

PAİR INVESTMENT COMPANY LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED MARCH 31, 2022

On behalf of the Board of Directors, I am pleased to present the Financial Statements of PAİR Investment Company Limited (PAİR) for the period ended March 31, 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 domestic political space has created a lot of buzz in the past few months leading to the land mark decision by the Supreme Court whereby, the National Assembly was restored and the then sitting Prime Minister Imran Khan was asked to face a vote of no confidence on Saturday, April 9th, 2022 where the opposition was able to oust him with simple majority of 172 votes. Thereafter the coliation government of the opposition was put in place with Shahbaz Sharif as the new prime minister. Regardless of who stays at the helm of affairs, it will be the implementation of the economic reform agenda under the IMF program that will dictate the course of our economy and that of capital markets. While the economic growth trajectory looks reasonable considering the strong recovery in demand, Pakistan is facing serious economic challenges of rising inflation and current account deficit.

The Monetary Policy Committee (MPC) in its latest meeting held on April 07, 2022, which was ahead of its schedule date decided to raise the policy rate by 250bps. It was noted that the significant uncertainty around the outlook for international commodity prices and global financial conditions were there however they had been exacerbated by the Russia-Ukraine conflict. Outlook for inflation has deteriorated and risks to external stability have risen. Externally, futures markets suggest that global commodity prices, including oil, are likely to remain elevated for longer and the Federal Reserve is likely to increase interest rates more quickly than previously anticipated, likely leading to a sharper tightening of global financial conditions. On the domestic front, the inflation out-turn in March surprised on the upside, with core inflation in both urban and rural areas also rising significantly. While timely demand-moderating measures and strong exports and remittances saw positive impact on the current account deficit . Heightened domestic political uncertainty contributed to depreciation of rupee and a sharp rise in domestic secondary market yields as well as Pakistan's Eurobond yields and CDS spreads. There has been a decline in the SBP's foreign exchange reserves largely due to debt repayments and government payments pertaining to settlement of an arbitration award related to a mining project. Some of this decline in reserves is expected to be reversed as official creditors renew their loans.

Given the global and domestic economic conditions the incoming governemnet should give priority to negaotaiions on IMF program, shifting its focus on long needed structural reforms that include expansion in the narrow tax base by taxing all sources of income including Agriculture & Real estate at same rate, focusing on Privatization of State Owned Enterprises that eat up the exchequire, Development expenditures be given priority on current expenditure for long term growth of the economy , improving governance standards and competence at all government levels, fiscal consolidation by raising utilities tariff and reducing circular debt, and implementation of policies to promote exports and curtail imports especially non-essentials items, under a flexible exchange rate regime.

Financial Overview

The year starts with a healthy bottom line as the profit before tax increased by 39% and profit after by 48%. The earnings for the first quarter FY 2022 showed a Progressive increase, in terms of markup income it increased by 50% where both volume and price were improved in the Q1- 2022 while non-markup income Decreased by 29% making an aggregate increase of 37% in the total income over the same period last year . During the three month period ended 31 March 2021, the Company earned Net Revenue from Funds (“NRFF”) PKR 221.505 million in comparison to PKR 181.243 million which is an increase of 22% over the same period last year. In the rising interest scenario, the asset / liability combination of the company is as such that the funding lines adjust themselves rather swiftly while assets specially advances are some what sticky and get repriced in due course of time. To manage the repricing gaps the focus is on the floating rate assets there fore it is expected that yield on the remunerative assets will improve going forward even further in periods to come. On the other income side the fee commission income showed 10% increment over the same period last year where as dividend income was 39% more than the same period last year. The uncertainty took its toll on the PSX which kept oscilating from positive to negative and vice versa leading less than expected gain on equity securities where gains were 75% less than the same period last year.

The total asset that were PKR 25.013 billion as at the end of the Dec 31, 2021 increase to PKR 25.649 billion before closing at PKR 24.984 billion as at Mar 31, 2022. Net Investment decreased approximately by PKR 1.038 billion which comes to a decrease of 6% while net advances increased by PKR 0.864 billion or 13% when compared to the December 31, 2021. Decrease in the Investment was in the long term Government securities keeping in view a an upward interest rate trend where management is observing the right time to invest as the interest rates peakout. Provision for diminuation in the value of Investment amounted to PKR 0.841 million for Q1- FY 2022 and reversal of PKR0.061 million was made on disposal of earlier impaired scrips. Healty disbursements were seen in the loan book where gross advances increased by PKR 0.878 billion. Management anticipates the momentum to continue on the back of healthy pipeline that the business team has worked on. There was no increase in the non performing portfolio, whereas the incremental charge of PKR 14.063 million was taken during the period against the already calssified portfolio.

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

The political uncertainty along with the steep rise in the global commodity prices are the challenges, however the regulator is taking actions to steer the financial system through these turbulent times without any major disruption. A lot depends on the policies adopted by the incumbent government. The management is and will be closely monitoring developments on political as well as on economic front, to align the business decision in an effective manner.

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 PAİR.

On Behalf of the Board of Director



Zahoor Ahmed

Acting Chairman of the Board of Directors



Abbas Daneshvar Hakimi Meibodi

Managing Director/ Chief Executive Office

April 27, 2022
Islamabad,
Pakistan