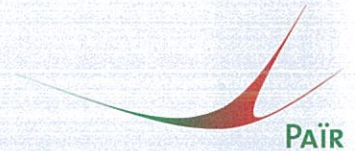


**PAİR INVESTMENT COMPANY LIMITED**  
**DIRECTORS' REPORT FOR THE HALF YEAR ENDED JUNE 30, 2022**



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, 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**

With the change in the political scene on April 9th, 2022 where the opposition was able to oust the sitting Prime Minister simple majority of 172 votes, each day comes with a new set of political drama creating a mountain of challenges for the fragile economy of the country hinged on a host of external factors. 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. Pakistan is facing serious economic challenges of rising inflation and current account deficit while the struggle for power has dwarfed the face of these challenges.

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. Domestically, as energy subsidies were reversed, both headline and core inflation increased significantly in June, rising to a 14-year high. Inflation expectations of consumers and businesses also rose markedly. At the same time, the current account deficit unexpectedly spiked in May and the trade deficit continued its post-March widening trend due to burgeoning energy imports. As a result, FX reserves and the Rupee remained under pressure, further worsening the inflation outlook.

In order to contain the aggregate demand pressure and control the expected rise in inflation, in its recent monetary policy meeting, SBP has increased the Policy Rate by 125 basis points (cumulative 800 bps from 7% to 15.0%) and further increase cannot be ruled out. While the capital market had been struggling due to the political noise and had been struggling hard to hold its position according to Dun & Bradstreet and Gallup Pakistan - Consumer Confidence Index (CCI) for Q1 2022, Consumers remained extremely pessimistic regarding Unemployment, Economic Situation, and Household Savings given the Pak Rupee has undergone unprecedented volatility as macro headwinds and political noise rendered Jul-22 to be the worst month for PKR (-14%) since May 1972; followed by a chunky DoD appreciation of 4.2% (PKR9.65) seen on 3rd August. All this requires immediate attention of those charged with the governance and much is required to be done. It goes without saying that no binoculars are required to see the tough times coming ahead.

## Financial Overview

The first half of FY-2022 closed with a healthy bottom line as the profit before tax increased by 111% and profit after tax by 66%. The earnings for the first half FY- 2022 showed in terms of markup income increased by 65% where both volume and price were the drivers of the growth while non-markup income decreased by 43% giving a net increase of 15% in the total income over the same period last year. During the six-month period ended 30 June 2022, the Company earned Net Revenue from Funds (“NRFF”) of PKR 480.733 million in comparison to PKR 361.266 million which is an increase of 33% 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 & debt securities are somewhat sticky and get repriced in due course of time. To manage the repricing gaps the focus is on the floating rate assets as monetary tightening continues. The interest rate seems to continue its march towards south and therefore it is expected that yield on the remunerative assets will continue to improve going forward and so will the funding cost. On the other income side, the fee commission income showed 19% increment over the same period last year whereas dividend income was 22% more than the same period last year. The uncertainty kept battering PSX in the Q2, hence realized gains were drastically reduced while unrealized loss inventory on the shares increased considerably.

The total asset that were PKR 25.013 billion as at the end of the Dec 31, 2021 increase by PKR 2.591 billion and closed at PKR 27.605 billion as at June 30, 2022. Net Investment increased approximately by PKR 0.914 billion which comes to an increase of 5% while net advances increased by PKR 1.427 billion or 22% when compared to the December 31, 2021. Increase in the Investment was in the non-government debt securities. Provision for diminution in the value of Investment amounted to PKR 4.854 million with reversal of PKR 3.371 million. Healthy disbursements were seen in the loan book where gross advances increased by PKR 1.468 billion. Management anticipates the momentum to continue on the back of healthy pipeline that the business team has worked on though the economic and more specifically the interest rate conditions are getting tougher by the day . There was no increase in the non performing portfolio, whereas the incremental charge of PKR 41.030 million was taken during the period against the already classified 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

Though the increase in the policy rate increase is a trade of interms of the business projects where the income is expected to increase from the fixed income securities while on the other hand the increase in cost to business makes it difficult for the private borrowers. Hence the credit offtake is expected to be lesser then the previous years where the business support was provided both in terms of market easing as well as the refinance schemes encouraging long

term investments in the business ventures. In terms of stock market outlook sectors that remain insulated from demand pressures, and are beneficiaries of PKR devaluation and interest rate upcycle like Oil & Gas, Power Generation, Fertilizers, Technology, and Commercial Banks are expected to perform well. 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 PAİR.

  
Managing Director / CEO

Date: 21 August 2022  
Islamabad – Pakistan

  
Chairman of the Board of Directors