

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, 2020. 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'.

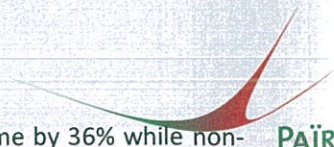
Economic Review

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. Large Scale Manufacturing Industry (LSMI) that rose sharply by 9.13% YoY in January 2021. The business confidence seems to have recovered from its lowest in the midst of April 2020 when as per SBP-IBA Business Confidence Survey a score of 49 was observed which came out as 60 in February 2021. So one can easily conclude that the things are moving in the right direction.

In its most recent meeting held in March 2021, the Monetary Policy Committee (MPC) decided to maintain the policy rate at 7 percent while taking the decision amongst other factors MPC considered that despite recent momentum, risks remain due to the emergence of a third, more virulent wave of Covid in Pakistan just as the vaccine roll-out is beginning. While in terms of inflation outlook any new tax measures in the next year's budget will not bode well. Further, optimism about a stronger US-led world recovery in 2021 is translating into higher international commodity prices, including both food and oil, which could continue to feed into domestic inflation. MPC expects monetary policy settings to remain broadly unchanged in the near term. As the recovery becomes more durable and the economy returns to full capacity, the MPC expects any adjustments in the policy rate to be measured and gradual to achieve mildly positive real interest rates.

The current account remains in surplus on the back of record remittances, relatively subdued domestic demand and a promising recovery in exports. As the economy recovers, the trade deficit will be widening somewhat on the back of imports of capital goods and industrial materials as well as food, together with rising international commodity prices as discussed above. Nevertheless, the current account deficit in FY21 is still expected to remain below 1 percent of GDP given the out-turn to date, continued strong prospects for remittances, that have remained above \$2 billion for the last 9 months and the on-going pickup in exports, especially high value-added textiles.

IMF review concluded successfully where three out of five preconditions have been met. These favorable developments and improving sentiment contributed to an appreciation in the PKR which now stands close to a one-year high while SBP's foreign exchange reserves stood around \$13 billion, levels which were last seen three years ago.



Financial Overview

The earnings for the first quarter FY 2021 showed a decline in terms of markup income by 36% while non-markup income increased heftily. During the three month period ended 31 March 2021, the Company earned Net Revenue from Funds ("NRFF") PKR 181.243 million which is a decrease of 28% 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 357% 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 8.003 million versus PKR 5.148 million, Dividend income was PKR 22.887 million versus PKR 9.265 million, Gain on sale of equity securities came out as the largest contributory where PKR 46.553 million was earned in place of PKR 1.421 million. On aggregate basis the other income was PKR 73.036 million as compared to PKR 15.978 million in the same period last year.

Total assets Increased by PKR 1.347 billion and closed at PKR 22.637 billion as against PKR 21.290 billion as of December 31, 2020. Net Investment increased approximately by PKR 900 million where as net advances increased by PKR 615 million when compared to the December 31, 2020. Increment in the Investment was mainly in the short term Government securities keeping in view a straight to moderately upward interest rate trend hence. The management considers it prudent to be invested in shorter terms. No provision for diminution in the value of Investment were required in Q1- FY 2021 instead marginal reversal was seen on disposal of earlier impaired scrips. Healthy disbursements were seen in the loan book where gross advances increased by PKR 676.184 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. As a sign of relief, there was no increase in the non performing portfolio, whereas the incremental charge of PKR 61.143 million was taken during the period against the already classified portfolio. The management has 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

Despite a third wave COVID-19 that is setting its foot in the country we see a balance being maintained in curtailing the vicious effects of the pandemic and the livelihood for the masses. This will support the economic activity that bode wells for the company. Financial conditions remain appropriately accommodative from the policy making side. Private sector credit has resumed its expansionary trend across all major lending categories. So far, private sector credit has surpassed last year's corresponding levels on the back of 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. While the PSX is already performing well. The Company will making all out efforts to capitalize on these opportunities.

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



Chairman of the Board of Directors

Islamabad – Pakistan