

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

	(Un-Audited)	(Audited)
Note	September 30, 2021	December 31, 2020
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	6 2,698	30,122
Balances with other banks	7 11,729,281	3,111,722
Lendings to financial institutions	-	-
Investments	8 10,645,717	10,202,696
Advances	9 21,504,635	14,967,077
Fixed assets	10 160,860	157,749
Intangible assets	11 23,786	6,882
Deferred tax assets	-	-
Other assets	12 379,107	359,126
	<u>44,446,084</u>	<u>28,835,374</u>
LIABILITIES		
Bills payable	-	-
Borrowings	13 29,404,910	15,248,741
Deposits and other accounts	-	-
Liabilities against assets subject to finance lease	-	-
Subordinated debt	14 7,050,716	7,050,716
Deferred tax liabilities	-	-
Other liabilities	15 676,631	397,554
	<u>37,132,257</u>	<u>22,697,011</u>
NET ASSETS	<u><u>7,313,827</u></u>	<u><u>6,138,363</u></u>
REPRESENTED BY		
Share capital	16 4,158,506	3,658,506
Reserves	641,669	478,643
(Deficit) / Surplus on revaluation of assets	17 (56,309)	83,356
Unappropriated profit	<u>2,569,961</u>	<u>1,917,858</u>
	<u><u>7,313,827</u></u>	<u><u>6,138,363</u></u>
CONTINGENCIES AND COMMITMENTS	18	

The annexed notes from 1 to 29 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 PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

Note	Quarter ended		Nine months ended		
	July - September 2021	July - September 2020	January - September 2021	January - September 2020	
(Rupees in '000)					
Mark-up / return / interest / profit earned	19	771,468	601,240	2,004,954	1,964,537
Mark-up / return / interest / profit expensed	20	442,043	174,222	927,580	541,551
Net Mark-up / interest income		329,425	427,018	1,077,374	1,422,986
NON MARK-UP / INTEREST INCOME					
Fee and commission income		-	-	-	-
Dividend income		-	-	-	-
Foreign exchange income		-	-	-	-
Income / (loss) from derivatives		-	-	-	-
Gain on securities		-	-	118	-
Other income		-	1	107	7
Total non-markup / interest income		-	1	225	7
Total income		329,425	427,019	1,077,599	1,422,993
NON MARK-UP / INTEREST EXPENSE					
Operating expenses	21	84,218	77,553	246,155	226,081
Workers' Welfare Fund		4,590	6,990	16,315	23,939
Other charges		-	-	-	-
Total non-markup / interest expenses		88,808	84,543	262,470	250,020
Profit before provisions		240,617	342,476	815,129	1,172,973
Provisions and write offs - net		-	-	-	-
PROFIT BEFORE TAXATION		240,617	342,476	815,129	1,172,973
Taxation	22	-	-	-	-
PROFIT AFTER TAXATION		240,617	342,476	815,129	1,172,973
(Rupees)					
Basic and diluted earnings per share	23	0.57	0.94	1.96	3.21

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Managing Director /
Chief Executive Officer

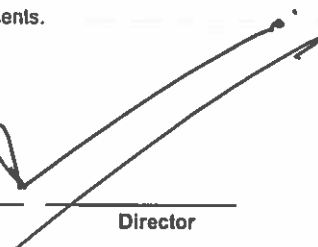
Chief Financial Officer



Director



Director



Director

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

	Quarter ended		Nine months ended	
	July - September 2021	July - September 2020	January - September 2021	January - September 2020
	----- (Rupees in '000) -----			
Profit after taxation for the period	240,617	342,476	815,129	1,172,973
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	(53,951)	(117,024)	(139,665)	62,040
Total comprehensive income	<u>186,666</u>	<u>225,452</u>	<u>675,464</u>	<u>1,235,013</u>

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Managing Director /
Chief Executive Officer

Chief Financial Officer

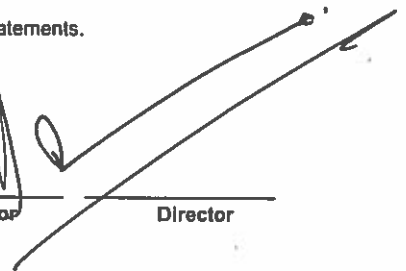


Director



Director





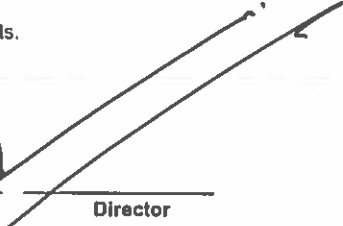
Director



PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 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 nine months ended September 30, 2020	-	-	-	1,172,973	1,172,973
Other comprehensive income					
- Remeasurement gain on defined benefit obligations	-	-	-	-	-
- Movement in surplus on revaluation of investments	-	-	62,040	-	62,040
Total comprehensive Income for the nine months ended September 30, 2020	-	-	62,040	-	62,040
Transfer to statutory reserve	-	234,595	-	(234,595)	-
Balance as at September 30, 2020 (Un-audited)	<u>3,658,506</u>	<u>425,970</u>	<u>142,284</u>	<u>1,704,525</u>	<u>5,931,285</u>
Profit after taxation for the three months ended December 31, 2020	-	-	-	263,365	263,365
Other comprehensive income					
- Remeasurement gain on defined benefit obligations	-	-	-	2,641	2,641
- Movement in (deficit) on revaluation of investments	-	-	(58,928)	-	(58,928)
Total comprehensive Income for the three months ended December 31, 2020	-	-	(58,928)	2,641	(56,287)
Transfer to statutory reserve	-	52,673	-	(52,673)	-
Balance as at December 31, 2020 (Audited)	<u>3,658,506</u>	<u>478,643</u>	<u>83,356</u>	<u>1,917,858</u>	<u>6,138,363</u>
Profit after taxation for the nine months ended September 30, 2021	-	-	-	815,129	815,129
Other comprehensive income					
- Remeasurement gain on defined benefit obligations	-	-	-	-	-
- Movement in (deficit) on revaluation of investments	-	-	(139,665)	-	(139,665)
Total comprehensive Income for the nine months ended September 30, 2021	-	-	(139,665)	-	(139,665)
Transfer to statutory reserve	-	163,026	-	(163,026)	-
Transactions with owners, recorded directly in equity issue of share capital	500,000	-	-	-	500,000
Balance as at September 30, 2021 (Un-audited)	<u>4,158,506</u>	<u>641,669</u>	<u>(56,309)</u>	<u>2,569,961</u>	<u>7,313,827</u>

The annexed notes from 1 to 29 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 NINE MONTHS ENDED SEPTEMBER 30, 2021

	September 30, 2021	September 30, 2020
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	815,129	1,172,973
Adjustments:		
Depreciation	28,133	19,100
Amortisation	6,939	2,168
Gain on sale of securities	(118)	-
Gain on sale of fixed assets	(1)	(7)
Interest expense - lease liability against right-of-use assets	7,056	2,234
	<u>42,009</u>	<u>23,495</u>
	857,138	1,196,468
Increase in operating assets		
Advances	(6,537,558)	(3,120,065)
Others assets (excluding advance taxation)	(24,963)	257,468
	(6,562,521)	(2,862,597)
Increase in operating liabilities		
Borrowings from financial institutions	3,356,169	6,479,457
Other liabilities	291,796	135,284
	3,647,965	6,614,741
Income tax paid	(184)	4,115
Net cash flows (used in) / generated from operating activities	<u>(2,057,602)</u>	<u>4,952,727</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(567,116)	(2,305,050)
Net investments in held-to-maturity securities	(15,452)	(957,407)
Investments in operating fixed assets and intangible assets	(51,537)	(5,487)
Proceeds from sale of fixed assets	1,617	8
Net cash flows used in investing activities	<u>(632,488)</u>	<u>(3,267,936)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of share capital	500,000	-
Payment of lease liability against right of use assets	(19,775)	(8,155)
Receipts from issuance of Bonds	6,700,000	-
Receipts from issuance of Sukuks	4,100,000	-
Net cash flows generated from / (used in) financing activities	<u>11,280,225</u>	<u>(8,155)</u>
Increase in cash and cash equivalents	<u>8,590,135</u>	<u>1,676,636</u>
Cash and cash equivalents at the beginning of the period	3,141,844	2,433,421
Cash and cash equivalents at the end of the period	<u>11,731,979</u>	<u>4,110,057</u>

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Managing Director /
Chief Executive Officer



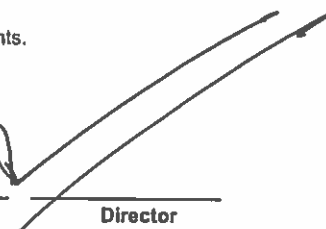
Chief Financial Officer



Director



Director



Director

PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

1. STATUS AND NATURE OF BUSINESS

Pakistan Mortgage Refinance Company Limited (the Company) was incorporated in Pakistan on May 14, 2015 as unlisted public limited company. 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 by providing pre / refinance facilities to banks and financial institutions against their conventional and Islamic housing finance portfolios and other eligible securities. The development of capital markets in Pakistan is also a key objective of the Company. 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 is not 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, and 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 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) September 30, 2021	(Audited) December 31, 2020
	Note	(Rupees in '000)	
6. CASH AND BALANCES WITH TREASURY BANKS			
With State Bank of Pakistan in Local currency current account		2,658	30,087
With National Bank of Pakistan in Local currency current accounts		31	31
Local currency deposit account - NIDA		9	4
		40	35
		2,698	30,122
7. BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		16	16
In deposit accounts	7.1	11,729,265	3,111,706
		11,729,281	3,111,722

7.1 These includes term deposit receipt (TDRs) amounting to Rs. 10,033 million (2020: Rs. 1,000 million) maturing on December 17, 2021. These carry mark-up at the rate of 7.30% to 8.98% (2020: 7.75%) per annum.

8. INVESTMENTS

8.1 Investments by type:

	(Un-Audited)				(Audited)			
	September 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)								
Available-for-sale securities								
Federal Government Securities								
- Market Treasury Bills	998,612	-	180	998,792	2,958,337	-	10,025	2,968,362
- Pakistan Investment Bonds	8,725,510	-	(56,489)	8,669,021	6,198,551	-	73,331	6,271,882
	9,724,122	-	(56,309)	9,667,813	9,156,888	-	83,356	9,240,244
Held-to-maturity securities								
Federal Government Securities								
- Pakistan Investment Bonds	977,904	-	-	977,904	962,452	-	-	962,452
	977,904	-	-	977,904	962,452	-	-	962,452
Total Investments	10,702,026	-	(56,309)	10,645,717	10,119,340	-	83,356	10,202,696

8.2 The market value of securities classified as held-to-maturity as at September 30, 2021 amounted to Rs. 1,003.02 million (December 31, 2020: Rs. 1,017.42 million).

	Note	(Un-Audited) September 30, 2021	(Audited) December 31, 2020
(Rupees in '000)			
8.3 Investments given as collateral			
Pakistan Investment Bonds	8.4	7,371,613	3,695,385
		<u>7,371,613</u>	<u>3,695,385</u>

8.4 The market value of securities given as collateral is Rs. 7,316.72 million (2020: Rs. 3,969.53 million).

9. ADVANCES

	Performing		Non-Performing		Total	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
	(Un-Audited)	(Audited)	(Un-Audited)	(Audited)	(Un-Audited)	(Audited)
(Rupees in '000)						
Loans, cash credits, running finances, etc.	16,778,169	11,558,253	-	-	16,778,169	11,558,253
Islamic financing	4,726,466	3,408,824	-	-	4,726,466	3,408,824
Advances - gross	21,504,635	14,967,077	-	-	21,504,635	14,967,077
Provision against advances						
- Specific	-	-	-	-	-	-
- General	-	-	-	-	-	-
Advances - net of provision	<u>21,504,635</u>	<u>14,967,077</u>	<u>-</u>	<u>-</u>	<u>21,504,635</u>	<u>14,967,077</u>

	Note	(Un-Audited) September 30, 2021	(Audited) December 31, 2020
(Rupees in '000)			
9.1 Particulars of advances (Gross)			
In local currency		<u>21,504,635</u>	<u>14,967,077</u>

10. FIXED ASSETS

	Note	(Un-Audited) September 30, 2021	(Audited) December 31, 2020
Capital work-in-progress		-	16,852
Property and equipment	10.1	160,860	140,897
		<u>160,860</u>	<u>157,749</u>

10.1 This includes right-of-use asset amounting to Rs. 97.50 million (December 31, 2020: Rs. 115.06 million).

10.2 Additions to fixed assets

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

	(Un-Audited) September 30, 2021	(Un-Audited) September 30, 2020
	(Rupees in '000)	
Property and equipment		
Furniture, fixtures and leasehold improvements	46,218	997
Electrical office and computer equipments	3,555	5,386
	49,773	6,383
Total	<u>49,773</u>	<u>6,383</u>

10.3 Disposal of fixed assets

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

Furniture and fixtures - cost	19,647	-
Accumulated depreciation	(6,775)	-
	12,872	-
Electrical office and computer equipments - cost	743	751
Accumulated depreciation	(453)	(601)
	290	150
Total book value	<u>13,162</u>	<u>150</u>

	Note	(Un-Audited) September 30, 2021	(Audited) December 31, 2020
		(Rupees in '000)	
11. INTANGIBLE ASSETS			
Advance against computer software	11.1	18,461	-
Computer Software	11.2	5,325	6,882
Total		23,786	6,882

11.1 This includes advance paid for acquisition of a software for Credit Management, Loan Origination, Risk Management and Management Information System.

11.2 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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		(Un-Audited) September 30, 2021	(Audited) December 31, 2020
		(Rupees in '000)	
12. OTHER ASSETS			
Mark-up / return / interest / profit accrued in local currency	12.1	302,970	316,095
Advances, deposits, advance rent and other prepayments		49,326	16,404
Advance taxation (payments less provisions)		26,811	26,627
		379,107	359,126
Less: Provision held against other assets		-	-
Other assets - net of provision		<u>379,107</u>	<u>359,126</u>

- 12.1 This includes mark-up accrued in local currency on Islamic refinancing amounting to Rs. 44.16 million (December 31, 2020: Rs. 42.82 million) under musharakah agreement and Islamic TDR amounting to Rs. 5.69 million (December 31, 2020: Rs. 2.33 million).

	Note	(Un-Audited) September 30, 2021	(Audited) December 31, 2020
(Rupees in '000)			
13. BORROWINGS			
Secured			
- Term Finance Certificates	13.1	7,700,000	1,000,000
- Sukuks	13.2	4,100,000	-
- Repurchase agreement borrowings		<u>7,316,169</u>	<u>3,960,000</u>
Total secured		19,116,169	4,960,000
Unsecured			
- Borrowings from Government of Pakistan under World Bank - Housing Finance Project	13.3	<u>10,288,741</u>	<u>10,288,741</u>
		<u>29,404,910</u>	<u>15,248,741</u>

- 13.1 The Company has issued Term Finance Certificates amounting to Rs. 6,700 million (December 31, 2020: Rs. 1,000 million) during the year with maturity of 3 to 5 years at a fixed rate ranging from 8.41% to 9.35% (December 31, 2020: 8.2%) per annum. The principal is payable at maturity whereas interest is payable in six half yearly instalments.
- 13.2 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.
- 13.3 It represents borrowings from Government of Pakistan under World Bank - Housing Finance Project for 30 years at fixed rate of 3% per annum.

14. 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) September 30, 2021	(Audited) December 31, 2020
(Rupees in '000)		
Issue amount	7,050,716	7,050,716
Issue date	February 22,	February 22, 2019
Maturity date	February 21,	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%

15. OTHER LIABILITIES	Note	(Un-Audited)	(Audited)
		September 30, 2021	December 31, 2020
		(Rupees in '000)	
Mark-up / return / interest / profit payable in local currency		436,319	136,390
Provision for employees' benefit		48,675	63,512
Provision for Government levies		65,511	49,196
Accrued expenses		18,273	31,572
Lease liability against right-of-use assets		98,512	111,231
Payable against Advisory Fees		4,500	-
Payable to defined benefit plan		1,934	4,339
Payable to defined contribution plan		-	10
Payable against purchase of fixed assets		2,907	1,304
		<u>676,631</u>	<u>397,554</u>

16. SHARE CAPITAL

In exercise of the powers under section 83(1)(a)(iv) of the Companies Act, 2017 and pursuant to the subscription agreement dated June 30, 2020 entered into between the Company and International Finance Corporation (IFC), the Board of Directors of the Company, in its meeting held on January 08, 2021, approved to allot and issue 50 million ordinary shares having a face value of PKR 10/- each in favor of IFC at an aggregate subscription price of PKR 500 million.

17. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS

(Deficit) / Surplus on revaluation of Available for sale securities	8 1	<u>(56,309)</u>	<u>83,356</u>
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18. CONTINGENCIES AND COMMITMENTS

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

19. MARK-UP / RETURN / INTEREST / PROFIT EARNED	Note	(Un-Audited)	
		Nine months ended	
		September 30, 2021	September 30, 2020
		(Rupees in '000)	
On:			
Loans and advances	19 1	1,021,409	692,889
Investments		735,866	1,120,689
Lendings to financial institutions		11,106	11,525
Balances with banks	19 2	236,573	139,434
		<u>2,004,954</u>	<u>1,964,537</u>

19.1 This includes profit earned in local currency on Islamic refinancing under musharakah agreement amounting to Rs. 217.33 million (September 30, 2020: Rs. 117.20 million).

19.2 This includes markup-up earned in local currency on Islamic balances with banks amounting to Rs. 94.08 million (September 30, 2020: Rs. 12.22 million).

20. MARK-UP / RETURN / INTEREST / PROFIT EXPENSED	Note	(Un-Audited)	
		Nine months ended	
		September 30, 2021	September 30, 2020
		(Rupees in '000)	
On:			
Borrowings		231,497	221,927
Subordinated debt		158,641	158,641
Clean Borrowing		2,081	3,724
Repo Borrowing		146,201	106,378
Term Finance Certificate	20 1	196,903	48,647
Sukuk	20 2	185,201	-
Lease liability against right-of-use assets		7,056	2,234
		<u>927,580</u>	<u>541,551</u>

20.1 This includes amortisation of issuance cost of Term Finance Certificates amounting Rs. 1.55 million (September 30, 2020: nil).

20.2 This includes amortisation of issuance cost of Sukuks amounting Rs. 3.19 million (September 30, 2020: nil).

21. OPERATING EXPENSES	(Un-Audited)	
	Nine months ended	
	September 30, 2021	September 30, 2020
	(Rupees in '000)	
Total compensation expense	173,515	171,503
Property expense		
Rent	1,374	-
Insurance	403	345
Utilities cost	1,635	1,057
Security	436	436
Repair and maintenance	397	1,017
Depreciation - Right-of-Use Assets	17,552	10,179
	21,797	13,034
Information technology expenses		
Software maintenance	4,080	484
Rent-Disaster Recovery Site	424	-
Website maintenance	1,636	-
Hardware maintenance	162	365
Depreciation	5,303	4,502
Amortisation	1,773	1,753
IT Security	125	-
Network charges	1,218	981
	14,721	8,085
Other operating expenses		
Directors' fees and allowances	5,785	4,240
Legal and professional charges	7,106	10,353
Outsourced services costs	3,303	2,687
Travelling and conveyance	1,480	1,248
Depreciation	5,278	4,419
Training and development	2,640	973
Postage and courier charges	51	87
Communication	984	407
Printing and stationery	2,001	197
Marketing, advertisement and publicity	1,014	962
Donations	1,500	3,500
Auditors' remuneration	1,036	1,792
Insurance	1,797	873
Vehicle repair and maintenance	524	92
Entertainment	301	232
Others	1,342	1,397
	36,122	33,459
	<u>246,155</u>	<u>226,081</u>

22. 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. The entities placed in Table I are exempt without any conditions. The Company's name has been placed in Table I, through third amendment ordinance, 2021.

23. BASIC AND DILUTED EARNINGS PER SHARE

	(Un-Audited)	
	Nine months ended	
	September 30, 2021	September 30, 2020
	(Rupees in '000)	
Profit for the period	815,129	1,172,973
	(Number in '000)	
Weighted average number of ordinary shares	415,118	365,851
	(Rupees)	
Basic and diluted earnings per share	1.96	3.21

24. 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.

24.1 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. unobservable 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)			
	September 30, 2021			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	(Rupees in '000)			

Financial assets - measured at fair value

Investments

Federal Government Securities	-	9,667,813	-	9,667,813
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Financial assets - disclosed but not measured at fair value

Investments

Federal Government Securities	-	977,904	-	977,904
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	(Audited)			
	December 31, 2020			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	(Rupees in '000)			

Financial assets - measured at fair value

Investments

Federal Government Securities	-	9,240,244	-	9,240,244
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Financial assets - disclosed but not measured at fair value

Investments

	-	962,452	-	962,452
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25. 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) September 30, 2021			(Audited) 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	-	-	7,033,136	-	-	1,000,056
	-	-	7,033,183	-	-	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	-	-	1,450,000	-	91,824	3,600,000
Repaid during the period	-	(26,394)	(607,150)	-	(2,922)	(1,438,903)
Closing balance	-	63,230	5,470,619	-	89,624	4,627,769
Other Assets						
Mark-up / return / Interest / profit accrued	-	-	48,654	-	-	53,862
Borrowings						
Opening balance	-	-	2,960,000	-	-	-
Borrowings during the period	-	-	98,458,130	-	-	59,795,267
Settled during the period	-	-	(88,863,210)	-	-	(56,835,267)
Closing balance	-	-	12,554,920	-	-	2,960,000
Other Liabilities						
Interest / mark-up payable	-	-	169,280	-	-	2,034
Payable to staff retirement fund	-	-	1,934	-	-	4,349
	-	-	171,214	-	-	6,383
(Rupees in '000)						
Profit and loss account						
Income						
Mark-up / return / Interest / profit earned	-	2,445	459,052	-	244	294,665
Expense						
Mark-up / return / Interest / profit paid	-	-	331,011	-	-	59,818
Operating expenses	5,785	119,818	13,364	4,240	121,912	13,607

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. 2,804.30 million.

	(Un-Audited) September 30, 2021	(Audited) December 31, 2020
	(Rupees in '000)	
26. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum Capital Requirement (MCR):		
Paid-up capital	4,158,506	3,658,506
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	7,290,041	6,048,125
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	7,290,041	6,048,125
Eligible Tier 2 Capital	-	83,356
Total Eligible Capital (Tier 1 + Tier 2)	7,290,041	6,131,481
Risk Weighted Assets (RWAs):		
Credit Risk	9,517,523	2,291,292
Market Risk	-	-
Operational Risk	1,977,938	1,977,938
Total	11,495,461	4,269,230
Common Equity Tier 1 Capital Adequacy Ratio	63.42%	141.67%
Tier 1 Capital Adequacy Ratio (%)	63.42%	141.67%
Total Capital Adequacy Ratio (%)	63.42%	143.62%
Leverage Ratio (LR):		
Eligible Tier-1 Capital	7,290,041	6,048,125
Total Exposure	39,984,329	26,604,850
Leverage Ratio (%)	18.23%	22.73%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	2,353,790	5,300,836
Total Net Cash Outflow	70,656	3,857
Liquidity Coverage Ratio (%)	3331%	137429%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	35,429,498	24,387,582
Total Required Stable Funding	24,575,546	16,186,841
Net Stable Funding Ratio (%)	144.17%	150.66%

27. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

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

28. DATE OF AUTHORISATION FOR ISSUE

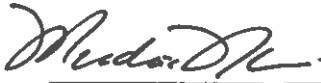



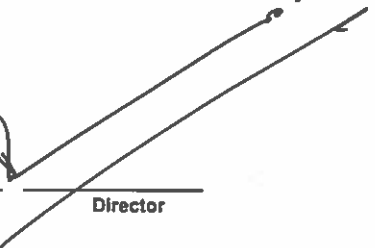
These condensed interim financial statements were authorised on OCTOBER 29, 2021 by the Board of Directors of the Company.

29. GENERAL

29.1 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.

29.2 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

29.3 Comparative figures have been re-arranged for comparison purposes.

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