



On behalf of the Board of Directors, I am pleased to present the Financial Statements of PAİR Investment Company Limited (PAİR) for the half year ended June 30, 2021. 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

When compared to the rest of the world Pakistan's economy is well on the path of a recovery from the contraction induced by the pandemic that started having its effects in Q1- 2020. The recovery is termed as fragile at the moment however even had been made possible by better containment of the pandemic and by taking timely and decisive policy measures by the fiscal and monetary authorities. The economic data that includes parameters gauging cement dispatches, automobile sales volume, and trade volumes are giving positive vibes and are giving signs of pick-up in economic activity. The FY22 budget is expected to be broadly inflation-neutral as most tax rates have been left unchanged.

In its most recent meeting held on July 27, 2021, the Monetary Policy Committee (MPC) decided to maintain the policy rate at 7 percent. The MPC was encouraged by the continued domestic recovery and improved inflation outlook following the recent decline in food prices and core inflation. In addition, consumer and business confidence have risen to multi-year highs and inflation expectations have fallen. As a result of these positive developments, growth is projected to rise from 3.9 percent in FY21 to 4 - 5 percent this year, and average inflation to moderate to 7 - 9 percent this year from its recent higher out-turns. Imports are expected to grow on the back of the domestic recovery and rebound in global commodity prices, albeit more moderately than in FY21. The MPC noted that the market-based flexible exchange rate system, resilience in remittances, an improving outlook for exports, and appropriate macroeconomic policy settings should help contain the current account deficit in a sustainable range of 2 - 3 percent of GDP in FY22. Notwithstanding this moderate current account deficit, the country's foreign exchange reserves position is expected to continue to improve this year due to adequate availability of external financing.

There were good reasons to expect that, unlike several previous growth upturns in Pakistan, the current economic recovery would be accompanied by external stability. Given expected resilience in remittances and an improving outlook for exports, the current account deficit is expected to converge toward a sustainable range of 2 - 3 percent of GDP in FY22. This is much lower than in FY17 and FY18, when the current account deficit increased to around 4 and 6 percent of GDP, respectively, and FX reserves fell by \$2 billion and \$6.4 billion, respectively. Moreover, imports this year are expected to be more skewed toward machinery rather than consumption compared to FY17, and machinery imports are projected to be better distributed across sectors than in FY18, when power and telecommunications dominated.

With the contained current account deficit and healthy commercial, official, portfolio and FDI inflows, Pakistan's external financing needs of around \$20 billion are expected to be more than fully met in FY22. As a result, foreign exchange reserves are projected to rise further. Since September 2020, the SBP's Roshan Digital Account initiative for Overseas Pakistanis has generated new financial inflows of \$1.8 billion. In July, Pakistan successfully raised an additional \$1 billion through a tap issuance of its Eurobond that fetched \$2.5 billion in March. In August, Pakistan's reserve buffers are expected to rise by another \$2.8 billion through the IMF's planned new global SDR allocation. In the event of an unforeseen shock, for instance higher-than expected oil prices or capital flight from emerging markets due to a tightening of financial conditions in

advanced economies, the market-based flexible exchange rate and improved outlook for domestic investment would help keep the balance of payments position sustainable.

Financial Overview

The earnings for the half year ended June 30, 2021 showed a decline in terms of markup income by 34% while non-markup income increased heftily. During the half year, the Company earned Net Revenue from Funds ("NRFF") PKR 361.266 million which is a decrease of 34% over the last year same period as the asset and liability portfolio stand repriced for the 625 bps rate cut in FY 2020 and also that the high yielding government bond that were a part of the portfolio previously stand matured. Non-markup income has increased by 345% over the same period last year, where the over all performance was better than last year i.e. Fee Commission and brokerage income was PKR 11.702 million versus PKR 5.279 million, Dividend income was PKR 40.370 million versus PKR 20.435 million, Gain on sale of equity securities came out as the largest contributory where PKR 62.405 million was earned in place of loss of PKR 0.116 million previously. On aggregate basis the other income was PKR 116.477 million as compared to PKR 26.154 million in the same period last year.

Total assets Increased by PKR 1.420 billion and closed at PKR 22.710 billion as against PKR 21.290 billion as of December 31, 2020. Net Investment increased approximately by PKR 1.128 billion where as net advances increased by PKR 351.898 million when compared to the December 31, 2020. Increment in the Investment was mainly in the short term Government securities keeping in view a staright to moderately upward interest rate trend hence. The management considers it prudent to be invested in shorter tenors. A net reversal of PKR 2.256 million on provision for diminuation in the value of Investment in first half of 2021 were seen on disposal of earlier impaired scrips. Healthy disbursements of about PKR 1.585 billion were seen however the after accounting for the repayment impact gross advances increased by PKR 507.175 million. Management anticipates the momentum to continue on the back of healthy pipeline that the business team has worked on. Further, utmost effort is made to avail the benefit of the State Bank's concessionary financing schemes. An incremental charge of PKR 155.276 million on non performing portfolio was taken during the period against the classified portfolio. The management is vigilantly monitoring for the timely recovery of the various exposures, where relief was given in terms of restructuring of the facilities due to the 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 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

Country is in the grip of fourth wave of COVID-19, authorities are making all out efforts to immunize the masses. Government of Paksistan is trying to to continue its strategy of balance between the vicious effects of the pandemic and the livelihood of its people. The economic activity alongside the pandemic are difficult yet it bode wells for all.

Policy makers have been doing their bit by keeping appropriately accommodative policy instance which lead the Private sector credit to resum its expansionary trend across all major lending categories. A sizable expansion in fixed investment loans and consumer financing, primarily due to the lower interest rate environment as well as the SBP's subsidized refinancing schemes, especially LTFF and TERF is witnessed before the onset of the current COVID – 19 wave. While PSX performed well too. In the MPC announcement of July 27, 2021 MPC felt that the uncertainty created by the on-going fourth Covid wave in Pakistan and the global spread of new variants warrants a continued emphasis on supporting the recovery through accommodative monetary policy.

Going forward the continuity of the ecominc gains made through smart lock downs can only be ensurd with maxium immuisation as the wave after wave and variant afater variant of the virus doesnot seem to go away. The Company will making all out efforts to manage its human and ecomic 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.

A handwritten signature in blue ink, appearing to read "A. Daneshwar".

Managing Director / CEO

A handwritten signature in blue ink, appearing to read "M. J. Jinnah".

Chairman of the Board of Directors

**Date: 26 September 2021
Islamabad – Pakistan**