



INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Pakistan Mortgage Refinance Company Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Pakistan Mortgage Refinance Company Limited** (the Company) as at June 30, 2022 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim cash flow statement, and notes to the financial statements for the half year then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures for the quarters ended June 30, 2022 and June 30, 2021 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Scope of Review

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

Conclusion

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

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

A.F. Ferguson & Co.

A. F. Ferguson & Co.

Chartered Accountants

Karachi

Dated: August 25, 2022

UDIN: RR2022100680mTJbKelk



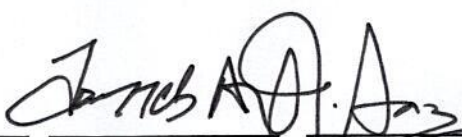

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022

	Note	(Un-audited) June 30, 2022	(Audited) December 31, 2021
------(Rupees in '000)-----			
ASSETS			
Cash and balances with treasury banks	7	2,853	4,057
Balances with other banks	8	10,415,519	15,486,065
Lendings to financial institutions	9	1,000,000	-
Investments	10	13,943,742	10,238,557
Advances	11	27,671,969	23,714,838
Fixed assets	12	162,513	183,072
Intangible assets	13	34,500	23,643
Deferred tax assets		-	-
Other assets	14	809,812	560,794
		<u>54,040,908</u>	<u>50,211,026</u>
LIABILITIES			
Bills payable		-	-
Borrowings	15	38,394,657	35,187,449
Deposits and other accounts		-	-
Liabilities against assets subject to finance lease		-	-
Subordinated debt	16	7,050,716	7,050,716
Deferred tax liabilities		-	-
Other liabilities	17	685,245	605,662
		<u>46,130,618</u>	<u>42,843,827</u>
NET ASSETS		<u>7,910,290</u>	<u>7,367,199</u>
REPRESENTED BY			
Share capital		6,237,759	6,237,759
Reserves		822,621	691,930
Deficit on revaluation of assets	18	(357,727)	(247,362)
Unappropriated profit		1,207,637	684,872
		<u>7,910,290</u>	<u>7,367,199</u>
CONTINGENCIES AND COMMITMENTS	19		

The annexed notes from 1 to 29 and annexure form an integral part of these condensed interim financial statements.

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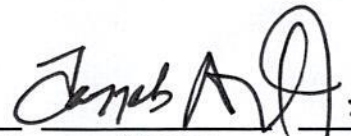


Managing Director / Chief Executive Officer Chief Financial Officer Director Director Director

PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED JUNE 30, 2022

Note	Half year ended		Quarter ended		
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	
----- (Rupees in '000) -----					
Mark-up / return / interest / profit earned	20	2,165,452	1,233,486	1,195,159	672,825
Mark-up / return / interest / profit expensed	21	1,274,570	485,537	708,326	302,358
Net mark-up / interest income		890,882	747,949	486,833	370,467
Non mark-up / interest income					
Fee and commission income		-	-	-	-
Dividend income		-	-	-	-
Foreign exchange income		-	-	-	-
Income / (loss) from derivatives		-	-	-	-
Gain on securities		3,298	118	3,298	118
Other income		1,317	107	455	-
Total non-markup / interest income		4,615	225	3,753	118
Total income		895,497	748,174	490,586	370,585
Non mark-up / interest expense					
Operating expenses	22	196,400	161,937	103,421	81,153
Workers' Welfare Fund		13,336	11,725	7,397	5,789
Other charges		-	-	-	-
Total non-markup / interest expenses		209,736	173,662	110,818	86,942
Profit before provisions		685,761	574,512	379,768	283,643
Provisions and write offs - net		32,305	-	17,305	-
Extraordinary / unusual items		-	-	-	-
Profit before taxation		653,456	574,512	362,463	283,643
Taxation	23	-	-	-	-
Profit after taxation		653,456	574,512	362,463	283,643
----- (Rupees) ----- (Restated)					
Basic and diluted earnings per share	24	1.05	0.92	0.58	0.45

The annexed notes from 1 to 29 and annexure form an integral part of these condensed interim financial statements.

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

PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED
 CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
 FOR THE HALF YEAR AND QUARTER ENDED JUNE 30, 2022

	Half year ended		Quarter ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
----- (Rupees in '000) -----				
Profit after taxation for the period	653,456	574,512	362,463	283,643
Other comprehensive loss				
Items that may be reclassified to the profit and loss account in subsequent periods:				
Movement in deficit on revaluation of investments	(110,365)	(85,714)	(79,602)	(25,123)
Total comprehensive income	<u>543,091</u>	<u>488,798</u>	<u>282,861</u>	<u>258,520</u>

The annexed notes from 1 to 29 and annexure form an integral part of these condensed interim financial statements.

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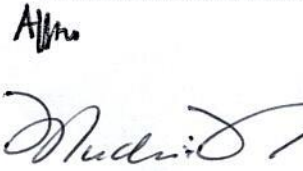



Managing Director / Chief Executive Officer Chief Financial Officer Director Director Director

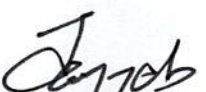
PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED JUNE 30, 2022

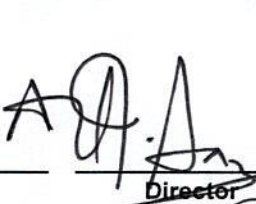
	Share capital	Statutory reserve	Surplus / (deficit) on revaluation of investments	Unappropriated profit	Total
	(Rupees in '000)				
Balance as at January 1, 2021 (audited)	3,658,506	478,643	83,356	1,917,858	6,138,363
Total comprehensive income for the period					
Profit after taxation for the half year ended June 30, 2021	-	-	-	574,512	574,512
Other comprehensive loss					
Remeasurement gain on defined benefit plan	-	-	-	-	-
Movement in surplus on revaluation of investments	-	-	(85,714)	-	(85,714)
Total comprehensive income for the half year ended June 30, 2021	-	-	(85,714)	574,512	488,798
Transfer to statutory reserve	-	114,902	-	(114,902)	-
Transactions with owners recorded directly in equity					
Issue of share capital	500,000	-	-	-	500,000
Balance as at June 30, 2021 (un-audited)	<u>4,158,506</u>	<u>593,545</u>	<u>(2,358)</u>	<u>2,377,468</u>	<u>7,127,161</u>
Total comprehensive income for the period					
Profit after taxation for the half year ended December 31, 2021	-	-	-	491,921	491,921
Other comprehensive loss					
Remeasurement loss on defined benefit plan	-	-	-	(6,879)	(6,879)
Movement in deficit on revaluation of investments	-	-	(245,004)	-	(245,004)
Total comprehensive income for the half year ended December 31, 2021	-	-	(245,004)	485,042	240,038
Transfer to statutory reserve	-	98,385	-	(98,385)	-
Transactions with owners recorded directly in equity					
Issue of bonus shares	2,079,253	-	-	(2,079,253)	-
Balance as at December 31, 2021 (audited)	<u>6,237,759</u>	<u>691,930</u>	<u>(247,362)</u>	<u>684,872</u>	<u>7,367,199</u>
Total comprehensive income for the period					
Profit after taxation for the half year ended June 30, 2022	-	-	-	653,456	653,456
Other comprehensive income					
Remeasurement gain on defined benefit plan	-	-	-	-	-
Movement in deficit on revaluation of investments	-	-	(110,365)	-	(110,365)
Total comprehensive income for the half year ended June 30, 2022	-	-	(110,365)	653,456	543,091
Transfer to statutory reserve	-	130,691	-	(130,691)	-
Balance as at June 30, 2022 (un-audited)	<u>6,237,759</u>	<u>822,621</u>	<u>(357,727)</u>	<u>1,207,637</u>	<u>7,910,290</u>


The annexed notes from 1 to 29 and annexure form an integral part of these condensed interim financial statements.


 Managing Director / Chief Executive Officer


 Chief Financial Officer


 Director


 Director


 Director

PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2022

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 inter alia 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 PREPARATION

2.1 Statement of compliance

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017;
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP);
- 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 IAS 34, the requirements of the Companies Act, 2017, the Banking Companies Ordinance, 1962 and the said directives shall prevail.

2.2 These condensed interim financial statements of the Company do not include all the information and disclosures required in the annual audited financial statements and are limited based on the format prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular Letter No. 05, dated March 22, 2019, and International Accounting Standard (IAS) 34, 'Interim Financial Reporting'. Accordingly, these condensed interim financial statements should be read in conjunction with the annual audited financial statements of the Company for the year ended December 31, 2021.

2.3 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 condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

2.4 Standards, interpretations and amendments to the accounting and reporting standards that are effective in the current period

There are certain new standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2022 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 condensed interim financial statements.

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

- 2.5.1 The SBP vide its BPRD Circular No. 3 dated July 5, 2022 has notified the effective date of IFRS 9, 'Financial instruments' as January 1, 2023. 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. Moreover, the SBP has also issued application instructions on IFRS 9 for banks / DFIs in Pakistan along with the requirements to conduct quarterly parallel run reporting for the financial year 2022 and the Company is in the process of complying with the same.
- 2.5.2 There are certain other new standards, interpretations and amendments to the accounting and reporting standards that are mandatory for the Company's annual accounting periods beginning on or after January 1, 2023. However, these will not have any significant impact on the Company's operations and, therefore, have not been detailed in these condensed interim financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 3.1 The significant accounting policies applied in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the annual audited financial statements of the Company for the year ended December 31, 2021.

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.

The significant judgments and estimates made by the management in the application of its accounting policies and the related estimates and judgments are the same as those applied to the annual audited financial statements of the Company for the year ended December 31, 2021.

5 BASIS OF MEASUREMENT

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

- Obligation in respect of staff retirement benefits 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.

5.1 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 condensed interim financial statements have been presented in Pakistani Rupees, which is the Company's functional and presentation currency.

6 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the annual audited financial statements for the year ended December 31, 2021. These risk management policies continue to remain robust and the Company is reviewing its portfolio regularly and conducts rapid portfolio reviews in line with emerging risks.

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7	CASH AND BALANCES WITH TREASURY BANKS	Note	(Un-audited)	(Audited)
			June 30, 2022	December 31, 2021
------(Rupees in '000)-----				
	With State Bank of Pakistan in:			
	Local currency current account	7.1	2,813	4,017
	With National Bank of Pakistan in:			
	Local currency current accounts	7.2	31	31
	Local currency deposit account		9	9
	Prize bonds		40	40
			-	-
			2,853	4,057

7.1 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.

7.2 This represents deposit account maintained with National Bank of Pakistan. This carries mark-up at the rate of 9.26% (December 31, 2021: 7.50%) per annum.

8	BALANCES WITH OTHER BANKS	Note	(Un-audited)	(Audited)
			June 30, 2022	December 31, 2021
------(Rupees in '000)-----				
	In Pakistan			
	In current account		1	16
	In deposit accounts		10,415,518	15,486,049
			10,415,519	15,486,065

8.1 These include term deposit receipts (TDRs) amounting to Rs. 8,000 million (December 31, 2021: Rs. 11,617 million) and are due to mature latest by July 27, 2022 (December 31, 2021: January 28, 2022). These carry mark-up at rates ranging from 16% to 17.25% (December 31, 2021: 12% to 12.25%) per annum.

8.2 These include deposit accounts in local currency maintained with other banks. These carry mark-up at rates ranging from 11% to 14.60% (December 31, 2021: 5.75% to 11%) per annum.

9	LENDINGS TO FINANCIAL INSTITUTIONS	(Un-audited)	(Audited)
		June 30, 2022	December 31, 2021
------(Rupees in '000)-----			
	Certificates of investment	1,000,000	-

9.1 These carry mark-up at the rate of 17.50% (December 31, 2021: nil) per annum and will mature on July 3, 2023.

10 INVESTMENTS

10.1	Investments by type:	(Un-audited)				(Audited)			
		June 30, 2022				December 31, 2021			
		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
------(Rupees in '000)-----									
	Available-for-sale securities								
	Non-government debt securities	299,940	-	6,118	306,058	300,000	-	-	300,000
	Federal government securities	13,006,631	-	(363,845)	12,642,786	9,202,374	-	(247,362)	8,955,012
		13,306,571	-	(357,727)	12,948,844	9,502,374	-	(247,362)	9,255,012
	Held-to-maturity securities								
	Federal government securities	994,898	-	-	994,898	983,545	-	-	983,545
		994,898	-	-	994,898	983,545	-	-	983,545
	Total investments	14,301,469	-	(357,727)	13,943,742	10,485,919	-	(247,362)	10,238,557

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10.2 Investments given as collateral

(Un-audited)			(Audited)			
June 30, 2022			December 31, 2021			
Cost / amortised cost	Deficit	Carrying value	Cost / amortised cost	Deficit	Carrying value	
----- (Rupees in '000) -----						
Pakistan Investment Bonds	5,443,234	(152,923)	5,290,311	8,323,472	(195,387)	8,128,085

10.3 The market value of securities classified as held-to-maturity as at June 30, 2022 amounted to Rs. 986.978 million (December 31, 2021: Rs. 984.123 million).

11 ADVANCES

	Performing		Non-performing		Total	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
	(Un-audited)	(Audited)	(Un-audited)	(Audited)	(Un-audited)	(Audited)
----- (Rupees in '000) -----						
Loans, cash credits, running finances, etc.	18,034,924	18,386,280	-	-	18,034,924	18,386,280
Islamic financing and related assets	9,669,350	5,328,558	-	-	9,669,350	5,328,558
Advances - gross	27,704,274	23,714,838	-	-	27,704,274	23,714,838
Provision against advances						
- Specific	-	-	-	-	-	-
- General	32,305	-	-	-	32,305	-
	32,305	-	-	-	32,305	-
Advances - net of provision	27,671,969	23,714,838	-	-	27,671,969	23,714,838

11.1 Particulars of advances (gross)

In local currency	(Un-audited) June 30, 2022	(Audited) December 31, 2021
	----- (Rupees in '000) -----	
	27,704,274	23,714,838

11.2 Particulars of provision against advances

	(Un-audited)			(Audited)		
	June 30, 2022			December 31, 2021		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
Opening balance	-	-	-	-	-	-
Charge for the period	-	32,305	32,305	-	-	-
Reversals during the period	-	-	-	-	-	-
Amounts written off	-	-	-	-	-	-
Closing balance	-	32,305	32,305	-	-	-

11.2.1 The Company has maintained a general provision of Rs 32.305 million (December 31, 2021: nil) against financing made on prudent basis, in view of prevailing economic conditions, including recent inflationary pressure.

Note	(Un-audited) June 30, 2022	(Audited) December 31, 2021
	----- (Rupees in '000) -----	

12 FIXED ASSETS

Property and equipment	12.1	162,513	183,072
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12.1 This includes right-of-use asset amounting to Rs. 79.957 million (December 31, 2021: Rs. 91.658 million).

12.2 Additions to fixed assets

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

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		(Un-audited)	
		Half year ended	
		June 30, 2022	June 30, 2021
		------(Rupees in '000)-----	
	Property and equipment		
	Furniture, fixtures	348	12,680
	Leasehold improvements	-	31,493
	Electrical office and computer equipment	2,872	2,380
		3,220	46,553
	Total	<u>3,220</u>	<u>46,553</u>
12.3	Disposal of fixed assets		
	The net book value of fixed assets disposed of during the period is as follows:		
	Furniture and fixtures - cost	-	19,647
	Accumulated depreciation	-	(6,775)
		-	12,872
	Electrical office and computer equipment - cost	743	683
	Accumulated depreciation	(638)	(413)
		105	270
	Total net book value	<u>105</u>	<u>13,142</u>
13	INTANGIBLE ASSETS		
		Note	
			(Un-audited) (Audited)
			June 30, December
			2022 31, 2021
			------(Rupees in '000)-----
	Computer software	13.1	4,024 4,730
	Capital work-in-progress	13.2	30,476 18,913
			<u>34,500 23,643</u>
13.1	Additions to intangible assets		
	The following additions have been made to intangible assets during the period:		
			(Un-audited)
			Half year ended
			June 30, 2022 June 30, 2021
			------(Rupees in '000)-----
	Computer software		<u>519 216</u>
13.2	This includes an advance amounting to Rs. 30.024 million paid to AutoSoft Dynamics (Private) Limited against deployment of loan and credit system.		
14	OTHER ASSETS		
		Note	
			(Un-audited) (Audited)
			June 30, December
			2022 31, 2021
			------(Rupees in '000)-----
	Mark-up / return / interest / profit accrued in local currency		688,642 456,313
	Advances, deposits, advance rent and other prepayments		94,137 77,512
	Advance taxation (payments less provisions)		27,033 26,969
			809,812 560,794
	Less: Provision held against other assets		- -
			<u>809,812 560,794</u>
15	BORROWINGS		
	Secured		
	Term finance certificates	15.1	18,700,000 12,700,000
	Sukuk certificates	15.2	4,100,000 4,100,000
	Repurchase agreement borrowings	15.3	5,305,916 8,098,708
	Total secured		<u>28,105,916 24,898,708</u>
	Unsecured		
	Borrowings from Government of Pakistan under World Bank - Housing Finance Project	15.4	10,288,741 10,288,741
			<u>38,394,657 35,187,449</u>

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- 15.1 The Company has issued term finance certificates amounting to Rs. 7,000 million (December 31, 2021: Rs. 11,700 million) during the period. These certificates have maturity of three to ten years and carry rate of interest ranging from 8.41% to 14.33% (December 31, 2021: 8.41% to 9.94%) per annum. The principal is payable at maturity whereas interest is payable semi-annually. Further, term finance certificates amounting to Rs. 1,000 million matured during the period on March 17, 2022.
- 15.2 These sukuk certificates have a maturity of three years and carry fixed rate of profit ranging from 8.25% to 8.63% (December 31, 2021: 8.25% to 8.63%) per annum. The principal is payable at maturity whereas profit is payable semi-annually.
- 15.3 These represent borrowings from various financial institutions at mark-up rates ranging from 13.00% to 13.95% (December 31, 2021: 10.10% to 10.50%) per annum and are due to mature latest by August 12, 2022. The market value of securities given as collateral against these borrowings is given in note 10.2.
- 15.4 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.

16 SUBORDINATED DEBT

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

		(Un-audited) June 30, 2022	(Audited) December 31, 2021
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
	Note	(Un-audited) June 30, 2022	(Audited) December 31, 2021
17 OTHER LIABILITIES		------(Rupees in '000)-----	
Mark-up / return / interest / profit payable in local currency		399,668	306,123
Lease liability against right-of-use assets		84,893	94,062
Provision for government levies		84,004	70,640
Provision for employees' benefit		43,809	61,274
Accrued expenses		29,775	38,277
Payable against transaction cost for term finance / sukuk certificates		25,750	22,478
Payable against purchase of fixed assets		11,563	2,907
Payable to defined benefit plan		5,783	9,901
		<u>685,245</u>	<u>605,662</u>
18 DEFICIT ON REVALUATION OF ASSETS			
Deficit on revaluation of			
- Available for sale securities	10.1	<u>(357,727)</u>	<u>(247,362)</u>
19 CONTINGENCIES AND COMMITMENTS			

There were no contingencies and commitments outstanding as at June 30, 2022 and December 31, 2021.

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Note	(Un-audited)	
	Half year ended	
	June 30, 2022	June 30, 2021
	------(Rupees in '000)-----	
20 MARK-UP / RETURN / INTEREST / PROFIT EARNED		
On:		
Loans and advances	990,476	629,711
Investments	724,145	499,485
Lendings to financial institutions	51,925	9,386
Balances with banks (including term deposit receipts)	398,906	94,904
	<u>2,165,452</u>	<u>1,233,486</u>
21 MARK-UP / RETURN / INTEREST / PROFIT EXPENSED		
On:		
Borrowings from Government of Pakistan under Housing Finance Project	154,331	154,331
Repurchase agreement borrowings	156,856	78,291
Term finance certificates	680,929	52,375
Sukuk certificates	172,679	89,987
	1,164,795	374,984
Subordinated debt	105,761	105,761
Lease liability against right-of-use assets	4,014	4,792
	<u>1,274,570</u>	<u>485,537</u>
22 OPERATING EXPENSES		
Total compensation expense	139,465	117,315
Property expense		
Rent	-	1,374
Insurance	356	249
Utilities cost	1,327	973
Security	290	290
Repair and maintenance	159	115
Depreciation	11,701	11,701
	13,833	14,702
Information technology expenses		
Software maintenance	3,665	2,509
Rent-disaster recovery site	424	424
Hardware maintenance	199	65
Depreciation	3,500	3,555
Amortisation	1,225	1,178
Network charges	957	772
	9,970	8,503
Other operating expenses		
Directors' fees and allowances	2,680	4,610
Legal and professional charges	6,389	1,197
Fees and subscription	1,729	1,211
Outsourced services costs	2,778	2,008
Travelling and conveyance	1,136	1,182
Depreciation	8,473	2,292
Training and development	317	1,936
Postage and courier charges	91	29
Communication	601	730
Printing and stationery	777	1,477
Marketing, advertisement and publicity	2,518	1,470
Donations	500	500
Auditors' remuneration	1,323	455
Insurance	2,399	815
Vehicle repair and maintenance	139	470
Entertainment	245	227
Others	1,037	808
	<u>33,132</u>	<u>21,417</u>
	<u>196,400</u>	<u>161,937</u>

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23 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.

24 BASIC AND DILUTED EARNINGS PER SHARE

	(Un-audited)	
	Half year ended	
	June 30, 2022	June 30, 2021
	------(Rupees in '000)-----	
Profit for the period	653,456	574,512
	(Number of shares)	
	(Restated)	
Weighted average number of ordinary shares	623,775,900	622,670,928
	------(Rupees)-----	
	(Restated)	
Basic earnings per share	1.05	0.92

24.1 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 June 30, 2022.

25 FAIR VALUE MEASUREMENTS

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.

25.1 Fair value of financial assets

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

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

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

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

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

	(Un-audited)			
	June 30, 2022			
	Level 1	Level 2	Level 3	Total
	------(Rupees in '000)-----			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal government securities	-	12,642,786	-	12,642,786
Non-government debt securities	-	306,058	-	306,058
Financial assets - disclosed but not measured at fair value				
Federal government securities	-	986,978	-	986,978

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On balance sheet financial instruments	(Audited)			
	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Financial assets - measured at fair value	(Rupees in '000)			
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

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.

26 RELATED PARTY TRANSACTIONS

The Company has related party relationship with its major shareholders, directors, key management personnel and their close family members, Credit Guarantee Trust 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 period, other than those which have been disclosed elsewhere in these condensed interim financial statements, are as follows:

(Un-audited)			(Audited)		
June 30, 2022			December 31, 2021		
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

Local currency current accounts	-	-	31	-	-	31
Local currency deposit account	-	-	9	-	-	9
	-	-	40	-	-	40

Balances with banks

In current account	-	-	1	-	-	16
In deposit accounts	-	-	8,000,112	-	-	13,140,734
	-	-	8,000,113	-	-	13,140,750

Lendings to financial institutions

Opening balance	-	-	-	-	-	-
Addition during the period	-	-	14,977,678	-	-	6,903,367
Repaid during the period	-	-	(14,977,678)	-	-	(6,903,367)
Closing balance	-	-	-	-	-	-

(Un-audited)			(Audited)		
June 30, 2022			December 31, 2021		
Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties

(Rupees in '000)

Advances

Opening balance	-	44,233	5,918,270	-	89,624	4,627,769
Addition during the period	-	20,642	1,200,000	-	8,174	3,050,000
Repaid during the period	-	(2,328)	(235,267)	-	(53,565)	(1,759,499)
Closing balance	-	62,547	6,883,003	-	44,233	5,918,270

Other assets

Interest / mark-up accrued	-	-	138,905	-	-	99,846
Other receivable	-	-	6,778	-	-	24,071
	-	-	145,683	-	-	123,917

Borrowings

Opening balance *	-	-	14,184,693	-	-	2,960,000
Borrowings during the period	-	-	70,177,263	-	-	135,864,346
Settled during the period	-	-	(70,868,535)	-	-	(121,939,653)
Closing balance	-	-	13,493,421	-	-	16,884,693

Other liabilities

Interest / mark-up payable	-	-	91,719	-	-	78,289
Payable to defined benefit plan	-	-	5,783	-	-	9,901
Payable to defined contribution plan	-	-	12	-	-	-
	-	-	97,514	-	-	88,190

* Allied Bank Limited has been excluded from the above analysis as it is no longer a related party as at June 30, 2022. Allied Bank Limited was a related party as at December 31, 2021 having a balance of Rs. 2,700 million.

(Un-audited)			(Un-audited)		
June 30, 2022			June 30, 2021		
Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties

(Rupees in '000)

Profit and loss account**Income**

Mark-up / return / interest / profit earned	-	1,202	488,525	-	1,739	258,118
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Expensed

Mark-up / return / interest / profit expensed	-	-	487,176	-	-	118,860
Operating expenses	2,680	145,599	10,499	4,610	97,216	9,087

- 26.1 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.

(Un-audited)	(Audited)
June 30, 2022	December 31, 2021
----- (Rupees in '000) -----	

27 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS**Minimum Capital Requirement (MCR):**

Paid-up capital	6,237,759	6,237,759
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Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	7,875,790	7,343,556
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	7,875,790	7,343,556
Eligible Tier 2 Capital	32,305	-
Total Eligible Capital (Tier 1 + Tier 2)	7,908,095	7,343,556

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	(Un-audited) June 30, 2022	(Audited) December 31, 2021
	----- (Rupees in '000) -----	
Risk Weighted Assets (RWAs):		
Credit Risk	11,290,989	11,104,652
Market Risk	-	-
Operational Risk	2,725,189	2,725,189
Total	<u>14,016,178</u>	<u>13,829,841</u>
Common Equity Tier 1 Capital Adequacy Ratio	<u>56.19%</u>	<u>53.10%</u>
Tier 1 Capital Adequacy Ratio	<u>56.19%</u>	<u>53.10%</u>
Total Capital Adequacy Ratio	<u>56.42%</u>	<u>53.10%</u>
Leverage Ratio (LR):		
Eligible Tier-1 Capital	7,875,790	7,343,556
Total Exposure	57,810,618	46,112,354
Leverage Ratio	<u>13.62%</u>	<u>15.93%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	5,428,139	830,984
Total Net Cash Outflow	4,115	7,881
Liquidity Coverage Ratio	<u>131911%</u>	<u>10544%</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	47,874,158	40,483,014
Total Required Stable Funding	34,830,180	30,293,422
Net Stable Funding Ratio	<u>137.45%</u>	<u>133.64%</u>

28 GENERAL

28.1 These condensed interim financial statements have been prepared in accordance with the format as prescribed by the SBP through BPRD Circular Letter No. 05 dated March 22, 2019 and related clarifications / modifications.

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

29 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on August 24, 2022 by the Board of Directors of the Company.


 Managing Director /
 Chief Executive Officer


 Chief Financial Officer


 Director


 Director


 Director

1 ISLAMIC FINANCING AND RELATED ASSETS - NET

This represents Islamic financing under musharakah financing facility. The tenure of this financing facility varies from 3 years to 13 years with profit rates ranging from 5.33% to 11.21% per annum.

2 DUE TO FINANCIAL INSTITUTIONS

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, 2021: 4,100 million) 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.

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