

PAİR INVESTMENT COMPANY LIMITED

DIRECTORS' REPORT FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

On behalf of the Board of Directors, we are pleased to present the Financial Statements of PAİR Investment Company Limited (PAİR) for the 9-month ended September 30, 2022. These Financial Statements have been prepared in compliance with the requirements of BSD Circular Letter No. 5, dated March 22, 2019, and International Accounting Standard (IAS) 34, 'Interim Financial Reporting'.

Economic Review

The economy is facing challenges which are home grown as well as imposed by geoeconomic events. Globally, inflation is at multi-decade highs. In most countries, central banks are responding aggressively, leading to depreciation pressure on most emerging market currencies. This strong monetary tightening has occurred despite concerns about a slowdown in global growth and even recession risks, highlighting the primacy that central banks are placing on containing inflation at this juncture.

The nine month period under review has seen contrast of the naratives i.e. from being dubbed as one of the best managed economy in COVID- 19 to be next in line to sirilanka. The inflation has gone from 12.7% in March to 27.3% in August before coming down to 23.2% in Sep however SBP expect it to be stay between 18% to 20 % till FY 23. In its latest monetary policy meeting held on October 10, 2022 SBP kept the benchmark policy rate unchanged at 15%, in lieu of a continued deceleration in economic activity as well as a decline detected in headline inflation as stated above. SBP wants to prudently strikes a balance between maintaining growth post floods and managing inflation. Economic projections remain fluid and will become concrete once the government finalizes its post-flood damage assessment however till such clarity is attained , GDP is forecasted to fall to around 2% in fiscal year 2023 compared to 3-4% projected prior to the floods. Private sector credit offtake also witnessed a net retirement of in-line with slowing economic activityas impact of the flood davistation and fueling cost of business.

The equity market remained volatile, oscilating between reds and greens. The ongoing state of the market when studied on a longer historical horizon is indicative of the fact that longterm equity investment has paid the most attractive returns as opposed to other class of assets.

Financial Overview

Profitability improved significantly during the nine month period ended 30 Sep 2022. Profit BeforeTax ("PBT") came at PKR 471.470 million as compared to PKR 195.809 million for the same period last year which is 141% increase. Similarly the PBT for the September quarter increased by 202% as it came to PKR 192.569 against PKR 63.807 million of the same quarter last year. The bottom line increase is contributed by increase in the funded income as well as by parts of non markup income. Net Interest income increased by 45% and 67% for the nine month period and for the quarter, respectively. However loss on sale of securities has dragged the non-markup income down. Amongst the non-markup income composition, Fee, Commission Income and dividend income are increasing in a steady manner. EPS increase by 150% when compared to nine month period last year.

Total assets Increased by PKR 7.470 billion and closed at PKR 32.484 billion as against PKR 25.013 billion as of December 31, 2021. Net Investment increased approximately by PKR 5 billion whereas net advances increased by PKR 2.101 billion when compared to the December 31, 2021. Approximately PKR 4 billion increase was made in the long-term Government securities keeping in view a upward interest rate trend and PKR 1 billion in various nature Term Finance certificates. Since the rates were yet to peakout to avoid any revaluation losses funds were invested in floating rate securities. Capital market investments were also increased during the nine month period

for both trading and dividend earning scrips. Provision for diminution in the value of investment for the nine month period came to PKR 22.827 million where as PKR 8.638 million was reversed thereagainst.

On the advances side as the portfolio is growing the volumes are increasing in terms of disbursements i.e., in the 9M period PKR 4.294 billion was disbursed and repayments amounted to PKR 2.138 billion were received summing up to PKR 2.156 billion as at the close of September 30, 2022. With all the challenges of political instability, increase in cost of doing business & slow down of the economy etc. management still anticipates that the momentum will continue as a result of the customer centric approach being followed by the business teams. An incremental charge of PKR 55.093 million on non performing portfolio was taken during the period against the classified portfolio. The good news is that there was no increase in the non performing portfolio during the nine month period. Loan portfolio is actively been monitored by the management and the watchlist clients are being looked out even more closely however there are no signs of deterioration in any of the accounts.

Credit Rating

Pakistan Credit Rating Agency Limited (PACRA) has reaffirmed 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.

Future Outlook

From the view point of the Company increase in the interest rates is a trade-off between business prospects i.e. income from the debt securities is expected to increase at the sametime this means increase in cost of doing business making it all the more difficult for the private borrowers where the global competitiveness has always been an issue. This will lead to lesser credit offtake cheery on the top is the withdrawal of refinance schemes encouraging long term investments in the business ventures. In terms of stock market outlook the market may have windows of opportunity however the political instability is at play where roller coaster continues and making it difficult to take positions. Having said the foregoing, the management will be making all out efforts to manage its human and economic resources in the most efficient manner possible in current circumstances & capitalize on the opportunities that emerge as result of the action of the policy makers.

Appreciation and Acknowledgement

We take this opportunity to express our gratitude to our customers and business partners for entrusting their confidence in us in these turbulent times and assure them that we remain committed to maintaining high service standards and a strong culture of good corporate governance and compliance in all our endeavors. 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 us. Finally, we are also thankful to our associates, staff, and colleagues for all their continued dedication, enthusiasm, and loyalty towards the growth of PAIR.

On Behalf of the Board of Director



Managing Director / CEO



Chairman of the Board of Directors

Date: 23 October 2022
Pakistan