



INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Pakistan Mortgage Refinance Company Limited

Report on review of Interim Financial Statements

**Introduction**

We have reviewed the accompanying condensed interim statement of financial position of **Pakistan Mortgage Refinance Company Limited** (the Company) as at June 30, 2021 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim cash flow statement, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures for the quarters ended June 30, 2021 and June 30, 2020 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

**Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

**Other Matter**

The financial statements of the Company for the six-month period ended June 30, 2020 and for the year ended December 31, 2020 were reviewed and audited by another firm of chartered accountants who had expressed an unmodified conclusion and an unmodified opinion vide their review report and audit report issued on August 29, 2020 and March 9, 2021 respectively.

The engagement partner on the review resulting in this independent auditor's review report is **Shahbaz Akbar**.

A. F. Ferguson & Co.  
Chartered Accountants  
Karachi  
Dated: August 26, 2021

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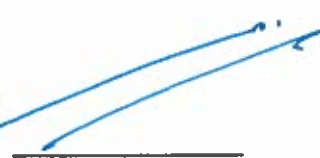
A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan  
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED  
 CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
 AS AT JUNE 30, 2021

	Note	(Un-Audited) June 30, 2021	(Audited) December 31, 2020
(Rupees in '000)			
<b>ASSETS</b>			
Cash and balances with treasury banks	6	4,743	30,122
Balances with other banks	7	9,200,225	3,111,722
Lendings to financial institutions	8	300,000	-
Investments	9	12,276,716	10,202,696
Advances	10	20,631,866	14,967,077
Fixed assets	11	168,256	157,749
Intangible assets	12	5,920	6,882
Deferred tax assets		-	-
Other assets	13	568,799	359,126
		<u>43,156,525</u>	<u>28,835,374</u>
<b>LIABILITIES</b>			
Bills payable		-	-
Borrowings	14	28,494,282	15,248,741
Deposits and other accounts		-	-
Liabilities against assets subject to finance lease		-	-
Subordinated debt	15	7,050,716	7,050,716
Deferred tax liabilities		-	-
Other liabilities	16	484,366	397,554
		<u>36,029,364</u>	<u>22,697,011</u>
<b>NET ASSETS</b>		<u><u>7,127,161</u></u>	<u><u>6,138,363</u></u>
<b>REPRESENTED BY</b>			
Share capital		4,158,506	3,658,506
Reserves		593,545	478,643
(Deficit) / Surplus on revaluation of assets	17	(2,358)	83,356
Unappropriated profit		2,377,468	1,917,858
		<u><u>7,127,161</u></u>	<u><u>6,138,363</u></u>
<b>CONTINGENCIES AND COMMITMENTS</b>	18		

The annexed notes from 1 to 30 form an integral part of these condensed interim financial statements.

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Managing Director / Chief Executive Officer      Chief Financial Officer      Director      Director      Director


PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED  
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2021


Note	Quarter ended		Six months ended		
	April - June 2021	April - June 2020	January - June 2021	January - June 2020	
	(Rupees in '000)				
Mark-up / return / interest / profit earned	19	672,825	717,322	1,233,486	1,363,297
Mark-up / return / interest / profit expensed	20	302,358	206,577	485,537	367,329
Net Mark-up / interest income		370,467	510,745	747,949	995,968
<b>NON MARK-UP / INTEREST INCOME</b>					
Fee and commission income		-	-	-	-
Dividend income		-	-	-	-
Foreign exchange income		-	-	-	-
Income / (loss) from derivatives		-	-	-	-
Gain on securities		118	-	118	-
Other income	21	-	6	107	6
Total non-markup / interest income		118	6	225	6
Total income		370,585	510,751	748,174	995,974
<b>NON MARK-UP / INTEREST EXPENSE</b>					
Operating expenses	22	81,153	75,317	161,937	148,528
Workers' Welfare Fund		5,789	8,709	11,725	16,949
Other charges		-	-	-	-
Total non-markup / interest expenses		86,942	84,026	173,662	165,477
Profit before provisions		283,643	426,725	574,512	830,497
Provisions and write offs - net		-	-	-	-
<b>PROFIT BEFORE TAXATION</b>		283,643	426,725	574,512	830,497
Taxation	23	-	-	-	-
<b>PROFIT AFTER TAXATION</b>		283,643	426,725	574,512	830,497
(Rupees)					
Basic and diluted earnings per share	24	0.69	1.17	1.39	2.27


The annexed notes from 1 to 30 form an integral part of these condensed interim financial statements.

  
 Managing Director /  
Chief Executive Officer

  
 Chief Financial Officer

  
 Director

  
 Director

  
 Director

PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED  
 CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
 FOR THE SIX MONTHS ENDED JUNE 30, 2021

	Quarter ended		Six months ended	
	April - June 2021	April - June 2020	January - June 2021	January - June 2020
	(Rupees in '000)			
Profit after taxation for the period	283,643	426,725	574,512	830,497
Other comprehensive income				
Items that may be reclassified to the profit and loss account in subsequent periods				
Movement in (deficit) / surplus on revaluation of investments	(25,123)	57,980	(85,714)	179,064
<b>Total comprehensive income</b>	<b>258,520</b>	<b>484,705</b>	<b>488,798</b>	<b>1,009,561</b>

The annexed notes from 1 to 30 form an integral part of these condensed interim financial statements.

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 Managing Director /  
 Chief Executive Officer

  
 Chief Financial Officer

  
 Director

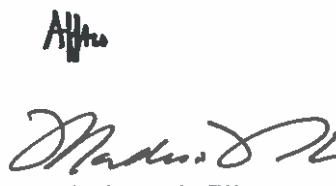
  
 Director


  
 Director


PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED  
 CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
 FOR THE SIX MONTHS ENDED JUNE 30, 2021


	Share capital	Statutory reserve	Surplus / (deficit) on revaluation of investments	Unappropriated profit	Total
	(Rupees in '000)				
Balance as at December 31, 2019 (Audited)	3,658,506	191,375	80,244	766,147	4,696,272
Profit after taxation for the six months ended June 30, 2020	-	-	-	830,497	830,497
Other comprehensive income					
- Remeasurement gain on defined benefit obligations	-	-	-	-	-
- Movement in surplus on revaluation of investments	-	-	179,064	-	179,064
Total comprehensive income for the six months ended June 30, 2020	-	-	179,064	-	179,064
Transfer to statutory reserve	-	166,099	-	(166,099)	-
Balance as at June 30, 2020 (Un-audited)	3,658,506	357,474	259,308	1,430,545	5,705,833
Profit after taxation for the six months ended December 31, 2020	-	-	-	605,841	605,841
Other comprehensive income					
- Remeasurement gain on defined benefit obligations	-	-	-	2,641	2,641
- Movement in (deficit) on revaluation of investments	-	-	(175,952)	-	(175,952)
Total comprehensive income for the six months ended December 31, 2020	-	-	(175,952)	2,641	(173,311)
Transfer to statutory reserve	-	121,169	-	(121,169)	-
Balance as at December 31, 2020 (Audited)	3,658,506	478,643	83,356	1,917,858	6,138,363
Profit after taxation for the six months ended June 30, 2021	-	-	-	574,512	574,512
Other comprehensive income					
- Remeasurement gain on defined benefit obligations	-	-	-	-	-
- Movement in (deficit) on revaluation of investments	-	-	(85,714)	-	(85,714)
Total comprehensive income for the six months ended June 30, 2021	-	-	(85,714)	-	(85,714)
Transfer to statutory reserve	-	114,902	-	(114,902)	-
Issue of share capital	500,000	-	-	-	500,000
Balance as at June 30, 2021 (Un-audited)	<u>4,158,506</u>	<u>593,545</u>	<u>(2,358)</u>	<u>2,377,468</u>	<u>7,127,161</u>


The annexed notes from 1 to 30 form an integral part of these condensed interim financial statements.

  
 Managing Director / Chief Executive Officer

  
 Chief Financial Officer

  
 Director

  
 Director





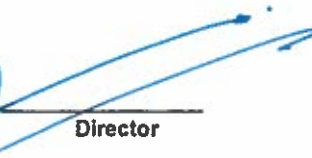
  
 Director

PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED  
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2021

	Note	June 30, 2021	June 30, 2020
(Rupees in '000)			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		574,512	830,497
<b>Adjustments:</b>			
Depreciation		17,548	12,611
Amortisation		3,378	1,446
Gain on sale of securities		(118)	-
Gain on sale of fixed assets		(1)	(6)
Interest expense - lease liability against right-of-use assets		4,792	1,582
		<u>25,599</u>	<u>15,633</u>
		600,111	846,130
<b>Increase in operating assets</b>			
Lendings to financial institutions		(300,000)	-
Advances		(5,664,789)	(2,980,262)
Others assets (excluding advance taxation)		(211,813)	110,248
		<u>(6,176,602)</u>	<u>(2,870,014)</u>
<b>Increase in operating liabilities</b>			
Borrowings from financial institutions		3,945,541	7,188,562
Other liabilities		95,203	16,899
		<u>4,040,744</u>	<u>7,203,461</u>
Income tax paid		(60)	(8)
<b>Net cash flows (used in) / generated from operating activities</b>		<u>(1,535,807)</u>	<u>5,179,569</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investments in available-for-sale securities		(2,149,462)	(3,422,599)
Net investments in held-to-maturity securities		(10,154)	(952,668)
Investments in operating fixed assets and intangible assets		(29,854)	(3,844)
Proceeds from sale of fixed assets		1,584	6
<b>Net cash flows used in investing activities</b>		<u>(2,187,886)</u>	<u>(4,379,105)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Issue of share capital		500,000	-
Payment of lease liability against right of use assets		(13,183)	(4,078)
Receipts from issuance of Bonds		5,200,000	-
Receipts from issuance of Sukuks		4,100,000	-
<b>Net cash flows generated from / (used in) financing activities</b>		<u>9,786,817</u>	<u>(4,078)</u>
<b>Increase in cash and cash equivalents</b>		<u>6,063,124</u>	<u>796,386</u>
Cash and cash equivalents at the beginning of the period		<u>3,141,844</u>	<u>2,433,421</u>
<b>Cash and cash equivalents at the end of the period</b>		<u><u>9,204,968</u></u>	<u><u>3,229,807</u></u>

The annexed notes from 1 to 30 form an integral part of these condensed interim financial statements.

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 Managing Director / Chief Executive Officer	 Chief Financial Officer	 Director	 Director	 Director
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**PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2021**

**1. STATUS AND NATURE OF BUSINESS**

Pakistan Mortgage Refinance Company Limited (the Company), is an unlisted public limited company incorporated in Pakistan on May 14, 2015 under repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Company has been notified as a Development Financial Institution (DFI) by the Finance Division - Government of Pakistan on October 27, 2017. The State Bank of Pakistan (SBP) issued Certificate of Commencement of Business on June 12, 2018.

The Company is engaged in promoting, developing and improving the housing finance market of Pakistan, to provide refinance facilities to banks and financial institutions against their conventional and Islamic housing finance portfolios and to develop and promote the capital market in Pakistan. Its registered office and principal office is situated at Finance and Trade Center Shahrah-e-Faisal, Karachi.

The SBP has allowed the Company to operate with an Initial Paid Up Capital (net of losses) - Minimum Capital Requirement (MCR) level of at least Rs. 3.5 billion subject to MCR compliance with applicable paid up capital requirement within a period of five years from the commencement of its operations / business. Furthermore, during the forbearance period of five years, the Company will not be allowed to declare and make any cash dividend payment to its shareholders.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

These condensed interim financial statements have been prepared in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Accounting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017;
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP); and
- Provisions of and directives issued under the Banking Companies Ordinance, 1962.

Whenever the requirements of the Companies Act, 2017, Banking Companies Ordinance, 1962 or the directives issued by the SBP and the SECP differ with the requirements of IFRS, the requirements of the Companies Act, 2017, Banking Companies Ordinance, 1962 and the said directives shall prevail.

The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter No.10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 Financial Instruments: Disclosures' through its notification S.R.O 411(1) / 2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

- 2.2** These condensed interim financial statements of the Company have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular Letter No. 05, dated March 22, 2019, International Accounting Standard (IAS) 34, 'Interim Financial Reporting', and do not include all the information and disclosures required in the annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2020.

**3. SIGNIFICANT ACCOUNTING POLICIES**

- 3.1** The significant accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements of the Company for the year ended December 31, 2020.



### 3.2 Amendments to approved accounting and reporting standards that are effective in the current period

There are certain amendments to existing accounting standards that have become applicable to the Company for accounting periods beginning on or after January 01, 2021. These are considered either not to be relevant or not to have any significant impact on the Company's financial statements.

### 3.3 Standards, interpretations of and amendments to published accounting and reporting standards that are not yet effective

As per the SBP's BPRD Circular No. 24 of 2021 dated July 05, 2021, the applicability of IFRS 9 to banks in Pakistan has been deferred to accounting periods beginning on or after January 1, 2022. However, the Company has complied with the SBP's requirements of quarterly parallel run of IFRS 9.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Company for the year ended December 31, 2020.

## 5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the audited annual financial statements for the year ended December 31, 2020. These risk management policies continue to remain robust and the Company is reviewing its portfolio regularly and conducts rapid portfolio reviews in line with emerging risks.

The COVID – 19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

COVID-19 does not have a direct impact on the risk profile of the Company and its overall risk management policies however risk committee is continuously monitoring the impact on the Company.

		(Un-Audited) June 30, 2021	(Audited) December 31, 2020
	Note	(Rupees in '000)	
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
With State Bank of Pakistan in Local currency current account		4,704	30,087
With National Bank of Pakistan in Local currency current accounts Local currency deposit account - NIDA		31 8 39	31 4 35
		<u>4,743</u>	<u>30,122</u>
<b>7. BALANCES WITH OTHER BANKS</b>			
In Pakistan			
In current accounts		16	16
In deposit accounts	7.1	9,200,209	3,111,706
		<u>9,200,225</u>	<u>3,111,722</u>
7.1 These includes term deposit receipt (TDRs) amounting to Rs. 7,850 million (2020 : Rs. 1,000 million) maturing on September 22, 2021. These carry mark-up at the rate of 7.20% to 8.20% (2020: 7.75%) per annum.			
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>	Note		
Certificate of Investment	8.1	<u>300,000</u>	<u>-</u>
8.1 The certificate of investment maturing on July 26, 2021 carry mark-up rate of 7.25% (2020: nil) per annum .			

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## 9. INVESTMENTS

## 9.1 Investments by type:

	(Un-Audited)				(Audited)			
	June 30, 2021				December 31, 2020			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
(Rupees in '000)								
<b>Available-for-sale securities</b>								
<b>Federal Government Securities</b>								
- Market Treasury Bills	-	-	-	-	2,958,337	-	10,025	2,968,362
- Pakistan Investment Bonds	11,306,468	-	(2,358)	11,304,110	6,198,551	-	73,331	6,271,882
	11,306,468	-	(2,358)	11,304,110	9,156,888	-	83,356	9,240,244
<b>Held-to-maturity securities</b>								
<b>Federal Government Securities</b>								
- Pakistan Investment Bonds	972,606	-	-	972,606	962,452	-	-	962,452
	972,606	-	-	972,606	962,452	-	-	962,452
<b>Total Investments</b>	<b>12,279,074</b>	<b>-</b>	<b>(2,358)</b>	<b>12,276,716</b>	<b>10,119,340</b>	<b>-</b>	<b>83,356</b>	<b>10,202,696</b>

9.2 The market value of securities classified as held-to-maturity as at June 30, 2021 amounted to Rs. 1,011.36 million (December 31, 2020: Rs. 1,017.42 million).

	Note	(Un-Audited)	(Audited)
		June 30, 2021	December 31, 2020
(Rupees in '000)			
9.3 Investments given as collateral			
Pakistan Investment Bonds	9.4	7,729,649	3,695,385
		<u>7,729,649</u>	<u>3,695,385</u>

9.4 The market value of securities given as collateral is Rs. 7,938.85 million (2020: Rs. 3,969.53 million).

## 10. ADVANCES

	Performing		Non-Performing		Total	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
	(Un-Audited)	(Audited)	(Un-Audited)	(Audited)	(Un-Audited)	(Audited)
(Rupees in '000)						
Loans, cash credits, running finances, etc.	16,652,082	11,558,253	-	-	16,652,082	11,558,253
Islamic financing	3,979,784	3,408,824	-	-	3,979,784	3,408,824
Advances - gross	20,631,866	14,967,077	-	-	20,631,866	14,967,077
Provision against advances						
- Specific	-	-	-	-	-	-
- General	-	-	-	-	-	-
Advances - net of provision	<u>20,631,866</u>	<u>14,967,077</u>	<u>-</u>	<u>-</u>	<u>20,631,866</u>	<u>14,967,077</u>

	Note	(Un-Audited)	(Audited)
		June 30, 2021	December 31, 2020
(Rupees in '000)			
10.1 Particulars of advances (Gross)			
In local currency		20,631,866	14,967,077

## 11. FIXED ASSETS

Capital work-in-progress		-	16,852
Property and equipment	11.1	168,256	140,897
		<u>168,256</u>	<u>157,749</u>

11.1 This includes right-of-use asset amounting to Rs. 103.35 million (December 31, 2020: Rs. 115.06 million).

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## 11.2 Additions to fixed assets

The following additions have been made to fixed assets during the period:

	(Un-Audited) June 30, 2021	(Un-Audited) June 30, 2020
	(Rupees in '000)	
Property and equipment		
Furniture, fixtures and leasehold improvements	44,173	997
Electrical office and computer equipments	2,380	3,747
	46,553	4,744
Total	<u>46,553</u>	<u>4,744</u>

## 11.3 Disposal of fixed assets

The net book value of fixed assets disposed off during the period is as follows:

Furniture and fixtures	19,647	-
Accumulated depreciation	(6,775)	-
	12,872	-
Electrical office and computer equipments	683	614
Accumulated depreciation	(413)	(614)
	270	-
	-	-
Total book value	<u>13,142</u>	<u>-</u>

## 12. INTANGIBLE ASSETS

### 12.1 Additions to intangible assets

The following additions have been made to intangible assets during the period:

Directly purchased - Software	<u>216</u>	<u>-</u>
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## 13. OTHER ASSETS

Mark-up / return / interest / profit accrued in local currency  
Advances, deposits, advance rent and other prepayments  
Advance taxation (payments less provisions)

Less: Provision held against other assets  
Other assets - net of provision

	(Un-Audited) June 30, 2021	(Audited) December 31, 2020
	(Rupees in '000)	
	<u>5,920</u>	<u>6,882</u>
Note		
13.1	515,870	316,095
	26,242	16,404
	26,687	26,627
	<u>568,799</u>	<u>359,126</u>
	-	-
	<u>568,799</u>	<u>359,126</u>

- 13.1 This includes mark-up accrued in local currency on Islamic refinancing amounting to Rs. 51.54 million (December 31, 2020: Rs. 42.82 million) under musharakah agreement and Islamic TDR amounting to Rs. 9.97 million (December 31, 2020: Rs. 2.33 million).

	Note	(Un-Audited) June 30, 2021	(Audited) December 31, 2020
(Rupees in '000)			
<b>14. BORROWINGS</b>			
<b>Secured</b>			
- Term Finance Certificates	14.1	6,200,000	1,000,000
- Sukuks	14.2	4,100,000	-
- Repurchase agreement borrowings		7,905,541	3,960,000
Total secured		<u>18,205,541</u>	<u>4,960,000</u>
<b>Unsecured</b>			
- Borrowings from Government of Pakistan under World Bank - Housing Finance Project	14.3	<u>10,288,741</u>	<u>10,288,741</u>
		<u>28,494,282</u>	<u>15,248,741</u>

- 14.1 The Company has issued Term Finance Certificates amounting to Rs. 5,200 million (December 31, 2020: Rs. 1,000 million) during the year with maturity of three years at a fixed rate ranging from 8.41% to 8.78% (December 31, 2020: 8.2%) per annum. The principal is payable at maturity whereas interest is payable in six half yearly instalments.
- 14.2 The Company has issued redeemable capital under the Islamic Mode of Musharakah (Shirkat-ul-Aqd), in the form of Shariah Compliant Sukuk certificates amounting to Rs. 4,100 million (December 31, 2020: nil) at desired profit rate ranging from 8.25% to 8.63% per annum by way of private placement, pursuant to the provisions of section 66 of the Companies Act, 2017.
- 14.3 It represents borrowings from Government of Pakistan under World Bank - Housing Finance Project for 30 years at fixed rate of 3% per annum.

#### 15. SUBORDINATED DEBT

On February 22, 2019, the Government of Pakistan lent Rs. 7,051 million under World Bank - Housing Finance Project with principal repayment starting from April 15, 2023 and maturing on October 15, 2047, at a fixed rate of 3% per annum. This has been disbursed as a Sub-ordinated Loan, and if needed, can be converted into non-participatory Additional Tier 1 Capital.

	(Un-Audited) June 30, 2021	(Audited) December 31, 2020
(Rupees in '000)		
Issue amount	7,050,716	7,050,716
Issue date	February 22, 2019	February 22, 2019
Maturity date	February 21, 2049	February 21, 2049
Rating	N/A	N/A
Security	Unsecured	Unsecured
Profit payment frequency	Semi Annual	Semi Annual
Redemption	N/A	N/A
Mark-up rate	3%	3%

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	Note	(Un-Audited) June 30, 2021	(Audited) December 31, 2020
<b>16. OTHER LIABILITIES</b>			
(Rupees in '000)			
Mark-up / return / interest / profit payable in local currency		253,395	136,390
Provision for employees' benefit		32,812	63,512
Provision for Government levies		60,921	49,196
Accrued expenses		19,036	31,572
Lease liability against right-of-use assets		102,840	111,231
Payable against Advisory Fees		3,250	-
Payable to defined benefit plan		4,751	4,339
Payable to defined contribution plan		-	10
Brokerage Payable		48	-
Payable against purchase of fixed assets		7,313	1,304
		<u>484,366</u>	<u>397,554</u>

**17. SURPLUS ON REVALUATION OF ASSETS**

(Deficit) / Surplus on revaluation of Available for sale securities	9.1	<u>(2,358)</u>	<u>83,356</u>
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**18. CONTINGENCIES AND COMMITMENTS**

There are no contingent assets, contingencies and commitments as at June 30, 2021 (December 31, 2020: nil).

	Note	(Un-Audited) Six months ended	
		June 30, 2021	June 30, 2020
(Rupees in '000)			
<b>19. MARK-UP / RETURN / INTEREST / PROFIT EARNED</b>			
On:			
Loans and advances	19.1	629,711	474,575
Investments		499,485	772,311
Lendings to financial institutions		9,386	7,814
Balances with banks	19.2	94,904	108,597
		<u>1,233,486</u>	<u>1,363,297</u>

19.1 This includes profit earned in local currency on Islamic refinancing under musharakah agreement amounting to Rs. 142.2 million (June 30, 2020: Rs. 81.68 million).

19.2 This includes markup-up earned in local currency on Islamic balances with banks amounting to Rs. 46.3 million (June 30, 2020: Rs. 1.34 million).

	Note	(Un-Audited) Six months ended	
		June 30, 2021	June 30, 2020
(Rupees in '000)			
<b>20. MARK-UP / RETURN / INTEREST / PROFIT EXPENSED</b>			
On:			
Borrowings		154,331	144,761
Subordinated debt		105,761	105,761
Repo Borrowing		78,291	87,475
Term Finance Certificate	20.1	52,375	27,750
Sukuk	20.2	89,987	-
Lease liability against right-of-use assets		4,792	1,582
		<u>485,537</u>	<u>367,329</u>

20.1 This includes amortisation of issuance cost of Term Finance Certificates amounting Rs. 0.16 million (June 30, 2020: nil).

20.2 This includes amortisation of issuance cost of Sukuks amounting Rs. 1.75 million (June 30, 2020: nil).

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		(Un-Audited)	
		Six months ended	
		June 30, 2021	June 30, 2020
		(Rupees in '000)	
<b>21</b>	<b>OTHER INCOME</b>		
	Gain on sale of fixed assets	1	6
	Others	106	-
		<u>107</u>	<u>6</u>
<b>22.</b>	<b>OPERATING EXPENSES</b>		
	Total compensation expense	117,315	112,994
	<b>Property expense</b>		
	Rent	1,374	-
	Insurance	249	208
	Utilities cost	973	614
	Security	290	290
	Repair and maintenance	115	524
	Depreciation - Right-of-Use Assets	11,701	6,786
		14,702	8,422
	<b>Information technology expenses</b>		
	Software maintenance	2,509	128
	Rent-Disaster Recovery Site	424	-
	Website maintenance	811	-
	Hardware maintenance	65	132
	Depreciation	3,555	2,887
	Amortisation	1,178	1,169
	Network charges	772	580
		9,314	4,896
	<b>Other operating expenses</b>		
	Directors' fees and allowances	4,810	3,155
	Legal and professional charges	2,408	5,913
	Outsourced services costs	2,008	1,790
	Travelling and conveyance	1,182	1,118
	Depreciation	2,292	2,938
	Training and development	1,936	82
	Postage and courier charges	29	50
	Communication	730	268
	Printing and stationery	1,477	164
	Marketing, advertisement and publicity	659	122
	Donations	500	3,500
	Auditors' remuneration	455	1,297
	Insurance	815	599
	Vehicle repair and maintenance	470	42
	Entertainment	227	158
	Others	808	1,020
		20,606	22,216
		<u>161,937</u>	<u>148,528</u>

**23. TAXATION**

The Company had been exempted from income tax under clause 66 of the part I of Second Schedule of the Income Tax Ordinance, 2001 through Finance Act 2018. Subsequently, in 2020-21 clause 66 was substituted and the entities, listed in the said clause were categorized into two Tables namely Table-I and Table-II. PMRC was placed in Table-II. The entities placed in Table II are entitled for tax exemption subject to certain conditions as given in section 100 C of the Income Tax Ordinance, 2001. The Company is pursuing tax authorities to move its name from Table II to Table I for unconditional tax exemption.

## 24. BASIC AND DILUTED EARNINGS PER SHARE

	(Un-Audited)	
	Six months ended	
	June 30, 2021	June 30, 2020
	(Rupees in '000)	
Profit for the period	574,512	830,497
	(Number in '000)	
Weighted average number of ordinary shares	414,746	365,851
	(Rupees)	
Basic and diluted earnings per share	1.39	2.27

## 25. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer / settle a liability in an orderly transaction between market participants at the measurement date. Fair value of financial instruments is based on:

Federal Government Securities	PKRV rates
Non Government Debt Securities	Market prices

Fair value of fixed term advances of over one year cannot be calculated with sufficient reliability due to non-availability of relevant active market for similar assets.

## 25.1 Fair value of financial assets

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. un-observable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	(Un-Audited)			
	June 30, 2021			
	Level 1	Level 2	Level 3	Total
<b>On balance sheet financial instruments</b>	(Rupees in '000)			
<b>Financial assets - measured at fair value</b>				
Investments				
Federal Government Securities	-	11,304,110	-	11,304,110
<b>Financial assets - disclosed but not measured at fair value</b>				
Investments				
Federal Government Securities	-	972,606	-	972,606
	(Audited)			
	December 31, 2020			
	Level 1	Level 2	Level 3	Total
<b>On balance sheet financial instruments</b>	(Rupees in '000)			
<b>Financial assets - measured at fair value</b>				
Investments				
Federal Government Securities	-	9,240,244	-	9,240,244
<b>Financial assets - disclosed but not measured at fair value</b>				
Investments	-	962,452	-	962,452

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## 26. RELATED PARTY TRANSACTIONS

Related parties of the Company comprise of major shareholders, directors, retirement benefit funds and key management personnel and their close family members.

Transactions with related parties of the Company are carried out on contractual basis in terms of the policy as approved by the Board of Directors. The transactions with employees of the Company are carried out in accordance with the terms of their employment.

Transactions with related parties, other than those disclosed elsewhere in these financial statements, are summarised as follows:

(Un-Audited)			(Audited)		
June 30, 2021			December 31, 2020		
Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties

(Rupees in '000)

## Statement of financial position

## Balances with banks

In current accounts	-	-	47	-	-	47
In deposit accounts	-	-	7,900,176	-	-	1,000,056
	-	-	7,900,223	-	-	1,000,103

## Lendings to financial institutions

Opening balance	-	-	-	-	-	-
Addition during the period	-	-	6,407,204	-	-	4,975,119
Repaid during the period	-	-	(6,407,204)	-	-	(4,975,119)
Closing balance	-	-	-	-	-	-

## Advances

Opening balance	-	89,624	4,627,769	-	722	2,466,672
Addition during the period	-	-	1,000,000	-	91,824	3,600,000
Repaid during the period	-	(3,470)	(446,403)	-	(2,922)	(1,438,903)
Closing balance	-	86,154	5,181,366	-	89,624	4,627,769

## Other Assets

Mark-up / return / interest / profit accrued	-	-	73,495	-	-	53,862
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## Borrowings

Opening balance	-	-	2,960,000	-	-	-
Borrowings during the period	-	-	52,141,558	-	-	59,795,267
Settled during the period	-	-	(41,976,456)	-	-	(56,835,267)
Closing balance	-	-	13,125,102	-	-	2,960,000

## Other Liabilities

Interest / mark-up payable	-	-	62,750	-	-	2,034
Payable to staff retirement fund	-	-	4,751	-	-	4,349
	-	-	67,501	-	-	6,383

(Un-Audited)			(Un-Audited)		
June 30, 2021			June 30, 2020		
Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties

(Rupees in '000)

## Profit and loss account

## Income

Mark-up / return / interest / profit earned	-	1,739	258,118	-	157	194,230
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## Expense

Mark-up / return / interest / profit paid	-	-	118,860	-	-	41,014
Operating expenses	4,610	97,216	9,087	3,155	88,332	9,073



The Company has sub-ordinated loan and borrowings amounting to Rs. 7,050.72 million and Rs. 10,288.74 million respectively from Ministry of Finance.

The Company has provided refinancing facility to House Building Finance Corporation with outstanding amount of Rs. 2,930.02 million.

	(Un-Audited) June 30, 2021	(Audited) December 31, 2020
	(Rupees in '000)	
<b>27. CAPITAL ADEQUACY, LEVERAGE RATIO &amp; LIQUIDITY REQUIREMENTS</b>		
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital	4,158,506	3,658,506
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	7,121,241	6,048,125
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	7,121,241	6,048,125
Eligible Tier 2 Capital	-	83,356
Total Eligible Capital (Tier 1 + Tier 2)	7,121,241	6,131,481
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	8,681,668	2,291,292
Market Risk	-	-
Operational Risk	1,977,938	1,977,938
Total	10,659,606	4,269,230
Common Equity Tier 1 Capital Adequacy Ratio	66.81%	141.67%
Tier 1 Capital Adequacy Ratio (%)	66.81%	141.67%
Total Capital Adequacy Ratio (%)	66.81%	143.62%
<b>Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	7,121,241	6,048,125
Total Exposure	36,270,800	26,604,850
Leverage Ratio (%)	19.63%	22.73%
<b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	3,370,002	5,300,836
Total Net Cash Outflow	5,391	3,857
Liquidity Coverage Ratio (%)	62512%	137429%
<b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	34,260,699	24,387,582
Total Required Stable Funding	23,486,290	16,186,841
Net Stable Funding Ratio (%)	145.88%	150.66%

**28. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

There were no non-adjusting events after balance sheet date.

**29. DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statements were authorised on AUGUST 26, 2021 by the Board of Directors of the Company.

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30. GENERAL

- 30.1 These condensed interim financial statements have been prepared in accordance with the revised format for financial statements issued by the SBP through BPRD Circular Letter No. 05 dated March 22, 2019 and related clarifications / modifications.
- 30.2 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.
- 30.3 Comparative figures have been re-arranged for comparison purposes.

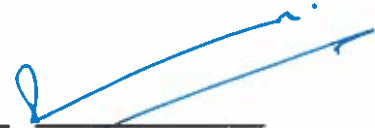
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Managing Director /  
Chief Executive Officer

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Director

  
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Director

  
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Director