:

Market Risk Weighted Assets

	Assets	Capital Charge
	(Rupees in '000)	
Interest Rate Risk Exposure	-	-
Equity Exposure	<u>827,431</u>	<u>132,389</u>

43.2.1 Balance sheet split by trading and banking books

	2021			2020		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	----- (Rupees in '000) -----					
Cash and balances with treasury banks	75,966	-	75,966	54,919	-	54,919
Balances with other banks	162,471	-	162,471	74,589	-	74,589
Lendings to financial institutions	-	-	-	-	-	-
Investments	15,847,917	1,127,520	16,975,437	12,599,037	1,052,915	13,651,952
Advances	6,516,564	-	6,516,564	6,165,043	-	6,165,043
Fixed assets	227,812	-	227,812	219,675	-	219,675
Intangible assets	5,000	-	5,000	146	-	146
Deferred tax assets	461,472	-	461,472	414,100	-	414,100
Other assets	589,140	-	589,140	709,380	-	709,380
	<u>23,886,342</u>	<u>1,127,520</u>	<u>25,013,862</u>	<u>20,236,889</u>	<u>1,052,915</u>	<u>21,289,804</u>

43.2.2 Foreign Exchange Risk

Foreign Exchange Risk is the risk of loss resulting from changes in exchange rates. The Company does not carry any product specific Foreign Exchange Risk.

	2021				2020			
	Foreign Currency Asset	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Asset	Foreign Currency Liabilities	Off-balance sheet Items	Net foreign currency exposure
	----- (Rupees in '000) -----							
Pakistan Rupees	24,696,925	15,350,591	300,000	9,646,334	21,178,912	11,619,478	100,000	9,659,434
United States Dollar	16,937	-	-	16,937	10,892	-	-	10,892
Euro	-	8,129	-	(8,129)	-	8,068	-	(8,068)
	<u>24,713,862</u>	<u>15,358,720</u>	<u>300,000</u>	<u>9,655,142</u>	<u>21,189,804</u>	<u>11,627,546</u>	<u>100,000</u>	<u>9,662,258</u>

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	----- (Rupees in '000) -----			
Impact of 1% change in foreign exchange rates on				
- Profit and Loss Account	23	-	23	-
- Other Comprehensive Income	-	-	-	-

43.2.3 Equity Position Risk

Equity Position Risk arises due to adverse movements in equity prices. The Company as a policy does not enter into any kind of proprietary equity trades. The investment in equities is also managed within the statutory limits as prescribed by the State Bank of Pakistan.

The objective of 'Held-for-Trading' portfolio is to take advantages of short-term capital gains, while the 'Available-for-Sale' portfolio is maintained with a medium-term view of capital gains and dividend income. The Company has also invested in mutual funds categorised as 'Available-for-Sale'. Investment policy has been developed to discuss in detail the objectives / policies, risks / mitigates, limits / controls for exposures against price risk.

In order to dampen the effects of COVID-19, the State Bank of Pakistan has allowed banks to recognise impairment loss, if any, resulting from the valuation of listed equity securities held as 'Available-for-Sale' (AFS), in a phased manner equally on quarterly basis during calendar year ended on 31 December, 2020. However, the State Bank of Pakistan also encouraged banks / DFIs for early recognition of full impairment loss. However, PAiR has recognised the impairment loss equally on a quarterly basis.

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	----- (Rupees in '000) -----			
Impact of 5% change in equity prices on				
- Profit and Loss Account	-	3,113	-	2,152
- Other Comprehensive Income	-	53,263	-	50,493

43.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB) - Basel II Specific

The Company's Banking Book consists of significant amount of Interest Rate sensitive assets. The investment portfolio comprises of floating interest rate TFCs and Sukuks that are mainly linked to six month KIBOR. Therefore, the overall frequency of banking book interest rate is around six months. Interest rate position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date, the instrument's repayment nature varies from monthly payments to bullet maturity.

Capital Adequacy Stress Test exercise has been conducted by using duration method for measuring the upward and downward shocks of interest rate. This provides the Company risk taking and absorption capacity and its implication on capital adequacy in the worst case scenarios.

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	----- (Rupees in '000) -----			
Impact of 1% change in interest rates on				
- Profit and Loss Account	40,953	-	8,267	-
- Other Comprehensive Income	23,597	-	85,796	-

43.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

	Effective yield / interest rate	Total	Exposed to Yield / Interest Risk							Non-interest bearing financial instruments				
			Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years		Over 5 to 10 years	Above 10 years		
2021														
(Rupees in '000)														
On-balance sheet financial instruments														
Assets														
Cash and balances with treasury banks	0.05%	75,966	682	-	-	-	188,714	381,414	-	-	-	-	1,110,884	75,284
Balances with other banks	5.04%	162,473	150,324	-	-	-	182,092	412,774	500,173	877,440	1,083,190	93,783	270,097	12,149
Lending to financial institutions	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	10.47%	16,975,437	5,490,228	6,905,397	2,898,800	229,271	370,806	794,188	500,173	877,440	1,083,190	93,783	270,097	1,110,884
Advances	6.95%	6,516,564	813,935	2,053,809	229,271	-	-	-	-	-	-	-	-	270,097
Other assets		232,811	-	-	-	-	-	-	-	-	-	-	-	232,811
		23,963,251	6,455,169	8,959,206	3,128,071	370,806	794,188	500,173	500,173	877,440	1,083,190	93,783	1,701,225	1,701,225
Liabilities														
Borrowings	9.98%	13,658,355	7,019,841	11,116	3,658,128	155,383	391,734	447,082	726,770	1,201,630	46,671	240	568,117	568,117
Deposits and other accounts	7.39%	1,132,248	781,974	350,034	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt		-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities		568,117	-	-	-	-	-	-	-	-	-	-	-	568,117
		15,358,720	7,801,815	361,150	3,658,128	155,383	391,734	447,082	726,770	1,201,630	46,671	240	568,357	568,357
On-balance sheet gap		8,604,531	(1,346,646)	8,598,056	(530,057)	215,423	402,454	53,091	150,670	(118,440)	47,112	1,132,868	1,132,868	1,132,868
Off-balance sheet financial instruments														
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap		8,604,531	(1,346,646)	8,598,056	(530,057)	215,423	402,454	53,091	150,670	(118,440)	47,112	1,132,868	1,132,868	1,132,868
Cumulative Yield / Interest Risk Sensitivity Gap		8,604,531	(1,346,646)	7,251,410	6,721,353	6,936,776	7,339,230	7,392,321	7,542,991	7,424,551	7,471,663	8,604,531	8,604,531	8,604,531

2020

Effective yield / interest rate	Total	Exposed to Yield / Interest Risk							Non-interest bearing financial instruments	
		Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years		Over 5 to 10 years
On-balance sheet financial instruments										
Assets										
		54,920	657							
Cash and balances with treasury banks	0.11%	74,589	67,099							54,263
Balances with other banks	4.78%									7,490
Lending to financial institutions	0.00%									
Investments	7.92%	13,651,953	1,756,381	2,657,051	1,426,311	-	398,062	3,443,372	1,949,900	-
Advances	6.77%	6,165,045	1,783,816	327,990	222,707	413,469	335,854	512,267	829,481	77,184
Other assets		219,821								219,821
		20,166,328	3,540,197	2,985,041	1,649,018	413,469	733,916	3,955,639	2,779,381	77,184
										1,896,057
Liabilities										
Borrowings	6.26%	10,223,035	4,480,024	2,577	89,182	2,658,783	287,302	484,336	988,551	-
Deposits and other accounts	7.22%	923,702	831,435	92,027	-	-	-	-	-	240
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-
Subordinated debt		-	-	-	-	-	-	-	-	-
Other liabilities		480,808	-	-	-	-	-	-	-	480,808
		11,627,545	5,311,459	94,604	89,182	2,658,783	287,302	484,336	988,551	481,048
On-balance sheet gap		8,538,783	(3,175,033)	3,445,593	1,559,836	(818,811)	446,614	3,471,303	1,790,830	1,415,009
Off-balance sheet financial instruments										
Off-balance sheet gap		-	-	-	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap		8,538,783	(3,175,033)	3,445,593	1,559,836	(818,811)	446,614	3,471,303	1,790,830	77,184
Cumulative Yield / Interest Risk Sensitivity Gap		8,538,783	(3,175,033)	270,560	2,156,654	1,337,843	1,784,457	5,255,760	7,046,590	7,123,774
										8,538,783

	2021	2020
	(Rupees in '000)	
43.2.5.1 Reconciliation of financial assets and liabilities		
Assets as per Statement of Financial Position	25,013,862	21,289,804
Less: Fixed assets	227,812	219,675
Less: Intangible assets	5,000	146
Less: Deferred tax assets	461,472	414,100
Less:		
Advances, deposits, advance rent and other prepayments	16,926	177,290
Non-refundable deposits	6,701	6,781
Non-banking asset acquired against claims	80,471	84,821
Advance Taxation (payments less provisions)	162,809	115,856
	266,907	384,748
Interest Rate Sensitive Assets	24,052,671	20,271,135
Liabilities as per Statement of Financial Position	15,358,720	11,627,546
Deferred tax liabilities	-	-
Less:		
Provision for compensated absences	4,655	4,248
Branch Adjustment accounts	-	-
Workers Welfare Fund	92,187	81,569
Provisions against off-balance sheet obligations	-	-
Unearned commission LG	-	-
	96,842	85,817
Other liabilities - yield	15,261,878	11,541,729

43.3 Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. PAIR Investment Company, in the light of SBP guidelines on Operational Risk Framework via BPRD Circular# 04-2014 dated May 20, 2014, developed Operational Risk Management Framework considering the regulatory guidelines and best practices in the market. PAIR Investment Company is adequately monitoring & reporting the operational risk data as per regulatory guidelines and BoD approved Operational Risk policy. With the implementation of Operational Risk Framework, the Company is being able to manage operational risks in a more systematic way that includes analysing current systems for data collection, migration, validation and retention for current and historical reference and calculation.

The Company maintains a system of internal controls designed to keep operational risk at appropriate levels. Various techniques / tools used by the Company for the management of Operational Risk includes RCSAs (Risk Control Self Assessment), KRIs (Key Risk Indicators) and Loss Data Management. The Company also has in place a business continuity plan for all critical functional areas for smooth functioning of operations.

Basel III Basic Indicator Approach is used for calculating the Capital Adequacy for Operational Risk.

43.3.1 Operational risk disclosure - Basel II / III specific

Basic Indicator approach of Basel II / III has been used to calculate Operational Risk charge of the Company.

43.4 Liquidity risk

Liquidity Risk is the risk of loss to the Company arising from its inability to meet obligations as they fall due or to fund growth in assets, without incurring unacceptable cost or losses.

The Company's approach to liquidity management is to ensure that it will always have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions without incurring unacceptable losses or risking sustained damage.

Liquidity Risk Policy has been designed that entails careful monitoring and control of the daily liquidity position, and regular liquidity stress tests under a variety of scenarios. Scenarios encompass both normal and stressed market conditions, including general market crises and the possibility that access to markets could be impacted by a stress event affecting some part of the Company's business.

The Company has developed a Liquidity Risk Policy, which covers the techniques to gauge, monitor and report the impact of potential liquidity risk indicators and its implications. Moreover, PAiR Investment maintains strict adherence to SBP prescribed Liquidity Measures ensuring smooth liquidity i.e.: CRR, SLR, LCR and NSFR.

43.4.1 Liquidity Coverage Ratio

SBP issued BPRD Circular No. 8 dated June 23, 2016 advising implementation of Basel III Liquidity Standards that constitute two ratios, i.e., Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), and five monitoring tools.

LCR is the measure of conversion capability of the Company's High Quality Liquid Assets (HQLAs) into cash to meet immediate liquidity requirements over a 30 days' horizon.

The Company calculates Liquidity Coverage Ratio (LCR) on a monthly basis as per the guidelines given in the above mentioned circular. The objective of LCR is to ensure the short-term resilience of the liquidity risk profile which requires the Company to maintain sufficient High Quality Liquid Assets (HQLAs) to meet stressed cash outflows over a prospective 30 calendar-days' period. As of 31 December, 2021, PAiR's LCR stood at 825%.

43.4.2 Governance of Liquidity Risk Management

Liquidity risk is managed through the Liquidity Risk Policy approved by the Board. The Company has 'zero tolerance' for liquidity risk and will continue to maintain a comfortable margin of excess liquidity in the form of cash and readily marketable assets to meet its funding requirements at any time.

Management of liquidity risk is accomplished through a formal structure which includes:

- Board of Directors (BOD)
- Risk Management Committee
- Asset Liability Management Committee (ALCO)
- Treasury Division
- Risk Management Division & Middle Office
- Finance Division
- Information Technology Division

The Board of Directors approves the Liquidity Risk Policy and ensures, through quarterly reviews by the Risk Management Committee of the Board, that the Company's liquidity risk is being managed prudently. Risk Management Committee of the Board provides overall guidance in managing the Company's liquidity risk. Liquidity position is monitored daily by the Treasury Division and the Middle Office and reviewed regularly by ALCO.

43.4.3 Funding Strategy

The Company's prime source of liquidity is its own Capital and funding from other financial institutions. The Company also has sizable Deposits Base in the form of Certificate of Investments. The Company is endeavouring to diversify its funding sources and enhance its long-term funding options so as to minimise the liquidity risk.

43.4.4 Liquidity Risk Mitigation Techniques

Various tools and techniques are used to measure and monitor the possible liquidity risk. These include monitoring of different liquidity ratios like Liquid Assets to Total Assets, Advances to Deposits, Liquid Assets to Clean Borrowing & COIs, Net Advances to Total Asset Ratio, etc. which are monitored on a regular basis against limits. Further, the DFI also prepares the maturity profile of assets and liabilities to monitor the liquidity gaps over different time bands. The DFI also ensures that statutory cash and liquidity requirements are maintained at all times.

In addition, LCR, NSFR & Monitoring Tools of Basel III framework further strengthen liquidity risk management of the Company.

43.4.5 Liquidity Stress Testing

As per SBP BSD Circular No. 1 of 2012, Liquidity Stress Testing is being conducted under stress scenarios. Shocks include the withdrawals of Interbank and Wholesale Deposits. The Company's liquidity risk management addresses the goal of protecting solvency and the ability to withstand stressful events in the marketplace. Stress testing for liquidity as prescribed in the Liquidity Risk Policy is carried out regularly to estimate the impact of decline in liquidity.

43.4.6 Contingency Funding Plan

Contingency Funding Plan (CFP) is a part of the Liquidity Risk Policy of the Company which identifies the trigger events that could cause a liquidity contingency and describes the actions to be taken to manage it. The Contingency Funding Plan highlights liquidity management actions that needs to be taken to deal with the contingency. CFP highlights possible funding sources, in case of a liquidity contingency.

43.4.7 Main Components of LCR

Main components of LCR are High Quality Liquid Assets and Net Cash Outflows. Outflows are mainly deposit outflows net of cash inflows which consist of inflows from financing and money market placements up to 1 month. The inputs for calculation of LCR are based on SBP BPRD Circular No. 08 dated 23 June, 2016.

43.4.8 Composition of HQLAs

High Quality Liquid Assets consist of Level 1 Assets which are included in the stock of liquid assets at 100% weightage of their market value i.e., Cash & Treasury balances, Conventional Government Securities, GOP Ijarah Sukuks, Foreign Currency Sukuks & Bonds issued by sovereigns. While Level 2 Assets comprise all Equity Shares (excluding shares of Financial Institutions) listed on PSX 100.

43.4.9 Concentration of Funding Sources

Almost half of the the Company's Balance Sheet is funded by its own equity, while Borrowing from Financial Institutions remain the key source of funding. In order to diversify its funding sources, the Company has a sizable Deposits Base in the form of Certificate of Investment while Term Borrowings from the Central Bank and other Financial Institutions are also tapped.

43.4.10 Currency Mismatch in the LCR

About 99% of the Company's assets and liabilities are in local currency. Currency mismatch in other currencies is regularly monitored.

43.4.11 Centralisation of Liquidity Management

Overall liquidity management of PAİR is centralised in the Treasury & Investment Unit. While ALCO periodically monitors the Liquidity Management of the Company.

43.4.12 Other Inflows & Outflows

Benefit of pledged deposits (deposits under lien) are not accounted for in calculation of LCR.

43.4.13 Net Stable Funding Ratio (NSFR)

NSFR is the ratio of the amount of Available Stable Funding (ASF) - source of funds, capital and liabilities relative to the amount of Required Stable Funding (RSF) - use of funds, assets and off-balance sheet exposures.

The objective of NSFR is to ensure the availability of stable funds that a company must hold to enable it to build and maintain its assets, investments and off-balance sheet portfolio on an ongoing basis for longer term, i.e., over a one year horizon. NSFR reduces maturity mismatches between the asset and liability items on the balance sheet and thereby reduces funding and roll-over risk. The Bank's NSFR stood at 136% as on 31 December, 2021.

43.4.14 Maturities of Assets and Liabilities - Based on Contractual Maturity of the Assets and Liabilities of the Company

2021

Total	Up to 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
Assets													
75,966	75,966	-	-	-	-	-	-	-	-	-	-	-	-
162,471	162,471	-	-	-	-	-	-	-	-	-	-	-	-
16,975,437	75,000	-	34,428	89,558	992,305	2,794,090	1,322,141	314,628	232,217	1,555,786	617,362	4,936,957	4,010,965
6,516,564	10,666	35,378	10,704	155,150	101,309	119,692	583,744	560,386	368,481	1,040,181	1,188,535	1,029,428	1,312,909
227,812	-	-	-	-	-	-	-	-	-	-	-	-	-
5,000	-	-	-	-	-	-	-	-	-	-	-	-	-
461,472	-	-	-	-	-	-	-	-	-	-	-	-	-
589,140	1,644	-	25,861	200,302	30,498	94,544	121,881	45,861	-	-	-	-	-
25,013,862	325,747	35,378	70,993	445,010	1,124,112	3,008,326	2,027,766	920,875	600,698	2,595,967	1,805,897	5,966,385	5,323,874
Liabilities													
13,658,356	-	3,052,116	3,966,332	1,393	2,562	8,554	541,461	57,539	689,510	1,241,734	1,134,582	1,714,270	1,248,301
1,132,247	-	628,723	107,171	46,120	178,367	171,687	60	20	-	-	100	-	-
568,117	-	-	-	31,619	-	419,680	16,503	-	8,129	92,187	-	-	-
15,358,720	-	3,680,839	4,073,503	79,132	180,929	599,921	558,024	57,559	697,639	1,333,921	1,134,682	1,714,270	1,248,301
9,655,142	325,747	(3,645,461)	(4,002,510)	365,878	943,183	2,408,405	1,469,742	863,316	(96,941)	1,262,046	671,215	4,252,115	4,075,573
Share capital													
6,000,000													
1,004,551													
(10,662)													
2,661,253													
9,655,142													

2020

Total	Up to 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
54,919	54,919	-	-	-	-	-	-	-	-	-	-	-	-
74,589	74,589	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
13,651,952	-	-	18,222	43,047	8,286	60,694	2,181,290	1,510,417	154,615	399,953	1,670,687	4,311,481	3,293,260
6,165,043	4,993	5,828	2,778	87,425	69,666	69,507	574,939	673,525	362,207	1,113,520	1,360,887	953,422	886,346
219,675	30	181	212	423	846	846	2,539	2,539	2,539	10,155	10,155	20,310	168,900
146	1	1	2	2	4	4	12	12	12	48	48	-	-
414,100	-	-	-	-	-	-	-	-	-	138,033	138,033	138,034	-
709,380	45,317	114	25,108	31,265	25,251	214,858	159,932	84,243	1,601	6,405	6,405	12,810	96,071
21,289,804	179,849	6,124	46,322	162,162	104,053	345,909	2,918,712	2,270,736	520,974	1,668,114	3,186,215	5,436,057	4,444,577
10,223,036	1,820	1,224,804	1,374,100	1,879,300	2,577	-	558,783	14,769	591,080	1,515,613	987,302	1,084,336	988,552
923,702	-	688,178	109,604	33,693	81,394	10,653	60	40	80	-	-	-	-
480,808	-	-	-	29,386	-	330,138	31,647	-	8,068	81,569	-	-	-
11,627,546	1,820	1,912,982	1,483,704	1,942,379	83,971	340,791	590,490	14,809	599,228	1,597,182	987,302	1,084,336	988,552
9,662,256	178,029	(1,906,856)	(1,437,982)	(1,780,217)	20,082	5,118	2,328,222	2,255,927	(78,254)	70,932	2,198,913	4,351,721	3,456,025

Assets

Cash and balances with treasury banks
Balances with other banks
Lendings to financial institutions
Investments
Advances
Fixed assets
Intangible assets
Deferred tax assets
Other assets

Liabilities

Borrowings
Deposits and other accounts
Other liabilities

Net assets

Share capital
Reserves
Surplus on revaluation of assets
Unappropriated profit

43.4.15 Maturities of Assets and Liabilities - Based on Expected Maturities of the Assets and Liabilities of the Bank

2021

	2021									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
----- (Rupees in '000) -----										
Assets										
Cash and balances with treasury banks	75,966	75,966	-	-	-	-	-	-	-	-
Balances with other banks	162,471	162,471	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	1,322,141	-	1,555,786	617,362	988,754	1,494,195	561,170
Investments	16,975,437	4,607,089	5,282,095	583,744	928,867	1,040,181	1,188,535	1,029,428	1,199,936	112,973
Advances	6,516,564	211,898	221,001	-	-	-	-	-	-	-
Fixed assets	227,812	-	-	-	-	-	-	-	-	-
Intangible assets	5,000	-	-	-	-	-	-	-	-	-
Deferred tax assets	461,472	-	-	-	-	-	-	-	-	-
Other assets	589,140	227,807	125,042	121,881	45,861	-	-	-	-	-
	25,013,862	5,285,231	5,628,138	2,027,766	1,521,573	2,595,967	1,805,897	2,018,182	2,694,131	674,143
Liabilities										
Borrowings	13,658,356	7,019,841	11,116	541,461	747,049	1,241,734	1,134,582	1,714,270	1,201,630	46,671
Deposits and other accounts	1,132,247	782,014	350,054	60	20	100	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	568,117	31,619	419,680	16,503	8,129	92,187	-	-	-	-
	15,358,720	7,833,474	780,850	558,024	755,198	1,334,021	1,134,582	1,714,270	1,201,630	46,671
Net Assets	9,655,142	(2,548,243)	4,847,288	1,469,742	766,375	1,261,946	671,315	303,912	1,492,501	627,472
Share Capital / Head Office Capital Account	6,000,000									
Reserves	1,004,551									
Surplus / (Deficit) on Revaluation of Assets	(10,662)									
Unappropriated / Unremitted Profit	2,661,253									
	<u>9,655,142</u>									

2020

(Rupees in '000)

Assets

	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Cash and balances with treasury banks	54,919	-	-	-	-	-	-	-	-
Balances with other banks	74,589	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-
Investments	61,269	68,981	2,181,290	1,665,032	399,953	1,670,687	4,311,480	3,293,260	-
Advances	101,023	139,173	574,939	1,035,733	1,113,520	1,360,887	953,422	809,163	77,183
Fixed assets	846	1,692	2,539	5,077	10,155	10,155	20,310	50,774	118,127
Intangible assets	146	8	12	24	48	48	-	-	-
Deferred tax assets	414,100	-	-	-	138,033	138,033	138,034	-	-
Other assets	709,380	240,108	159,932	85,844	6,405	6,405	12,810	32,024	64,048
Total	21,289,804	394,456	2,918,712	2,791,710	1,668,114	3,186,215	5,436,056	4,185,221	259,358

Liabilities

Borrowings	4,480,024	2,577	558,783	605,849	1,515,613	987,302	1,084,336	988,552	-
Deposits and other accounts	831,475	92,047	60	120	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
Other liabilities	480,808	330,138	31,647	8,068	81,569	-	-	-	-
Net Assets	11,627,546	5,340,885	424,762	614,037	1,597,182	987,302	1,084,336	988,552	-
Share Capital / Head Office Capital Account	9,662,258	(4,946,429)	25,200	2,328,222	2,177,673	70,932	2,198,913	4,351,720	3,196,669
Reserves	6,000,000	-	-	-	-	-	-	-	-
Surplus / (Deficit) on Revaluation of Assets	965,805	-	-	-	-	-	-	-	-
Unappropriated / Unremitted profit	16,001	-	-	-	-	-	-	-	-
Total	2,680,452	9,662,258	25,200	2,328,222	2,177,673	70,932	4,351,720	3,196,669	259,358

Share Capital / Head Office Capital Account
Reserves
Surplus / (Deficit) on Revaluation of Assets
Unappropriated / Unremitted profit

44 EVENTS AFTER THE REPORTING DATE

Subsequent to the year end, the Board of Directors proposed a final cash dividend of PKR 150 million (2020: PKR 180 million).

45 GENERAL

45.1 Captions, as prescribed by BPRD Circular No. 2 of 2018 issued by SBP, in respect of which there are no amounts, have not been reproduced in these Financial Statements, except for captions of the Statement of Financial Position and Profit and Loss Account.

45.2 Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

45.3 The Pakistan Credit Rating Agency Limited (PACRA) has maintained the long-term entity rating to AA (Double A) and the short-term rating at A1+ (A One Plus) of the Company.

46 DATE OF AUTHORISATION

These Financial Statements were authorised for issue by the Board of Directors of the Company in their meeting held on 22 February, 2022.

Chief Financial
Officer

Chief Executive and
Managing Director

Chairman

Director

Director



PAiR

PAiR Investment Company Limited

Karachi Office: 2nd Floor, Islamic Chamber of Commerce Building,
ST-2/A, Block-9, Clifton, Karachi – 75600, Pakistan.

Tel.: +92-21 35829621 (4 Lines) Fax: +92-21 35303526

Lahore Office: Office # 13, 1st Floor, Park Lane Tower,
(Mall of Lahore), 172-Tufail Road, Lahore Cantt, Lahore, Pakistan.

Tel.: +92-42 36622591-92 Fax: +92-42 36622590

Email: info@pairinvestment.com | Web: www.pairinvestment.com