PMRC

PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED

Enabling Dreams

Annual Report 2021

Pakistan Mortgage Refinance Company (PMRC) is a bridge for one's journey to owning their dream house.

People in Pakistan are facing a shortage of housing mainly due to financial constraints, and to fill this gap, we are providing Mortgage Liquidity Facility that enables the citizens to fulfill their dreams

Corporate Information

Board of Directors

Mr. Rehmat Ali Hasnie	Chairman
Mr. Mudassir H. Khan	Managing Director / CEO
Mr. Farrakh Qayyum	Independent Director
Mr. Abid Naqvi	Independent Director
Mr. Imran Sarwar	Director
Ms. Mehreen Ahmed	Director
Mr. Naveed Nasim	Director
Mr. Syed Taha Afzal	Director
Mr. Risha A. Mohyeddin	Director

Board Committees

Shareholders' Committee
Mr. Rehmat Ali Hasnie (Chairman)
Ms. Mehreen Ahmed
Mr. Imran Sarwar

Corporate Governance & Nomination Committee
Mr. Risha A. Mohyeddin (Chairman)
Mr. Rehmat Ali Hasnie
Mr. Farrakh Qayyum
Mr. Mudassir H. Khan

Risk Committee
Mr. Imran Sarwar (Chairman)
Mr. Naveed Nasim
Mr. Mudassir H. Khan

Audit Committee
Mr. Abid Naqvi (Chairman)
Mr. Risha A. Mohyeddin
Ms. Mehreen Ahmed

Human Resource Committee
Mr. Farrakh Qayyum (Chairman)
Mr. Syed Taha Afzal
Mr. Mudassir H. Khan

CFO & Group Head Operations
Mr. Omair Farooqi, FCA

Company Secretary
Mr. Naved Hanif

Auditors
A.F. Ferguson & Co.
Chartered Accountants

Legal Advisors
M/s. Abdul Hayee Kureshi & Co.
HAIDERMOTA Advocates & Co.

Registered Office
Finance & Trade Center, 4th Floor, Block-A
Shahrah-e-Faisal, Karachi -74400, Pakistan

Website
www.pmrc.com.pk

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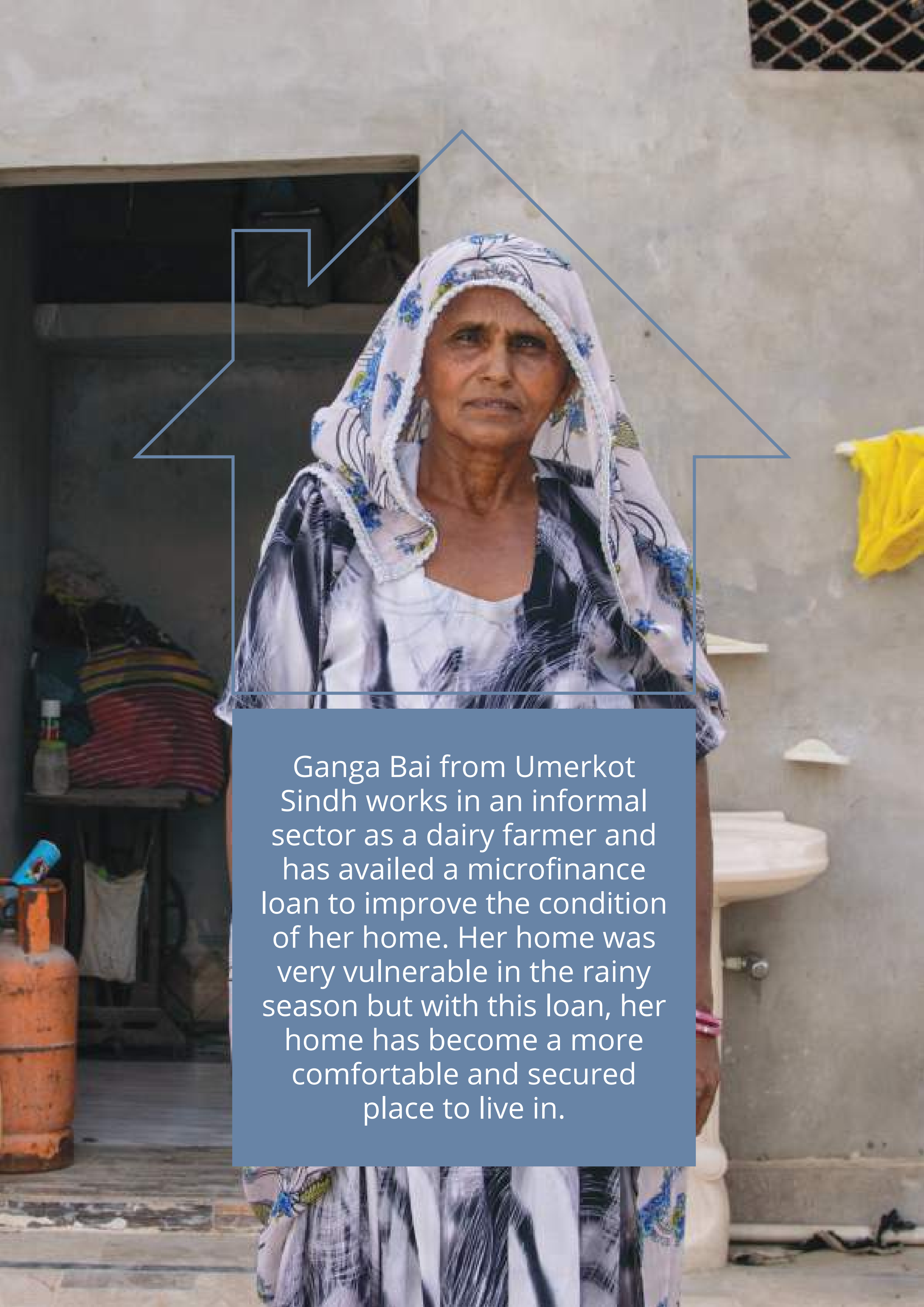

Ganga Bai from Umerkot Sindh works in an informal sector as a dairy farmer and has availed a microfinance loan to improve the condition of her home. Her home was very vulnerable in the rainy season but with this loan, her home has become a more comfortable and secured place to live in.

Overview

PMRC was formed with the aim to address the severe shortage of housing in the country not only by making housing finance available but also by increasing affordability through the provision of long-term liquidity and introduction of fixed rate financing.

We as a Company value the desire of all those individuals who can not afford to either build a house or move to a bigger one; better suited to their needs. PMRC envisions to make housing accessible and affordable by increasing financial inclusion of low and middle income segments viz-a-viz providing investment opportunities to capital market participants by offering new asset products.

Ismail Yunus from Faisalabad works in the private sector. He availed a loan to purchase an apartment that is jointly owned by Ismail and his wife Fizza. The couple believes that there is no greater joy than owning their home. They were previously on rent which was a sunk cost but now they own an asset.

Vision

To be a leading catalyst for the development of housing finance and capital markets in Pakistan.

Mission

Promote expansion of affordable housing finance.

Establish high standards of mortgage practices for housing finance.

Provide innovative, viable and market-based financial products for the development of mortgage market in Pakistan.

Introduce new classes of conventional and Islamic assets to deepen and widen the local capital market.

Siffat Bibi is a lady health worker from Phunder Valey, Gilgit Baltistan. She is a proud new homeowner by using the facility of housing loan. It has been her dream to live in a safe, clean and comfortable home, especially where her children could study in a relaxed environment.

Core Values

PMRC conducts its business to the highest standards and in doing so, will be guided by its core values in its interactions with the clients, stakeholders, investors, public and employees. Its core values are integrity, professionalism, responsibility, innovation, excellence, respect and teamwork.

Integrity and professionalism
We act with integrity and professionalism and build trust by always making the right choice.

Responsibility
We are a responsible organization with a commitment to deliver. We strive for excellence and take full responsibility of our decisions and actions.

Innovation
We continuously explore new approaches to business and open to opportunities that will create value for stakeholders.

Excellence
In the pursuit of excellence in our delivery, we continuously enhance the quality and performance of our service levels through collaboration, development and technology.

Respect
Respect and trust in the capabilities of our employees are our driving force.

Teamwork
We foster the spirit of one-team through encouraging collaborative efforts to achieve common goal.

Faraz and Zainab Askari are a couple living in Surjani Town, Karachi. They had their mortgage approved within a brief period of 15 days and now they are delighted to own their property for the very first time, with minimum turn around time.

Entity Rating and Instrument Rating

VIS Credit Rating Company Limited (VIS) has reaffirmed entity ratings of PMRC as ‘AAA/A-1+’ (Triple A/A-One Plus). Outlook on assigned ratings is stable.

Long Term
AAA (Triple A)

The long-term rating of ‘AAA’ indicates highest credit quality.

Short Term
A-1+(A One Plus)

The short-term rating of 'A-1+' (A One Plus) signifies highest certainty of timely payment; Short-term liquidity, including internal operating factors and/or access to alternative sources of funds, is outstanding and safety is just below risk free GoP's short term obligations.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned a long-term instrument rating of AAA to its Sukuk 1 issued during the year. Outlook on the assigned rating is table.

Chairman's Statement

As Chairman of the Board, I am pleased that Pakistan Mortgage Refinance Company (PMRC) has delivered strong financial results in 2021 and has demonstrated great resilience during unprecedented challenges brought about by COVID-19. It is highly commendable that the management and staff ensured high quality in promoting mortgage financing, even during the most difficult phases of the pandemic.

The economic recovery continued during FY21, as Pakistan's economy staged a V-shaped recovery and posted a 3.9% growth in FY2021. While the year 2020 was a year of disruption and adaption due to COVID-19 pandemic effectively putting the world in reset mode, the year 2021 started on a relatively positive note for Pakistan's economy with the successful conclusion of the IMF's fifth review, better control of Covid-19 and stable foreign exchange reserves, its response to Covid-19 was well recognized globally as the government ensured protection of economically disadvantaged by enforcing smart lockdowns instead of a complete shutdown.

In the year 2021 SBP allocated mandatory targets to banks that required them to allocate 5% of their private sector lending portfolio to housing and construction sector which is increased to 7% for the year 2022. In order to support the housing and construction sector, the federal government also initiated a markup subsidy scheme to provide concessional housing finance facilities to the masses thereby promoting home ownership. The above policy measures are already bearing fruit by unprecedented growth in housing and construction financing in the country, a growth that wasn't witnessed earlier.

Similarly, the year 2021 is marked as another successful year for PMRC as it became one of the largest DFI in the country in terms of advances. The company emerged as a key player in promoting housing finance in the country, as a public-private partnership with the investment and backing of its shareholder's, Government of Pakistan, the State Bank of Pakistan (SBP) and the World Bank Group. Its primary focus as secondary liquidity facility remained to ensure availability of long term liquidity in the banking sector for home loans. During the year 2021, International Finance Corporation (IFC), a member of the World Bank Group, made an equity investment in PMRC. I am confident that IFC's presence as a shareholder will further strengthen the governance of PMRC and increase stakeholder's confidence in the company's potential to promote the growth of mortgage financing in Pakistan. Despite various challenges of obtaining long term funding and rising interest rates, the Company recorded a significant 79 percent growth in total assets and maintained its 'AAA' entity rating. PMRC continued to play an active role in the capital market space by issuing several debt instruments worth PKR 15.8 billion, including the first-of-its-kind Sukuk in Pakistan. In the year 2021, PMRC also became one of the largest DFI in terms of bond issuance in the country which signifies the role it is playing in promoting the mortgage financing market. I am confident that with our vision, strategy, and plans, PMRC will continue the trajectory of growth even in a challenging environment.

I would like to extend my deepest appreciation to my fellow Board members, our shareholders for their unwavering support, our regulators and other stakeholders for their assistance and guidance. I would also like to thank the management and staff for their commitment and relentless efforts that has established PMRC as one of the fastest growing DFIs in the country.

The Board set the Company's aims to uphold the vision, mission and core values. It exhibited high standards of business and professional conduct in managing and supervising affairs of the company. During the year, the Board performed an in-house performance evaluation of the Board as a whole, its Committees, the Chairman, the President & CEO and Individual Directors. Last year, such performance evaluation was made by M/s Pakistan Institute of Corporate Governance ("PICG") as an external independent evaluator. The overall rating of the Board was highly encouraging, particularly in respect to its composition, expertise, effective risk management, adequate system of internal controls and audit function. The Board has always focused on the preservation of the interests of company Shareholders and will continue to strive to maintain a balance between regulatory obligations and operational requirements.

Rehmat Ali Hasnie
Chairman

CEO's Statement

The year 2021 brought about unprecedented challenges across the globe as the effects of the COVID-19 pandemic continued to disrupt regular business operations. Due to timely measures taken by the Government of Pakistan and The State Bank of Pakistan (SBP) comprising implementation of smart-lockdowns, development of quarantine centers, reduction in policy rate and introduction of relief / refinance schemes helped in effectively suppressing the impact of pandemic on businesses and households. Despite the challenges that persisted, the company continued to forge ahead, and I am pleased that our results are testimony to our commitment to excellence, and the hard work and dedication put in by the management team and staff.

The year 2021 was a landmark year for the company, as Pakistan Mortgage Refinance Company (PMRC) continued its journey to address the long-term funding constraints of the banking industry. During the year we had some notable achievements in terms of market reach, refinancing and capital market transactions besides maintaining our 'AAA' entity rating. I am delighted that PMRC moved forward with the government and SBP's vision of improving access to housing finance particularly for the low income. International Finance Corporation (IFC), a member of the World Bank Group, becoming a shareholder in PMRC is also a testimony for our role in developing Pakistan's mortgage finance market as a Secondary Liquidity Facility.

PMRC had the highest ever refinancing and closed the year with record advances of PKR 23.70 billion, registering an impressive growth of 59 percent over the year 2020. Total Assets of the company grew in line with our vision, recording a staggering 79 percent growth to close at PKR 50.21 billion. PMRC carried out several capital market debt transactions during the year and issued a first-of-its-kind Sharia-compliant domestic sukuk based on Shirkat-ul-Aqd. The debt instruments issued by PMRC were heavily subscribed by leading commercial banks and DFI's of Pakistan, which showcases their strong trust in the company's potential and standing. The company issued Sukuks worth PKR 4.1 billion and TFC's worth PKR 11.7 billion which included the largest syndicated debt instrument of PKR 5 billion issued in December 2021. Altogether PMRC issued seven (7) debt instruments worth PKR 15.8 billion in a single year, making it the largest DFI in terms of bond issuance.

With our mission to develop and promote the long-term mortgage market, the company signed several agreements with Primary Mortgage Lenders (PMLs) to develop fixed rate long-term mortgage financing products catering to middle and low-income segment. The company also extended mortgage refinancing to many new players including microfinance banks, microfinance institutions and non-bank finance companies. As a trustee of the Government's Risk Sharing Facility, we signed several agreements with PML's for first-loss guarantee for low-income housing. I am optimistic that with these new segments, innovative product offerings and our continuous efforts for developing the housing finance market particularly for the low and middle income will witness significant growth both for the market and for PMRC in coming years.

On behalf of the management, I am sincerely grateful for the support of all our stakeholders and in particular the Ministry of Finance, SBP, the Naya Pakistan Housing and Development Authority and the World Bank Group. In these extraordinary times, they stepped up with policy measures that were proactive, prudent, and balanced to promote not only the housing and construction industry but the Pakistan's economy. We are indebted to our partner financial institutions and our shareholders who have provided steadfast support to our vision and objectives as our priority remains strengthening PMRC further and making it a premier institution and a lender of first resort for the financial industry. Lastly, but certainly not the least, I express my deepest appreciation and gratitude to our employees for their hard work and dedication and to their families for their unwavering support.

Mudassir H. Khan
Managing Director & Chief Executive Officer

Directors' Report

On behalf of the Board, we are pleased to submit the Directors' report along with the Annual Audited Financial Statements of Pakistan Mortgage Refinance Company Limited (PMRC) for the year ended December 31, 2021.

Performance Overview

The year 2021 marked as another successful year for PMRC as it has become one of the largest DFIs in the country in terms of advances and has been the most active bond issuer in the market. Along with the issuance of the largest ever TFC on its history of Rs. 5.0 billion, the company issued another six privately placed Sukuks and TFCs of Rs. 10.8 billion during the year 2021 with total issuance of Rs. 15.8 billion during the year. The issuance of these instruments is testament to the fact that the company is utilizing its healthy balance sheet and will be a key issuer of debt instruments in the future as well.

The company's total assets crossed the level of Rs. 50.0 billion as on December 31, 2021 as against Rs. 28.8 billion as of December 31, 2020. Advances recorded a 59 percent growth from Rs. 14.9 billion to close at Rs. 23.7 billion. The strong growth in assets translated in profit before tax of over Rs. 1 billion despite providing discounts in pricing for promotion of low-income housing.

The Company has achieved Minimum Capital Requirement (MCR) of SBP through bonus shares issued during the year on the back of internally generated equity. Earnings per share (EPS) for the year 2021 on increased equity remained at Rs. 1.71 per share as compared to Rs. 2.50 per share during last year (with impact of bonus shares retrospectively).

Financial Highlights	2021	2020
	Rs. In "000"	
Financial Position		
Shareholders 'Equity	7,614,561	6,055,007
Total Assets	50,211,026	28,835,374
Subordinated Loan	7,050,716	7,050,716
Term finance certificates/Sukuk certificates	16,800,000	1,000,000
Borrowings	18,387,449	14,248,741
Advances	23,714,838	14,967,077
Investments	10,238,557	10,202,696
Financial Performance		
Net Interest Income	1,438,250	1,793,691
Profit after tax	1,066,433	1,436,338
Ratios		
EPS	1.71	2.50
Disbursements-Cumulative	28,600,000	16,550,000

Movement in Reserves

Particulars	2021	2020
	Rs. In "000"	
Opening Balance	**6,138,363**	**4,696,272**
Unappropriated Profit	853,146	1,149,070
Transfer to Statutory Reserve	213,287	287,268
Issue of Share Capital	500,000	-
Other Comprehensive Income	(337,597)	5,753
Closing Balance	**7,367,199**	**6,138,363**

Bonus shares amounting to Rs. 2 billion were also issued during the year from appropriated profits.

Government of Pakistan (GOP) envisions to bolster construction & mortgage sector and increase affordability of housing finance in the country. GOP has already incentivized the sector by providing the construction package for builders/developers to fuel the construction activity. The aim was to increase the availability of housing units and to meet the demand supply gap. A well geared up construction sector will play an important role in boosting the housing supply side besides promoting other economic activities in the country. As per Pakistan Economic Survey for FY21, construction sector contributes 2.5% in GDP and around 7.7% of the employed Pakistani labor force is engaged in construction sector.

In line with GOP's vision, State Bank of Pakistan introduced Government's Markup Subsidy Scheme (GMSS) in November 2020 to promote home ownership and increase affordability specially for low-income group. These efforts have started producing results, as the Banks have registered and approved home loan application of Rs. 117 billion under GMSS out of which Rs. 38 billion stands disbursed as on December 31, 2021. These statistics indicate that policies employed by Government and SBP for the boost of housing and construction sector were successful.

GOP has also introduced Kamyab Pakistan Program (KPP) during the year which also has a component for low-cost housing, it will further increase the outreach to low-income customers. With KPP, Non-Banking Financial Institutions (NBFI) and Rural Support Programs (RSP) along with Microfinance Banks, under a government designed framework, can also provide housing loans to their customers which will widen and increase the housing finance market.

In line with the shift to low-income housing market, Company's newly developed products to cater to GMSS and KPP will continue to play a major role in overall advances portfolio. The Company will also be working with Banks/DFIs along with developers for increasing the supply of housing units.

A Credit Guarantee Trust (CGT) has been set up by the Government of Pakistan with the support of State Bank of Pakistan (SBP) and funded by the World Bank. In line with Government's vision to promote affordable housing specially for the low- and informal-income segments, CGT provides risk coverage of up to 40% to primary mortgage financiers on first loss basis. The guarantee will partially alleviate the credit risk of primary mortgage financiers and provide a conducive environment for banks to finance housing for the low-income.

The World Bank, GOP and the Company are in final stages of signing a second phase of Risk sharing facility with an initial capital contribution by GOP of USD 85 million (approx. PKR15 billion) and will be managed and administered for a fee by the Company, as a Trustee. This new facility will provide a 50 percent credit risk cover, as opposed to 40 percent in the existing structure.

Macroeconomic Review

The economic recovery underway since the start of FY21 continues, as reflected in most high-frequency indicators of domestic demand - including automobile sales, POL (petroleum, oil and lubricants) sales, and electricity generation - as well as the strength of imports and tax revenues. The boom in commodity prices post opening up of global economies amidst ample liquidity, however, has brought Pakistan's external account under pressure.

The consequence of the robust recovery in domestic demand amidst sharp surge in global commodity prices saw hefty increase in the import bill. Though the exports have also rebounded, there are rising concerns on the Balance of Payment (BoP) position since Pakistan's imports considerably outweigh the exports. The current account deficit (CAD) remains the Achilles' heel of the economy, that has risen sharply to USD 9.0 billion during 6MFY22, compared with a current account surplus of USD 1.2 billion during the same period last year.

Throughout the whole year 2021, FX reserves remained under pressure due to the heavy external debt payments but remittances on the other end played an important role to offset the impact as in the first half of the year grew by USD 15.0 billion or 11.31% in comparison with the corresponding period of last year. Foreign exchange reserves of SBP improved from USD 13.4 billion at CY20 end to around USD 17.9 billion at CY21 end on the back of flows from multilateral agencies such as ADB & World Bank and Kingdom of Saudi Arabia.

Future Outlook

The economy is now on the path of stabilization due to painful yet necessary policy measures undertaken by the incumbent government required for the continuation of the IMF program. Pakistan's economy staged a V-shaped recovery and posted a 3.9% growth in FY2021. Un-interrupted service sector activity, and pent-up demand in some sectors of the economy may lead the growth rate of GDP to 4.3% in 2022.

Consumer Price Index (CPI) Inflation recorded a double-digit jump of 13 per cent in January 2022, which is the highest inflation rate recorded in the past two years, whereas it was recorded at 10.26 per cent during Jul-Jan FY-2022. During CY22, inflation to remain elevated in the first half of CY22, driven by removal of subsidies in mini budget, upward adjustments in utility prices, and increase in commodity prices in international markets. However, it is expected that inflation may gradually fall in second half of the year. For FY22, inflation is expected to average above 10.0%. As a consequence, it is being anticipated that interest rates may increase by around 50-100bps in first half of CY22, while in second half of the year subject to ease in commodity prices, interest rates may remain stable or may witness a downward trend.

This time around, however, the policymakers seem inclined to better navigate the pressure on the Balance of Payment (BoP) position. The recently enacted policy actions such as currency devaluation, broadening of the scope of 100% cash margin requirement on imports, temporarily banning / levying of regulatory duties on non-essential imported items, and tapering of monetary stimulus by SBP are expected to contain the import bill going forward. The central bank is also geared to contain the domestic demand, as the Cash Reserve Requirement (CRR) of the banking industry was raised during the year from 5% to 6% to curtail the money supply. We expect the CAD to increase to USD 13.5 billion for FY2022 due to pick-up in economy and increased commodity prices in international markets.

FX reserves are anticipated to remain stable due to expected resumption of IMF Program which will make available Rs. 750 million in Special Drawing Rights (equivalent to USD 1,059 million), and the planned issuance of International Bonds in the first half of CY22.

Human Resource

The Human Resource Department at PMRC attracts and retains a high performing, inclusive and diverse workforce and fosters a healthy, safe, well-equipped and productive work environment for the employees in order to maximize individual potential, expand organizational capacity and position PMRC as an employer of choice. Human Resources is a service-oriented team, providing advice and support to foster a respectful environment that inspires excellence within the organization. The department provides support to employees throughout their employment life cycle. In all areas of work, PMRC Human Resources department firmly upholds principles of confidentiality, accountability and trust.

Corporate Social Responsibility

Corporate social responsibility (CSR) is a company's commitment to manage the social, environmental and economic effects of its operations responsibly and in line with public expectations.

Firms that embrace corporate social responsibility are typically organized in a manner that empowers them to be and act in a socially responsible way. It's a form of self-regulation that can be expressed in initiatives or strategies, depending on an organization's goals.

PMRC donated Rs. 500,000/- to The Citizens Foundation in June 2021. The donation was to support education of 36 underprivileged students for a complete academic year. PMRC also contributed Rs. 500,000/- to The Indus Hospital in July 2021 to cover the operational expenditures of treating patients. In September 2021, Rs. 500,000/- was donated to The Hunar Foundation for student sponsorship and Rs. 500,000/- was donated to Dar-ul-Sukun for hospital/surgical beds in December 2021. In addition, Rs. 500,000/- was donated to Shaukat Khanum Memorial Hospital in December 2021 for construction of cancer hospital in Karachi.

Risk Management Framework

Risk Management is underpinned by the key principle that Risk management contributes to the creation of sustainable value. The consistent and systematic application of risk management is central to maximizing shareholders value, effectively leveraging the benefit of opportunities, managing uncertainties and minimizing the impact of adverse events.

PMRC is committed to establishing a sound system of risk oversight & management and internal control to identify, assess, monitor and manage material risks related to the operations of the company under the supervision of Board Risk Management Committee/Board of Directors.

PMRC risk governance frameworks, policies and appetite provide the overarching principles and guidance for the Company's risk management activities. They help to shape our key decisions for capital management, strategic planning and budgeting, and performance management to ensure that the risk dimension is appropriately and sufficiently considered.

Capital Ratios and MCR

Though SBP has allowed PMRC to operate with a capital of Rs. 3.5 billion and meet the target within five years from the start of its operations, however, with the concerted efforts of the Management and guidelines provided by the Board, PMRC has achieved the target of minimum capital requirement of Rs. 6 billion well ahead of time. As on December 31, 2021, PMRC's paid-up capital stands at Rs. 6.238 billion.

Capital Adequacy Ratio stands at 53.10% showing strong capital appetite against its risk-taking activities. PMRC's capital and related ratios remain well above the regulatory requirements and provides strong footing benchmark for its risk absorbing capacity.

Credit Ratings

VIS Credit Rating Company Limited (VIS) has reaffirmed entity ratings of PMRC at "AAA/A-1+" (Triple A/A-One Plus). Outlook on the assigned ratings is Stable. The highest rating reflects on PMRC's low exposure to credit & market risk, strong projected capitalization indicators, strong sponsors, experienced & professional management team and sound risk management controls.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned a long-term instrument rating of AAA to its Sukuk 1 issued during the year. Outlook on the assigned rating is stable.

Dividend

The Board has approved 50% bonus shares (50 shares for every 100 shares held) to Shareholders based on quarterly results for the quarter ended September 30, 2021. The Bonus shares have been credited into shareholders' accounts on December 13, 2021.

Value of Investments in Employee Retirement Benefits Funds

The table below shows the value of investments of the provident and gratuity funds maintained by the Company, based on their audited financial statements as at December 31, 2020:

	Rupees in thousands
Employees' Provident Fund	37,810
Employees' Gratuity Fund	15,974

Statement of Internal Controls

The Board is pleased to endorse the statement made by the management relating to internal controls. The statement on Internal Controls is included in the annual report.

While concerted efforts were made to follow SBP Guidelines on Internal Controls, identification, evaluation, and management of risks within each of the DFI's activities; and evaluation and change of procedures remains an ongoing process.

Corporate Governance

The Board of Directors has adopted, the Code of Corporate Governance issued by Securities and Exchange Commission of Pakistan (SECP) on voluntary basis as the Board is committed to ensuring the best Governance practices.

The Directors are pleased to report that:

- The financial statements, prepared by the management of the company, present fairly the state of affairs of the company, the results of its operations, cash flows and changes in equity.
- Proper books of accounts have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of the financial statements. Accounting estimates are based on reasonable and prudent judgment.
- Financial statements have been prepared in accordance with approved accounting and reporting standards as applicable in Pakistan.
- The system of internal control in the company is sound in design and is effectively implemented and monitored.
- There are no significant doubts regarding PMRC's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance except for those as explained in the Statement of Compliance.
- Profit amounting to Rs. 213.2 million has been transferred to Statutory Reserve for the year 2021.
- The current Board of Directors consists of Seven (7) male (excluding Chief Executive Office) and one (1) female member. The detailed composition of the Board is given in the Statement of Compliance with the Code of Corporate Governance.

Change in Directorship

Dr. Iftikhar Amjad, a representative director of Ministry of Finance-Government of Pakistan resigned with effect from November 29, 2021 due to his transfer.

Training Programs Attended by Directors

Most of the Directors have previously attended the SECP approved Directors' Training program offered by the institutes that meet criteria specified by the Commission.

Further, one (1) Director is exempted from the directors training program under the Code.

Composition of the Board and Board Committees

The composition of the Board and its Committees, names of members of Board Committees are given in the Statement of Compliance with the Code of Corporate Governance.

Board Performance Evaluation

The Company engaged Pakistan Institute of Corporate Governance (PICG) to carry out its Board evaluation for 2021 under self-assessment which is in process. PICG has also carried out the evaluation for 2020, covering the three basic components as required by the Listed Companies (Corporate Governance) regulations and (for banks) SBP's Guidelines on Performance Evaluation of Board of Directors, which are; Board as a whole, Board Committees and Individual members of the Board. The Board self-assessment was carried out through an online portal-based questionnaire. The entire process ensured the anonymity of responses received. The deliverables of the assessment process were:

a) Board Assessment Report including Board Committees
b) Individual Board Member Evaluation Report
c) Analysis of Results Report

Appointment and Composition of the Shariah Board

To appoint a Shariah scholar, the management first conducts the screening of the proposed Shariah Board member in line with the SBP Fit and Proper Criteria (FAPC). This is then forwarded to Company's Board of Directors for approval after which it is submitted to SBP along with the filled FAPC Form and Board approval along with supporting documents. After receipt of SBP's clearance, the management engages the member Shariah Board, executes the contract and informs SBP.

PMRC's Shariah Board Comprises of Two Members

State Bank of Pakistan (SBP) has granted an exemption to the Company relating to the appointment of two (2) Shariah Board members instead of three (3) as required in Shariah Governance Framework (SGF). In this regard, Mufti Ehsan Waquar as Chairman Shariah Board and Dr. Mufti Muhammad Yunas Ali as Resident Shariah Board Member (RSBM) were appointed.

Compensation of Directors

The Board has approved the remuneration policy of directors including independent directors, thereby, the Board shall, from time to time, determine and approve the remuneration of the non-executive and executive members of the Board for attending Board Meetings. Such level of remuneration shall be appropriate and commensurate with the level of responsibility and expertise offered by the members of the Board, and shall be aimed at attracting and retaining members needed to govern the Company successfully, and creating value addition. The Board shall ensure that the prevailing level of remuneration of the Board does not any time compromise the independence of independent members of the Board. No single member of the Board shall determine his/her own remuneration. The Non-Executive Directors, including Independent Directors, are eligible for fees and logistic expenses for attending meetings of the Board and Board Committees as approved by the Board of Directors.

Meetings of the Board

Below are the details of number of Board and Committee Meetings held and attended during the year 2021:

Sr. No	Name	Board Meetings		BRC Meetings		BHRC Meetings		BAC Meetings		Coporate Governance & Nominations	
		Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
1	Rehmat Ali Hasnie	7	7							1	1
2	Imran Sarwar	7	4	4	4						
3	Mehreen Ahmed	7	7					4	4		
4	Farrakh Qayyum	7	7			5	5			1	1
5	Abid Naqvi	7	7					4	4		
6	Risha A. Mohyeddin	7	6					4	4	1	1
7	Naveed Nasim	7	7	4	4						
8	Syed Taha Afzal	7	7			5	5				
9	Mudassir H. Khan	7	7	4	4	5	5			1	1
10	Iftikhar Amjad	7	6								

Pattern of Shareholding

Sr. No	Name	No. of Shares held of PKR 10 each	% Holding	PKR
1	Ministry of Finance - Islamic Republic of Pakistan	180 ,000,000	28.86%	1,800 ,000,000
2	National Bank of Pakistan	90,000,000	14.43%	900,000,000
3	Habib Bank Limited	75,000,000	12.02%	750,000,000
4	United Bank Limited	75,000,000	12.02%	750,000,000
5	International Finance Corporation	75,000,000	12.02%	750,000,000
6	Askari Bank Limited	45,000,000	7.21%	450,000,000
7	Bank Alfalah Limited	45,000,000	7.21%	450,000,000
8	Allied Bank Limited	30,000,000	4.81%	300,000,000
9	Bank Al Habib Limited	7,500,000	1.20%	75,000,000
10	House Building Finance Company Limited	1,001,250	0.16%	10,012,500
11	Summit Bank Limited	274,500	0.04%	2,745,000
12	Directors/Individuals	150	0.00%	1,500
		623,775,900	**100%**	**6,237,759,000**

Auditors

The present auditors M/s. A.F.Ferguson & Company, Chartered Accountants, retired and being eligible offer themselves for re-appointment in the forthcoming Annual General Meeting. Accordingly, on the recommendation of the Audit Committee, the Board of Directors recommends the shareholders to appoint M/s. A.F.Ferguson & Company Chartered Accountants as the statutory auditors of the company for the next term at a fee of Rs. 700,000 without out-of-pocket expenses and taxes to be paid at actuals.

Appreciation and Acknowledgement

On behalf of the Board and the Management, we would like to express our gratitude to our Shareholders for placing their trust in PMRC; SBP, SECP and other regulatory bodies for their support, guidance and oversight as well as the World Bank Group. We would also like to extend our appreciation to our colleagues for their hard work and efforts for meeting customer expectations and their dedication towards achieving the Company's goals and objectives.

For and on behalf of the Board of Directors.

Rehmat Ali Hasnie
Chairman

Mudassir H. Khan
Managing Director /
Chief Executive Officer

Date: 16th February 2022

Profiles of the Board of Directors

Mr. Rehmat Ali Hasnie

Chairman
SEVP & Group Chief-Inclusive Development Group (NBP)

Mr. Hasnie has been a member of the Board of PMRC since May 2015 and the Chairman of the Board of Directors since April 2017. He is a financial markets professional with a MA in Development Banking from The American University (USA) and presently serving at National Bank of Pakistan (NBP) in the capacity of SEVP & Group Chief (Acting) of the Corporate & Investment Banking Group. Previously, Mr. Hasnie was the Group Chief of the Inclusive Development Group (IDG) at NBP. IDG is NBP's most recent and ambitious initiative to position the Bank as an institution focused on the priority financing sectors of Pakistan's economy (i.e. SME and Agriculture lending). Mr. Hasnie has also headed investment banking at NBP for many years. He has over 26 years of work experience in the financial sector including stints in economics research, capital markets, investment banking, treasury and credit markets at various institutions in Pakistan. He has served on numerous Boards as a nominee Director of NBP including of Pakistan Mercantile Exchange Limited, Fauji Akbar Portia Marine Terminals Limited, Agritech Limited, First Credit Investment Bank Limited and First National Bank Modaraba.

Mr. Abid Naqvi

Independent Director

Mr. Abid Naqvi is the CEO of ACL Capital (Pvt.) Limited, a business development company affiliated with Associated Constructors Ltd. He is also on the Board of ACL Capital (Pvt.) Ltd., Associated Constructors Limited, Alfalah GHP Investment Management Limited and Atlas Honda Limited. He has worked in the fields of Commercial and Development Banking and Stock Brokerage for a period of over 31 years. He has also worked as CEO of Taurus Securities Limited, a renowned name in the stock brokerage industry. He is a graduate from the University College London, UK in the field of Economics and Finance.

Mr. Farrakh Qayyum

Independent Director

Mr. Farrakh Qayyum retired as Secretary to Government of Pakistan. He served as Secretary Economic Affairs Division, Finance, Petroleum and Natural Resources, Telecommunications and Information Technology, Privatization, and Science and Technology. Mr. Qayyum has extensive experience in policy and strategy formation and implementation, institutional development, economic and financial evaluation, in managing multi-disciplinary teams for financial and development projects, and in working closely with commercial banks and multilateral and bilateral donor agencies. Mr. Qayyum has played an instrumental role in the government's financial sector and telecommunications sector reforms and successful privatization of PTCL and some of Pakistan's key financial institutions, and negotiated and signed the Pak-Iran Gas Supply Agreement. He has also served as Trade and Economic Minister at the Embassy of Pakistan in Washington DC, Special Assistant to the Finance Minister, and Additional Secretary (Econ) at the Prime Minister's Secretariat.

Mr. Qayyum holds a Master Degree in Economics with a major in International Trade and Finance from the University of San Francisco, USA. He has received certifications from the Kennedy School of Government, Harvard University, the Overseas Economic Cooperation Fund and several other prestigious organizations.

He has represented Pakistan as Alternate Governor World Bank and Asian Development Bank in their annual meetings. He also served as Executive Director on the Board of Islamic Development Bank. Mr. Qayyum represented the Government on the Boards of Directors of State Bank of Pakistan, National Bank of Pakistan, and Pakistan International Airlines. He has also been on the Boards of Directors of Allied Bank Ltd., Pak China Investment Company, and PAIR Investment Company Ltd. He was a Member of the Economic Advisory Committee, constituted by the Ministry of Finance.

Mr. Qayyum is, presently, the Chief Executive Officer of GEI Pakistan Pvt. Ltd., an affiliate company of Saif Group, and focused on delivering affordable and clean energy and power solutions for Pakistan.

Mr. Imran Sarwar

Director

Mr. Imran Sarwar serves as the Group Executive, Risk and Credit Policy and Group Chief Risk Officer at United Bank Limited. Mr. Sarwar holds degrees in Business & Accounting from Ohio Wesleyan University and LLB from Punjab University. With over 27 years of diversified banking experience covering Corporate, Institutional, Investment Banking and Risk, he has worked in Pakistan, Australia, UK and UAE. Before joining UBL, he was Head of Corporate and Institutional Banking UAE for Standard Chartered Bank. He joined UBL in August 2017.

Ms. Mehreen Ahmed

Director

Ms. Mehreen Ahmed currently serves as the Group Head - Retail Banking at Bank Alfalah. In this role, she is responsible for managing the Bank's Retail, Commercial, SME & Consumer businesses across the country. Her operational network comprises over 525 branches and she leads the banks sales effort for one of the widest product suites in the market. She is also managing high-impact new businesses including Wealth Management, Premier Banking, and Payroll Banking alongside, Marketing, Communications, and Deposit Products. She joined Bank Alfalah in 2012 as the Group Head for Consumer Business and New Initiatives.

Her banking career spans over 25 years across Pakistan's leading financial institutions including Standard Chartered, MCB, and Soneri Bank Limited. She holds an MBA in Finance and Marketing from the Institute of Business Administration (IBA), University of Karachi. Ms. Mehreen Ahmed represents Bank Alfalah on the board of the Pakistan Mortgage Refinance Company (PMRC), and is also a member on the Client Councils of leading international payment schemes.

Mr. Mudassir H. Khan

MD/ Chief Executive

Mr. Mudassir H. Khan is the Managing Director/CEO of Pakistan Mortgage Refinance Company. Mr. Khan holds an Executive Masters in Business Administration (update) from Stern School of Business, New York, USA and a Masters in Finance from St. John's University, New York, USA. He is also an Electrical Engineer from University of Oklahoma, USA. With over 29 years of diversified banking experience primarily covering Retail, Corporate & Investment Banking, Operations, Risk and Development Banking. Before joining PMRC, Mr. Khan worked with National Bank of Pakistan for four years as SEVP/Group Chief Retail & Commercial Banking and as Group Chief Payments & Digital Banking. Prior to that, he was with HBL for nine years, holding different portfolios as SEVP Group Head Global Operations, CIO, CCO and Head of Basel and Operational Risk.

He also worked with the World Bank for more than fourteen years in the area of Financial Sector, South Asia Region, based in Pakistan and also worked in Afghanistan, Bangladesh, Nepal, Maldives; as well as in the Africa Region in Ghana, Uganda, Kenya and Sierra Leone. Before joining the World Bank, he worked in the field of Corporate and Investment Banking with Citibank, N.A and Bear Stearns in Pakistan and in USA.

Mr. Khan had been a speaker at many conferences locally and internationally related to housing finance, banking & digital transformation, banking operations and reforms and risk management. He had also served in many Boards as Director and was the Chairman of NBP Fullerton Asset Management (NAFA) and of First Women Bank Limited (FWBL). He is currently MD/CEO PMRC and member of the Board of Pakistan Microfinance Network as Independent, Non-Executive Director.

Mr. Naveed Nasim

Director

Mr. Naveed Nasim serves as the Group Head – Corporate Banking at Allied Bank Limited (ABL). Mr. Naveed possesses BBA (Hons) and MBA degree from Institute of Business Administration, Karachi with specialization in Finance. He is a Certified Trade Finance Professional (CTFP) and is a Diplomaed Associate of Institute of Bankers, Pakistan. He possesses diversified banking experience of more than 22 years. Prior to his current position, he has served in the positions of Head of Risk Analytics, Head of Risk Architecture, Group Head -- Enterprise Risk Management and Group Head - Financial Institutions, International, & Home Remittance Business at ABL. Prior to joining ABL, he served as Area Manager Commercial Credit for Habib Bank Limited.

Mr. Risha A. Mohyeddin

Director

Mr. Risha A. Mohyeddin is the Global Treasurer for HBL, responsible for Sales & Trading businesses (covering Fixed Income, FX, Derivatives & Structured Products, Equities) and Treasury/Balance Sheet Management activities, for the Bank's global franchise. Previously he has served as Regional Treasurer for Barclays Bank in Dubai and headed businesses in National Bank of Pakistan and United Bank Ltd., Pakistan. Previously he worked at Citibank as Country Treasurer for Pakistan, and Regional Head of Structuring, based in Bahrain. During his career, Mr. Mohyeddin has worked closely with market bodies and regulatory agencies to help advance the regulatory structure of markets in several countries in the region, including Pakistan, Egypt and the UAE.

He has an MBA from Melbourne Business School, Australia and a Masters in Finance from Boston College, US.

Mr. Syed Taha Afzal

Director

Mr. Syed Taha Afzal is working as EVP, Head Consumer Banking at Askari Bank Limited since 2019. He is responsible for looking after Consumer Banking, Alternative distribution products/channels. He has more than 24 years of experience in banking in multiple geographies. He also remained associated with Citibank, Standard Chartered, ABN AMRO, MCB, JPMorgan as Regional Risk Manager looking after EMEA region based out of London, UK, UBL EVP Head of Consumer Banking Pakistan, Head of Retail & Commercial Products at UBL UK, London United Kingdom. He has vast experience in development & management of Retail Assets, Liabilities, Risk advisory, Digital Banking Products and businesses.

He has an MBA, specialized in Advance Strategic Management & Small Business Management from Cardiff Business School, Cardiff Wales, He has also done director's certification from Pakistan Institute of Corporate Governance.

Shariah Board Members

Mufti Ehsan Waquar Ahmad

Chairman Shari'ah Board of PMRC

Mufti Ehsan has a diversified cross-functional management experience in Islamic Finance, Business Management and Operations, Project Management and Administration for more than two decades. He has hands-on experience of people and projects management, with a rich experience of working with board of directors and senior management of banks, regulators, auditors and legal counsels.

Alhamdulillah, he has exclusively served Islamic Financial Industry with institutions like World Bank-IFC, National Bank of Pakistan, ABL, Soneri Bank, NAFA, Askari General Insurance Company Takaful Window (AGICO), Emirates Global Islamic Bank, Al Baraka Bank Pakistan, UBL, Yasaar Ltd.-UAE & UK, Minhaj Advisory-UAE, Arif Habib for more than a decade now. He has structured several Sukuk including the largest Sukuk in Pakistan; a hundred billion Sukuk for Neelum Jhelum Hydro Power, Fatima Fertilizer, Fauji Fertilizer, Sitara Energy, Sitara Peroxide and IBL. He also served as member of the Technical Committee for Developing Accounting & Auditing Standard for Islamic Financial Institution at Institute of Chartered Accountants of Pakistan (ICAP). As member of SAF at State Bank of Pakistan (SBP), he worked actively with SBP in matters pertaining to Islamic Banks including drafting of Shari'ah Standard on Shirkat-ul-Milk usually used for Housing Finance, Tawarruq, Commodity Murabahah, Treasury, Trade Finance and Agricultural Financing Products. At ESAAC (Ehsan Shari'ah Advisors and Consultants Private Limited), where he is the Chief Executive Officer and has the privilege to work on a project of World Bank-IFC for developing Islamic Re-Mortgage Finance. He has also worked with SECP team on Takaful Rules 2012 with its insurance division. He possesses a unique combination of religious and contemporary education that is very relevant to Islamic Banking. He has strong communication skills combined with knowledge of several languages. He graduated and accomplished Masters in Business Administration (MBA) with specialization in Finance and Masters in Economics (MA) from IoBM and Karachi University respectively. He also completed traditional Islamic studies and graduated as a Mufti, achieving Masters in Islamic Studies (MA) and specializing in Islamic Jurisprudence (PGD-Mufti) from a leading Islamic School in Pakistan, Jamia-Tur-Rasheed. He has also accomplished Bachelors in Law and Legislation (LLB). This unique blend of educational combination gives him an edge upon many others to understand, correlate and align modern day banking practices with Shari'ah principles. Beside this, he conducts courses and sessions on Islamic Banking, Capital Markets, Derivatives, Takaful and Risk Management in renowned Business schools like CBM, IBA and KUBS.

Dr. Mufti Muhammad Yunas Ali

Resident Shari'ah Board Member & Head Shari'ah Compliance

Dr. Mufti Muhammad Yunas Ali is a seasoned Shari'ah Scholar in the Islamic Banking & Finance industry. He joined Pakistan Mortgage Refinance Company Limited (PMRC) in 2018 and currently serves as Resident Shari'ah Board (RSBM) and Head Shari'ah Compliance (HSCD). He has over 18 years of banking and non-banking experience particularly in the field of Research and Ifta (fatwa writing) wherein, he has written various Books and research papers (in HEC approved and international journals). He also conducts courses and sessions on Islamic Banking and Finance, Takaful and Shariah Non-compliance Risk Management in renowned Universities and Institutions like UOK, SZIC, Daar-ul-Uloom Naeemia, Karachi, Daar-ul-Uloom Memon and Saylani Business & Islamic leadership School.

He holds a PHD degree in Islamic Banking & Finance from University of Karachi, Pakistan. He already possesses a Master's degree in Islamic Banking & Finance from Sheikh Zayed Islamic Centre, University of Karachi. He has completed Takhassus-fil-Fiqh wal-Ifta (Specialization in Islamic Jurisprudence and Fatwa Writing) and completed Al-Shahadul Aalamiyyah (Equivalent to Masters in Arabic and Islamic Sciences) from Tanzeem-ul-Madaris Ahle-Sunnat Pakistan and got 3rd position in all Pakistan. He is also serving as a Shari'ah Board Member of Salaam Takaful Limited and visiting lecturer in Al. Manaar Islamic Research Centre and in School of Islamic Banking & Finance - Jamiah Dar-ul-Uloom Memon, MA Jinnah Road, Karachi, Pakistan.

Our Team

Management Committee

Sitting Left to Right

Mr. M. Omair Yousuf Farooqi - CFO & Group Head Operations
Mr. Mudassir H. Khan - MD/CEO
Mr. Muhammad Aamir - Head Risk

Standing Left to Right

Mr. Farrukh Zaheer - Head Treasury & FI
Mr. Naved Hanif - Company Secretary
Mr. Muhammad Shahzad Khan - Head Business

Extended Leadership Team

Sitting Left to Right

Mr. M. Omair Yousuf Farooqi - CFO & Group Head Operations
Mr. Mudassir H. Khan - MD/CEO
Mr. Muhammad Aamir - Head Risk

Standing Left to Right

Mr. Jamil Akhtar - Head Products
Mr. Shajee Hamid Hanfi - Internal Legal Counsel
Mr. Farrukh Zaheer - Head Treasury & FI
Mr. Naved Hanif - Company Secretary
Mr. Muhammad Shahzad Khan - Head Business
Mr. Zahid Hussain Gokal - Head Compliance
Mr. Muhammad Hassan Rauf - Head CAD/Operations
Dr. Mufti Muhammad Yunas Ali - Resident Shariah Board Member
Mr. Badar Munir - Head Information Technology

Not in the Photograph

Mr. Waseem Ahmed Hashmi - Head Internal Audit
Ms. Farheen Amjad - Head Finance

Employee Engagement

Our Culture

PMRC cultured a strong and productive set of beliefs and values supported by strategy and structure, established and reinforced by leaders through shaping employees' perception, behavior, and understanding. At PMRC, culture has been expressly and purposely cultivated, starting from recruiting and selecting applicants, developing orientation, training, and performance management programs that strengthen the PMRC's core values and ensuring that appropriate rewards and recognition go to employees who truly live our culture and personify the values of PMRC.

Gender Diversity & Inclusion

PMRC has demonstrated the positive relationship between diversity and performance by consistently reducing the gender gap. We are actively fostering diversity, believing that diversity enriches the quality of performance and enhances effectiveness and efficiency. We aim to increase our women's workforce to greater numbers while ensuring that women are provided with equal opportunities and unhindered career growth. PMRC seeks to create and sustain a workforce that is inclusive and enabling. Our workforce is full of satisfied and passionate individuals, each bringing their skills and perspectives.

PMRC is an Equal Opportunity Employer

PMRC believes in containing its talents from outside the boundaries of discrimination. PMRC values a strong equal opportunities commitment to represent its workforce more diverse that includes a variety of ethnicities, gender, religions and disabilities which bring equality to our workplace and creates an equal opportunity for all. PMRC respects differences between individuals and hires them for their varying attributes, academic background and experiences to add value in our organizational development and growth.

Employee Development

PMRC has integrated Employee Development into its Human Resource Policy and recognizes it as a strategic tool of our continuous growth and enables us to retain our valuable employees. Our overall strategy is to find, source, develop, advance, and retain our talent. PMRC development program fits into workforce planning, retention process and succession plans, ensuring all plans drive towards the enhancement of our employee's knowledge, skills and abilities. Our management supports and pays attention towards short & long terms training programs, career development plans for our employees and skills building for effective performance. We love to know our employees' intense interest in their development and values, we support them by providing developing solutions – from choosing a certification program to earning an MBA degree that fits their goals and success. We prioritize our employees' needs through tuition assistance or reimbursement benefits, an employee could learn a new set of skills and become a reliable asset for the company.

Hi- Tea at Marina Club

PMRC has organized annual Hi-Tea event to celebrate PMRC commendable success & to boost our employees morale & to validate their contribution to the company's achievements. This is an appreciation towards our employees for their hard work & dedication throughout the year.

Employee Wellbeing

PMRC understands that how wellbeing impacts the performance quality of our employees, we provide direct resources, support and efforts to address our individual employee needs along with the encouragement of celebrating occasions, employees' birthdays, holding lunches & dinners, organizing farewell for our outgoing employees. We identify the necessity of providing the environment that supports work-life balance and healthy lifestyle. PMRC has a facility of gym to promote fitness of our employees and showcase the art work of our employees and their family members inside our office premises.

Women's Day Celebration

On 8th March, 2021, PMRC celebrated International Women's Day to give the workplace a perfect occasion to celebrate empowerment, creating gender balance & promote equality all the times.

Breast Cancer Awareness Session

In the Breast Cancer Awareness month, PMRC conducted women's exclusive awareness session to educate our them on self-assessment of early diagnosis & prognosis of Breast Cancer.

Management Trainee Program

PMRC has oriented the second batch of Management Trainees in 2021, we designed our MTO program to prepare top-quality talents within PMRC as managers by working with our experienced professionals through cross-functional job rotations. These future managers are selected from Pakistan's leading business institutions and put through a rigorous recruitment process. We look for young, dynamic, and career-oriented graduates on a one-year assignment basis, along with the training and mentoring provided to Management trainees. We ensure that management trainees are well-rounded and multi-skilled, preparing them for the future as corporate leaders.

Internship Program

PMRC internship offerings are for young individuals to build their skills and gain valuable hands-on experience in the housing industry in the middle of their academic life. PMRC invites interns to give relevant exposure and understanding with the opportunity to work in a specific department of their interest to acquire pertinent knowledge and provide them with learning opportunities within their role from the beginning, we consider our interns for employment with us if they are high performers with functional competencies and fit our organizational culture.

CSR & Sustainability

PMRC is committed in dedicating a significant number of resources to contribute to the wellbeing of society which creates values to PMRC sustainable development. Some of 2021 activities include;

Donation to The Citizen Foundation

Rs. 500,000/- was donated by PMRC to The Citizens Foundation in June 2021. The donation was to cover operational cost of a single classroom at TCF Jauharabad Campus and education of 36 underprivileged students for the academic year 2020-2021, ultimately supporting TCF's mission to improve literacy rate of Pakistan.

Donation to The Indus Hospital

In July 2021, PMRC donated Rs. 500,000/- to The Indus Hospital & Health Network. The donation was to cover the operational expenditures of treating patients at the Indus Hospital & Health Network Korangi branch.

Donation to The Hunar Foundation

In September 2021, Rs. 500,000/- was donated by PMRC to The Hunar Foundation (THF). This donation was to cover the student sponsorship for 5.5 students including tuition fee along with cost of consumables for the entire duration of training at Delhi Mercantile Society Technical Institute (DMSTI).

Donation to Dar-Ul-Sukun

To provide financial assistance of PKR 500,000/- in December 2021 to Dar-ul-Sukun, which will enable them to purchase 10 surgical beds for the children with special needs & disabilities to provide safe & protected care.

Donation to Shaukat Khanam Memorial Hospital

Shaukat Khanam Memorial Hospital is the model intuition to alleviate the suffering of patients with cancer. The donation of PKR 500,000/- was provided to SKH that will be utilized for the construction cost of the hospital in Karachi and will also name dedication.

Events Highlights

PMRC & its Partner Financial Institutions (PFIs) signed Credit Risk Guarantee to promote low-cost housing finance

PMRC has signed Credit Guarantee Agreements with National Bank of Pakistan (NBP), United Bank Limited (UBL), Bank Alfalah Limited (BAFL) and Dubai Islamic Bank Pakistan Limited (DIBPL), which allows them to avail risk coverage for low-income housing finance. Soneri Bank limited (SBL) also participated in the event to partner with PMRC to obtain Refinancing Facility to help them grow their housing portfolio. These initiatives will allow the banks to partially alleviate the credit risk and provide affordable mortgage facilities to the low-income sector.

PMRC collaborates with JS Bank Limited

Pakistan Mortgage Refinance Company (PMRC) and JS Bank Limited (JSBL) join hands together to support Government's vision for providing low-cost housing and promoting affordable housing finance in the country. PMRC provided 10 years fixed rate concessional funds to JSBL which will increase affordable housing to low income group and support the growth of housing sector in the country.

MoU Signed between PMRC and U Microfinance to Promote Housing Finance in Pakistan

PMRC and U Microfinance Bank entered into a Strategic Alliance by signing a Memorandum of Understanding to promote affordable and accessible housing finance in the country.

PMRC Participated in Asia Pacific Housing Forum (APHF) Innovation Awards 2021

PMRC participated in Asia Pacific Housing Forum (APHF) Innovation Awards 2021 under the category of "Public Policies" with the initiative titled "Development of affordable low-income mortgage market". More than 50 companies from Asia competed for the awards contest. PMRC was one of the top four finalists in the contest.

Training Program on "Best Practices for Mortgage Finance & Regulatory Requirements" for NRSP

As part of PMRC's initiative for development of mortgage market, PMRC Business & Products team successfully conducted virtual training session for capacity building of National Rural Support Program (NRSP) team on best mortgage lending practices, regulatory requirements and development of mortgage products. More than 100 participants across Pakistan attended the training program.

PMRC and HBL collaborated for another sukuk

PMRC is glad to announce the closing of yet another Sukuk, with HBL Islamic Banking. This sukuk will serve to make Shariah Compliant Housing Finance more accessible to the public.

UBL Subscribes to Rs. 2.5 billion Worth Term Finance Certificate Issued by PMRCL

United Bank Limited (UBL) has successfully subscribed to a secured and unlisted Privately Placed Term Finance Certificate (PPTFC) of Rs. 2.5 billion issued by Pakistan Mortgage Refinance Company Limited (PMRCL) for a tenure of three years which will contribute to building the housing and construction loan portfolios as part of the strategy by the Government of Pakistan and the State Bank of Pakistan for the extension of mortgage loans and financing to developers and builders.

PMRC Partners with Autosoft Dynamics (Pvt) Limited for Deployment of Loan & Credit System

Pakistan Mortgage Refinance Company (PMRC) entered into an agreement for deployment of loan and credit system with AutoSoft Dynamics (Pvt.) Limited. A contract signing ceremony was held on 16th September 2021 between the two companies at PMRC Head Office, in Karachi.

HABIBMETRO subscribes to PMRCL's Term Finance Certificates

HABIBMETRO Bank has successfully subscribed to a secured, unlisted and redeemable Privately Placed Term Finance Certificate (PPTFC) of Rs. 1.5 billion issued by Pakistan Mortgage Refinance Company Limited (PMRCL) for a tenure of five years which will contribute to the Government of Pakistan and State Bank of Pakistan's vision and efforts for promoting the housing and construction sector in Pakistan aimed at stimulating economic growth.

PMRC issued its Largest Syndicated 5 Year TFC

PMRC, one of the premier and fastest growing DFI in Pakistan issued its largest syndicated 5 Year TFC of PKR 5 billion, in line with the objective to develop fixed rate capital market. The proceeds of the TFC will be utilized by PMRC to finance the housing mortgage portfolios of eligible financial institutions. Investors to the TFC included National Bank of Pakistan (NBP), Allied Bank Limited (ABL) and Bank of Khyber (Bok).

Mr. Mudassir H. Khan, MD/CEO has participated in the Bank of Punjab Seminar

Mr. Mudassir H. Khan, MD/CEO has participated in the Bank of Punjab Seminar on Housing & construction on Thursday, November 18, 2021.

Annual Microfinance Conference 2021

Mr. Mudassir H. Khan, Managing Director/CEO, PMRC participated in the Annual Microfinance conference 2021, organized by the Pakistan Microfinance Network. The objective of the conference was to provide a platform to all stakeholders such as microfinance providers, financial service providers involved in financial inclusion (like banks, digital financial service providers, FinTechs, and insurance companies), donor agencies, policymakers, regulators, development agencies and government authorities to discuss ways to broaden the horizons of the microfinance industry. Mr. Mudassir shared his views in the conference regarding the new funding paradigm for Microfinance Industry.

IFC – Housing Finance Webinar

Mr. Mudassir H. Khan participated in the IFC – Housing Finance Webinar held on 21 September 2021 and shared his valuable insight on market potential and available opportunities of housing finance in the country. During the Q/A session, he enlightened the participants about PMRC's critical role in the industry along with its experience in enabling housing finance accessible and affordable for low & middle-income groups.

Market Developments

A	Conducted Zoom event with Uzbekistan Mortgage Refinance Company for knowledge sharing of Risk Sharing Facility Islamic Model
B	Signing Ceremony of Risk Sharing Facility with Participating Financial Institutions for Promotion of Low-Income Housing.
C	PMRC facilitated signing ceremony between Faysal Bank and NCCPL to extend affordable housing finance to employees of Faysal Bank
D	Organized WB mission virtual meetings with Partner Financial Institutions (PFIs) for industry feedback
E	Conducted training on Environmental and Social Risk Management (E&S) in Housing Finance for Partner Financial Institutions (PFIs)
F	MOU signed with U Microfinance Bank forming Strategic Alliance for Promotion and Funding of Low-Cost Housing loans.
G	Participated in Asia Pacific Housing Form Housing Awards 2021 and shortlisted as finalist
H	Training session for NRSP team on “Best Practices for Mortgage Finance & Regulatory Requirements”.
I	Mr. Mudassir H. Khan, MD/CEO has participated in the Bank of Punjab Seminar on Housing & construction at Dubai Expo.
J	Mr. Mudassir H. Khan participated in the IFC – Housing Finance Webinar as the Key Note Speaker.
K	Mr. Mudassir H. Khan, Managing Director/CEO, PMC participated in the Annual Microfinance conference 2021, organized by the Pakistan Microfinance Networks.
L	Pakistan Mortgage Refinance Company (PMRC) and JS Bank Limited (JSBL) joined hands together to support Government’s vision for providing low-cost housing and promoting affordable housing finance in the country.
M	The DAWN news, interviewed Mr. Mudassir H. Khan, CEO PMRC and sought his views on PMRC’s achievements, conventional & shariah compliant product and its active role in the capital market”.

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Pakistan Mortgage Refinance Company Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Pakistan Mortgage Refinance Company Limited (the Company) for the year ended December 31, 2021 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended December 31, 2021.

Further, we highlight below the instance of non-compliance with the requirement of the Regulations as reflected in paragraph reference where it is stated in the Statement of Compliance.

Reference	Description
Clause 18	One position of independent director is vacant as explained in the Statement of Compliance.

Afferguson&Co

A. F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: February 18, 2022
UDIN: CR202110068LeyA7U963

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
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▪KARACHI ▪LAHORE ▪ISLAMABAD

Annual Statement of Internal Controls

The management of the Pakistan Mortgage Refinance Company Limited (PMRC) is responsible for establishing the Internal Control System with the main objectives of ensuring effectiveness and efficiency of operations; reliability of financial reporting; safeguarding of assets; and compliance with applicable laws and regulations. As an on-going process, the Internal Control System evolved over the years and includes a set of rules, policies, and procedures the company implements to provide direction, increase efficiency and strengthen adherence to policies. The Internal Control System continues to be reviewed, refined and improved from time to time and immediate corrective action is taken to minimize risks which are inherent in company's business and operations.

The Board of Directors (BoD) of PMRC is responsible for ensuring that an adequate and effective Internal Control System exists in the company and that the senior management is maintaining and monitoring the performance of that system accordingly. The BoD evaluates the Internal Control system through Board level sub committees primarily the Audit Committee. Management has adopted different strategies to ensure effective monitoring and improvement of internal controls. These include internal audit, risk management and compliance functions in which assurance responsibilities are divided into three lines of defense i.e., the business function; risk management & compliance being the second, and internal audit being the third line of defense. Besides, management also implements the suggestions for improvement provided by the external auditors of the Company.

All significant and material findings of the internal audit reviews are reported to the Board Audit Committee (BAC). The BAC actively monitors implementations of recommendation to ensure that identified risks are mitigated to safeguard the interests of the Company.

PMRC's internal control system has been designed to provide reasonable assurance to the Company's management and to BoD to achieve the objectives of Internal Controls. Nevertheless; Internal Control System, no matter how well designed, have inherent limitations that they may not entirely eliminate the risk of a control breach.

PMRC follows SBP's instructions on Internal Controls over Financial Reporting (ICFR) and has completed SBP's stage wise implementation roadmap. As part of this exercise, PMRC has documented a comprehensive ICFR Framework. PMRC's external auditors are engaged annually to provide a Long Form Report on ICFR.

The BoD endorses the management's evaluation and efforts in the Directors' Report to have adopted above mentioned internationally accepted standards to improve controls, processes and to ensure effective risk management.

Dated: February 16, 2022

Head of Compliance	Chief Financial Officer	Chief Executive Officer

Code of Corporate Governance

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Pakistan Mortgage Refinance Company Limited
Year ended: December 31, 2021

The Company is an unlisted public company and has been notified as a Development Financial Institution (DFI) by the Finance Division - Government of Pakistan. SBP vide its BPRD circular 14 of 2016 dated October 20, 2016 has clarified that the "Code of Corporate Governance" issued by Securities & Exchange Commission of Pakistan (SECP) shall no longer be applicable on DFIs.

For the purpose of better governance, the Board of Directors has however, adopted, the Code of Corporate Governance issued by SECP on voluntary basis, except for the matters as specified in the Shareholders' Agreement dated July 2, 2020 (the agreement), such as the appointment of directors including independent directors will be dealt in accordance with the Agreement.

The Company has complied with the requirements of the Regulations in the following manner.

The directors are elected as per agreement dated July 2, 2020 entered into between the Shareholders.

Composition of the Board according to the Agreement

As per the agreement the number of Directors comprising the Board shall be ten (10) (excluding the Chief Executive Officer of the Company). The Company shall have at least three (3) Independent Directors. No more than two (2) Directors shall be Public Sector Nominee Directors. International Finance Corporation (IFC) shall have the right to nominate one (1) Director (the "IFC Nominee Director") and the Company and Other Shareholder Parties shall, in accordance with the agreement, ensure that such nominee is promptly appointed as a Director subject to fit and proper clearance under Applicable Law. At present IFC has not yet nominated any person being his nominee director.

The present total number of directors elected are Eight (8), excluding Chief Executive Officer / Managing Director, as per the following. One (1) position each, i.e., of an independent director and a Nominee director of Ministry of Finance, Government of Pakistan, are vacant.

a	Male	7
b	Female	1

1. The composition of the present Board excluding Chief Executive Officer is as follows:

i	Independent Directors	2
ii	Non-Executive Directors	8
iii	Executive Directors	0
iv	Female Directors	1

2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company;

3. The Company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures;

4. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company;

5. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Act and these Regulations;

6. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;

7. The Board has a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations.

8. Six (6) of the Directors on Board, including the Chief Executive, and Four (4) of the Executives have completed Directors Training Program offered by the institutes that meet criteria specified by the Commission. One (1) Director is exempted from the directors training program under the Code. Detail of persons who attended directors' trainings is as under.

    1. Mr. Rehmat Ali Hasnie, Chairman / Director
    2. Mr. Abid Naqvi, Director
    3. Mr. Imran Sarwar, Director
    4. Mr. Risha A. Mohyeddin, Director
    5. Syed Taha Afzal, Director
    6. Mr. Mudassir H. Khan, Managing Director / Chief Executive
    7. Mr. Omair Yousuf Farooqi, Chief Financial Officer and Group Head Operations.
    8. Mr. Naved Hanif, Company Secretary
    9. Mr. Farrukh Zaheer, Head of Treasury & FIs
    10. Ms. Anam Murtaza, Head of HR and Admin

9. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

10. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;

11. The Board has formed committees comprising of members given below.

a	Audit Committee
	Mr. Abid Naqvi (Chairman, Independent Director)
	Mr. Risha A. Mohyeddin (Member)
	Ms. Mehreen Ahmed (Member)
b	HR Committee
	Mr. Farrakh Qayyum (Chairman, Independent Director)
	Mr. Syed Taha Afzal (Member)
	Mr. Mudassir H. Khan (Member)
c	Risk Committee
	Mr. Imran Sarwar (Chairman)
	Mr. Naveed Nasim (Member)
	Mr. Mudassir H. Khan (Member)
d	Corporate Governance & Nomination Committee
	Mr. Risha A. Mohyeddin (Chairman)
	Mr. Rehmat Ali Hasnie (Member)
	Mr. Farrakh Qayyum (Member)
	Mr. Mudassir H. Khan (Member)

12. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance;

13. The frequency of meetings of the committee were as per following.

a	Audit Committee	Quarterly
b	Human Resource Committee	Half Yearly
c	Risk Committee	Quarterly
d	Corporate Governance & Nomination Committee	Once a year and otherwise as required

14. The Board has set up an effective internal audit function. The Head of Internal Audit has resigned during the year and his last working day with the Company was November 26, 2021. This position is vacant. The Head of Internal Audit was considered suitably qualified and experienced for the purpose and was conversant with the policies and procedures of the Company.

15. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company;

16. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;

17. We confirm that all requirements of regulations 3, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with; and

18. Explanation for non-compliance with requirements, other than regulations 3, 7, 8, 27, 32, 33 and 36 are below:

    (i) Regulation 6(1): Number of independent directors on Board is governed through the shareholders agreement. One (1) position of independent director is vacant as explained above.

For and on behalf of the Board of Directors.

Rehmat Ali Hasnie
Chairman

Mudassir H. Khan
Managing Director /
Chief Executive Officer

Dated: February 16, 2022

Financials

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INDEPENDENT AUDITOR'S REPORT

To the members of Pakistan Mortgage Refinance Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Pakistan Mortgage Refinance Company Limited (the Company), which comprise the statement of financial position as at December 31, 2021, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2021 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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KARACHI LAHORE ISLAMABAD

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Other Matter

The financial statements of the Company for the year ended December 31, 2020 were audited by another firm of Chartered Accountants who had expressed an unmodified opinion thereon vide their report dated March 9, 2021.

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

Affergusonco

A. F. Ferguson & Co.
Chartered Accountants
Dated: February 18, 2022
Karachi
UDIN: AR202110068PtSKkrWxf

Statement of Financial Position

As at December 31, 2021

	Note	2021	2020
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	5	**4,057**	30,122
Balances with other banks	6	**15,486,065**	3,111,722
Lendings to financial institutions		**-**	-
Investments	7	**10,238,557**	10,202,696
Advances	8	**23,714,838**	14,967,077
Fixed assets	9	**183,072**	157,749
Intangible assets	10	**23,643**	6,882
Deferred tax assets		**-**	-
Other assets	11	**560,794**	359,126
		50,211,026	28,835,374
LIABILITIES			
Bills payable		**-**	-
Borrowings	12	**35,187,449**	15,248,741
Deposits and other accounts		**-**	-
Liabilities against assets subject to finance lease		**-**	-
Subordinated debt	13	**7,050,716**	7,050,716
Deferred tax liabilities		**-**	-
Other liabilities	14	**605,662**	397,554
		42,843,827	22,697,011
NET ASSETS		**7,367,199**	6,138,363
REPRESENTED BY			
Share capital	15	**6,237,759**	3,658,506
Reserves		**691,930**	478,643
(Deficit) / surplus on revaluation of assets	16	**(247,362)**	83,356
Unappropriated profit		**684,872**	1,917,858
		7,367,199	6,138,363
CONTINGENCIES AND COMMITMENTS	17		

The annexed notes 1 to 37 and annexure form an integral part of these financial statements.

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

Profit and Loss Account

For the year ended December 31, 2021

	Note	2021	2020
		(Rupees in '000)	
Mark-up / return / profit / interest earned	18	**2,843,953**	2,508,960
Mark-up / return / interest expensed	19	**1,405,703**	715,269
Net mark-up / interest income		**1,438,250**	1,793,691
Non mark-up / interest income			
Fee and commission income	20	**2,318**	-
Dividend income		**-**	-
Foreign exchange income		**-**	-
Income / (loss) from derivatives		**-**	-
Gain on securities	21	**118**	-
Other income	22	**113**	3,152
Total non-markup / interest income		**2,549**	3,152
Total income		**1,440,799**	1,796,843
Non mark-up / interest expenses			
Operating expenses	23	**352,922**	315,170
Workers' Welfare Fund	24	**21,444**	29,633
Other charges		**-**	-
Total non-markup / interest expenses		**374,366**	344,803
Profit before provisions		**1,066,433**	1,452,040
Provisions and write offs - net		**-**	15,702
Extraordinary / unusual items		**-**	-
Profit before taxation		**1,066,433**	1,436,338
Taxation	25	**-**	-
Profit after taxation		**1,066,433**	1,436,338
		(Rupees)	(Restated)
Basic and diluted earnings per share	26	**1.71**	2.50

The annexed notes 1 to 37 and annexure form an integral part of these financial statements.

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

Statement of Comprehensive Income

For the year ended December 31, 2021

	2021	2020
	(Rupees in '000)	
Profit after taxation for the year	**1,066,433**	1,436,338
Other comprehensive (loss) / income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in (deficit) / surplus on revaluation of investments	**(330,718)**	3,112
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement (loss) / gain on defined benefit plan	**(6,879)**	2,641
Total comprehensive income	**728,836**	1,442,091

The annexed notes 1 to 37 and annexure form an integral part of these financial statements.

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

Statement of Changes In Equity

For the year ended December 31, 2021

	Note	Share capital	Statutory reserve	Surplus / (deficit) on revaluation of assets	Unappropriated profit	Total
				(Rupees in '000)		
Balance as at January 01, 2020		3,658,506	191,375	80,244	766,147	4,696,272
Total comprehensive income for the year						
Profit after taxation for the year ended December 31, 2020		-	-	-	1,436,338	1,436,338
Other comprehensive income						
Remeasurement gain on defined benefit plan		-	-	-	2,641	2,641
Movement in surplus / (deficit) on revaluation of assets		-	-	3,112	-	3,112
Total comprehensive income for the year ended December 31, 2020		-	-	3,112	1,438,979	1,442,091
Transfer to statutory reserve		-	287,268	-	(287,268)	-
Balance as at December 31, 2020		3,658,506	478,643	83,356	1,917,858	6,138,363
Total comprehensive income for the year						
Profit after taxation for the year ended December 31, 2021		**-**	**-**	**-**	**1,066,433**	**1,066,433**
Other comprehensive loss						
Remeasurement loss on defined benefit plan		**-**	**-**	**-**	**(6,879)**	**(6,879)**
Movement in surplus / (deficit) on revaluation of assets		**-**	**-**	**(330,718)**	**-**	**(330,718)**
Total comprehensive income for the year ended December 31, 2021		**-**	**-**	**(330,718)**	**1,059,554**	**728,836**
Transfer to statutory reserve		**-**	**213,287**	**-**	**(213,287)**	**-**
Transactions with owners, recorded directly in equity						
Issue of share capital	15.3	**500,000**	**-**	**-**	**-**	**500,000**
Issue of bonus shares	15.4	**2,079,253**	**-**	**-**	**(2,079,253)**	**-**
Balance as at December 31, 2021		**6,237,759**	**691,930**	**(247,362)**	**684,872**	**7,367,199**

The annexed notes 1 to 37 and annexure form an integral part of these financial statements.

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

Cash Flow Statement

For the year ended December 31, 2021

	Note	2021	2020
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		**1,066,433**	1,436,338
Adjustment for:			
Depreciation	23	**39,495**	27,697
Amortisation of intangible assets	23	**2,368**	2,338
Amortisation of transaction cost		**25,782**	-
Provision for Workers' Welfare Fund	24	**21,444**	29,633
Fixed assets written off		**-**	4,145
Impairment charge of fixed assets		**-**	11,557
Gain on sale of fixed assets		**(7)**	(9)
Gain on sale of securities		**(118)**	-
Interest expense on lease liability against right-of-use assets	19	**9,198**	3,603
		98,162	78,964
		1,164,595	1,515,302
(Increase) / decrease in operating assets			
Advances		**(8,747,761)**	(7,237,845)
Others assets (excluding advance taxation)		**(227,108)**	141,275
		(8,974,869)	(7,096,570)
Increase in operating liabilities			
Borrowings		**4,138,708**	6,682,953
Other liabilities (excluding lease liability)		**196,954**	105,951
		4,335,662	6,788,904
Income tax (paid) / refunded		**(342)**	4,111
Net cash (used in) / generated from operating activities		**(3,474,954)**	1,211,747
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		**(345,368)**	(415,312)
Net investments in held-to-maturity securities		**(21,093)**	(962,452)
Investments in operating fixed assets		**(70,240)**	(104,768)
Investments in intangible assets		**(19,129)**	(2,338)
Proceeds from sale of fixed assets		**5,429**	9
Net cash used in investing activities		**(450,401)**	(1,484,861)
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of share capital		**500,000**	-
Lease rentals paid against right-of-use assets		**(26,367)**	(18,463)
Receipts from issuance of term finance certificates		**11,700,000**	1,000,000
Receipts from issuance of sukuks certificates		**4,100,000**	-
Net cash generated from financing activities		**16,273,633**	981,537
Increase in cash and cash equivalents		**12,348,278**	708,423
Cash and cash equivalents at the beginning of the year		**3,141,844**	2,433,421
Cash and cash equivalents at the end of the year	27	**15,490,122**	3,141,844

The annexed notes 1 to 37 and annexure form an integral part of these financial statements.

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

Notes to the Financial Statements

For the year ended December 31, 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 the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Company has been notified as a Development Financial Institution (DFI) by the Finance Division of Government of Pakistan on October 27, 2017. The State Bank of Pakistan (SBP) granted the certificate for commencement of business with effect from June 12, 2018.

The Company's objectives interalia include promoting, developing and improving the housing finance market of Pakistan by providing pre-finance / re-finance facilities to banks and financial institutions against their conventional and Islamic housing finance portfolios and other eligible securities and promote the development of capital markets in Pakistan. The Company is also engaged in providing Trustee services to the Government owned Credit Guarantee Scheme for housing finance. The registered office of the Company is situated at Finance and Trade Center, Block-A, Shahrah-e-Faisal, Karachi.

2 BASIS OF PRESENTATION

These financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 2 dated January 25, 2018.

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRSs) 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 and the Securities and Exchange Commission of Pakistan (SECP);

- Provisions of and directives issued under the Banking Companies Ordinance, 1962; and

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017.

Whenever the requirements of the Companies Act, 2017, the Banking Companies Ordinance, 1962 or the directives issued by the SBP and the SECP differ with the requirements of IFRSs, the requirements of the Companies Act, 2017, the 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 / DFIs 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 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 financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

2.2 Standards, interpretations and amendments to the accounting and reporting standards that are effective in the current year

There are certain new standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2021 but are considered not to be relevant or do not have any significant effect on the Company's operations and, therefore, have not been detailed in these financial statements.

2.3 Standards, interpretations and amendments to the accounting and reporting standards that are not yet effective

2.3.1 The following revised standards, amendments and interpretations with respect to the accounting and reporting standards that would be effective from the dates mentioned below against the respective standards, interpretations or amendments:

Standards, interpretations or amendments	Effective date (annual periods beginning on or after)
- IAS 16 - 'Property, plant and equipment' (amendments)	January 1, 2022
- IFRS 9 - 'Financial instruments'	January 1, 2022 *
- IAS 37 - 'Provisions, contingent liabilities and contingent assets' (amendments)	January 1, 2022
- IAS 1 - 'Presentation of financial statements' (amendments)	January 1, 2024

The management is in the process of assessing the impact of these standards and amendments on the financial statements of the Company.

* The SBP vide its BPRD Circular Letter No. 24 dated July 5, 2021 has notified the effective date of IFRS 9, 'Financial instruments' as January 1, 2022. IFRS 9, 'Financial instruments' has replaced IAS 39, 'Financial instruments: recognition and measurement'. The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'Expected Credit Losses' (ECL) approach rather than 'incurred credit losses' approach. The ECL has impact on all the assets of the Company which are exposed to credit risk. The impact of application of IFRS 9 in Pakistan on the Company's financial statements is being assessed and the final implementation guidelines are awaited.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires the management to exercise judgment in the application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgments were made by the management in the application of accounting policies are as follows:

i) classification, valuation and provisioning of investments (notes 4.3 and 7);
ii) classification and provisioning of loans and advances (notes 4.7 and 8);
iii) provision for defined benefit plan (notes 4.10 and 29);
iv) lease liability and right-of-use assets (note 4.5.2);
v) other provisions (note 4.12); and
vi) estimation of useful lives of operating fixed assets and intangible assets (notes 4.5.1, 4.6, 9 and 10).

3 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for the following:

- Obligation in respect of staff retirement benefit is carried at present value of defined benefit obligation;
- Lease liability against right-of-use assets are carried at present value of minimum lease payments; and
- Investments classified as available-for-sale are carried at fair value.

3.1 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements have been presented in Pakistani Rupees, which is the Company's functional and presentation currency.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

4.1 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement represent balances with treasury banks and balances with other banks in current and deposit accounts.

4.2 Lendings to / borrowings from financial and other institutions

The Company enters into repurchase agreements (repo) and reverse repurchase agreements (reverse repo) at contracted rates for a specified period of time. These are recorded as under:

(a) Sale of securities under repurchase agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the financial statements and are measured in accordance with accounting policies for investment securities. The counterparty liability for amounts received under these agreements is included in borrowings. The difference between sale and repurchase price is treated as mark-up / return / interest expense and accrued over the life of the repo agreement using effective interest method.

(b) Purchase of securities under resale agreements

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the financial statements as the Company does not obtain control over the securities. Amounts paid under these agreements are included in lendings to financial institutions. The difference between purchase and resale price is treated as mark-up / return / interest income and accrued over the life of the reverse repo agreement using effective interest method.

Clean lending

Clean lendings with financial institutions are stated net of provision. Return on such lending is accrued to the profit and loss account on a time proportion basis except for mark-up on impaired / delinquent lendings, which are recognised on receipt basis.

4.3 Investments

4.3.1 Classification

The Company classifies its investment portfolio into the following categories:

Held-to-maturity

These are securities with fixed or determinable payments and fixed maturity which the Company has the positive intent and ability to hold till maturity.

Available-for-sale

These are investments that do not fall under the held-for-trading or held-to-maturity categories.

4.3.2 Initial recognition and measurement

All purchases and sales of investments that require delivery within the time frame established by regulations or market conventions are recognised at the trade date. Trade date is the date on which the Company commits to purchase or sell the investment.

An investment shall be measured at their fair value plus transaction costs that are directly attributable to the acquisition or issue of the investment.

4.3.3 Subsequent measurement

Held-to-maturity

These are carried at amortised cost using the effective interest method, less any impairment recognised to reflect irrecoverable amounts.

Available-for-sale

Securities classified as available-for-sale are subsequently measured at fair values. Any surplus or deficit arising thereon is taken to 'statement of comprehensive income' and is taken to the profit and loss account when realised upon disposal or when the investment is considered to be impaired.

4.3.4 Reclassification

Reclassification of investments from one category to another shall be made in accordance with the regulatory requirements.

4.4 Impairment

4.4.1 Impairment of investments

In case of debt securities, provision for diminution in the value are made as per the time-based criteria prescribed under the Prudential Regulations issued by the SBP.

When investments classified as held-to-maturity are considered to be impaired, the impairment charge is directly charged to the profit and loss account. If, in a subsequent period, the fair value of the investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the profit and loss account.

When investments classified as available-for-sale are considered to be impaired, the cumulative loss that has been recognised directly in surplus / deficit on revaluation of securities is removed therefrom and recognised in the profit and loss account. If in a subsequent period, the fair value of debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the loss will be reversed through profit and loss account. The amount of the cumulative loss that is reversed shall be the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that investment previously recognised in the profit and loss account.

4.4.2 Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists and where the carrying value exceeds the estimated recoverable amounts, assets are written down to their recoverable amounts and any resultant impairment losses are recognised immediately in the profit and loss account.

Impairment losses are reversed if there has been a change in the estimate used to determine the recoverable amounts. Such reversals are only made to the extent that the assets' carrying amounts do not exceed the amounts that would have been determined had no impairment loss been recognised.

4.5 Fixed assets and depreciation

4.5.1 Tangible assets - owned

Operating fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged to the profit and loss account using the straight line method at the rates stated in note 9.1 after taking into account residual values, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date. Depreciation is charged from the month when the asset is available for use while no depreciation is charged in the month the asset is disposed of.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured. All other repair and maintenance expenditure are charged to the profit and loss account as and when incurred. The asset, or part thereof, is derecognised when the asset is sold or written off at the carrying amount at the date derecognition.

Gain / loss on disposal of fixed assets is recognised in the profit and loss account in the period in which disposal is made.

4.5.2 Lease liability and right-of-use assets

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or the site on which it is located.

Right-of-use assets are subsequently stated at cost less any accumulated depreciation / accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenure.

Right-of-use assets are depreciated over their expected useful lives using the straight-line method. Depreciation on additions (new leases) is charged from the month in which leases are entered into. No depreciation is charged in month in which the leases mature or are terminated.

The lease liabilities are initially measured as the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also measured to reflect any remeasurement or change in lease terms. These remeasurement of lease liabilities are recognised as an adjustment to the carrying amount of related right-of-use assets after the date of initial recognition.

Each lease payment is allocated between a reduction of the liability and a finance cost. The finance cost is charged to the profit and loss account as financial charges over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

4.5.3 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during the installation and construction / development period is carried under this head. These are transferred to the relevant categories of assets as and when assets become available for use.

4.6 Intangible assets and amortisation

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised using the straight line method at the rate stated in note 10.1. The residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, at each reporting date. Amortisation is charged from the month the asset is available for use while no amortisation is charged in the month the asset is disposed of.

Subsequent costs are included in the asset’s carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Gains and losses on disposals, if any, are taken to the profit and loss account in the period in which these arise.

4.7 Advances

Advances are stated net of provision for non-performing advances. Provision for non-performing advances is determined in accordance with the requirements of the Prudential Regulations issued by the SBP and is charged to the profit and loss account. Advances are written-off where there are no realistic prospects of recovery.

4.7.1 Islamic financing and related assets

Under Musharakah mortgage finance / facility, the Company enters into the housing / mortgage finance with the customer (IBI / IFI) based on Shirkat-ul-‘Aqd (Business Partnership). Initially, the Company shall purchase the units at face value or on an agreed price as well as customer will commingle its share. The profit-sharing ratio (PSR) will be pro-rata or any other ratio agreed at the time of signing the contract. The Company and customer have agreed that if the profit realised is above the desired ceiling, the profit in excess of such a ceiling will be distributed at mutually agreed rate. Profit on musharakah mortgage finance will be booked on an accrual basis.

4.8 Borrowings

Borrowings are recorded at the amount of proceeds received plus transaction costs that are directly attributable to the issue of the financial liability. The cost of borrowings is recognised as an expense in the period in which it is incurred. Any difference between the proceeds and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

4.9 Subordinated debt

Subordinated debt is recorded at the amount of proceeds received. Mark-up accrued on subordinated debt is charged to the profit and loss account over the period on an accrual basis.

4.10 Staff retirement benefits

Defined benefit plan - staff gratuity fund

The Company operates a funded gratuity scheme for its employees as per the policy of the Company. The liability recognised in the statement of financial position in respect of defined benefit gratuity scheme, is the present value of the defined benefit obligation as at the reporting date less the fair value of plan assets. Contributions to the fund are made on the basis of actuarial recommendations. The Projected Unit Credit Method is used for actuarial valuations. Valuations are conducted by an independent actuary with the last valuation conducted as at December 31, 2021.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period and recognised as an expense to the profit and loss account. Past service cost is the change in the present value of defined benefit obligation resulting from a plan amendment or curtailment and is recognised as an expense in the profit and loss account when the plan amendment or curtailment occurs. Actuarial gains and losses that arise out of experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income with no subsequent recycling through the profit and loss account.

Defined contribution plan - staff provident fund

The Company operates a provident fund scheme for its employees. Equal monthly contributions are made into the Fund both by the Company and the employees at the rate of 10% of basic salary.

Employees compensated absences

The Company accounts for all accumulated compensated absences as employees render service as per the policy of the Company.

4.11 Financial instruments

Financial assets and liabilities carried on the statement of financial position include cash and bank balances, lendings to financial institutions, investments, advances, certain receivables, borrowings from financial institutions and certain payables. Financial assets and liabilities are recognised at the time when the Company becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of ownership of the asset. Financial liabilities are de-recognised when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognised in the profit and loss account in the period in which these are derecognised. The particular recognition and subsequent measurement methods for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

Offsetting

Financial assets and financial liabilities are set-off and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off and the Company intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

4.12 Other provisions

Provisions are recognised when the Company has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.13 Commitments

Commitments contracted for but not incurred are disclosed in the financial statements at committed amounts.

4.14 Taxation

Income tax expense comprises charge for current and prior years and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to items, recognised either directly in equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income respectively.

4.15 Revenue recognition

Revenue is recognised to the extent that the economic benefits associated with the transaction will flow to the Company and the amount can be measured reliably.

- Mark-up / return / interest income on advances and investments is recognised on a time proportion basis taking into account effective yield on the instruments except in case of advances and investments classified as non-performing under the SBP's Prudential Regulations on which mark-up / return / interest is recognised on a receipt basis.

- Fee and commission income and remuneration for trustee and advisory services are recognised as services are rendered.

- Premium or discount on debt securities is amortised using the effective interest method.

- Gains and losses on disposal of assets are recognised in the period in which these arise.

- Return on bank deposits is recognised on a time proportion basis using the effective interest method.

4.16 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

4.17 Statutory reserve

Every DFI incorporated in Pakistan is required to transfer 20% of its profit to a statutory reserve until the reserve equals share capital. Thereafter, 10% of the profit of the DFI is to be transferred to this reserve.

4.18 Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing product or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

4.18.1 Business segments

Mortgage financing

Mortgage financing includes providing pre-financing / re-financing facilities to banks and financial institutions against their existing housing finance portfolios, government securities and other eligible securities for collateral.

4.18.2 Geographical segments

The operations of the Company are currently based only in Pakistan.

	Note	2021	2020
		(Rupees in '000)	

5 CASH AND BALANCES WITH TREASURY BANKS

	Note	2021	2020
With State Bank of Pakistan in:			
Local currency current account	5.1	**4,017**	30,087
With National Bank of Pakistan in:			
Local currency current account		**31**	31
Local currency deposit account	5.2	**9**	4
		40	35
		4,057	30,122

5.1 This represents the minimum cash reserve required to be maintained with SBP in accordance with the requirements of BSD Circular No. 4 dated May 22, 2004.

5.2 This represents deposit account maintained with National Bank of Pakistan. This carries mark-up at the rate of 7.50% (2020: 5% to 6%) per annum.

	Note	2021	2020
		(Rupees in '000)	

6 BALANCES WITH OTHER BANKS

	Note	2021	2020
In Pakistan			
In current account		**16**	16
In deposit account	6.1 & 6.2	**15,486,049**	3,111,706
		15,486,065	3,111,722

6.1 These include term deposit receipts (TDRs) amounting to Rs. 11,617 million (2020: Rs. 1,000 million) and are due to mature latest by January 28, 2022 (2020: January 21, 2021). These carry mark-up at rates ranging from 12% to 12.25% (2020: 7.75%) per annum.

6.2 These include deposit accounts in local currency maintained with other banks. These carry mark-up at rates ranging from 5.75% to 11% (2020: 5% to 7.25%) per annum.

7 INVESTMENTS

7.1 Investments by type

	Note	2021 Cost / amortised cost	2021 Provision for diminution	2021 Surplus / (deficit)	2021 Carrying value	2020 Cost / amortised cost	2020 Provision for diminution	2020 Surplus / (deficit)	2020 Carrying value
		(Rupees in '000)							
Available-for-sale securities									
Federal government securities	7.3	**9,202,374**	**-**	**(247,362)**	**8,955,012**	9,156,888	-	83,356	9,240,244
Non-government debt securities		**300,000**	**-**	**-**	**300,000**	-	-	-	-
		9,502,374	**-**	**(247,362)**	**9,255,012**	9,156,888	-	83,356	9,240,244
Held-to-maturity securities									
Federal government securities	7.4	**983,545**	**-**	**-**	**983,545**	962,452	-	-	962,452
Non-government debt securities		**-**	**-**	**-**	**-**	-	-	-	-
		983,545	**-**	**-**	**983,545**	962,452	-	-	962,452
Total investments		**10,485,919**	**-**	**(247,362)**	**10,238,557**	10,119,340	-	83,356	10,202,696

7.2 Investments by segments

	2021 Cost / amortised cost	2021 Provision for diminution	2021 Surplus / (deficit)	2021 Carrying value	2020 Cost / amortised cost	2020 Provision for diminution	2020 Surplus / (deficit)	2020 Carrying value
Federal government securities								
Market Treasury Bills	**-**	**-**	**-**	**-**	2,958,337	-	10,025	2,968,362
Pakistan Investment Bonds	**10,185,919**	**-**	**(247,362)**	**9,938,557**	7,161,003	-	73,331	7,234,334
	10,185,919	**-**	**(247,362)**	**9,938,557**	10,119,340	-	83,356	10,202,696
Non-government debt securities								
Unlisted	**300,000**	**-**	**-**	**300,000**	-	-	-	-
Total investments	**10,485,919**	**-**	**(247,362)**	**10,238,557**	10,119,340	-	83,356	10,202,696

7.3 Quality of available-for-sale securities

Details regarding quality of available-for-sale (AFS) securities are as follows:

	2021 Cost	2020 Cost
	(Rupees in '000)	
Federal government securities - Government guaranteed		
Market Treasury Bills	**-**	2,958,337
Pakistan Investment Bonds	**9,202,374**	6,198,551
	9,202,374	9,156,888
Non-government debt securities		
Unlisted		
- A+	**300,000**	-

7.4 Particulars relating to held-to-maturity securities are as follows:

	2021	2020
Federal government securities - Government guaranteed		
Pakistan Investment Bonds	**983,545**	962,452

7.4.1 The market value of securities classified as held-to-maturity as at December 31, 2021 is Rs. 984.123 million (2020: Rs. 1,017 million).

7.5 Investments given as collateral

	2021			2020		
	Cost / amortised cost	**Deficit**	**Carrying Value**	Cost / amortised cost	Deficit	Carrying Value
	(Rupees in '000)					
Pakistan Investment Bonds	**8,323,472**	**(195,387)**	**8,128,085**	3,695,385	274,145	3,969,530

8 ADVANCES

	Note	Performing		Non-Performing		Total	
		2021	2020	**2021**	2020	**2021**	2020
		(Rupees in '000)					
Loans, cash credits, running finances, etc.		**18,386,280**	11,558,253	**-**	-	**18,386,280**	11,558,253
Islamic financing and related assets	8.2	**5,328,558**	3,408,824	**-**	-	**5,328,558**	3,408,824
Advances - gross		**23,714,838**	14,967,077	**-**	-	**23,714,838**	14,967,077
Provision against advances							
- Specific		**-**	-	**-**	-	**-**	-
- General		**-**	-	**-**	-	**-**	-
		-	-	**-**	-	**-**	-
Advances - net of provision		**23,714,838**	14,967,077	**-**	-	**23,714,838**	14,967,077

8.1 Particulars of advances (gross)

	2021	2020
	(Rupees in '000)	
In local currency	**23,714,838**	14,967,077

8.2 The information related to Islamic financing and related assets is given in annexure to these financial statements.

9 FIXED ASSETS

	Note	**2021**	2020
		(Rupees in '000)	
Property and equipment	9.1	**183,072**	140,897
Capital work-in-progress		**-**	16,852
		183,072	157,749

9.1 Property and Equipment

2021

	Note	Right-of-use asset	Leasehold Improvement	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
		(Rupees in '000)					
At January 01, 2021							
Cost		117,010	-	27,461	28,695	13,505	186,671
Accumulated depreciation		(1,950)	-	(25,082)	(11,622)	(7,120)	(45,774)
Net book value		115,060	-	2,379	17,073	6,385	140,897
Year ended December 31, 2021							
Opening net book value		115,060	-	2,379	17,073	6,385	140,897
Additions		-	31,493	15,374	4,814	35,411	87,092
Disposals							
Cost		-	-	(25,589)	(1,236)	(11,059)	(37,884)
Accumulated depreciation		-	-	8,572	809	7,379	16,760
	9.1.1	-	-	(17,017)	(427)	(3,680)	(21,124)
Depreciation charge		(23,402)	(3,674)	(1,908)	(7,027)	(3,484)	(39,495)
Reversal of impairment loss recognised in the profit and loss account - net		-	-	11,422	135	-	11,557
Reversal of write off - net		-	-	4,145	-	-	4,145
Closing net book value	9.1.2	91,658	27,819	14,395	14,568	34,632	183,072
At December 31, 2021							
Cost		117,010	31,493	17,246	32,273	37,857	235,879
Accumulated depreciation		(25,352)	(3,674)	(2,851)	(17,705)	(3,225)	(52,807)
Net book value	9.1.2	91,658	27,819	14,395	14,568	34,632	183,072
Rate of depreciation (percentage)		20%	20%	10% - 20%	20% - 50%	20%	

2020

	Note	Right-of-use asset	Leasehold Improvement	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
		(Rupees in '000)					
At January 01, 2020							
Cost		45,240	-	26,463	22,651	13,505	107,859
Accumulated depreciation		(13,572)	-	(6,317)	(6,111)	(4,419)	(30,419)
Net book value		31,668	-	20,146	16,540	9,086	77,440
Year ended December 31, 2020							
Opening net book value		31,668	-	20,146	16,540	9,086	77,440
Additions		117,010	-	998	6,944	-	124,952
Disposals							
Cost		(45,240)	-	-	(900)	-	(46,140)
Accumulated depreciation		27,144	-	-	900	-	28,044
	9.1.1	(18,096)	-	-	-	-	(18,096)
Depreciation charge		(15,522)	-	(3,198)	(6,276)	(2,701)	(27,697)
Impairment loss recognised in the profit and loss account - net		-	-	(11,422)	(135)	-	(11,557)
Write off - net		-	-	(4,145)	-	-	(4,145)
Closing net book value	9.1.2	115,060	-	2,379	17,073	6,385	140,897
At December 31, 2020							
Cost		117,010	-	27,461	28,695	13,505	186,671
Accumulated depreciation / impairment		(1,950)	-	(25,082)	(11,622)	(7,120)	(45,774)
Net book value	9.1.2	115,060	-	2,379	17,073	6,385	140,897
Rate of depreciation (percentage)		20%	20%	10% - 20%	20% - 50%	20%	

9.1.1 Details of disposal made to related parties during the year

Particulars of assets	Cost	Net book value	Sale price	Mode of disposal	Particulars of the purchaser
	(Rupees in '000)				
Electrical, office and computer equipment					
Laptop	140	12	16	Sale to Ex- Employee	Mr. Rashid Masood Alam
Cellular phone	60	1	1	Sale to Ex- Employee	Mr. Rashid Masood Alam
Cellular phone	50	1	1	Sale to Employee	Mr. Muhammad Shahzad
Cellular phone	50	4	4	Sale to Employee	Mr. Naved Hanif
Cellular phone	50	5	5	Sale to Employee	Mr. Farrukh Zaheer
Cellular phone	50	8	8	Sale to Ex- Employee	Mr. Malik Mansoor
Cellular phone	50	33	33	Sale to Ex- Employee	Mr. Shayaan Afsar
Cellular phone	60	33	33	Sale to Ex- Employee	Mr. Zulfiqar Alam
Cellular phone	60	38	40	Sale to Ex- Employee	Mr. Rashid Masood Alam
	570	**135**	**141**		
Vehicles					
Honda Civic	2,789	372	372	Sale to Employee	Mr. Mudassir H. Khan
Toyota Prado	8,270	3,308	3,308	Sale to Employee	Mr. Mudassir H. Khan
	11,059	**3,680**	**3,680**		
Total	**11,629**	**3,815**	**3,821**		

9.1.2 The cost of fully depreciated fixed assets that are still in the Company's use is as follows:

	Note	2021	2020
		(Rupees in '000)	
Electrical, office and computer equipment		**3,653**	1,308

10 INTANGIBLE ASSETS

	Note	2021	2020
Intangible assets	10.1	**4,730**	6,882
Capital work-in-progress	10.2	**18,913**	-
		23,643	6,882

10.1 Intangible assets

Computer software

	2021	2020
At January 01		
Cost	**11,687**	11,687
Accumulated amortisation	**(4,805)**	(2,467)
Net book value	**6,882**	9,220
Year ended December 31		
Opening net book value	**6,882**	9,220
Additions	**216**	-
Amortisation charge	**(2,368)**	(2,338)
Closing net book value	**4,730**	6,882
At December 31		
Cost	**11,903**	11,687
Accumulated amortisation	**(7,173)**	(4,805)
Net book value	**4,730**	6,882
Rate of amortisation (percentage)	**20%**	20%
Useful life	**5 years**	5 years

10.2 This includes an advance amounting to Rs. 18.461 million paid to AutoSoft Dynamics (Private) Limited against deployment of loan and credit system.

11 OTHER ASSETS

	2021	2020
	(Rupees in '000)	
Mark-up / return / profit / interest accrued in local currency	**456,313**	316,095
Advances, deposits, advance rent and other prepayments	**77,512**	16,404
Advance taxation (payments less provisions)	**26,969**	26,627
	560,794	359,126
Less: Provision held against other assets	**-**	-
	560,794	359,126

12 BORROWINGS

	Note	2021	2020
		(Rupees in '000)	
Secured			
Term finance certificates	12.2	**12,700,000**	1,000,000
Sukuk certificates	12.3	**4,100,000**	-
Repurchase agreement borrowings	12.4	**8,098,708**	3,960,000
Total secured		**24,898,708**	4,960,000
Unsecured			
Borrowings from Government of Pakistan under World Bank - Housing Finance Project	12.5	**10,288,741**	10,288,741
		35,187,449	15,248,741

12.1 Particulars of borrowings with respect to currencies

	2021	2020
In local currency	**35,187,449**	15,248,741

12.2 The Company has issued term finance certificates amounting to Rs. 11,700 million (2020: Rs. 1,000 million) during the year. These certificates have maturity of three to five years and carry fixed rate of interest ranging from 8.41% to 9.94% (2020: 8.20%) per annum. The principal is payable at maturity whereas interest is payable semi-annually.

12.3 The Company has issued sukuk certificates amounting to Rs. 4,100 million (2020: Nil) during the year. These certificates have maturity of three years and carry fixed rate of profit ranging from 8.25% to 8.63% (2020: Nil) per annum. The principal is payable at maturity whereas profit is payable semi-annually. The information related to sukuk certificates is given in annexure to these financial statements.

12.4 These represent borrowings from various financial institutions at mark-up rates ranging from 10.10% to 10.50% (2020: 7.00% to 7.20%) per annum and are due to mature latest by January 14, 2022. The market value of securities given as collateral against these borrowings is given in note 7.5.

12.5 This represents borrowing from Government of Pakistan under World Bank - Housing Finance Project for 30 years at fixed rate of 3% per annum. The interest is payable semi-annually and the principal will be payable semi-annually commencing from April 15, 2023 in fifty equal installments.

13 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.

	2021	2020
Issue amount (Rupees in '000)	**7,050,716**	7,050,716
Issue date	**February 22, 2019**	February 22, 2019
Maturity date	**February 21, 2047**	February 21, 2047
Rating	**Not applicable**	Not applicable
Security	**Unsecured**	Unsecured
Profit payment frequency	**Semi-annually**	Semi-annually
Redemption	**Not applicable**	Not applicable
Mark-up	**3% per annum**	3% per annum

14 OTHER LIABILITIES

	Note	2021	2020
		(Rupees in '000)	
Mark-up / return / interest payable in local currency		**306,123**	136,390
Accrued expenses		**38,277**	31,572
Provision for government levies		**70,640**	49,196
Lease liability against right-of-use assets		**94,062**	111,231
Payable against transaction cost for term finance / sukuk certificates		**22,478**	-
Payable to defined benefit plan	29	**9,901**	4,339
Payable against purchase of fixed assets		**2,907**	1,304
Payable to defined contribution plan		**-**	10
Provision for employees' benefit		**61,274**	63,512
		605,662	397,554

15 SHARE CAPITAL

15.1 Authorised capital

2021	2020		2021	2020
(Number of shares)			(Rupees in '000)	
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each	**10,000,000**	10,000,000

15.2 Issued, subscribed and paid up capital

2021	2020		2021	2020
623,775,900	365,850,600	Ordinary shares of Rs. 10 each fully paid in cash	**6,237,759**	3,658,506

15.2.1 List of shareholders as at December 31, 2021 and December 31, 2020 is as follows:

Names of Shareholders	2021		2020	
	Number of shares held	Percentage of shareholding	Number of shares held	Percentage of shareholding
Ministry of Finance – Islamic Republic of Pakistan	**180,000,000**	**28.86%**	120,000,000	32.80%
National Bank of Pakistan	**90,000,000**	**14.43%**	60,000,000	16.40%
Habib Bank Limited	**75,000,000**	**12.02%**	50,000,000	13.67%
United Bank Limited	**75,000,000**	**12.02%**	50,000,000	13.67%
International Finance Corporation	**75,000,000**	**12.02%**	-	0.00%
Askari Bank Limited	**45,000,000**	**7.22%**	30,000,000	8.20%
Bank Alfalah Limited	**45,000,000**	**7.22%**	30,000,000	8.20%
Allied Bank Limited	**30,000,000**	**4.81%**	20,000,000	5.47%
Bank AL Habib Limited	**7,500,000**	**1.20%**	5,000,000	1.37%
House Building Finance Company Limited	**1,001,250**	**0.16%**	667,500	0.17%
Summit Bank Limited	**274,500**	**0.04%**	183,000	0.05%
Directors	**150**	**0.00%**	100	0.00%

15.3 During the year, the Company has issued 50 million ordinary shares of Rs. 10 each fully paid in cash to International Finance Corporation (IFC) on January 5, 2021.

15.4 During the year, the Company has issued 50% bonus shares to its shareholders of Rs. 10 each.

16 SURPLUS ON REVALUATION OF ASSETS

	2021	2020
	(Rupees in '000)	
Surplus on revaluation of		
- Available for sale securities	**(247,362)**	83,356

17 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at December 31, 2021 and December 31, 2020.

18 MARK-UP / RETURN / PROFIT / INTEREST EARNED

	2021	2020
	(Rupees in '000)	
On:		
Loans and advances	**1,450,144**	922,588
Investments	**961,086**	1,382,857
Lendings to financial institutions	**13,262**	16,401
Balances with banks	**419,461**	187,114
	2,843,953	2,508,960

19 MARK-UP / RETURN / INTEREST EXPENSED

	2021	2020
	(Rupees in '000)	
On:		
Borrowings from Government of Pakistan under Housing Finance Project	308,663	299,093
Repurchase agreement borrowings	219,756	128,013
Clean borrowings	2,081	3,724
Term finance certificates	371,336	69,315
Sukuk certificates	283,148	-
	1,184,984	500,145
Subordinated debt	211,521	211,521
Lease liability against right-of-use assets	9,198	3,603
	1,405,703	715,269

20 FEE AND COMMISSION INCOME

	Note	2021	2020
Participation fee		2,318	-

21 GAIN ON SECURITIES

	Note	2021	2020
Realised	21.1	118	-

21.1 Realised gain on:

	Note	2021	2020
Federal government securities		118	-

22 OTHER INCOME

	Note	2021	2020
Gain on sale of fixed assets - net		7	9
Gain on derecognition of right-of-use asset		-	3,143
Claim received from property owner		106	-
		113	3,152

23 OPERATING EXPENSES

	Note	2021	2020
Total compensation expense	23.1	233,524	228,304
Property expense			
Rent and taxes		1,374	-
Insurance		577	464
Utilities cost		2,204	1,555
Security		581	581
Repairs and maintenance		657	2,633
Depreciation	9.1	27,076	15,522
		32,469	20,755
Information technology expenses			
Software maintenance		5,375	1,114
Rent-disaster recovery site		848	-
Website maintenance		2,314	400
Hardware maintenance		337	498
IT Security		-	500
Network charges		1,706	1,452
Depreciation	9.1	7,027	6,276
Amortisation	10.1	2,368	2,338
		19,975	12,578
Other operating expenses			
Directors' fees and allowances		11,100	6,250
Director's evaluation expense		678	452
Legal and professional charges		15,164	15,184
Fees and subscription		5,822	6,372
Outsourced services costs	28.1	4,615	3,600
Travelling and conveyance		2,291	1,668
Depreciation	9.1	5,392	5,899
Training and development		3,772	970
Postage and courier charges		117	184
Communication		1,407	822
Stationery and printing		2,585	621
Marketing, advertisement and publicity		1,713	1,833
Auditors' remuneration	23.2	3,752	2,369
Insurance		2,930	1,251
Donations	23.3	2,500	3,500
Vehicle repair and maintenance		567	157
Entertainment		483	262
Staff engagement		152	34
Others		1,914	2,105
		66,954	53,533
		352,922	315,170

	Note	2021	2020
		(Rupees in '000)	

23.1 Total compensation expense

	Note	2021	2020
Managerial remuneration			
Fixed		**149,090**	144,010
Other benefits			
Provision for cash bonus / awards		**60,000**	60,000
Charge for defined benefit plan		**9,502**	10,470
Contribution to defined contribution plan		**7,989**	9,184
Medical		**675**	1,283
Conveyance		**98**	73
Compensated absences		**5,738**	2,970
Others		**432**	314
		233,524	228,304

23.2 Auditors' remuneration

	Note	2021	2020
Audit fee for annual financial statements		**468**	450
Half yearly review fee		**175**	175
Special certifications and sundry advisory services		**2,977**	1,644
Out-of-pocket expenses		**132**	100
		3,752	2,369

23.3 Detail of donations made during the year

	Note	2021	2020
Donations individually exceeding Rs. 500,000			
Prime Minister's COVID-19 Pandemic relief fund		**-**	3,500
Donations individually not exceeding Rs. 500,000		**2,500**	-
		2,500	3,500

24 WORKERS' WELFARE FUND

	Note	2021	2020
Provision for Workers' Welfare Fund	24.1	**21,444**	29,633

24.1 (SWWF Act) had been passed by the Government of Sindh in May 2015 as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs. 0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. Accordingly, as a result of abundant caution, the management has maintained a provision for SWWF in the financial statements amounting to Rs. 70.640 million which includes a provision of Rs. 21.444 million of the current year.

25 TAXATION

The income of the Company is exempt from income tax under Clause 66 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 whereby the entities are placed in two tables, namely Table I and Table II. The entities placed in Table I are granted unconditional exemption whereas entities placed in Table II are granted conditional exemption from income tax. The Company was initially placed under Table II, however, the name of the Company was moved to Table I vide Tax Laws (Third Amendment) Ordinance, 2021.

26 BASIC EARNINGS PER SHARE

	2021	2020
	(Rupees in '000)	
		(Restated)
Profit for the year	**1,066,433**	1,436,338
	(Number of shares)	
Weighted average number of ordinary shares	**623,227,955**	573,775,900
	(Rupees)	
		(Restated)
Basic earnings per share	**1.71**	2.50

26.1 Diluted earnings per share

Diluted earnings per share has not been presented separately as the Company does not have any convertible instruments in issue as at December 31, 2021.

27 CASH AND CASH EQUIVALENTS

	Note	2021	2020
		(Rupees in '000)	
Cash and balance with treasury banks	5	**4,057**	30,122
Balance with other banks	6	**15,486,065**	3,111,722
		15,490,122	3,141,844

28 STAFF STRENGTH

		2021	2020
		(Number)	
Permanent		**30**	28
On Company's contract		**3**	6
Outsourced	28.1	**11**	9
Company's own staff strength at the end of the year		**44**	43

28.1 This includes 11 (2020: 9) employees of outsourcing service companies who were assigned to perform janitorial and other services.

29 DEFINED BENEFIT PLAN

29.1 As mentioned in note 4.10, the Company operates a funded gratuity scheme for its employees as per the policy of the Company. The benefits under the gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn gross salary for each year of eligible service with the Company subject to a minimum qualifying period of service of two years. The Company's costs and contributions are determined based on actuarial valuation carried out at each year end using Projected Unit Credit Actuarial Method.

29.2 Number of employees under the defined benefit plan

	2021	2020
	(Number)	
The number of employees covered under the defined benefit plan as at December 31	**31**	29

29.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2021 using the following significant assumptions:

	Note	2021	2020
		(Per annum)	
Discount rate		**11.75%**	10.25%
Expected rate of salary increase		**10.75%**	9.25%
Mortality rates		**SLIC (2001-05)-1**	SLIC (2001-05)-1

	Note	2021	2020
		(Rupees in '000)	
29.4 Reconciliation of payable to defined benefit plan			
Present value of obligations	29.6	**28,049**	20,263
Fair value of plan assets	29.7	**(18,148)**	(15,924)
Payable		**9,901**	4,339
29.5 Movement in defined benefit plan			
At the beginning of the year		**4,339**	12,067
Current service cost	29.8.1	**9,079**	8,458
Net interest expense	29.8.1	**423**	2,011
Actual contributions by the Company		**(4,339)**	(15,557)
Benefits paid by the Company		**(6,480)**	-
Re-measurement loss / (gain)	29.8.2	**6,879**	(2,640)
Closing balance		**9,901**	4,339
29.6 Movement in payable under defined benefit plan			
Opening balance		**20,263**	12,067
Current service cost		**9,079**	8,458
Interest cost on defined benefit obligation		**2,513**	2,011
Benefits paid by the Company to outgoing members		**(9,275)**	(1,603)
Re-measurement loss / (gain) recognised in OCI during the year		**5,469**	(670)
Closing balance		**28,049**	20,263
29.7 Movement in fair value of plan assets			
Fair value at the beginning of the year		**15,924**	-
Interest income on plan assets		**2,090**	-
Contribution by the Company - net		**4,339**	15,557
Actual contributions by the Company		**(2,795)**	(1,603)
Re-measurement (loss) / gain recognised in OCI during the year		**(1,410)**	1,970
Fair value at the end of the year		**18,148**	15,924
29.8 Charge for defined benefit plan			
29.8.1 Cost recognised in profit and loss account			
Current service cost		**9,079**	8,458
Net interest on defined benefit plan		**423**	2,011
		9,502	10,469
29.8.2 Re-measurements recognised in OCI during the year			
(Gain) / loss on obligation			
- financial assumptions		**(482)**	(302)
- experience adjustments		**5,951**	(368)
		5,469	(670)
Return on plan assets over interest income		**1,410**	(1,970)
Total re-measurements recognised in OCI		**6,879**	(2,640)
29.9 Components of plan assets			
Cash and cash equivalents - net		**75**	2
Debt instruments		**18,073**	15,922
		18,148	15,924

29.9 Sensitivity analysis

A sensitivity analysis for each significant financial assumption as of the reporting date, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date, is as follows:

	2021	2020
	(Rupees in '000)	
0.5% increase in discount rate	**26,794**	19,152
0.5% decrease in discount rate	**29,408**	21,471
0.5% increase in expected rate of salary increase	**29,348**	21,427
0.5% decrease in expected rate of salary increase	**26,839**	19,181

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the statement of financial position.

29.10 The expected charge for the next financial year commencing January 1, 2022 works out to Rs 11.567 million (2020: Rs 9.502 million).

29.11 Maturity profile

The weighted average duration of the obligation is 9.30 years (2020: 11.42 years).

29.12 Expected maturity analysis of undiscounted defined benefit obligation

	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6 to 10**
			(Rupees)			
Undiscounted payments	524,719	734,554	26,022,847	873,039	1,068,870	19,765,891

29.13 Funding Policy

An implicit, though not a formally expressed objective, is that the liabilities under the scheme in respect of members in service on the valuation date on a going concern basis and having regard to projected future salary increases, should be covered by the Fund on the valuation date, the total book reserve as of the valuation date, future contributions to the Fund, future additions to the book reserve and future projected investment income of the Fund.

Accordingly, the contribution to the Fund should remain reasonably stable as a percentage of salaries, under the Actuarial Cost Method employed.

29.14 Description of risks

The defined benefit plan exposes the Company to the following risks:

Withdrawal risks - This is the risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service / age distribution and the benefit.

Mortality risks - This is the risk that the actual mortality experience is different. Similar to the withdrawal risk, the effect depends on the beneficiaries' service / age distribution and the benefit.

Investment risks - This is the risk of the investment underperformance and being not sufficient to meet the liabilities.

Final salary risks - This is the risk that the final salary at the time of cessation of service is greater than what was assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

30 DEFINED CONTRIBUTION PLAN

The Company operates a provident fund scheme for its employees as per the policy of the Company. Equal monthly contributions at the rate of 10% per annum (2020: 10% per annum) of basic salaries are made both by the Company and employees. Contributions made to the provident fund during the year are as follows:

	2021	2020
	(Rupees in '000)	
Contribution made by the Company	**7,989**	7,559
Contribution made by employees	**7,989**	7,559

The number of employees covered under the defined contribution plan as at December 31, 2021 are 31 (2020:29).

31 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

31.1 Total Compensation Expense

Items	Directors				Managing Director / Chief Executive Officer		Key Management Personnel	
	Chairman		Non-Executive					
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	(Rupees in '000)							
Fees and allowances etc.	**1,335**	840	**9,765**	5,410	**-**	-	**-**	-
Managerial remuneration								
Fixed	**-**	-	**-**	-	**36,649**	31,875	**71,560**	68,410
Other benefits								
Bonus	**-**	-	**-**	-	**24,000**	22,200	**30,120**	24,372
Charge for defined benefit plan	**-**	-	**-**	-	**2,633**	2,764	**4,062**	5,438
Contribution to defined contribution plan	**-**	-	**-**	-	**2,204**	1,932	**3,798**	3,697
Medical	**-**	-	**-**	-	**109**	155	**201**	505
Compensated absences	**-**	-	**-**	-	**1,732**	-	**2,757**	1,820
Others	**-**	-	**-**	-	**314**	79	**180**	88
Total	**1,335**	840	**9,765**	5,410	**67,641**	59,005	**112,678**	104,330
Number of persons	**1**	1	**8**	8	**1**	1	**13**	11

The term "Key Management Personnel" means the following functional responsibilities:

(a) Any executive or key executive reporting directly to the CEO / President.

31.2 Remuneration paid to Directors for participation in Board and Committee Meetings

2021								
Sr. No.	Name of Director	For Board Meetings	For Board Committees					
			Audit Committee	Risk Committee	Human Resource Committee	Nomination Committee	Total Amount Paid	
		(Rupees in '000)						
1	Mr. Farrakh Qayyum	1,075	-	-	410	-	1,485	
2	Mr. Imran Sarwar	595	-	320	-	-	915	
3	Mr. Rehmat Ali Hasnie	1,315	-	-	-	20	1,335	
4	Ms. Mehreen Ahmed	1,075	210	-	-	-	1,285	
5	Mr. Abid Naqvi	1,075	320	-	-	-	1,395	
6	Mr. Syed Taha Afzal	1,075	-	-	260	-	1,335	
7	Mr. Naveed Nasim	1,075	-	210	-	-	1,285	
8	Mr. Risha A. Mohyeddin	960	280	-	-	-	1,240	
9	Mr. Iftikhar Amjad*	825	-	-	-	-	825	
	Total Amount Paid	9,070	810	530	670	20	11,100	

2020						
Sr. No.	Name of Director	For Board Meetings	For Board Committees			
			Audit Committee	Risk Committee	Human Resource Committee	Total Amount Paid
		(Rupees in '000)				
1	Mr. Farrakh Qayyum	690	-	-	80	770
2	Mr. Imran Sarwar	575	-	190	-	765
3	Mr. Rehmat Ali Hasnie	840	-	-	-	840
4	Ms. Mehreen Ahmed	690	110	-	-	800
5	Mr. Abid Naqvi	460	150	-	-	610
6	Mr. Syed Taha Afzal	690	-	-	40	730
7	Mr. Naveed Nasim	575	-	110	-	685
8	Mr. Risha A. Mohyeddin	690	130	-	-	820
9	Mr. Iftikhar Amjad	230	-	-	-	230
	Total Amount Paid	5,440	390	300	120	6,250

* Mr. Iftikhar Amjad has resigned as a director on the Board with effect from November 29, 2021.

31.3 Chief Executive Officer (CEO) is entitled to Company maintained cars with fuel in accordance with the terms of his employment and is entitled to life insurance benefits in accordance with the policy of the Company. In addition, the CEO is also provided with driver, corporate club membership, medical and security arrangements in accordance with the terms of his employment.

32 FAIR VALUE MEASUREMENT

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

32.1 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 asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: Fair value measurements using inputs 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:

	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	-	8,955,012	-	8,955,012
Non-government debt securities	-	300,000	-	300,000
Financial assets - disclosed but not measured at fair value				
Federal government securities	-	984,123	-	984,123

	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
Financial assets - disclosed but not measured at fair value				
Federal government securities	-	1,017,000	-	1,017,000

The management considers that the estimated fair value of the remaining financial assets liabilities is not significantly different from their respective carrying amounts.

Valuation of techniques and inputs used in determination of fair values

Item	Valuation techniques and input used
Pakistan Investment Bonds / Market Treasury Bills	Fair value of Pakistan Investment Bonds and Market Treasury Bills are derived using the PKRV rates (FMA report).
Term finance certificates	Investment in unlisted debt securities (comprising term finance certificates) are valued on the basis of the prices announced by the Mutual Funds Association of Pakistan.

33 RELATED PARTY TRANSACTIONS

The Company has related party relationship with its major shareholders, directors, key management personnel and their close family members and staff retirement benefit funds (both defined benefit and defined contribution plan).

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. Contributions to approved defined benefit and contribution plans are made in accordance with the actuarial valuations / terms of scheme. Transactions with owners have been disclosed in 'Statement of Changes in Equity'. All other transactions between the Company and its related parties are carried out under normal course of business except employee staff loans that are as per terms of employment.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2021			2020		
	Directors	**Key management personnel**	**Other related parties**	Directors	Key management personnel	Other related parties
	(Rupees in '000)					
Statement of financial position						
Cash and balances with treasury banks						
In current account	**-**	**-**	**31**	-	-	31
In deposit accounts	**-**	**-**	**9**	-	-	4
	-	**-**	**40**	-	-	35
Balances with other banks						
In current account	**-**	**-**	**16**	-	-	16
In deposit accounts	**-**	**-**	**13,140,734**	-	-	1,000,052
	-	**-**	**13,140,750**	-	-	1,000,068
Lendings to financial institutions						
Opening balance	**-**	**-**	**-**	-	-	-
Addition during the year	**-**	**-**	**6,903,367**	-	-	4,975,119
Repaid during the year	**-**	**-**	**(6,903,367)**	-	-	(4,975,119)
Closing balance	**-**	**-**	**-**	-	-	-
Advances						
Opening balance	**-**	**89,624**	**4,627,769**	-	722	2,466,672
Addition during the year	**-**	**8,174**	**3,050,000**	-	91,824	3,600,000
Repaid during the year	**-**	**(53,565)**	**(1,759,499)**	-	(2,922)	(1,438,903)
Closing balance	**-**	**44,233**	**5,918,270**	-	89,624	4,627,769
Other assets						
Interest / mark-up accrued	**-**	**-**	**99,846**	-	-	53,862
Other receivable	**-**	**-**	**24,071**	-	-	-
	-	**-**	**123,917**	-	-	53,862
Borrowings						
Opening balance	**-**	**-**	**2,960,000**	-	-	-
Borrowings during the year	**-**	**-**	**135,864,346**	-	-	59,795,266
Settled during the year	**-**	**-**	**(121,939,653)**	-	-	(56,835,266)
Closing balance	**-**	**-**	**16,884,693**	-	-	2,960,000
Other liabilities						
Interest / mark-up payable	**-**	**-**	**78,289**	-	-	2,034
Payable to defined benefit plan	**-**	**-**	**9,901**	-		4,349
Closing balance	**-**	**-**	**88,190**	-	-	6,383

RELATED PARTY TRANSACTIONS

	2021			2020		
	Directors	**Key management personnel**	**Other related parties**	Directors	Key management personnel	Other related parties
Profit and loss account	(Rupees in '000)					
Income						
Mark-up / return / interest earned	**-**	**3,089**	**705,579**	-	1,032	379,118
Expense						
Mark-up / return / interest paid	**-**	**-**	**563,319**	-	-	79,220
Operating expenses	**11,395**	**163,133**	**17,491**	6,284	147,684	18,073

33.1 In addition to the above, the Company has sub-ordinated loan amounting to Rs. 7,050.716 million and borrowing under World Bank - Housing Finance Project amounting to Rs. 10,288.741 million respectively from the Ministry of Finance.

34 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

During the year 2013, SBP issued revised instructions on the computation of CAR based on Basel III Capital Reform as issued by the Basel Committee on Banking Supervision. These instructions became effective from December 31, 2013 with full implementation by December 31, 2020.

Accordingly, the Company has assessed and reported its Capital Adequacy Ratio in the financial statements on the basis of Basel III requirements as prescribed by SBP.

	2021	2020
	(Rupees in '000)	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	**6,237,759**	3,658,506
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	**7,343,556**	6,048,125
Eligible Additional Tier 1 (ADT 1) Capital	**-**	-
Total Eligible Tier 1 Capital	**7,343,556**	6,048,125
Eligible Tier 2 Capital	**-**	83,356
Total Eligible Capital (Tier 1 + Tier 2)	**7,343,556**	6,131,481
Risk Weighted Assets (RWAs):		
Credit Risk	**11,104,652**	2,291,292
Market Risk	**-**	-
Operational Risk	**2,725,189**	1,977,938
Total	**13,829,841**	4,269,230
Common Equity Tier 1 Capital Adequacy Ratio	**53.10%**	141.67%
Tier 1 Capital Adequacy Ratio	**53.10%**	141.67%
Total Capital Adequacy Ratio	**53.10%**	143.62%
Leverage Ratio (LR):		
Eligible Tier-1 Capital	**7,343,556**	6,048,125
Total Exposures	**46,112,354**	26,604,850
Leverage Ratio	**15.93%**	22.73%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	**830,984**	5,300,836
Total Net Cash Outflow	**7,881**	3,857
Liquidity Coverage Ratio	**10544%**	137429%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	**40,483,014**	24,387,582
Total Required Stable Funding	**30,293,422**	16,186,841
Net Stable Funding Ratio	**133.64%**	150.66%

34.1 The full disclosures on the capital adequacy, leverage ratio and liquidity requirements as per SBP instructions issued from time to time shall be placed on the website. The link to the full disclosure is available at https://pmrc.com.pk/wp-content/uploads/2022/02/Liquidity_Capital_Adequacy_Leverage_Disclosure.pdf

35 RISK MANAGEMENT

The primary goal of risk management is to identify, assess and monitor risk inherent in the activities of the Company and take adequate measures to manage and control these risks on a timely basis. The risk management framework of the Company encompasses comprehensive and adequate risk management policies and procedures to mitigate salient risk elements in operations of the Company. Risk management policies are formulated on regulatory guidelines and covers all type of major risks the Company is exposed to. The Company places utmost emphasis on the importance of risk management and has put in place all relevant measures to identify, monitor and control the relevant risks on its low risk business model. The Board through its designated committees thoroughly reviews and guides the risk management activities in the Company.

Categories of risk

The Company generates most of its revenues by accepting credit, liquidity and market risk. Effective management of these risks is the decisive factor in the profitability of the Company. In addition, the Company is subject to certain consequential risks that are common to all business undertakings. These risks are grouped under two headings: operational risk and reputational risk. The Framework is organised with reference to these five risk categories as detailed below:

Credit risk	This risk is defined as the possibility of loss due to unexpected default or a deterioration of credit worthiness of a counter party.
Market risk	The risk of loss generated by adverse changes in the price of assets or contracts currently held by the Company.
Liquidity risk	The risk that the Company is unable to meet its payment obligations or fund increases in assets when they fall due without incurring an unacceptable cost the consequences of which may be the failure to meet obligations to repay investors and fulfil commitments to lend.
Operational risk	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events and includes legal risk.
Reputational risk	The risk of failing to meet the standards of performance or behaviour required or expected by stakeholders in commercial activities or the way in which business is conducted.

Risk responsibilities

The Board of Directors (the Board) is accountable for the overall supervision of the risk management process. The Board is responsible for the approval of all risk policies and ensuring that these are properly implemented. Furthermore, the Board approves the appointment of senior management personnel who are capable of managing the risk activities conducted by the Company.

Risk management department ensures that risks remain within the boundaries as defined by the Board, comply with the risk parameters and prudential limits, establish systems and procedures and work out remedial measures.

Credit Risk Management Committee (CRMC) implements credit policy and monitors credit risk in light with credit policy and prudential regulations.

The Company's risk management, compliance and internal audit department support the risk management function. The compliance department ensures that all the directives and guidelines issued by SBP are being complied with. Internal audit department reviews the compliance of internal control procedures with internal and regulatory standards.

35.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Exposure to credit risks for the Company arises primarily from lending activities and investments.

A multi-tiered approach is being followed in the management of credit risk with the organizational structure, roles and responsibilities clearly outlined in the credit policy manual. The Board is responsible for final approval of overall risk tolerance and threshold. Various business units responsible for undertaking risks are expected to comply with the credit policy and adhere to the independent risk management function. This is ensured through the implementation of a credit approval and documentation process adopted by the Company.

The Company uses both external and internal ratings to evaluate risk. The Company obtains external ratings from PACRA and VIS Credit Rating Company Limited whereas a comprehensive risk assessment matrix model is used for internal ratings.

Stress testing

The Company also conducts stress testing of its existing portfolio, which includes all assets, i.e., advances as well as investments. This exercise is conducted on a quarterly basis through assigning shocks to distressed / non-performing assets of the Company and assessing its resulting effect on capital adequacy.

Particulars of the Company's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

35.1.1 Lendings to financial institutions

	Gross lendings		Non-performing lendings		Provision held	
	2021	2020	**2021**	2020	**2021**	2020
	(Rupees in '000)					
Credit risk by public / private sector						
Public / Government	**-**	-	**-**	-	**-**	-
	-	-	**-**	-	**-**	-

35.1.2 Investment in debt securities

	Gross investments		Non-performing investments		Provision held	
	2021	2020	**2021**	2020	**2021**	2020
	(Rupees in '000)					
Credit risk by industry sector						
Government	**9,938,557**	10,202,696	**-**	-	**-**	-
Financial institutions	**300,000**	-	**-**	-	**-**	-
	10,238,557	10,202,696	**-**	-	**-**	-
Credit risk by public / private sector						
Public / Government	**9,938,557**	10,202,696	**-**	-	**-**	-
Private	**300,000**	-	**-**	-	**-**	-
	10,238,557	10,202,696	**-**	-	**-**	-

35.1.3 Advances

	Gross advances		Non-performing advances		Provision held	
	2021	2020	**2021**	2020	**2021**	2020
	(Rupees in '000)					
Credit risk by industry sector						
Financial institutions	**23,714,838**	14,967,077	**-**	-	**-**	-
	23,714,838	14,967,077	**-**	-	**-**	-
Credit risk by public / private sector						
Public / Government	**2,673,856**	1,259,661	**-**	-	**-**	-
Private	**21,040,982**	13,707,416	**-**	-	**-**	-
	23,714,838	14,967,077	**-**	-	**-**	-

35.1.4 Concentration of advances

The Company's top 10 exposures (funded and non-funded exposures) aggregated to Rs. 19,877 million (2020: Rs. 13,937 million).

35.1.5 Advances - Province / Region-wise Disbursement and Utilisation

Province / Region	2021						
	Disbursements	Utilization					
		Punjab	Sindh	KPK	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	(Rupees in '000)						
Sindh	12,050,000	3,500,000	6,250,000	-	-	2,300,000	-
Total	12,050,000	3,500,000	6,250,000	-	-	2,300,000	-

Province / Region	2020						
	Disbursements	Utilization					
		Punjab	Sindh	KPK	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	(Rupees in '000)						
Sindh	8,750,000	1,500,000	5,350,000	1,000,000	-	900,000	-
Total	8,750,000	1,500,000	5,350,000	1,000,000	-	900,000	-

35.2 Market Risk

The market risk is the risk of reductions in earnings, value and / or reserves arising from changes in market rates (such as interest rates, exchange rates, credit spreads) and market prices (such as commodities, equities, property etc.) as well as their correlations and volatilities.

The Company's business model primarily caters to refinancing loans with recourse to the customers by issuing term finance / sukuk certificates in the capital market. Its main line of business is providing pre-financing / re-financing facilities. Any surplus funds (primarily from equity) shall be invested in safe investment instruments.

The Company measures market risk using various techniques like duration analysis for interest rate risk in banking book, sensitivity analysis for investment in government securities, stress testing, etc. The results are communicated to ALCO on monthly basis. Results are also communicated to Board Risk Committee on quarterly basis.

Moreover, the Company shall not be operating a trading book. Market risk on the asset side only arises in the instruments which are earmarked as "Available-for-sale".

35.2.1 Statement of financial position split by trading and banking books - Basel II Specific

	2021			2020		
	Banking book	**Trading book**	**Total**	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	**4,057**	**-**	**4,057**	30,122	-	30,122
Balances with other banks	**15,486,065**	**-**	**15,486,065**	3,111,722	-	3,111,722
Lendings to financial institutions	**-**	**-**	**-**	-	-	-
Investments	**10,238,557**	**-**	**10,238,557**	10,202,696	-	10,202,696
Advances	**23,714,838**	**-**	**23,714,838**	14,967,077	-	14,967,077
Fixed assets	**183,072**	**-**	**183,072**	157,749	-	157,749
Intangible assets	**23,643**	**-**	**23,643**	6,882	-	6,882
Other assets	**560,794**	**-**	**560,794**	359,126	-	359,126
	50,211,026	**-**	**50,211,026**	28,835,374	-	28,835,374

35.2.2 Yield / interest rate risk in the banking book (IRRBB) - Basel II Specific

Interest rate risk is the risk of loss from adverse movements in interest rates. ALCO monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the Company arising from fluctuation in the market interest rates and mismatching or gaps in the amount of financial assets and financial liabilities in different maturity time bands.

Interest rate risk arises when there is a mismatch between positions, which are subject to interest rate adjustment within a specified period. The lending, funding and investment activities of the Company are exposed to interest rate risk. The Company shall provide refinancing loans to customer with similar repayment structure and tenor as the underlying term finance / sukuk certificates issued to fund those loans to the best extent possible (i.e. the Company will be match funding).

35.2.3 Mismatch of Interest Rate Sensitive Assets and Liabilities

On-balance sheet financial instruments	Effective Yield / Interest rate	Total	2021									
			Exposed to Yield / Interest risk									Non-interest bearing financial instruments
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
		(Rupees in '000)										
Assets												
Cash and balances with treasury banks	6.63%	4,057	9	-	-	-	-	-	-	-	-	4,048
Balances with other banks	11.79%	15,486,065	15,486,049	-	-	-	-	-	-	-	-	16
Lending to financial institutions		-	-	-	-	-	-	-	-	-	-	-
Investments	8.75%	10,238,557	-	1,003,900	1,499,310	2,115,346	4,868,525	451,835	240	299,401	-	-
Advances	7.78%	23,714,838	226,446	2,148,243	845,672	1,590,662	8,340,373	5,286,866	948,402	4,326,869	-	1,305
Other assets		560,794	-	-	-	-	-	-	-	-	-	560,794
		50,004,311	15,712,504	3,152,143	2,344,982	3,706,008	13,208,898	5,738,701	948,642	4,626,270	-	566,163
Liabilities												
Bills payable		-	-	-	-	-	-	-	-	-	-	-
Borrowings	7.55%	35,187,449	8,098,708	1,000,000	-	-	411,550	9,711,550	7,323,099	2,057,748	6,584,794	-
Deposits and other accounts		-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	3.00%	7,050,716	-	-	-	-	282,029	282,029	564,058	1,410,145	4,512,455	-
Other liabilities		605,662	-	-	-	-	-	-	-	-	-	605,662
		42,843,827	8,098,708	1,000,000	-	-	693,579	9,993,579	7,887,157	3,467,893	11,097,249	605,662
On-balance sheet gap		7,160,484	7,613,796	2,152,143	2,344,982	3,706,008	12,515,319	(4,254,878)	(6,938,515)	1,158,377	(11,097,249)	(39,499)
Total yield / interest risk sensitivity gap			7,613,796	2,152,143	2,344,982	3,706,008	12,515,319	(4,254,878)	(6,938,515)	1,158,377	(11,097,249)	
Cumulative yield / interest risk sensitivity gap			7,613,796	9,765,939	12,110,921	15,816,929	28,332,248	24,077,370	17,138,855	18,297,232	7,199,983	

On-balance sheet financial instruments	Effective Yield / Interest rate	Total	2020									
			Exposed to Yield / Interest risk									Non-interest bearing financial instruments
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
		(Rupees in '000)										
Assets												
Cash and balances with treasury banks	5.25%	30,122	4	-	-	-	-	-	-	-	-	30,118
Balances with other banks	9.25%	3,111,722	3,111,706	-	-	-	-	-	-	-	-	16
Lending to financial institutions		-	-	-	-	-	-	-	-	-	-	-
Investments	11.41%	10,202,696	-	3,968,262	1,501,200	2,600,743	2,132,491	-	-	-	-	-
Advances	8.94%	14,967,077	19,989	536,250	680,395	2,144,044	3,408,958	6,958,092	1,148,474	70,875	-	-
Other assets		359,126	-	-	-	-	-	-	-	-	-	359,126
		28,670,743	3,131,699	4,504,512	2,181,595	4,744,787	5,541,449	6,958,092	1,148,474	70,875	-	389,260
Liabilities												
Advance against share capital		-	-	-	-	-	-	-	-	-	-	-
Borrowings	4.99%	15,248,741	3,960,000	-	-	-	1,000,000	411,550	823,099	2,880,850	6,173,242	-
Deposits and other accounts		-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	3.00%	7,050,716	-	-	-	-	-	282,029	564,057	1,974,196	4,230,434	-
Other liabilities		397,554	-	-	-	-	-	-	-	-	-	397,554
		22,697,011	3,960,000	-	-	-	1,000,000	693,579	1,387,156	4,855,046	10,403,676	397,554
On-balance sheet gap		5,973,732	(828,301)	4,504,512	2,181,595	4,744,787	4,541,449	6,264,513	(238,682)	(4,784,171)	(10,403,676)	(8,294)
Total yield / interest risk sensitivity gap			(828,301)	4,504,512	2,181,595	4,744,787	4,541,449	6,264,513	(238,682)	(4,784,171)	(10,403,676)	
Cumulative yield / interest risk sensitivity gap			(828,301)	3,676,211	5,857,806	10,602,593	15,144,042	21,408,555	21,169,873	16,385,702	5,982,026	

Reconciliation to total assets	**2021**	2020
	(Rupees in '000)	
Balance as per balance sheet	**50,211,026**	28,835,374
Less: Non financial assets		
Fixed assets	**183,072**	157,749
Intangible assets	**23,643**	6,882
	206,715	164,631
Total financial assets	**50,004,311**	28,670,743

Reconciliation to total liabilities	**2021**	2020
	(Rupees in '000)	
Balance as per balance sheet	**42,843,827**	22,697,011
	-	-
Total financial liabilities	**42,843,827**	22,697,011

35.3 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. It includes legal risk but excludes strategic and reputational risk.

The Board of Directors has approved an Operational Risk Management Policy which defines the operational risk framework of the Company. The operational risk framework is defined as per the Company's business model. The Company has a monoline business and by size of fixed / immovable assets, the Company is not a large sized entity, with limited scale of physical operations, one office location, and a limited number of required Human and IT resources. The Company is hence exposed to low exposure to operational risk.

The Operational Risk Management policy defines objective of Operational Risk Management which is to identify, measure, monitor and control Operational Risk exposures of the Company to keep it in line with Company's risk tolerance and business strategy. The policy also defines roles and responsibilities of individuals involved in operational risk management along with operational risk thresholds and tolerances.

The Board has also approved IT policy and IT Security policy. Company has placed a comprehensive IT- Security framework that fits its business model. IT Security is managed through implementation measures for system design, cyber security, confidentiality, integrity, data encryption and secured tunnel.

Operational risk disclosures – Basel II Specific

The Company uses Basic Indicator Approach to calculate capital charge for operational risk as per Basel regulatory framework. This approach is considered to be the most suitable in view of the business model of the Company.

35.4 Liquidity Risk

Liquidity risk is the potential for loss to an institution arising from either its inability to meet its obligations or to fund increase in assets as they fall due without incurring unacceptable cost or losses.

The Board of Directors has approved Liquidity Risk Management Policy and Asset Liability Management Policy which defines liquidity risk framework for the Company.

Liquidity Risk Policy outlines guidelines for liquidity risk management. These guidelines broadly define strategies for managing liquidity positions by devising limits, monitoring tools such as setting liquidity ratios, cashflow needs, reporting mechanisms etc., contingency planning, early warning indicators for raising red flags and roles and responsibilities of individuals involved in liquidity risk management.

The Board has also approved ToRs of ALCO under Asset Liability Management Policy. ALCO is entrusted to efficiently manage the Company's overall assets and liabilities portfolio. The elements of financial losses are mitigated by way of closely monitoring the influence of interest rates and market dynamics on the Company's balance sheet. ALCO also acts as a decision making unit responsible for balance sheet management including strategic management of interest rates and liquidity risks.

The Company periodically calculates LCR, NSFR ratios as well as maturity gaps to monitor liquidity positions. Regulatory stress testing is performed on a quarterly basis.

35.4.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Company

	2021													
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
	(Rupees in '000)													
Assets														
Cash and balances with treasury banks	4,057	4,057	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	15,486,065	3,869,065	-	-	11,617,000	-	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	10,238,557	-	-	-	-	-	-	60	2,115,286	60	6,367,775	451,835	240	1,303,301
Advances	23,714,838	201,287	-	-	25,337	2,003,941	144,603	514,918	1,109,583	521,351	6,492,827	5,519,405	1,088,383	6,093,203
Fixed assets	183,072	-	-	-	2,818	2,805	2,805	8,396	8,342	8,175	30,715	29,027	51,968	38,021
Intangible assets	23,643	-	-	-	19,111	198	198	595	595	595	2,193	102	56	-
Other assets	560,794	30,123	2,445	18,314	80,579	221,241	82,696	80,355	4,200	4,281	16,801	15,539	1,426	2,794
	50,211,026	4,104,532	2,445	18,314	11,744,845	2,228,185	230,302	604,324	3,238,006	534,462	12,910,311	6,015,908	1,142,073	7,437,319
Liabilities														
Borrowings	35,187,449	-	7,184,393	914,315	-	-	1,000,000	-	-	-	411,550	9,711,550	7,323,099	8,642,542
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	7,050,716	-	-	-	-	-	-	-	-	-	282,029	282,029	564,057	5,922,601
Other liabilities	605,662	-	25,162	3,945	2,417	3,824	208,449	154,830	6,605	111,924	29,634	35,072	23,800	-
	42,843,827	-	7,209,555	918,260	2,417	3,824	1,208,449	154,830	6,605	111,924	723,213	10,028,651	7,910,956	14,565,143
Net assets	7,367,199	4,104,532	(7,207,110)	(899,946)	11,742,428	2,224,361	(978,147)	449,494	3,231,401	422,538	12,187,098	(4,012,743)	(6,768,883)	(7,127,824)
Share capital	6,237,759													
Reserves	691,930													
Unappropriated profit	684,872													
Surplus on revaluation of assets	(247,362)													
	7,367,199													

	2020													
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
	(Rupees in '000)													
Assets														
Cash and balances with treasury banks	30,122	30,122	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	3,111,722	2,111,722	-	-	1,000,000	-	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	10,202,696	-	-	-	-	2,968,362	-	-	2,600,743	-	2,132,490	1,501,200	-	999,901
Advances	14,967,077	-	-	-	19,989	410,310	125,939	282,686	391,406	1,783,896	3,484,191	5,110,457	1,308,250	2,049,953
Fixed assets	157,749	-	-	-	3,959	2,178	2,175	6,512	6,436	6,387	24,474	20,410	33,269	51,949
Intangible assets	6,882	-	-	-	194	194	194	582	582	582	2,328	2,226	-	-
Other assets	359,126	12,268	11,811	88,615	22,045	78,527	88,191	20,465	571	571	30,545	713	1,426	3,378
	28,835,374	2,154,112	11,811	88,615	1,046,187	3,459,571	216,499	310,245	2,999,738	1,791,436	5,674,028	6,635,006	1,342,945	3,105,181
Liabilities														
Borrowings	15,248,741	-	3,960,000	-	-	-	-	-	-	-	1,000,000	411,550	823,099	9,054,092
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	7,050,716	-	-	-	-	-	-	-	-	-	-	282,029	564,057	6,204,630
Other liabilities	397,554	-	4,204	-	11,225	-	93,514	117,357	5,562	76,709	22,246	22,246	44,491	-
	22,697,011	-	3,964,204	-	11,225	-	93,514	117,357	5,562	76,709	1,022,246	715,825	1,431,647	15,258,722
Net assets	6,138,363	2,154,112	(3,952,393)	88,615	1,034,962	3,459,571	122,985	192,888	2,994,176	1,714,727	4,651,782	5,919,181	(88,702)	(12,153,541)
Share capital	3,658,506													
Reserves	478,643													
Unappropriated profit	1,917,858													
Surplus / (Deficit) on revaluation of assets	83,356													
	6,138,363													

35.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Company

	2021									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	4,057	4,057	-	-	-	-	-	-	-	-
Balances with other banks	15,486,065	15,486,065	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	10,238,557	-	-	60	2,115,346	6,367,775	451,835	240	1,303,301	-
Advances	23,714,838	226,624	2,148,544	514,918	1,630,934	6,492,827	5,519,405	1,088,383	5,906,954	186,249
Fixed assets	183,072	2,818	5,610	8,396	16,517	30,715	29,027	51,968	38,021	-
Intangible assets	23,643	19,111	396	595	1,190	2,193	102	56	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	560,794	131,461	303,937	80,355	8,481	16,801	15,539	1,426	2,569	225
	50,211,026	15,870,136	2,458,487	604,324	3,772,468	12,910,311	6,015,908	1,142,073	7,250,845	186,474
Liabilities										
Bills payable	-	-	-	-	-	-	-	-	-	-
Borrowings	35,187,449	8,098,708	1,000,000	-	-	411,550	9,711,550	7,323,099	2,057,748	6,584,794
Deposits and other accounts	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	7,050,716	-	-	-	-	282,029	282,029	564,057	1,410,143	4,512,458
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	605,662	31,524	212,274	154,830	118,528	29,634	35,072	23,800	-	-
	42,843,827	8,130,232	1,212,274	154,830	118,528	723,213	10,028,651	7,910,956	3,467,891	11,097,252
Net assets	7,367,199	7,739,904	1,246,213	449,494	3,653,940	12,187,098	(4,012,743)	(6,768,883)	3,782,954	(10,910,778)
Share capital	6,237,759									
Reserves	691,930									
Unappropriated profit	684,872									
Surplus on revaluation of assets	(247,362)									
	7,367,199									

	2020									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	30,122	30,122	-	-	-	-	-	-	-	-
Balances with other banks	3,111,722	3,111,722	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	10,202,696	-	2,968,362	-	2,600,743	2,132,490	1,501,200	-	999,901	-
Advances	14,967,077	19,989	536,250	282,686	2,175,459	3,484,442	5,110,358	1,308,039	2,049,854	-
Fixed assets	157,749	3,331	4,351	6,510	12,818	24,464	20,589	33,736	51,950	-
Intangible assets	6,882	195	389	584	1,169	2,337	2,149	59	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	359,126	134,740	166,718	20,465	1,142	30,545	713	1,426	3,377	-
	28,835,374	3,300,099	3,676,070	310,245	4,791,331	5,674,278	6,635,009	1,343,260	3,105,082	-
Liabilities										
Advance against share capital	-	-	-	-	-	-	-	-	-	-
Borrowings	15,248,741	3,960,000	-	-	-	1,000,000	411,550	823,099	2,880,850	6,173,242
Deposits and other accounts	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	7,050,716	-	-	-	-	-	282,029	564,057	1,974,196	4,230,434
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	397,554	15,249	93,514	117,357	82,270	22,246	22,246	44,492	-	-
	22,697,011	3,975,249	93,514	117,357	82,270	1,022,246	715,825	1,431,648	4,855,046	10,403,676
Net assets	6,138,363	(675,150)	3,582,556	192,888	4,709,061	4,652,032	5,919,184	(88,388)	(1,749,964)	(10,403,676)
Share capital	3,658,506									
Reserves	478,643									
Unappropriated profit	1,917,858									
Surplus / (Deficit) on revaluation of assets	83,356									
	6,138,363									

36 GENERAL

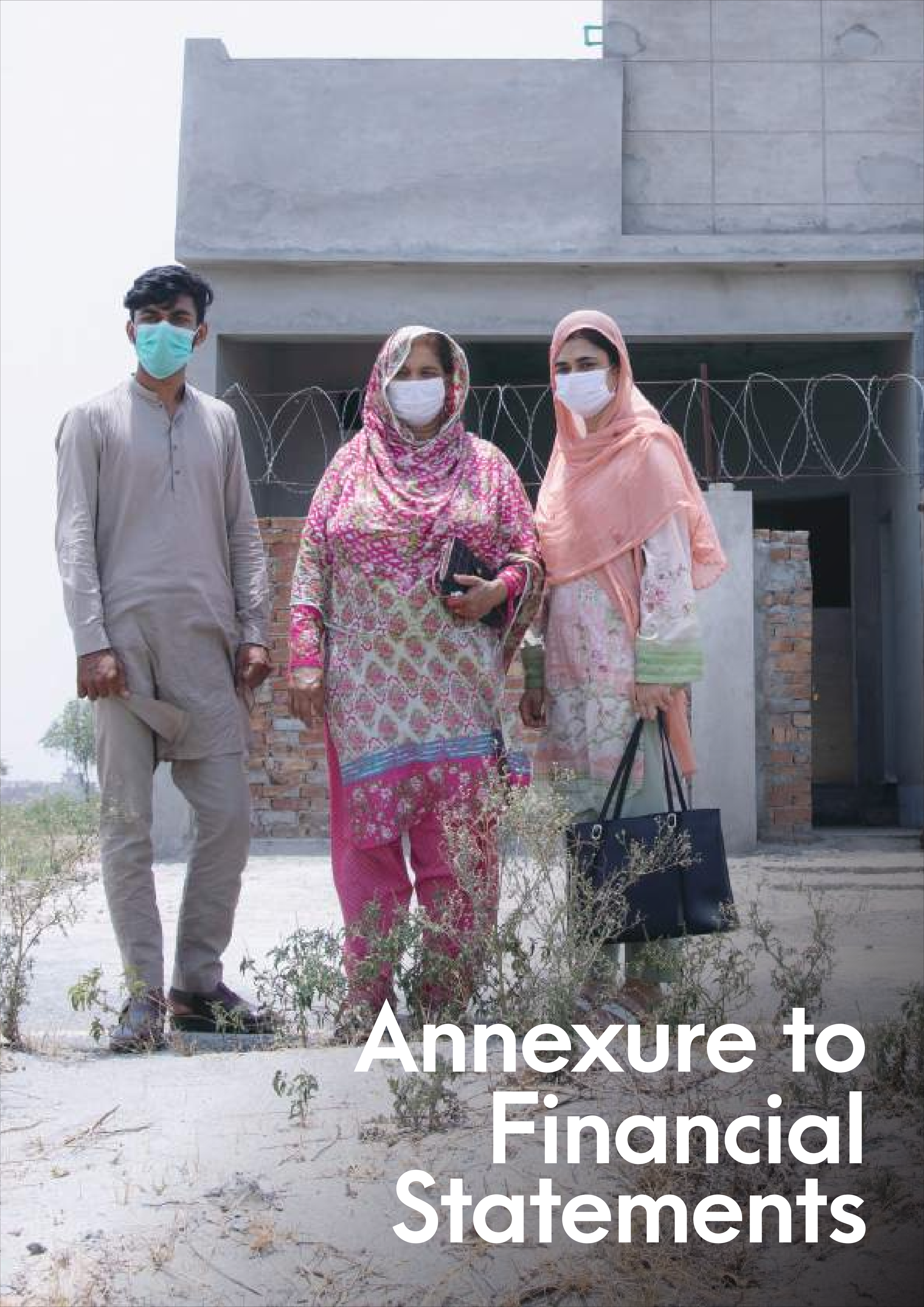
36.1 Captions, as prescribed by BPRD Circular No. 2 of 2018 issued by SBP, in respect of which there are no amounts, have not been reproduced in these financial statements, except for captions of the statement of financial position and profit and loss account.

36.2 Figures have been rounded off to the nearest thousand Rupees unless otherwise stated.

37 DATE OF AUTHORISATION

These financial statements were authorised for issue on February 16, 2022 by the Board of Directors of the Company.

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



Annexure to Financial Statements

Shari'ah Board Report 2021

for the year ended December 31, 2021 presented to the Board of Directors

بسم الله الرحمن الرحيم

الحمد لله رب العلمين والصلاة والسلام علي سيد الانبياء وخاتم النبيين وعلي آله واصحابه اجمعين

The Board of Directors (BoD) of Pakistan Mortgage Refinance Company Limited (herein referred to as 'PMRC') has entrusted the Shari'ah Board (SB) with the task to assess the overall Shari'ah compliance environment within PMRC Islamic Business. The objective of the report is to present a view about the overall Shari'ah compliance level and environment of PMRC Islamic Business.

Scope of the Report

By the grace of Almighty Allah, the year under review was the first year of Islamic Business operations of Pakistan Mortgage Refinance Company Limited. The Board of Directors and Key Executives are solely responsible to ensure that the Islamic Business operations of PMRC are conducted in a manner that complies with Shari'ah principles at all times. The scope of this report is to cover the affairs of the Islamic Business operations of PMRC from Shari'ah perspective as described under "Guidelines and Criteria for Establishing Islamic Banking Institutions (IBIs) and Commencement of Shari'ah Compliant Business and Operations by Development Finance Institutions (DFIs).

Shariah Board's Approvals

During the year under consideration, PMRC amended the Product of Musharakah Mortgage Refinance, as well as issued the Sukuk along with their relevant documents pertaining to existing asset and liability products (total financing and Sukuk of the Islamic business of the Company stands at Rs. 5,300 million and Rs. 4,100 million respectively as at December 31, 2021). Moreover, policies with respect to the Charity, Pool Management, Shari'ah Non-compliance Risk (SNCR) Management along with possible SNCR list, Shari'ah Compliance Framework and Service Level Agreement (SLA) were prepared to enhance the Shari'ah compliance capabilities of the PMRC Islamic Business. In this regard, the Shari'ah Board reviewed, amended and approved the same, ensuring that the products offered and policies devised by the PMRC are sound as per Shari'ah.

Shari'ah Compliance Unit Review

The Shari'ah Compliance Unit (SCU) reviewed during the year profit distribution among the investors with respect to the pool management guidelines and verified distribution of profit and loss to the investors (Sukuk holders) prior to the disbursement as well as reviewed treasury deal tickets (PMRC Islamic Business Mudarabah based borrowing from conventional side of PMRC) in light of the Shari'ah guidelines as given by the Shari'ah Board of PMRC.

SCU also facilitated the business team in obtaining approvals of various transactions from the Shari'ah Board. SCU extended its support for Shari'ah structuring and developing modalities as well.

Shari'ah Board Opinion

To form our opinion as expressed in this report, we studied the reports of the reviews carried out by Resident Shari'ah Board Member & Head Shari'ah Compliance Unit (RSBM & HSCU) - on quarterly basis – of each class of transactions and of the relevant documentations. Based on above, we are of the view that:

i) Business affairs of PMRC Islamic Business, especially with reference to the transactions, relevant documentation and procedures performed and executed by PMRC during the year of 2021 are, by and large, in compliance with fatwas/opinions/advices issued by the Shari'ah Board.

ii) PMRC has complied with directives, regulations, instructions, and guidelines related to Shari'ah compliance issued by State Bank of Pakistan (SBP) in accordance with the rulings of the SBP's Shari'ah Supervisory Committee (SAC).

iii) PMRC has a mechanism in place to ensure Shari'ah compliance in its operations through SCU.

iv) PMRC has a well-defined charity policy in place to ensure that earnings realised from sources or means prohibited by Shari'ah are credited to the charity account to warrant that the income distributed among stakeholders generally remains Halal and pure. However, in the year 2021, no charity amount is recovered from the customers as charity on account of delays in payments.

v) The allocation of Profit and Losses to investors, which was reviewed by SCU on a monthly basis, is generally in conformity with the Shari'ah Rules and Principles and Pool Management Guidelines of SBP.

vi) Management is providing resources to SCU as per the Shari'ah Board requirements.

Recommendations

The Shari'ah Board's recommendations are as follow:

- The Head of Islamic business to be appointed needs to be a seasoned and experienced who can accomplish the Islamic Business targets and manage the pool, treasury and finance matters of PMRC Islamic Business as well.
- Shari'ah Compliance officer will be appointed depending on the business requirement.
- The role of Shari'ah Audit will be performed by existing Internal Audit staff. In this regard, the staff will be trained for Shari'ah Audit so that he may discharge respective responsibilities in a proper and timely manner.

May Almighty Allah forgive our shortcomings and mistakes that we may have committed willingly or unwillingly, and grant us success in this world and hereafter.

وصلی الله تعالي علي سيدنا ومولانا ونبينا محمد وآله واصحابہ وبارک وسلم

Dr. Mufti Muhammad Yunas Ali
Resident Member Shari'ah Board & Head
Shari'ah Compliance Unit

Mufti Ehsan Waquar Ahmad
Chairman Shari'ah Board

Date: **February 16, 2022**

Annexure

For the year ended December 31, 2021

The Company is managing the opearations of its Shariah Compliant products through its Head Office. The statement of financial position and profit and loss account for the year ended December 31, 2021 are as follows:

		Note	2021	2020
(A)	**Statement of financial position**		**(Rupees in '000)**	
	ASSETS			
	Balances with other banks	1	1,642,363	1,100,005
	Islamic financing and related assets - net		5,328,558	3,408,824
	Other assets		67,098	47,551
			7,038,019	4,556,380
	LIABILITIES	2		
	Due to financial institutions		4,100,000	-
	Due to head office		2,563,385	4,345,718
	Other liabilities		97,655	961
			6,761,040	4,346,679
	NET ASSETS		276,979	209,701
	REPRESENTED BY			
	Islamic banking fund		150,000	150,000
	Reserves		25,396	11,940
	Unappropriated profit		101,583	47,761
			276,979	209,701
	CONTINGENCIES AND COMMITMENTS	3		
(B)	Profit and loss account			
	Profit / return earned	4	440,035	182,260
	Profit / return expensed	5	362,802	134,230
	Net profit / return		77,233	48,030
	Other income			
	Fee and commission income		-	-
	Dividend income		-	-
	Foreign exchange income		-	-
	Income / (loss) from derivatives		-	-
	Gain / (loss) on securities		-	-
	Other income		-	-
			-	-
	Total income		77,233	48,030
	Other expenses			
	Operating expenses		8,411	4,858
	Workers' Welfare Fund		1,545	961
	Total other expenses		9,956	5,819
	Profit before provisions		67,278	42,211
	Provisions and write offs - net		-	-
	Profit before taxation		67,278	42,211
	Taxation		-	-
	Profit after taxation		67,278	42,211

	Note	2021	2020
		(Rupees in '000)	
1 ISLAMIC FINANCING AND RELATED ASSETS - NET			
Musharakah financing		5,328,091	3,408,824
Employee staff loans		467	-
		5,328,558	3,408,824
2 DUE TO FINANCIAL INSTITUTION			
Sukuk certificates	2.1	4,100,000	-

2.1 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 expected rates of profit 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.

3 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at December 31, 2021 and December 31, 2020.

	2021	2020
4 PROFIT / RETURN EARNED	(Rupees in '000)	
Profit earned on:		
Financing	306,238	159,398
Balances with banks	3,555	22,862
	309,793	182,260
5 PROFIT / RETURN EXPENSED		
Profit expensesd on:		
Financing	22,486	-

6 POOL MANAGEMENT

The Company maintains individual pool for each sukuk certificates issued by the Company. The objective of the pools is to effectively manage investments in sukuk certificates to earn and distribute from earning assets. The funds in these pools are generally deployed in specific assets against mortgage financing and placements in Islamic deposits.

The relationship between investors / partners is based on the concept of Shirkat-ul-'Aqd, in accordance with the principles of Shariah. Profit-sharing ratio (PSR) is decided as per the agreement between the partners for each sukuk certificate issued. Loss, if any, is borne by the partners as per their proportionate share in overall investment.

The average rate of profit earned on the earning assets in the pools during the year was 7.49% per annum and 8.25% per annum respectively. Profit rate of 8.25% per annum and 8.63% per annum was distributed to the investors. The percentage of distributable income of the Issuer was 31.45% per annum and 23.93% annum and after distribution of share of profit to investors through Hiba amounting to Rs. 19,212 million and Rs. 1,507 million respectively, the share of the profit of the Issuer amounted to Rs. 41,883 million and Rs. 4,789 million respectively.

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