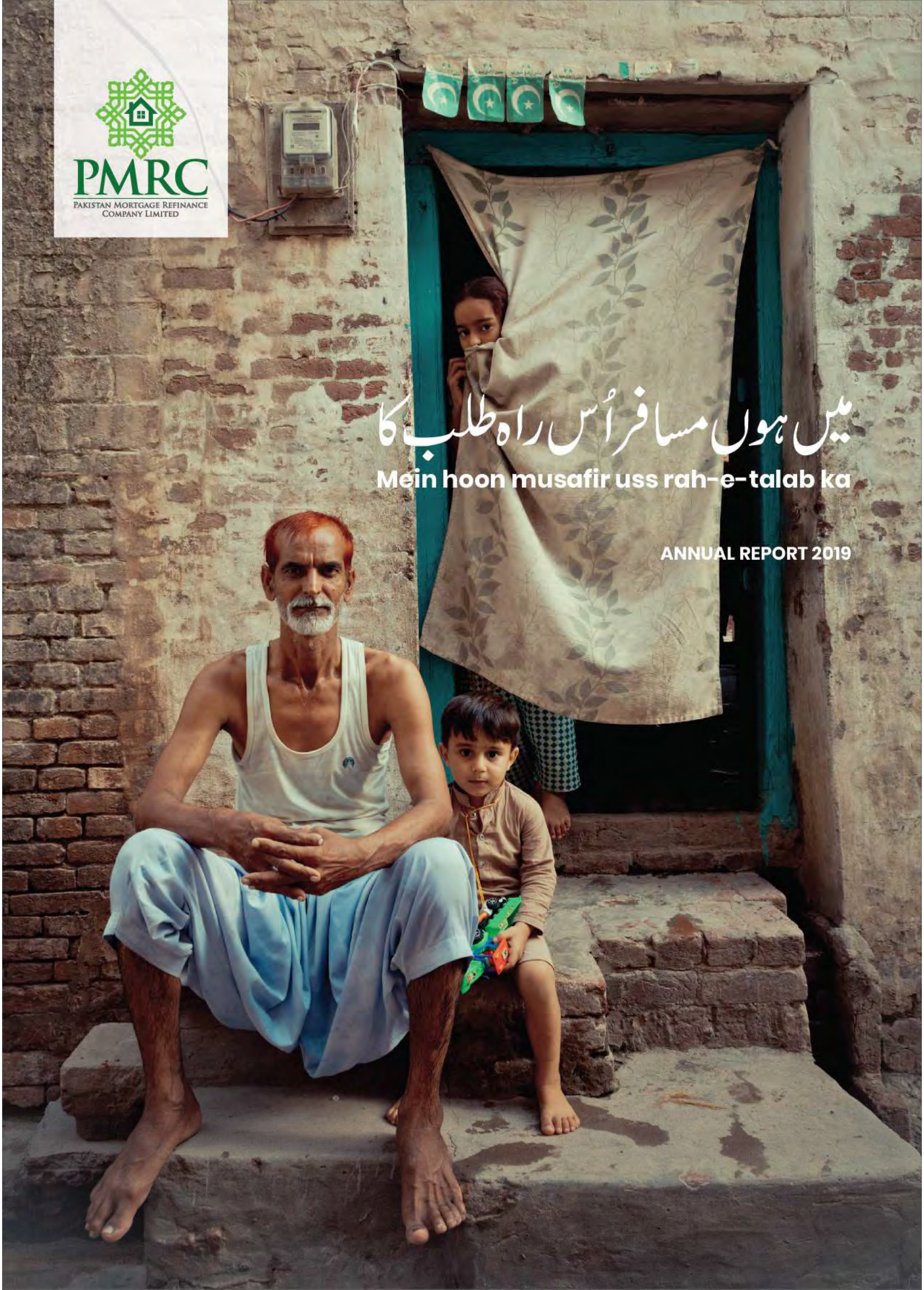
PMRC
PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED

میں ہوں مسافر اُس راہ طلب کا

Mein hoon musafir uss rah-e-talab ka

ANNUAL REPORT 2019



PMRC

PAKISTAN MORTGAGE REFINANCE COMPANY LIMITED

Pakistan Mortgage Refinance Company (PMRC) was set up as a Mortgage Liquidity Facility by the Government of Pakistan, the State Bank of Pakistan and World Bank to address the long-term funding constraint in the banking sector; which was hindering the growth of the primary mortgage market. PMRC serves as a secure source of long-term funding at attractive rates and at the same time ensuring sound lending habits amongst the Partner Financial Institutions (PFIs).
Its thrust is three-fold: help reduce maturity mismatch risk for PFIs, increase the availability of fixed rate mortgages and increase the maturity structure of the mortgage loans; this in turn not only helps improve the affordability of mortgages but also increases the number of qualifying borrowers. With these initiatives, PMRC envisions an expansion of the primary mortgage market, which will consequently lead to the ultimate goal - a more widespread home ownership.

PMRC is playing a key role in providing funding to both conventional and Islamic PFIs and it endeavors to encourage and collaborate with PFIs for growth of housing finance in Pakistan.

As the Company's principal source of funding will be from the local bond market; another important objective of the Company is to pioneer the development of the local bond and sukuk markets.

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

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

Nomination Committee
Mr. Risha A Mohyeddin (Chairman)
Mr. Rehmat Ali Hasnie
Mr. Mudassir H. Khan

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

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

CFO & Group Head Operations
Mr. Omair Farooqi, FCA

Company Secretary
Mr. Naved Hanif

Auditors
M/s. KPMG Taseer Hadi & Co.
Chartered Accountants

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

Registered Office
6th Floor, Bahria Complex-I, M.T. Khan Road
Karachi - 74000, Pakistan

Website
www.pmrc.com.pk

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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.

میں ہوں مسافر اُس راہ طلب کا
جس راہ پہ گزر ہے کرن کا نہ صبا کا
دُھندلی سی فضا ہے اِک بے کیف سماء سا
موہوم سی خواہش ہے اور خوابِ شکستہ

Mein hoon musafir uss rah-e-talab ka
Jis rah pey guzar hai kiran ka na sabah ka
Dhundli si fiza hai aik bey kaif sama sa
Mohoom si khwaish hai aur khwabey shikasta

برہنہ پا پھرتے رہے ہم سراب کے پیچھے
لادکے انبار خواہش کا اور اپنا تن خستہ
سننے کے لیے یہ مژدہ عمر اپنی ہوئی تمام
بے مکانی کے ہوئے دن پورے اے چشم خوابیدہ
Barhanapa phirtay rahay hum sarab kay peechay
Laad kay anbaar khwaahish ka aur apna tann khasta
Sunnay kay liye yeh muzdah umar apni huwi tamaam
Bey makani kay huwey din purey aye chashmey khwabeedah

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.

Our Products

PMRC refinances mortgage loans originated by the Partner Financial Institutions (PFIs).

PMRC offers following products to Banks / DFIs / MFIs / Housing Finance Companies (together known as Customers) under both conventional and Islamic modes:

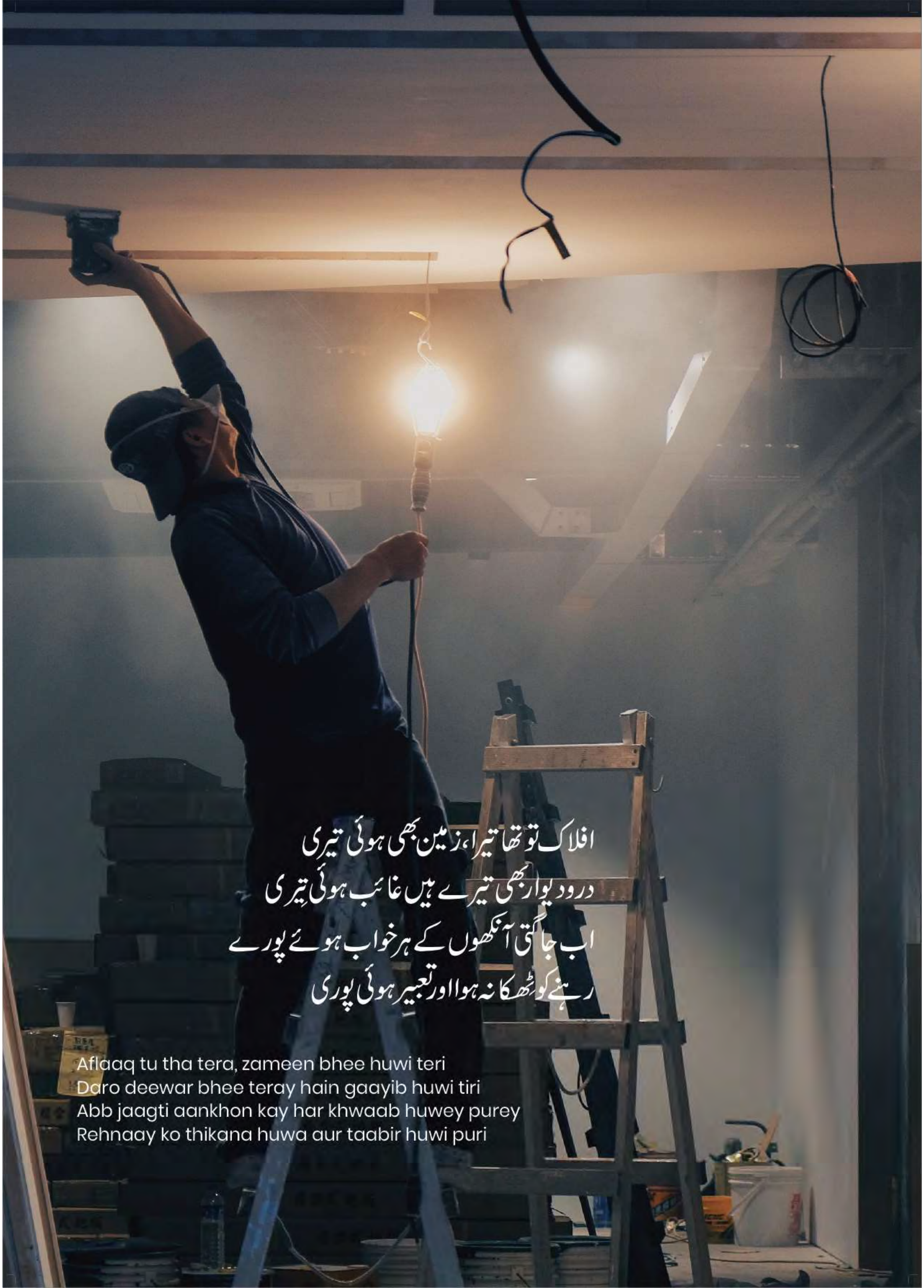
General Housing

Under the General Housing product, existing mortgage loans of PFIs are refinanced at book value i.e. the principal balance outstanding on a date which is closest to the refinanced date. To be qualified for the General Housing product, among other qualification criteria, the loan should be fully disbursed to or for the account of the mortgagor/borrower and there is no obligation for the Customer to advance additional funds thereunder.

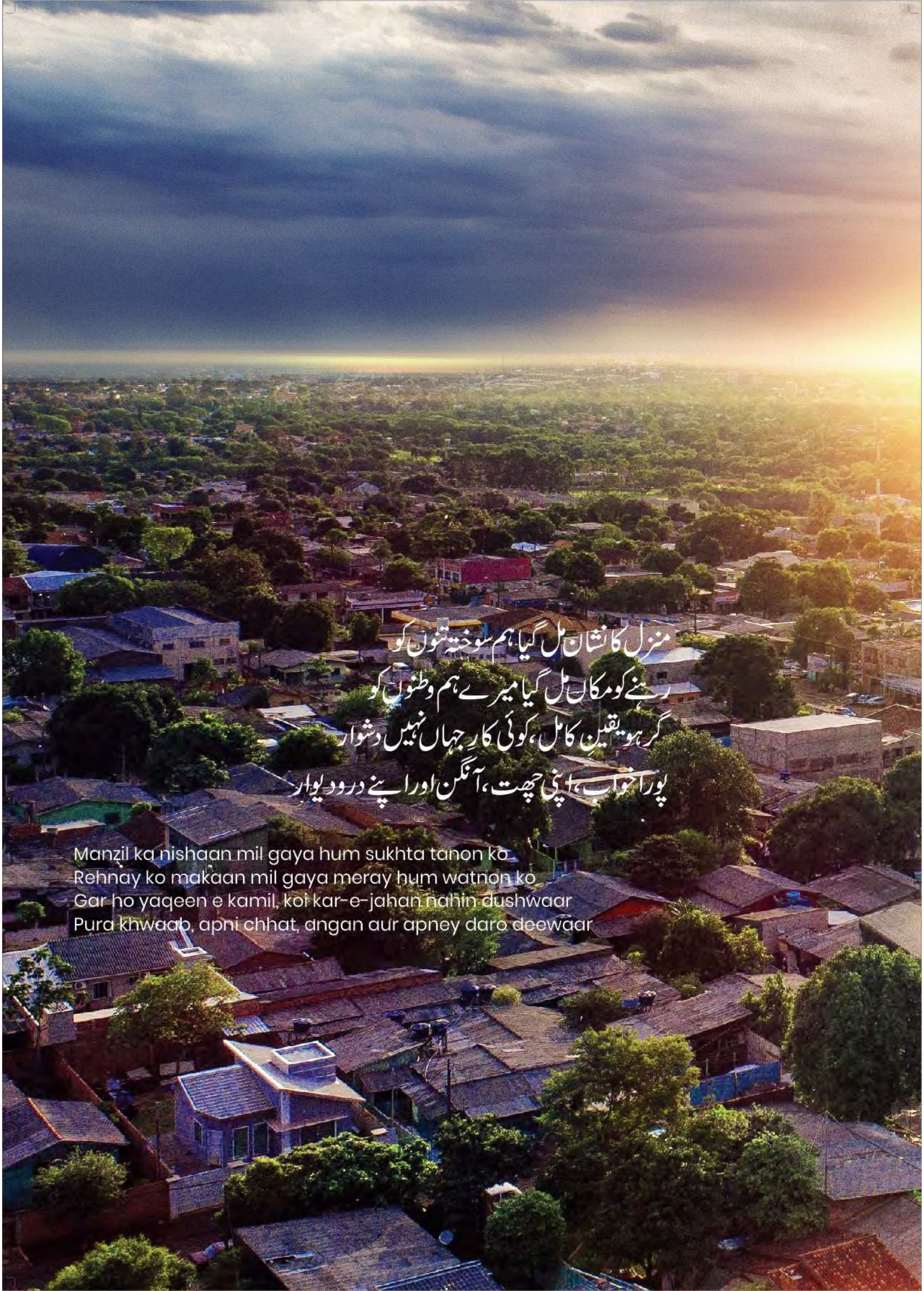
Low and Middle-Income Groups

In an effort to make housing finance affordable to the low and middle income groups, PMRC provides liquidity to PFIs at lower than market rates for extending housing finance to low and middle income segments. It is expected that the proposed scheme will encourage even those financial institutions, for extending housing finance, that are currently not active in providing low cost housing finance.

PMRC also intends to issue series of fixed rate medium/long term TFS/Sukuks (Bonds). Keeping in view its volumetric growth and its mandate to develop the capital markets.



افلاک تو تھا تیرا، زمین بھی ہوئی تیری
درودیوار بھی تیرے ہیں غائب ہوئی تِیری
اب جاگتی آنکھوں کے ہر خواب ہوئے پورے
رہنے کو ٹھکانہ ہوا اور تعبیر ہوئی پوری
Aflaaq tu tha tera, zameen bhee huwi teri
Daro deewar bhee teray hain gaayib huwi tiri
Abb jaagti aankhon kay har khwaab huwey purey
Rehnaay ko thikana huwa aur taabir huwi puri


منزل کا نشان مل گیا ہم سوختہ تنوں کو
رہنے کو مکاں مل گیا میرے ہم وطنوں کو
گر ہو یقینِ کامل، کوئی کارِ جہاں نہیں دشوار
پورا خواب، اپنی چھت، آنگن اور اپنے درو دیوار
Manzil ka nishaan mil gaya hum sukhta tanon ko
Rehnay ko makaan mil gaya meray hum watnon ko
Gar ho yaqeen e kamil, koi kar-e-jahan nahin dushwaar
Pura khwaab, apni chhat, angan aur apney daro deewaar

Entity 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.

*Entity ratings have been assigned on April 6, 2020.

Chairman's Statement

The year 2019 also saw a rising interest rate environment where the SBP Policy Rate increased to 13.25%. In a stabilization program, Pakistan's GDP growth for FY'20 remains under pressure on the back of sustained inflation. Unlike other countries in the region; Pakistan's mortgage to GDP ratio stands at only 0.2 percent which calls for more robust measures to provide for a conducive environment which encourages primary mortgage lending.

Pakistan Mortgage Refinance Company (PMRC) is a result of the phenomenal contribution of all the shareholders and efforts of the State Bank, Government of Pakistan and the World Bank Group. Though created as a public-private partnership its majority ownership was kept in the hands of the private sector. The aim for PMRC remains addressing the severe shortage of housing in Pakistan, not only by making housing finance available but also by increasing affordability through provision of long-term liquidity and introduction of fixed rate financing.

With a cumulative growth rate of more than 14 percent in the last 5 years, the mortgage market performance in Pakistan has yet to portray its true potential. Pakistan's total mortgage finance still stands at a mere 0.2 percent of its GDP compared to 3.5 percent in Bangladesh, 10 percent in India and over 35 percent in Malaysia. The total outstanding housing finance in Pakistan stood at around PKR 103 Billion at September-end 2019 up from PKR. 89 Billion at September end 2018, depicting a sharp growth of more than 15 percent. This increase was realized despite the rising interest rate and a challenging economic environment. The country's housing deficit is estimated at 10 million units and an additional annual gross incremental demand for housing units of approximately 700,000 units. With new construction of over 350,000 units; the incremental deficit is estimated at approximately 400,000 units per annum.

There is a need to spur not only construction of housing units in the country but also to catalyze the mortgage finance market so that potential home-owners can easily access affordable financing to buy houses PMRC is enabling by providing medium to long-term fixed rate funds to financial institutions. Increasing affordability and reducing credit risk. I am very glad that towards this end, PMRC passed on a benefit of Rs.131 million in its pricing to the industry and was able to make its mark by contributing a share of 57%in mortgage financing disbursed during CY 2019.

PMRC will continue to play a vital role in assisting with improving underwriting practices, standardization, maturity mismatch and overall risk mitigation. Another objective of PMRC is to introduce new classes of conventional and Islamic products and to deepen and widen the local capital markets.

I believe that the current level of available housing vis-a-vis ever increasing demand provide credence to the importance of PMRC as an institution that adds value not only to the financial sector but also will be an important source for improving the quantity and quality of mortgage financing in Pakistan. I foresee that being the lender of first resort for the regulated financial institutions, PMRC would continue to play its role in promoting financial inclusion and enabling Pakistanis to in realize their dream of own a home.

Finally, I would like to take this opportunity to thank my fellow Board members, the management and staff of PMRC for their hard work and dedication, our shareholders for their unwavering support, our regulators and other stakeholders for their assistance and guidance. I would also like to thank Mr. Mudassir H. Khan who took over as the CEO in the end of 2018 and made tremendous progress in 2019. His approach as part of an integrated strategy to provide the most suitable products to Partner Financial Institutions and build an agile, responsive and sustainable organisation has resulted in PMRC establishing itself in a unique position. I am certain that under his leadership PMRC will endeavour to achieve even greater heights.

Rehmat Ali Hasnie
Chairman

CEO's Statement

The year 2019 was a landmark year for us as it was the first full year of our operations and we achieved many milestones in terms of market reach and disbursements besides securing 'AAA' entity rating. We were inducted as member in the Asian Secondary Mortgage Market Association (ASMMA) and the International Secondary Mortgage Market Association (ISMMA). We were invited by the Korean Housing Finance Corporation to participate in the Council on International Financial Cooperation forum held in Korea. We hosted the team from Kenya Mortgage Refinance Company to learn from our setup. On the domestic front, we also partnered with World Bank, IFC, SBP and SECP in organizing conferences and trainings.

Pakistan Mortgage Refinance Company (PMRC) continued with its strive towards expansion of the mortgage market in the country with provision of long-term funding at fixed and below market rates. At the same time, it played a key role in encouraging responsible financing, sound lending practices and product innovation amongst the Partner Financial Institutions (PFIs).

Accessibility and affordability of housing finance along with financial inclusion remains the core strategy for PMRC. The creation of PMRC thus represents an important milestone in achieving the Government's objective to improve access to housing finance. PMRC received immense support from the World Bank Group and the Government of Pakistan through its credit lines to support its operations and the growth of housing finance in Pakistan. In addition, PMRC has placed itself in a unique position to raise medium to long term funding from the local capital markets which it intends to do during the coming year. This will enable PMRC to promote the primary mortgage market with longer tenors and fixed rate funds while enhancing affordability of home mortgages and increasing the number of qualified borrowers particularly from the low and middle-income groups. Flow of liquidity through secondary mortgage facility also provides scalability and diversification and reduces intermediation costs and risks for PFIs. Along with the Government and the World Bank, PMRC has also finalized the structure and will shortly introduce a Risk Sharing Scheme for promotion of low and middle-income housing finance. I am confident that these steps will lead to the expansion of primary residential mortgage market and home ownership in Pakistan.

Regardless of the headwinds, PMRC made significant progress with disbursements to PFIs reaching nearly Rs. 8 Billion. To encourage lending PMRC passed on a benefit of more than Rs. 131 Million to PFIs and our financing contributed about 60 percent of the fresh disbursements during the year. We are proud of the fact that our products and pricing is creating a healthy competition in the market as we see our partner institutions offering fixed rate products at lower rates for the customers. Our efforts continue to pave the way as we sign more agreements in an effort to reduce the gap in financing and making it more affordable. We also encourage our partner institutions to develop new products which cater to low and middle-income groups and promote home ownership for women; through an additional discount in our pricing. We also ask our partners to maintain environmental and social safeguards in their on-lending practices and promote green housing. Our emphasis has also been on developing Islamic refinancing products; as Islamic housing finance has grown significantly over the last 4-5 years with Islamic banks reaching a market share of 52 percent of the overall housing finance market. PMRC disbursed its first Islamic Refinance a first in the MENASA region. We are confident that we will play a major role to support the growth of Islamic housing finance in the country.

I would like to thank our Board members, whose persistence and hard work helped PMRC reach new heights. My priority remains strengthening PMRC further and making this institution the lender of first resort for the housing finance industry.

I also take this opportunity to convey my sincere gratitude to the Ministry of Finance, State Bank of Pakistan, Security and Exchange Commission of Pakistan and the World Bank Group for their continued support. The Naya Pakistan Housing Program remains an ambitious yet a necessary initiative that will not only improve mortgage penetration in the country but would have a multiplier effect for the economy. PMRC would continue to play its role and work with the Naya Pakistan Housing Development Authority in this initiative for betterment of the housing industry and more so for low and middle-income housing finance market.

At the end, I would also like to thank my fellow colleagues and the entire team of PMRC for their dedication and hard-work, without their support these achievements would not have been possible. Our people are our strength and we must invest in them to succeed as an organization and as a nation.

Mudassir H. Khan
Chief Executive Officer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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, 2019.

Performance Overview

PMRC's focus is to develop mortgage market in Pakistan by providing medium to long term funding to the Partner Financial Institutions (PFIs). These funding lines enable PFIs to offer affordable financing to the consumers and to penetrate into Low and Middle-Income groups.

PMRC disbursed its' first two refinancing facilities in November and December of 2018. We are happy to report that our PFIs have disbursed almost the entire funding to their consumers.
To encourage PFIs downstream in the mortgage market, PMRC launched long term concessional funding lines especially for Low and Middle-Income Groups and was able to disburse Rs. 6.6 Billion in FY 19. We are delighted to inform that due to these concessional funding, our PFIs have developed and marketed fixed rate medium /long term mortgage products much below prevailing market rates. A benefit of Rs. 131 million was passed on to the PFIs during the year. As a result, the rates offered to the Low and Middle-Income Groups by our PFIs on an average were lower by 25% to 35% than the market rates with loan tenures up to 25 years.

Financial Highlights	2019	2018
	Rs. In "000"	
Financial Position		
Shareholders' Equity	4,696,272	3,713,090
Total Assets	19,576,545	3,749,678
Subordinated Loan	7,050,716	-
Borrowings	7,565,788	-
Advances	7,729,232	1,200,000
Investments	8,821,820	1,009,632
Financial Performance		
Net Interest Income	1,192,579	223,605
Profit after tax	901,842	55,037
Ratios		
EPS	2.46	0.22
Disbursments-Cumulative	7,800,000	1,200,000

PMRC is also encouraging PFIs to extend Mortgage Loans to women by offering additional concession to PFIs.

Islamic mortgage market is growing at a higher pace than conventional mortgage market. We are proud that PMRC is the first liquidity facility in South Asia, Middle East and North Africa region to have offered an Islamic Refinance facility. This will help further mortgage market growth in the country.

While the market interest rates increased during the year, PMRC reduced its lending rates for PFIs enabling them to lower their on-lending mortgage rates. Volumetric growth of the refinance loans and controlled operating expenses were the key reasons for increase in the year's profitability.

Under Pakistan Housing Project, World Bank Group (WBG) via Ministry of Finance - Government of Pakistan disbursed Sub-ordinated debt of Rs. 7.0 billion to strengthen PMRC's balance sheet. In the event PMRC is unable to meet the minimum capital requirement as laid down by the State Bank of Pakistan (SBP), this subordinate debt can be converted into equity by PMRC. This was included primarily to ensure sustainability of PMRC. Furthermore, WBG also provided a credit line of Rs. 5.6 billion for refinancing of mortgage loans for the low and middle-income groups.

Human Resource

PMRC has developed a strong, dedicated and devoted team that has strong commitment to work for growth and development of the mortgage market. It strives to maintain a work environment that fosters professionalism, excellence and cooperation among the employees and high standards of business ethics. A lean organizational structure with competent resources and performance culture has led PMRC to the path of growth and market creation. This is evident from its performance in 2019 with Balance Sheet size of Rs. 20 billion and growth in its equity base to Rs. 4.69 billion.

Movement in Reserves

Particulars	2019	2018
	Rs. In "000"	
Opening Balance	**3,713,090**	**150,344**
Unappropriated Profit	721,474	44,030
Transfer to Statutory Reserve	180,368	11,007
Other comprehensive income	1,096	(796)
Issue of share capital	-	3,508,505
Movement in surplus / (deficit) on revaluation of assets	80,244	-
Balance as at 31 December	**4,696,272**	**3,713,090**

Capital Ratios and MCR

As of the statement of financial position date, PMRC's paid - up capital stands at Rs. 3.65 billion. SBP has allowed PMRC to operate with an Initial Paid Up Capital (net of losses) - Minimum Capital Requirement (MCR) level of at least Rs. 3.5 billion subject to MCR compliance with applicable paid up capital requirement within a period of five years from the commencement of its operations/business.

Capital Adequacy Ratio stands at 206.9%. PMRC's capital and related ratios remain well above regulatory requirements.

Macroeconomic Review

During FY 19, Pakistan's GDP growth slowed as economic policies to address the twin deficits took effect. Growth lowered to 3.3 percent in FY19-a 2.5 percentage decline compared to the previous year, due to the stabilization measures undertaken by the government. Real GDP growth is projected to be 2.4% in FY20 with the government's tight fiscal and monetary policies. The combined effect of the decline in the GDP growth rate and the massive devaluation of the Pakistan rupee resulted in a reduction in per capita GDP from $1,551 in FY18 to $1,370 in FY19. The impact of decline in per capita GDP coupled with rising inflation will have an impact on consumer purchasing power.

Average headline inflation increased to 6.8% in FY19 compared with 3.9% in FY18 and sharply rose to 12.6% at year end 2019, primarily because of the depreciating exchange rate and international oil prices and may persist in the year 2020 if prices of food and related items are not brought under control.

Due to the measures taken by the State Bank of Pakistan the Current Account Deficit (CAD) narrowed to US$13.8 billion in FY2019 compared to US$19.9 billion in FY18. The decline was primarily driven by lower imports primarily in transport and machinery due to slow down in investment and industrial growth. Export, Foreign Direct Investment and revenue collection didn't show any marked improvement. However; Pakistan's improvement in ranking in ease of doing business coupled with improved CAD and expected positive economic indicators, foreign investor sentiments and Government's resolve to accelerate the privatization process of state-owned enterprises could boost FDI in FY20.

Financial flows reduced in FY19; however, stabilization came in support after bilateral inflows from China, UAE and Saudi Arabia. The approval of the IMF Extended Fund Facility in July 2019 coupled with the resumption of multilateral budget support has contributed positively and Pakistan's foreign reserves reached to US$13 billion in December 2019. The gradual accumulation of reserves reduced pressure on the exchange rate with some financial stability.

The Mortgage Market

Pakistan, like other developing countries, has been facing severe shortage of housing units; and this basic human need is felt more profoundly at the bottom-of-the-pyramid comprising of the poor and financially under-served segments of the society. According to conservative estimates, there is already a backlog of more than 10 Million housing units which is growing approximately by about 700,000 units every year. The shortage of housing facilities is more acute in urban cities and towns where more than half of the population lives in slums or in informal settlements. Moreover, the low mortgage to GDP ratio of 0.2% indicates the low volume of housing finance in the country.

Despite the challenges faced by the mortgage market and PFIs; housing finance market witnessed a growth of approximately 14% in FY19. The combined volume of outstanding housing finance from banks and HBFCL stood at Rs. 103.64 billion as of Sept 2019.

This historical growth in mortgage finance was driven by joint efforts of PFIs, SBP, regulators and PMRC.

New Initiatives by Government

The present government has announced some of the projects of Naya Pakistan Housing Scheme in different cities under its target of 5 million houses for lower segment of the population. SBP also announced a low-cost housing policy for general public and a special subsidized financing scheme for widows, children of martyrs, disabled citizens and transgenders.

Further, the general reserve requirements against low cost housing finance portfolio of banks/DFIs was withdrawn by SBP. In addition to this, Banks/DFIs, extending housing finance to low income groups, are being allowed relaxation in Housing Finance prudential regulation by way of increase in LTV ratio to 90:10 from existing 85:15.

In order to incentivize banks/DFIs for providing low cost housing finance, bank/DFI's exposure to low cost housing, as defined by SBP, will not be included for calculating the real estate exposure limit.

The Government announced a reduced tax rate of 15% on the income generated from housing finance of low-cost housing units. Moreover, Federal Board of Revenue (FBR) released a comprehensive list of property values for generating revenue which will not only control the price spiral in real estate but will also discourage the trend from property investors eliminating speculation in the property market.

Banks/DFIs availing refinance from PMRC have been exempted from maintaining CRR and SLR on borrowings from PMRC. To support the growth of low-cost housing in Pakistan, SBP has reduced the risk weight to 25% for banks/ DFIs' exposure to low cost housing, further, regulatory cap of 40%, on exposure above PKR 250,000 on housing loans is being removed.

In order to reduce the transaction cost of the small sized loans, relaxation was allowed in housing finance prudential regulations by permitting banks/DFIs to use one model property assessment, for a low-cost housing society/project only, in place of valuing each individual unit within that society/project.

More importantly, Real Estate Regulatory Authority/Regulations are on the cards as suggested by many banks. This will connect all relevant departments of property transactions under one roof. This will not only make the process of property transactions much easier for the banks, but it will result in transparency in the transactions. Establishment of Land Information Repository/Online Title Search and setting-up of Land Bank - Improved Master Planning are also in process.

Credit Ratings

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

Future Outlook

Keeping in view the challenging economic environment with high inflation and interest rates compared to preceding years is likely to see higher financing rates for the end-users putting pressure on mortgage financing during FY20. Amid such scenario, PMRC with it's financing can provide relief for the end-user as proven in preceding year. It was able to subdue such pressures on PFIs by catalyzing their mortgage advances growth through refinancing at concessional rates. As mentioned earlier, PMRC passed on a benefit of Rs. 131 million during the last year. PMRC keeping the same zeal is targeting an increase in disbursements for FY2020. These disbursements are not limited to Banks but will include MFBs, DFIs, Microfinance Institutions and Non-Bank Financial Institutions. This strategy to focus on institutions apart from Commercial Banks will ensure that the benefit of low mortgage rates is passed on to end-user for affordable housing to the financially under-served segments of the society.

In line with market adjusted business strategy, PMRC's role of providing technical assistance to the PFIs will additionally play a pivotal role for our clients. Since PMRC's targeted segment of Microfinance Institutions and Non-Bank Financial Institutions will be preparing to enter into the space of mortgage financing, the technical assistance provided by PMRC will assist these institutions to develop products, improve & enhance underwriting and servicing standards, thus enabling them to be competitive and sustainable in the mortgage market.

Moreover, in order to promote World Bank's global criteria for Environmental and Socially (E&S) responsible mortgages, PMRC will engage with clients and help them design their E&S standards.

PMRC also intends to issue series of TFCs & Sukuks (Bonds) keeping in view its volumetric growth and its mandate to develop the capital markets. These issuances will primarily support the growth in the core refinance business of PMRC and additionally introduce fixed income instruments. Although, acceptability of PMRC bonds would be a challenge for the company considering its recent creation in the market.

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, except for the changes in accounting policies as described in Note 4.1 to the financial statements. Accounting estimates are based on reasonable and prudent judgment.

- International Financial Reporting Standards, as applicable to company in Pakistan, have been followed in preparation of financial statements.
- 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. 180.368 million has been transferred to Statutory Reserve for the year 2019.
- The Board of Directors consists of seven (7) male and one (1) female member. The detailed composition of the Board is given in paragraphs 2 of the Statement of Compliance with the Code of Corporate Governance.
- Details of Directors' training programs are given in the Statement of Compliance with the Code of Corporate Governance.

Change in Directorship

Mr. Zahid Parekh resigned on January 22, 2019 and Mr. Risha A. Mohyeddin was appointed as director in his place on March 5, 2019.

Mr. Rashid Nawaz Tipu and Mr. Syed Tariq Ali retired on October 4, 2019 and Mr. Syed Taha Afzal and Mr. Naved Nasim elected as director on October 4, 2019 respectively in their places along with other retiring Directors.

Meetings of the Board

Below are the details of number of Board Meetings held and attended during the year 2019:

Name	Board Meetings		BRC Meetings		BHRC Meetings		BAC Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Rehmat Ali Hasnie	4	4						
Imran Sarwar	4	3	3	3				
Mehreen Ahmed	4	3			2	1		
Farrakh Qayyum	4	4			2	2		
Abid Naqvi	4	3					4	4
Risha A Mohyeddin	4	3					4	2*
Naveed Nasim***	4	0						
Syed Taha Afzal***	4	0						
Mudassir H. Khan	4	4	3	3	2	2		
Rashid Nawaz Tipu	4	3	3	3				
Syed Tariq Ali	4	3					4	3**

* Only 2 meetings were held during the tenure of Mr. Risha Mohyeddin as a member of BAC.
** Only 3 meetings were held during the tenure of Mr. Syed Tariq Ali as a member of BAC.
*** Elected on October 4, 2019. Fit and proper test clearance conveyed by SBP on Jan 6, 2020, therefore, they did not attend any of the Board meeting during the year 2019

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.

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.

Risk Management Framework

The Company has set up objectives and policies to manage the risks that arise in connection with financial instruments. The risk management framework and policies of the Company are guided by specific objectives to ensure that comprehensive and adequate risk management policies are established to mitigate the salient risk elements in operations of the Company. The establishment of the overall financial risk management objectives is consistent and in tandem with the strategy to create value and sustainability, whilst guided by a prudent and robust framework of risk management policies. Despite the low risk business model of the Company as it only deals with banks and regulated Financial Institutions, it places great emphasis on the importance of risk management and has put in place clear and comprehensive risk management framework to identify, monitor, manage and control the relevant risk factors.

Corporate Social Responsibility

PMRC acknowledges its responsibility in a manner that its activities influence its customers, employees and stakeholders. It strives to proactively encourage community growth and development, thereby contributing in building a sustainable future.

Environmental and Social (E&S) sustainability is a core part of PMRC's commitment to responsible financing. PMRC has developed comprehensive ESRM Policy and Procedures which stipulate guiding principles and underlying processes for effective implementation of PMRC's commitment to E&S sustainability. It covers the integration of ESRM practices in its refinancing activities.

PMRC, therefore, is committed to support PMLs to institutionalize, and implement adequate policies, procedures, and practical tools for environmental and social risk screening of primary mortgages originated by them that would be subsequently presented to PMRC for refinancing.

PMRC will, therefore, exercise reasonable efforts to support its Customers in meeting PMRC's E&S requirements.

The E&S Capacity Building Plan is prepared to address:

- Capacity Enhancement at PMRC level;
- Support to its Customers in developing systems and capacity for E&S risk management measures specific to lending in the housing finance sector and assistance in enhancing of the Customers' E&S screening procedures and tools.

During the year, PMRC has donated to SoS Village, a social welfare organisation providing homes to orphans and abandoned children and to The Citizen's Foundation for the academic session 2019-2020.

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. Hence, the company has started a detailed exercise for documentation and benchmarking of existing processes and controls as per the requirements of SBP. The exercise is expected to fully complete in 2020.

Pattern of Shareholding

Name of the Shareholders	Rs.	Shareholding %
Ministry of Finance - Islamic Republic of Pakistan	1,200,000,000	32.80%
National Bank of Pakistan	600,000,000	16.40%
Habib Bank Limited	500,000,000	13.67%
United Bank Limited	500,000,000	13.67%
Bank Alfalah Limited	300,000,000	8.20%
Askari Bank Limited	300,000,000	8.20%
Allied Bank Limited	200,000,000	5.47%
Bank Al Habib Limited	50,000,000	1.37%
House Building Finance Company Limited	6,675,000	0.18%
Summit Bank Limited	1,830,000	0.05%
Directors	1,000	0.00%
Total	**3,658,506,000**	**100%**

Auditors

The present auditors M/s. KPMG Taseer Hadi & 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. KPMG Taseer Hadi & Company Chartered Accountants as the statutory auditors of the company for the next term at a fee of Rs. 625,000 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. We would also like to extend our appreciation to our colleagues for the diligent work towards meeting customer expectations and their dedication towards achieving the goals and objectives.

For and on behalf of the Board of Directors.

Rehmat Ali Hasnie
Chairman

Mudassir H. Khan
Chief Executive Officer

Date: March 6, 2020

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 2016 and the Chairman of the Board of Directors since April 2017. He is a financial markets profession with a MA Degree in Development Banking from The American University (USA) and a nominee Director on PMRC of National Bank of Pakistan (NBP), where he is presently the SEVP & Group Chief of the Inclusive Development Group (IDG). IDG is NBP's most recent and ambitious initiative to position the Bank as not only a commercial bank but also as an institution focused on the priority financing sectors of Pakistan's economy. In this regard, not only is the focus of IDG the SME and Agriculture lending but also mortgage lending (especially promotion of home ownership for low income households). Earlier, Mr. Hasnie was heading investment banking at NBP. His over 25 years of work experience includes economics research, capital markets, investment banking, treasury and credit markets at various institutions in Pakistan. He has also served on the Boards of Pakistan Mercantile Exchange Limited, Fauji Akbar Portia Marine Terminals Limited, Agritech Limited, First Credit Investment Bank Limited and First National Bank Modaraba as a nominee director of NBP.

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 Associated Constructors Limited, Alfalah GHP Investment Management Limited, Atlas Honda Limited and Cherat Packaging Limited.

He has worked in the fields of Commercial and Development Banking and Stock Brokerage for a period of over thirty 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. He has also served as Trade and Economic Minister at the Embassy of Pakistan in Washington DC.

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 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 25 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 500 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 30 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 Alfalah GHP and is also a member on the Client Councils of leading international payment schemes.

Mr. Mudassir H. Khan
Managing Director
Chief Executive Officer

Mr. Mudassir H. 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. With over 28 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 and Private Sector Development, 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 has been the Chairman of NBP Fullerton Asset Management (NAFA) and of First Women Bank Limited (FWBL). He was also on the Board of Directors for National Institute of Financial Transactions (NIFT); ISM and FWBL and was the Chairman Audit Committee & Risk Management Committee for FWBL and member HR and Compensation Committees for NIFT.

Mr. Naveed Nasim
Director

Mr. Naveed Nasim serves as the Group Head – Financial Institutions, International, & Home Remittance Business at Allied Bank Limited (ABL). Mr. Naveed possesses BBA (Hons) and MBA degree from Institute of Business Administration, Karachi with specialization in Finance, and is a Diplomaed Associate of Institute of Bankers, Pakistan. He possesses diversified banking experience of more than 20 years.

Prior to his current position, he has served in the positions of Head of Risk Analytics, Head of Risk Architecture and Head of Enterprise Risk Management 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 Limited 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, Alternative distribution products/channels. He has more than 23 years of experience in Banking Industry, including international banks in multiple geographies. He also remained associated with Citibank, Standard Chartered, ABN AMRO, MCB, Head of Retail & Commercial Products at UBL UK, London United Kingdom and VP, Senior Risk Manager at EMEA JP Morgan, 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.

Management Team

Sitting Left to Right

Mr. Omair Farooqi
CFO & Group Head Operations

Mr. Mudassir H. Khan
Managing Director
Chief Executive Officer

Ms. Anam Murtaza
Head HR & Administration

Mr. Zulfiqar Alam
Group Head
Business & Products

Standing Left to Right

Mr. Shah Miftah ul Azim Azmi
Head Treasury & FIs

Mr. Zahid Hussain Gokal
Head Compliance

Mr. Malik Mansoor
Head Risk

Mr. Rashid Masood Alam
Head Internal Audit

Mr. Naved Hanif
Company Secretary

Thardeep - Light in Desert

We never thought that one day we have the chance to go far-flung into the remote desert area of Thar, Sindh Pakistan. When we reached Thar we realized that we only had a nebulous idea of what life in Thar was like although it is situated just a few hundred kilometers away from Karachi in the same province. We didn't expect it to be so different. We feel privileged and honoured, at the same time humbled to have had this opportunity.

An important part of our quest as human beings is security. In Thar, people's lives are constantly disrupted because of natural disasters, such as severe droughts and floods. People in Thar are more effected because of their poverty. The reason for Pakistan Mortgage Refinance Company to visit Thar was to understand about life in Thar and its challenges, to understand the housing needs of the people in Thar, to understand Thardeep Micro Finance Foundation's work and how it was addressing the needs of the people. To learn how Thardeep was working to create a difference in the lives of the people of Thar and how PMRC could contribute in Thardeep's efforts to meet housing needs of the underprivileged.

'Thardeep', as the name suggest lamp/light of Thar is well recognized name in Thar, guiding and supporting people in difficult times and leading them through it.

"Thardeep", as the name suggest lamp/light of Thar is well recognized name in Thar, guiding and supporting people in difficult times and leading them through it. The staff of Thardeep Micro Finance Foundation are Thar's own people, committed to the land and people's well-being. Thardeep has learned that small incremental steps add-up to impact people's lives in the long run, no matter how insuperable circumstances appear.

The day we visited Thar, there was a thunder storm with heavy rains in the region and we got to know about loss of human lives and cattle due to lightning strike reminding us of the vulnerability of the region to natural disasters.

During our trip, we visited many areas to develop our understanding of activities of Thardeep Micro Finance Foundation. We not only visited Mithi, a town in Thar where simple but to our surprise modern and equipped with required technological infrastructure Head office of Thardeep is located; to Nangarparkar, a town situated at the base of the Karoonjhar Mountains famous for various Hindu temples located at a distance of 129 km from Mithi. Nangarparkar is situated only about 16 km from south and about 23 to the east from Indian border.

The arrival of roads, electricity, telephones and cell phones have made it easier to travel and communicate in the desert. Due to good rains in the monsoon season of 2019, there was greenery all round. We saw proper constructed roads all the way to Nangarparker, unpaved roads connecting to the highways, shrubs, plants with purple berries, sand dunes and hills. We passed by many Legume trees; herds of goats and camels chew its leaves and local villagers also cook it as vegetables.

On our way we saw herds of cattle passing; important to mention that cattle farming is one of the main professions of the people of Thar. At some places we also saw skeletons of dead cattle as a proof of horrors of drought in the area. The day we visited Thar, there was a thunder storm with heavy rains in the region and we got to know about loss of human lives and cattle due to lightning strike reminding us of the vulnerability of the region to natural disasters.

We met few of the Thardeep housing customers and had opportunity to understand their housing needs which primarily was for incremental housing. The customers of Thardeep were very kind to invite us to their homes; we walked into a chounra (hut) and sat on a rally (traditional Thari quilt in colourful geometric pattern). The chounra is built on mud plastered platform and roofs are covered with scrubs and dry grass; the roofs are dome shaped. These huts remain cool in blazing heat of desert. Villagers told us that when rain falls, it slides down the roof and does not seep inside the chounra. These huts are also not affected by earthquakes. People get water from dug well close-by their houses, as there were rains water in the well was fresh and refreshing however in the times of drought the water becomes scarce and brackish. People explained that how construction of wells and water tanks for storage made changes to their lives; women in the villages often travel miles and spend most of their day collecting water. The tiring workload is reduced since hand pumps, community ponds and wells are now available nearby due to financings provided by Thardeep. This saves time in washing dishes, clothes, watering livestock. Latrines also provide privacy and security from snakebites and scorpion stings as well as better hygiene environment.

We also went to some of the branches of Thardeep to review their credit origination and approval process and were surprised to see the use of technology (tablets) in credit origination and assessment which helps in faster turn-around time.

In all, Thardeep strives to live true to its name: to show people light in times of darkness, to give them hope through developing confidence in them and providing opportunities through micro-credit and incremental housing needs. We also feel that there is a lot to be done and are happy to play our part by providing funding to Thardeep to on-lend to the under-privileged people of Thar to meet their housing needs.

Thardeep Microfinance Foundation (TMF) has its origins since 1998 as a community loans provider. These loan were given out by Thardeep Rural Development Program (TRDP) initially in Tharparkar, which extended to other districts of Sindh. By October 2016, TRDP's Microcredit program had converted into an independent organization as Thardeep Rural Development Program (TRDP) demerged its Micro Credit and Enterprise Development Unit and incorporated a separate entity namely, Thardeep Microfinance Foundation on October 06, 2016 under the Companies Ordinance 1984, (now Companies Act 2017) and granted license by the Securities and Exchange Commission of Pakistan (SECP) under section 42 of Companies Ordinance, 1984, on September 02, 2016 as a company limited by guarantee. The principal activity of the Company is to mobilize funds for provision of microfinance services to poor persons, particularly poor women for mitigating poverty and promoting social welfare and economic justice through community building and social mobilization with the ultimate objective of poverty alleviation.

Events Highlights

Pakistan Housing Conference

Mr. Mudassir H. Khan, was invited to enlighten the Conference, jointly arranged and organized by World Bank, SECP and Naya Pakistan Housing Authority at Islamabad on March 28, 2019.

Master Refinance Agreement (MRA) HBFC

Master Refinance Agreement signing ceremony was held at State Bank of Pakistan (SBP) on February 14, 2019.

The signing was chaired and witness by SBP Governor, Deputy Governor, Executive Directors and Presidents of the Commercial Banks.

Study Tour at Cagamas Berhad

Team PMRC went to Cagamas, Malaysia on a study tour on April 1, 2019.

This tour laid the foundation of company's vision to bring best practices from around the globe to Pakistan and provide awareness in the local housing finance market of the international products and practices.

6th Annual Meeting of the Asian Secondary Mortgage Market Association (ASMMA)

Mr. Mudassir H. Khan took part in the 6th annual meeting of the Asian secondary Mortgage Market Association (ASMMA) in Pusan, South Korea from September 2-5, 2019. The meeting discussed the main trends in the development of the secondary mortgage market in the world, including the promotion of energy saving and the development of green mortgage.

Training Workshop on Environmental & Social Risk

PMRC in collaboration with World Bank Group organized a training workshop on Environmental and Social Risk Management (ESRM) in Housing Finance on September 19, 2019 which was attended by 13 commercial Banks.

Kenya Mortgage Refinance Company Visit

PMRC hosted Mr. Johnstone Oltetia, Chief Executive Officer, Kenya Mortgage Refinance Company (KRMC) along with his team in Pakistan from September 30 till October 4, 2019. This study tour marked an important milestone while showcasing Pakistan's mortgage market and refinancing activities.

SECP, World Bank and PMRC Round Table Conference

PMRC arranged a round table conference in partnership with SECP and World Bank on October 23, 2019. This conference brought together policy makers, international experts and private sector participants to share experience and discuss approaches and innovations needed to develop Pakistan's housing sector.

PMRC participation at trainings at IBA and HBFC

Mr. Mudassir H. Khan, CEO PMRC was invited as a guest speaker in the session on "Strategy of Pakistan Mortgage Refinance Company" held on November 5, 2019 at the Institute of Business Administration (IBA), Karachi.

Pakistan Innovative Finance Forum (Karandaz)

Mr. Mudassir H. Khan, CEO PMRC was invited as panelist on a conference jointly organized by Karandaaz Pakistan, Asian Development Bank Institute Japan, and Pakistan Resident Mission of Asian Development Bank on November 25-26, 2019 in Islamabad, where he deliberated on the challenges and opportunities in building a sustainable housing finance market.

6th International Financial Cooperation Forum

Mr. Mudassir H. Khan, CEO PMRC was invited to the 6th International Financial Cooperation Forum held on December 10, 2019 at South Korea, where the international community delibrated on the digital transformation of financial industry.

IFN Forum Pakistan

PMRC sponsored IFN Forum Pakistan held on December 17, 2019 at Mövenpick Hotel, Karachi, where Banking Industry participants shared their views and efforts for the promotion of Islamic Banking.

Our Achievements

Credit Rating - AAA rated

First Islamic Refinance MESANA Region

Contributed in 14% annual growth of mortgage financing.

TA/Training for banks on product development, standardization and E&S.

Accessibility – Specific products designed and launched for LIG and MIG Products by multiple commercial banks and a DFI.

Interest Benefit - PMRC provided Rs. 131 million benefit/discount to its primary mortgage lenders for onward relief to end borrowers at attractive rates.

Improved Affordability of end borrowers especially Low Income Group (LIG) and Middle Income Group (MIG) – (12% to 15% vs market rate of 17% to 18%).

Investment - IFC has agreed to subscribe PMRC's common equity.

Market Development

Capital Market Development	Finalized 1st PKR 1 Bln Bond Issuance Transaction with Pak Kuwait Investment Company.
Market Engagement	Collaborated with World Bank to organize a conference on Housing Finance for local and foreign participants.
E&S	Arranged E&S Training for Partner Financial Institutions.
Housing Finance Companies	Roundtable conference with SECP and IFC for promotion of Housing Finance Companies.
Documentation	Actively participated with PBA and SBP for development of standardized mortgage documents.
Capacity Building	Conducted training for Management Trainee Batch of HBFC.
Market Development	Provided suggestions on Non Banking Finance Companies and Housing Finance Regulations.
Naya Pakistan Housing Program	Worked with Naya Pakistan Housing Authority for low income housing.

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Chartered Accountants
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Karachi, 75530 Pakistan
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REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices of Corporate Governance (the Code) prepared by the Board of Directors of Pakistan Mortgage Refinance Company Limited ('the Company') for the year ended December 31, 2019. The code is no longer applicable on Development Finance Institutions (DFIs) vide BPRD Circular no. 14 dated October 20, 2016 issued by the State Bank of Pakistan. However, DFIs are expected to continue to follow the best practices on corporate governance.

The responsibility for voluntary compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report it does not and to highlight any non-compliance with the requirements of the Code. 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 Code.

As 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 Code requires 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 distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. 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. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

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 best practices contained in the Code as applicable to the Company for the year ended December 31, 2019.

KPMG Taseer Hadi & Co.

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

S. No.	Reference	Description
i.	Para No.1	Two (2) positions i.e. one representative of Government of Pakistan and one of independent director are vacant.

KPMG Taseer Hadi & Co.

Date: March 6, 2020

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi

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. The Internal Control System evolves over the years, as it is an ongoing process 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 is evaluating the Internal Control system through Board level sub committees i.e. Audit Committee and Risk Management Committee. Management has adopted different strategies to ensure effective monitoring and improvement of internal controls. These include Internal Audit, Risk Management and Compliance function in which assurance responsibilities are divided into three lines of defense i.e. first being the business function, Risk Management & Compliance being the second line of defense and Internal Audit being the third line of defense respectively. 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 interest 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 Systems, no matter how well designed, have inherent limitations that they may not entirely eliminate the risk of any control breach.

PMRC has already started a detailed exercise for documentation and benchmarking of existing processes and controls i.e. Internal Controls over Financial Reporting (ICFR) on internationally accepted standards-the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Framework - to provide reasonable assurance to the company's management and BoD regarding the preparation of reliable published financial statements. The exercise is expected to be completed by the end of 2020.

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: March 6, 2020

Head of Internal Audit	**Head of Compliance**	**CFO & Group Head Operations**

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, 2019

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 April 14, 2018 (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.

1. The directors are elected as per agreement dated April 14, 2018 entered into between the Shareholders. As per the agreement the total number of directors are Ten (10) excluding Chief Executive Officer. Composition of the Board according to the Agreement including Representative Number of directors and independent directors is as under.

Group	Number
Public Sector Shareholders' representatives	2
Significant Private Sector Shareholders' representatives	4
*Minority Private Sector Shareholders' representatives	1
Independent Directors	3
Total directors (Excluding CEO)	10

* Minority Private Sector Shareholders means the Private Sector Shareholders who individually own and holds less than seven and half per cent (7.5%) of the issued share capital of the company.

The present total number of directors elected are Eight (8) excluding Chief Executive Officer, as per the following. Two (2) positions i.e. one representative of Government of Pakistan, Ministry of Finance and One of independent director are vacant.

a	Male	7
b	Female	1

2. 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

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;

4. 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;

5. 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;

6. 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;

7. 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;

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

9. Two of the Directors on Board and one of the Executives have completed Directors Training Program offered by the institutes that meet criteria specified by the Commission. Detail is as under.

    1. Mr. Rehmat Ali Hasnie - Chairman/Director
    2. Mr. Abid Naqvi - Director
    3. Mr. Zulfiqar Alam - Group Head Business and Products

10. 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;

11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board;

12. 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	**Nomination Committee**
	Mr. Risha A Mohyeddin (Chairman)
	Mr. Rehmat Ali Hasnie (Member)
	Mr. Mudassir H. Khan (Member)

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

14. 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	Nomination Committee	As and when needed

15. The Board has set up an effective internal audit function and Head of Internal Audit is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;

16. 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;

17. 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;

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

19. 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.

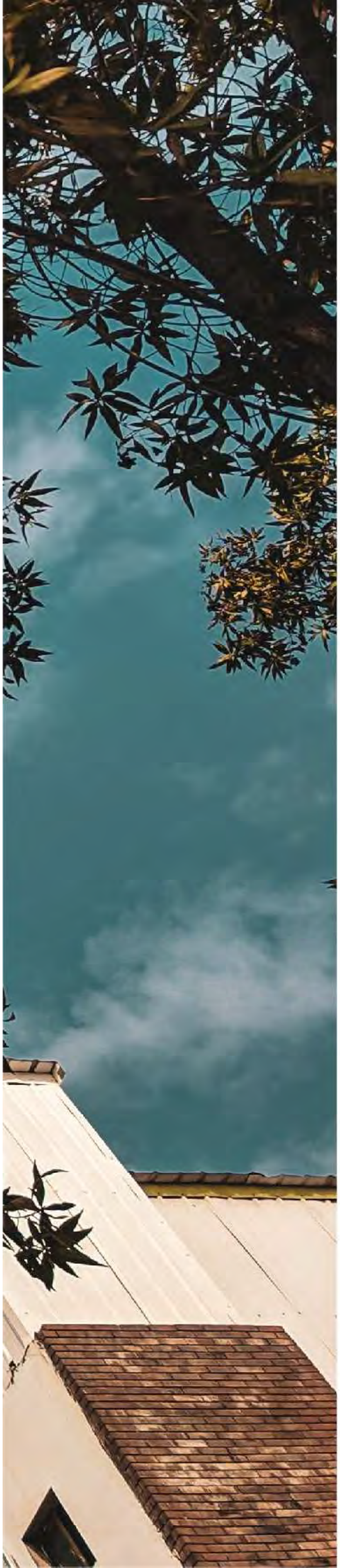
    (ii) Regulation 10(3)(v): this is first complete year of operations of the company, formal Board and its committees' evaluation shall be carried out in 2020.

For and on behalf of the Board of Directors.

Rehmat Ali Hasnie
Chairman

Mudassir H. Khan
Chief Executive Officer

Date: March 6, 2020



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, 2019, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity and 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, 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 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 a manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2019 and of the profit, the comprehensive income, 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 Report Thereon

Management is responsible for the other information. The Other information comprises the information included in the Company's Annual Report for the year

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ended December 31, 2019, 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.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of the 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 objective is 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.

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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.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG Taseer Hadi & Co.

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;

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 engagement partner on the audit resulting in this independent auditor's report is Muhammad Taufiq.

KPMG Taseer Hadi & Co.
Chartered Accountants

Date: March 6, 2020

Karachi

Statement of Financial Position

As at December 31, 2019

	Note	2019	2018
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	5	**50,780**	653
Balances with other banks	6	**2,382,641**	504,566
Lendings to financial institutions	7	**-**	912,000
Investments	8	**8,821,820**	1,009,632
Advances	9	**7,729,232**	1,200,000
Fixed assets	10	**78,340**	45,067
Intangible assets	11	**9,220**	11,112
Deferred tax assets		**-**	-
Other assets	12	**504,512**	66,648
		19,576,545	3,749,678
LIABILITIES			
Bills payable		**-**	-
Borrowings	13	**7,565,788**	-
Deposits and other accounts		**-**	-
Liabilities against assets subject to finance lease		**-**	-
Subordinated debt	14	**7,050,716**	-
Deferred tax liabilities		**-**	-
Other liabilities	15	**263,769**	36,588
		14,880,273	36,588
NET ASSETS		**4,696,272**	3,713,090
REPRESENTED BY			
Share capital	16	**3,658,506**	3,658,506
Reserves		**191,375**	11,007
Surplus on revaluation of assets	17	**80,244**	-
Unappropriated profit		**766,147**	43,577
		4,696,272	3,713,090
CONTINGENCIES AND COMMITMENTS	18		

The annexed notes 1 to 39 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, 2019

	Note	2019	2018
		(Rupees in '000)	
Mark-up / return / profit / interest earned	19	**1,529,275**	223,605
Mark-up / return / interest expensed	20	**336,696**	-
Net mark-up / interest income		**1,192,579**	223,605
NON MARK-UP / INTEREST INCOME			
Fee and commission income		**-**	-
Dividend income		**-**	-
Foreign exchange income		**-**	-
Income / (loss) from derivatives		**-**	-
Gain on securities	21	**20**	-
Other income	22	**900**	30
Total non-markup / interest income		**920**	30
Total income		**1,193,499**	223,635
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	23	**272,060**	166,877
Workers Welfare Fund		**19,564**	-
Other charges	24	**33**	-
Total non-markup / interest expenses		**291,657**	166,877
Profit before provisions		**901,842**	56,758
Provisions and write offs - net		**-**	-
PROFIT BEFORE TAXATION		**901,842**	56,758
Taxation	25	**-**	(1,721)
PROFIT AFTER TAXATION		**901,842**	55,037
		(Rupees)	
Basic and diluted earnings per share	26	**2.46**	0.22

The annexed notes 1 to 39 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, 2019

	2019	2018
	(Rupees in '000)	
Profit after taxation for the year	**901,842**	55,037
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in surplus on revaluation of investments	**80,244**	-
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain / (loss) on defined benefit obligations	**1,096**	(796)
Total comprehensive income	**983,182**	54,241

The annexed notes 1 to 39 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, 2019

	Share capital	Statutory reserve	Surplus / (deficit) on revaluation of Investments	Unappropriated profit	Total
			(Rupees in '000)		
Balance as at 01 January 2018	150,001	-	-	343	150,344
Profit after taxation	-	-	-	55,037	55,037
Other comprehensive income	-	-	-	(796)	(796)
Transfer to statutory reserve	-	11,007	-	(11,007)	-
Transactions with owners, recorded directly in equity					
Issue of share capital	3,508,505	-	-	-	3,508,505
Balance as at 01 January 2019	**3,658,506**	**11,007**	**-**	**43,577**	**3,713,090**
Profit after taxation	**-**	**-**	**-**	**901,842**	**901,842**
Other comprehensive income	**-**	**-**	**-**	**1,096**	**1,096**
Transfer to statutory reserve	**-**	**180,368**	**-**	**(180,368)**	**-**
Transactions with owners, recorded directly in equity					
Issue of share capital	**-**	**-**	**-**	**-**	**-**
Movement in surplus / (deficit) on revaluation of assets	**-**	**-**	**80,244**	**-**	**80,244**
Balance as at December 31, 2019	**3,658,506**	**191,375**	**80,244**	**766,147**	**4,696,272**

The annexed notes 1 to 39 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, 2019

	Note	2019	2018
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		901,842	56,758
Adjustments:			
Depreciation		22,965	6,398
Actuarial Gain		1,096	-
Amortization		2,600	188
Gain on sale of fixed assets		-	(23)
Gain on sale of securities		(20)	-
Interest expense - lease liability against right-of-use assets		4,109	-
		30,750	6,563
		932,592	63,321
(Increase) / decrease in operating assets			
Lendings to financial institutions		912,000	(912,000)
Advances		(6,529,232)	(1,200,000)
Others assets (excluding advance taxation)		(435,762)	(26,665)
		(6,052,994)	(2,138,665)
Increase in operating liabilities			
Borrowings from financial institutions		7,565,788	-
Other liabilities (excluding current taxation)		223,072	25,320
		7,788,860	25,320
Income tax paid		(2,423)	(8,381)
Net cash flow from / (used in) operating activities		2,666,035	(2,058,405)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(8,741,556)	-
Net investments in held-to-maturity securities		1,009,632	(1,009,632)
Investments in operating fixed assets		(56,735)	(30,323)
Proceeds from sale of fixed assets		110	321
Net cash flow used in investing activities		(7,788,549)	(1,039,634)
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts of subordinated debt		7,050,716	-
Issue of share capital		-	2,348,600
Net cash flow from financing activities		7,050,716	2,348,600
Increase / (decrease) in cash and cash equivalents		1,928,202	(749,439)
Cash and cash equivalents at beginning of the year	27	505,219	1,254,658
Cash and cash equivalents at end of the year	27	2,433,421	505,219

The annexed notes 1 to 39 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, 2019

1 STATUS AND NATURE OF BUSINESS

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

The Company is engaged in promoting, developing and improving the housing finance market of Pakistan, to provide refinance facilities to banks and financial institutions against their conventional and Islamic housing finance portfolios and to develop and promote the capital market in Pakistan. Its registered office and principal office is situated at Bahria Complex I, MT Khan Road, Karachi.

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

2 BASIS OF 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. 02, dated 25 January 2018.

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting and reporting standards as applicable in Pakistan for financial reporting. Approved accounting standards as applicable in Pakistan for financial reporting comprises of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;

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

- Provision of and directives issued under the Companies Act, 2017, and

- Directives issued by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan (SECP).

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

The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter No.10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 Financial Instruments: Disclosures' through its notification S.R.O 411(1)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these 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 of and amendments to published accounting and reporting standards that are effective in the current year

IFRS 16, Leases, became effective for annual reporting periods commencing on or after January 1, 2019.

The impact of the adoption of IFRS 16 on the Company's financial statements in 2019 is disclosed in note 4.1.

IFRS 15 introduces a single five step revenue recognition model for all contracts with customers, unless those contracts are in the scope of other standards and, accordingly, has superseded IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to customers. The adoption of IFRS 15 does not have any material impact on the financial statements of the Company.

In addition, there are certain other new standards and interpretations of and amendments to existing accounting standards that have became applicable to the Company for accounting periods beginning on or after January 1, 2019. These are considered either to not be relevant or to not have any significant impact on the Company's financial statements.

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

The following International Financial Reporting Standards (IFRS Standards) will be effective from the dates mentioned below against respective standard or ammendment:

	Effective date (annual periods beginning on or after)
- IFRS 3: Business Combinations (Amendments)	1 January 2020
- IAS 1: Presentations of Financial Statements (Amendments)	1 January 2020
- IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	1 January 2020
- IFRS 9: Financial Instruments	1 January 2021

- IFRS 9 'Financial Instruments, the effective date of the standard has been extended to annual periods beginning on or after January 1, 2021 vide SBP circular 4 dated October 23, 2019. IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. According to SBP circular referred to above, the DFIs are required to have a parallel run of IFRS 9 from January 1, 2020. The DFIs are also required to prepare pro-forma financial statements which includes the impact of IFRS 9 from the year ended December 31, 2019. These proforma financial statements are being prepared and according to initial exercise to estimate the impairment required under expected credit loss model.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience, current trend and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgment about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in period of revision and future periods if the revision affects both current and future periods. The estimates and judgments that have a significant effect on the financial statements are in respect of the following:

	Note
- Classification and valuation of investments	4.3 & 8
- Useful lives of fixed and intangible assets, depreciation and amortisation	4.5, 10 & 11
- Accounting for defined benefit plan	4.9 & 29
- Advances	4.7 & 9
- Valuation of right of use assets and their related lease liability	4.1

3 BASIS OF MEASUREMENT

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

- Retirement benefits which are at present value as referred to in note 4.9.

- Right-of-use assets and their related lease liability which are measured at their present values in note 4.1.

- Investments classified as available-for-sale which are measured at fair value in note 8.

3.1 Functional and presentation currency

These financial statements have been presented in Pakistani Rupees, which is the Company's functional and presentation currency. The amounts are rounded to the nearest thousand rupees except as stated otherwise.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year, except for changes explained in note 4.1.

4.1 Change in Accounting Policies

During the period, IFRS 16, Leases became applicable. IFRS 16 replaces existing guidance on accounting for leases, including IAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases - Incentive, and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces an on-balance sheet lease accounting model for leases entered by the lessee. A lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases.

The Company has adopted IFRS 16 from 01 January 2019, and has not restated comparatives for the reporting period of 2018, as permitted under the specific transitional provisions in the standard.

The Company has recognised liabilities in respect of leases which had previously been classified as operating leases under IAS 17, Leases. These liabilities are initially measured as the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate of 11.68% per annum as at January 1, 2019. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

On adoption of IFRS 16, the associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the statement of financial position immediately before the date of initial application.

The right-of-use assets recognised subsequent to the adoption are measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date. The right-of-use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

The effect of this change in accounting policy, which is applied with retrospective effect, is as follows:

	December 31, 2019	January 1, 2019
	(Rupees in '000)	
Total lease liability recognised	**(29,865)**	(40,928)
The recognised right-of-use assets relate to the following type of asset:		
Property	**31,668**	45,240
The effect of this change in accounting policy is as follows:		
Impact on Statement of Financial Position:		
Increase in fixed assets - right-of-use assets	**31,668**	45,240
Decrease in other assets - advances, deposits, advance rent and other prepayments	**(4,312)**	(4,312)
Increase in total assets	**27,356**	40,928
Increase in other liabilities - lease liability against right-of-use assets	**29,865**	40,928
Decrease in net assets	**(2,509)**	-

	For the year ended 31 December 2019
	(Rupees in '000)
Impact on Profit and Loss account	
Increase in mark-up expense - lease liability against right-of-use assets	**(4,109)**
(Increase) / decrease in administrative expenses:	
- Depreciation on right-of-use assets	**(13,572)**
- Rent expense	**15,172**
Decrease in profit before / after tax	**(2,509)**

4.2 Cash and cash equivalents

Cash and cash equivalent as referred to in the cash flow statement comprises cash and balances with treasury banks and balances with other banks excluding any term deposit with original terms of greater than three months.

4.3 Investments

The Company classifies its investments as follows:

Held to maturity

These are investments with fixed or determinable payments and fixed maturities which the company has the intention and ability to hold till maturity.

Available for sale

These are investments which do not fall under held for trading and held to maturity categories.

Initial Recognition

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

Subsequent Measurement

After initial recognition, quoted securities (other than those classified as held to maturity) are carried at market value.

Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is included in the statement of comprehensive income and is shown in the statement of financial position as part of equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realised upon disposal or in case of impairment of securities.

Premium or discount on debt securities classified as available for sale and held to maturity is amortised using effective interest method and taken to the profit and loss account.

4.4 Impairment

Non-financial assets

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts and the resulting impairment loss is taken to profit and loss account.

4.5 Fixed assets

Capital work in progress

Capital work in progress is stated at cost less impairment, if any.

Property and equipment - owned

Operating fixed assets are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged to profit and loss account on straight line basis so as to charge the assets over their expected economic lives at the rates specified in note 10.2. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date. Full month depreciation is charged in the month the assets are available for use and no depreciation is charged in the month of disposal.

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 measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gains and losses on disposal of assets are included in profit and loss account. The Company reviews the rate of depreciation / useful life, residual values and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of operating fixed assets with a corresponding effect on depreciation charge and impairment.

Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and impairment, if any. Amortisation is based on straight line method by taking into consideration the estimated useful life of assets at the rates specified in note 11. Intangible assets are amortised on prorata basis i.e. full month amortisation in the month of purchase and no amortisation in the month of disposal.

4.6 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit and loss account except to the extent that it relates to the items recognised directly in equity or surplus on revaluation of assets, in which case it is recognised in equity or surplus on revaluation of assets.

Current

Provision for current tax is based on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date and any adjustments to the tax payable in respect of previous years. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities.

Deferred

Deferred tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

Deferred tax liabilities are recognised for all taxable temporary differences, except in respect of taxable temporary differences associated with investment in foreign operations, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. The carrying amount of the deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

The carrying amount of deferred income tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit or taxable temporary differences will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

The Company has been exempted from income tax as the Company is included in Second Schedule of Finance Act, 2018. Accordingly, the Company has reversed tax / deferred tax in the year 2018.

4.7 Advances

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

4.8 Revenue recognition

(a) Mark-up / return / interest income is recognised on a time proportion basis taking into account effective yield on the asset, except where recovery is considered doubtful, the income is recognised on receipt basis. Interest / return / mark-up on rescheduled / restructured advances and investments is recognised as permitted by the Prudential Regulations issued by the SBP.

(b) Gain or loss on sale of investments are recognised in profit and loss account in the year in which they arise.

(c) Dividend income is recognised when the Company's right to receive the dividend is established.

(d) Fee and commission income are recognised as services are performed.

4.9 Staff retirement benefits

Defined benefit plan

The Company provide gratuity for all its confirmed employees. The Company's costs and contributions are determined based on actuarial valuation carried out at each year end using Projected Unit Credit Actuarial Method. All actuarial gains and losses are recognised in 'other comprehensive income' as they occur and are not reclassified to profit and loss in subsequent periods.

Defined contribution plan

The Company provides provident fund benefit for all its regular permanent employees. Equal monthly contributions are made both by the Company and its employees to the fund at the rate of 10% of the basic salary in accordance with the terms of employment.

Actuarial gains and losses

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. Gains and losses on remeasurement of the liability for compensated absences are recognised in the profit and loss account.

Past Service Cost

Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment. The Company recognises past service cost as an expense when the plan is amended.

Employees compensated absences

The Company accounts for all accumulating compensated absences when employees render service that increases their entitlement as per Human Resource Policy of the Comapny.

4.10 Off setting

Financial assets and financial liabilities are only offset and the net amount is reported in the financial statements when there is a legally enforceable right to set-off the recognised amount 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.

4.11 Other provisions

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

4.12 Financial assets and liabilities

Financial assets and liabilities are recognised at the time when the Company becomes a party to the contractual provision of the instrument. Financial assets are de-recognised when the contractual right future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specific 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 or loss account of the current period.

4.13 Earnings per share

The Company presents basic and diluted earnings per share (EPS). 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 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. There were no convertible dilutive potential ordinary shares in issue at December 31, 2019.

4.14 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.

4.15 Borrowings / deposits

Borrowings / deposits are recorded at the amount of proceeds received. The cost of borrowings / deposits is recognised on an accrual basis as an expense in the period in which it is incurred.

4.16 Segment reporting

A segment is distinguishable component of the Company that is engaged in providing products 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.

4.16.1 Business Segment

Mortgage / Housing Financing

To providing refinancing facilities to banks and financial institutions against their existing conventional and islamic housing finance portfolios and to develop and promote the capital market in Pakistan.

4.16.2 Geographical segments

The Company operates in Pakistan only.

	Note	2019	2018
		(Rupees in '000)	
5 CASH AND BALANCES WITH TREASURY BANKS			
With State Bank of Pakistan in			
Local currency current account	5.1	**50,672**	500
With National Bank of Pakistan in			
Local currency current account		**26**	-
Local currency deposit account - NIDA	5.2	**82**	153
		108	153
		50,780	653

5.1 These represent local currency current accounts maintained under the Cash Reserve Requirement of the SBP.

5.2 This represents the amount placed in National Bank of Pakistan (National Income Daily Account-NIDA) carrying mark-up at the rate ranging from 9.9% to 11.25% (2018: 3.75% to 8%) per annum.

	2019	2018
	(Rupees in '000)	
6 BALANCES WITH OTHER BANKS		
In Pakistan		
In current account	**21**	179
In deposit account	**2,382,620**	504,387
	2,382,641	504,566
7 LENDINGS TO FINANCIAL INSTITUTIONS		
Clean money lendings	**-**	12,000
Certificate of Investments	**-**	900,000
	-	912,000
Less: provision held against Lending to Financial Institutions	**-**	-
Lending to Financial Institutions - net of provision	**-**	912,000
7.1 Particulars of lending		
In local currency	**-**	912,000
	-	912,000

8 INVESTMENTS

8.1 Investments by type

	Note	2019 Cost / amortised cost	2019 Provision for diminution	2019 Surplus / (deficit)	2019 Carrying value	2018 Cost / amortised cost	2018 Provision for diminution	2018 Surplus / (deficit)	2018 Carrying value
		(Rupees in '000)							
Available for sale securities									
Federal Government Securities	8.3								
- Market Treasury Bills		5,376,539	-	11,139	5,387,678	-	-	-	-
- Pakistan Investment Bonds		3,365,037	-	69,105	3,434,142	-	-	-	-
		8,741,576	-	80,244	8,821,820	-	-	-	-
Held to maturity securities									
Federal Government Securities	8.4								
- Market Treasury Bills		-	-	-	-	1,009,632	-	-	1,009,632
- Pakistan Investment Bonds		-	-	-	-	-	-	-	-
		-	-	-	-	1,009,632	-	-	1,009,632
Total Investments		8,741,576	-	80,244	8,821,820	1,009,632	-	-	1,009,632

8.2 Investments by segments

	2019 Cost / amortised cost	2019 Provision for diminution	2019 Surplus / (deficit)	2019 Carrying value	2018 Cost / amortised cost	2018 Provision for diminution	2018 Surplus / (deficit)	2018 Carrying value
Federal Government Securities								
- Market Treasury Bills	5,376,539	-	11,139	5,387,678	1,009,632	-	-	1,009,632
- Pakistan Investment Bonds	3,365,037	-	69,105	3,434,142	-	-	-	-
	8,741,576	-	80,244	8,821,820	1,009,632	-	-	1,009,632
Total Investments	8,741,576	-	80,244	8,821,820	1,009,632	-	-	1,009,632

	Cost 2019	Cost 2018
	(Rupees in '000)	
8.3 Available for sale securities / Quality of AFS securities are as follows:		
Federal Government Securities - Government guaranteed		
Market Treasury Bills	5,376,539	-
Pakistan Investment Bonds	3,365,037	-
	8,741,576	-
8.4 Held to maturity securities are as follows:		
Federal Government Securities - Government guaranteed		
Market Treasury Bills	-	1,009,632

8.4.1 The market value of securities classified as held-to-maturity as at December 31, 2019 is Nil (2018 : Rs. 1,017 million).

	Cost	
	2019	2018
	(Rupees in '000)	
8.5 Investments given as collateral		
Market Treasury Bills	**881,305**	-
Pakistan Investment Bonds	**1,021,876**	-
	1,903,181	-

8.6 Particulars relating to Held to Maturity securities are as follows:

Federal Government Securities - Government guaranteed		
Market Treasury Bills	-	1,009,632

9 ADVANCES	Note	Performing		Non-Performing		Total	
		2019	2018	**2019**	2018	**2019**	2018
		(Rupees in '000)					
Loans, cash credits, running finances, etc.	9.1.1	**7,729,232**	1,200,000	-	-	**7,729,232**	1,200,000
Advances - gross		**7,729,232**	1,200,000	-	-	**7,729,232**	1,200,000
Provision against advances							
- Specific		-	-	-	-	-	-
- General		-	-	-	-	-	-
		-	-	-	-	-	-
Advances - net of provision		**7,729,232**	1,200,000	-	-	**7,729,232**	1,200,000

	2019	2018
	(Rupees in '000)	
9.1 Particulars of advances (Gross)		
In local currency	**7,729,232**	1,200,000

9.1.1 This includes Islamic Refinancing under Musharakah Agreement amounting to Rs. 1 billion.

10 FIXED ASSETS	Note	**2019**	2018
		(Rupees in '000)	
Capital work in progress	10.1	**900**	-
Property and equipment	10.2	**77,440**	45,067
		78,340	45,067

10.1 Capital work-in-progress is stated at cost. It represents civil work and fixture in Head Office. These are transferred to specific assets as and when assets become available for use.

10.2 Property and Equipment

	2019				
	Building on Leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
	(Rupees in '000)				
At January 1, 2019					
Cost	-	25,155	14,073	13,505	52,733
Accumulated depreciation	-	(3,233)	(2,715)	(1,718)	(7,666)
Net book value	-	21,922	11,358	11,787	45,067
Year ended December 31, 2019					
Opening net book value	-	21,922	11,358	11,787	45,067
Additions	45,240	1,308	8,966	-	55,514
Disposals	-	-	(232)	-	(232)
Depreciation charge	(13,572)	(3,084)	(3,552)	(2,701)	(22,909)
Closing net book value	31,668	20,146	16,540	9,086	77,440
At December 31, 2019					
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
Rate of depreciation (percentage)		10%-20%	20%-33%	20%	

	2018				
	Building on Leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
	(Rupees in '000)				
At January 1, 2018					
Cost	-	25,155	3,618	5,235	34,008
Accumulated depreciation	-	(248)	(625)	(395)	(1,268)
Net book value	-	24,907	2,993	4,840	32,740
Year ended December 31, 2018					
Opening net book value	-	24,907	2,993	4,840	32,740
Additions	-	-	10,753	8,270	19,023
Disposals	-	-	(298)	-	(298)
Depreciation charge	-	(2,985)	(2,090)	(1,323)	(6,398)
Closing net book value	-	21,922	11,358	11,787	45,067
At December 31, 2018					
Cost	-	25,155	14,073	13,505	52,733
Accumulated depreciation	-	(3,233)	(2,715)	(1,718)	(7,666)
Net book value	-	21,922	11,358	11,787	45,067
Rate of depreciation (percentage)		10%-20%	20%-33%	20%	

Building on Leasehold land consists of right-of-use-assets due to adoption of IFRS 16 as detailed in note 4.1.

10.2.1 Details of disposal of fixed assets during the year

	Cost	Net book value	Sale price	Mode of disposal	Particulars of the purchaser
	(Rupees in '000)				
Laptop	157	59	59	Final settlement	Mr. Muhammad Saleem
Mobile	75	51	51	Final settlement	Ex-COO

10.2.2 Details of fully depreciated assets

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

	2019	2018
	(Rupees in '000)	
Computer equipment	**234**	-

11 INTANGIBLE ASSETS

	2019	2018
At January 1		
Cost	**11,300**	-
Accumulated amortisation	**(188)**	-
Net book value	**11,112**	-
Year ended December 31		
Opening net book value	**11,112**	-
Additions: directly purchased	**387**	11,300
Amortisation charge	**(2,279)**	(188)
Closing net book value	**9,220**	11,112
At December 31		
Cost	**11,687**	11,300
Accumulated amortisation	**(2,467)**	(188)
Net book value	**9,220**	11,112
Rate of amortisation (percentage)	**20%**	20%
Useful life	**5 years**	5 years

12 OTHER ASSETS

	2019	2018
Mark-up / return / profit / interest accrued in local currency	**463,319**	26,661
Advances, deposits, advance rent and other prepayments	**10,455**	11,672
Advance taxation (payments less provisions)	**30,738**	28,315
	504,512	66,648
Less: Provision held against other assets	**-**	-
Other assets - net off provision	**504,512**	66,648

13	BORROWINGS	Note	2019	2018
			(Rupees in '000)	
	Secured - Repurchase agreement borrowings	13.1	**1,919,496**	
	Unsecured	13.2	**5,646,292**	-
	Total		**7,565,788**	-

13.1 These carry mark-up rate of 13.70% per anum and are secured against Government securities carrying value of Rs. 1.9 billion.

13.2 On June 17, 2019, the Government of Pakistan on-lent Rs. 5.64 billion under World Bank - Housing Finance Project for 30 years at fixed rate of 3% per annum. This has been disbursed in one tranche as a loan against project based lending. Subsequent to year end on January 23, 2020, the Government of Pakistan on-lent Rs. 4.64 billion under World Bank - Housing Finance Project for 30 years at fixed rate of 3% per annum.

13.3	Particulars of borrowings with respect to currencies	2019	2018
		(Rupees in '000)	
	In local currency	**7,565,788**	-

14 SUBORDINATED DEBT

On February 22, 2019, the Government of Pakistan onlent Rs. 7.051 billion under World Bank - Housing Finance Project for 30 years at fixed rate of 3% per annum. This has been disbursed in one tranche as a Sub-ordinated Loan, and if needed, can be converted into non-participatory Additional Tier 1 Capital.

	2019	2018
Issue amount (Rupees in '000)	**7,050,716**	-
Issue date	**22 February 2019**	-
Maturity date	**21 February 2049**	-
Rating	**N/A**	-
Security	**Unsecured**	-
Profit payment frequency	**Semi Annual**	-
Redemption	**N/A**	-
Mark-up	**3%**	-

15	OTHER LIABILITIES	Note	2019	2018
			(Rupees in '000)	
	Mark-up / return / interest payable in local currency		**82,922**	-
	Accrued expenses		**31,002**	14,297
	Provision for Government levies		**19,531**	-
	Lease liability against right-of-use assets	4.1	**29,865**	-
	Payable to defined benefit plan		**12,067**	-
	Payable against purchase of fixed assets		**4,680**	5,551
	Payable to defined contribution plan		**20,783**	14,715
	Provision for employees' benefit		**62,919**	2,025
			263,769	36,588

16 SHARE CAPITAL

16.1 Authorised capital

2019	2018		2019	2018
(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

16.2 Issued, subscribed and paid up capital

365,850,600	365,850,600	Ordinary shares of Rs. 10 each fully paid in cash	**3,658,506**	3,658,506

16.3 Shareholdings of the Company is as follows

Number of shares held			Percentage of Shareholding	
December 31, 2019	December 31, 2018	**Name of Shareholder**	**December 31, 2019**	December 31, 2018
120,000,000	120,000,000	Ministry of Finance – Islamic Republic of Pakistan	**32.80%**	32.80%
60,000,000	60,000,000	National Bank of Pakistan	**16.40%**	16.40%
50,000,000	50,000,000	Habib Bank Limited	**13.67%**	13.67%
50,000,000	50,000,000	United Bank Limited	**13.67%**	13.67%
30,000,000	30,000,000	Askari Bank Limited	**8.20%**	8.20%
30,000,000	30,000,000	Bank Alfalah Limited	**8.20%**	8.20%
20,000,000	20,000,000	Allied Bank Limited	**5.47%**	5.47%
5,000,000	5,000,000	Bank AL Habib Limited	**1.37%**	1.37%
667,500	667,500	House Building Finance Company Limited	**0.18%**	0.18%
183,000	183,000	Summit Bank Limited	**0.05%**	0.05%
100	100	Directors	**0.00%**	0.00%

17 SURPLUS ON REVALUATION OF ASSETS

	2019	2018
	(Rupees in '000)	
Surplus on revaluation of		
- Available for sale securities	**80,244**	-

18 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at 31 December 2019 (2018: nil).

19 MARK-UP / RETURN / PROFIT / INTEREST EARNED

	Note	2019	2018
		(Rupees in '000)	
On:		**576,084**	10,578
Loans and advances		**587,257**	61,964
Investments		**25,018**	89,833
Lendings to financial institutions		**340,916**	61,230
Balances with banks		**1,529,275**	223,605

20 MARK-UP / RETURN / INTEREST EXPENSED

	Note	2019	2018
On:		**91,888**	-
Borrowings		**181,387**	-
Subordinated debt		**59,312**	-
Interest Expense - Repo Borrowing	4.1	**4,109**	-
Lease liability against right-of-use assets		**336,696**	-

		Note	2019	2018
21	**GAIN ON SECURITIES**		(Rupees in '000)	
	Realised gain on Federal Government Securities			
	- Market Treasury Bills		**20**	-
22	**OTHER INCOME**			
	Gain on sale of fixed assets		-	23
	Bid fee for purchase of assets		-	7
	Insurance proceeds		**900**	-
			900	30
23	**OPERATING EXPENSES**			
	Total compensation expense	23.1	**190,350**	107,213
	Property expense			
	Rent and taxes		-	13,570
	Insurance		**586**	506
	Utilities cost		**1,448**	990
	Security (including guards)		**572**	528
	Repair and maintenance		**1,714**	1,965
	Depreciation on right-of-use assets	10.2	**13,572**	-
			17,892	17,559
	Information technology expenses			
	Software maintenance		**4,013**	-
	Hardware maintenance		**191**	285
	Depreciation	10.2	**3,608**	2,090
	Amortisation	11	**2,279**	188
	Network charges		**1,328**	1,241
			11,419	3,804
	Other operating expenses			
	Directors' fees and allowances		**3,810**	4,878
	Legal and professional charges		**24,028**	19,911
	Outsourced services costs	28.1	**3,073**	2,168
	Travelling and conveyance		**4,395**	2,431
	Depreciation	10.2	**5,785**	4,308
	Training and development		**1,141**	318
	Postage and courier charges		**134**	66
	Communication		**482**	322
	Stationery and printing		**2,766**	468
	Marketing, advertisement and publicity		**929**	579
	Auditors remuneration	23.2	**1,962**	823
	Insurance		**1,378**	
	Donations		**900**	-
	Vehicle repair and maintenance		**212**	
	Others		**1,404**	2,029
			52,399	38,301
			272,060	166,877

23.1 Total compensation expense

	2019	2018
	(Rupees in '000)	
Managerial Remuneration		
i) Fixed	**110,542**	90,694
ii) Variable of which;		
a) Provision for cash bonus / awards	**60,000**	-
Charge for defined benefit plan	**8,225**	7,242
Contribution to defined contribution plan	**7,928**	6,046
Medical	**1,015**	546
Conveyance	**115**	123
Compensated absences	**1,804**	1,781
Others	**721**	781
	190,350	107,213

23.2 Auditors' remuneration

Audit fee	**289**	204
Half Yearly Review	**183**	189
Special certifications and sundry advisory services	**1,400**	350
Out of pocket expenses	**90**	80
	1,962	823

24 OTHER CHARGES

Penalties imposed by State Bank of Pakistan	**33**	-

25 TAXATION

Current	**-**	-
Prior years	**-**	-
Deferred	**-**	(1,721)
	-	(1,721)

25.1 The Company has been exempted from income tax as the Company is included in Second Schedule of Finance Act 2018. Accordingly, the Company has reversed deferred tax in 2018.

26 BASIC & DILUTED EARNINGS PER SHARE

	2019	2018
	(Rupees in '000)	
Profit for the year	**901,842**	55,037
	(Number in '000)	
Weighted average number of ordinary shares	**365,851**	248,900
	(Rupees)	
Basic and diluted earnings per share	**2.46**	0.22

26.1 Diluted earnings per share has not been presented separately as the Company does not have any convertible instruments in issue as at December 31, 2019 which would have any effect on the earnings per share.

27 CASH AND CASH EQUIVALENTS

	Note	2019	2018
		(Rupees in '000)	
Cash and balance with treasury banks	5	**50,780**	653
Balance with other banks	6	**2,382,641**	504,566
		2,433,421	505,219

28 STAFF STRENGTH

	2019	2018
	(Number)	
Permanent	**24**	19
On Company contract	**3**	1
Company's own staff strength at the end of the year	**27**	20

28.1 In addition to the above, 08 employees (2018: 07 employees) of outsourcing services companies were assigned to the Company as at the end of the year to perform janitorial services.

29 DEFINED BENEFIT PLAN

The Company provides gratuity for all its confirmed employees. The company's costs and contributions are determined based on actuarial valuation carried out at each year end using Projected Unit Credit Actuarial Method. All actuarial gains and losses are recognised in 'other comprehensive income' as they occur and are not reclassified to profit and loss in subsequent periods.

29.1 Number of Employees under the scheme

	2019	2018
	(Number)	
The number of employees covered under the Gratuity scheme are	**25**	20

29.2 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2019 using the following significant assumptions:

	Gratuity Fund	
	2019	2018
	(Per annum)	
Discount rate	**12.50%**	13.75%
Expected rate of salary increase	**11.5% to 15%**	13.75%
Mortality rates	**SLIC (2001-05)-1**	SLIC (2001-05)-1
Rates of employee turnover	**Light**	Light

29.3 Reconciliation of (receivable from) / payable to defined benefit plan

	2019	2018
	(Rupees in '000)	
Opening Value	**4,938**	-
Present value of obligations	**7,129**	4,938
Payable	**12,067**	4,938

	Gratuity Fund	
	2019	2018
29.4 Movement in defined benefit obligations	**(Rupees in '000)**	
Obligations at the beginning of the year	**4,938**	-
Current service cost	**7,079**	3,260
Past service cost	**-**	3,331
Interest cost	**1,146**	651
Benefits paid by the company	**-**	(3,100)
Re-measurement (gain) / loss	**(1,096)**	796
Obligations at the end of the year	**12,067**	4,938

29.5 Charge for defined benefit plan

29.5.1 Cost recognised in profit and loss

Current service cost	**7,079**	3,260
Past service cost	**-**	3,331
Net interest on defined benefit asset / liability	**1,146**	651
	8,225	7,242

29.5.2 Re-measurements recognised in OCI during the year

(Gain) / loss on obligation		
- Financial assumptions	**(1,233)**	809
- Experience adjustment	**137**	(13)
Total Re-measurements recognised in OCI	**(1,096)**	796

29.6 Sensitivity analysis

Increase / decrease is due to:		
1% increase in discount rate	**11,398**	4,601
1% decrease in discount rate	**12,793**	5,306
1% increase in expected rate of salary increase	**12,768**	5,316
1% decrease in expected rate of salary increase	**11,415**	4,589

29.7 Expected charge / (reversal) for the next financial year	**10,470**

29.8 Maturity profile

The weighted average duration of the obligation is 11.53 years.

Distribution of timing of benefit payments	
within the next 12 months (next annual reporting period)	**167**
between 2 and 5 years	**22,855**
between 5 and 10 years	**18,235**
	41,257

29.9 Funding Policy

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 book reserve as of the valuation date.

29.10 Significant risk

Changes in bond yields

The valuation of the Gratuity Liability is discounted with reference to these bond yields. So any increase in Bond yields will lower the Gratuity Liability and vice versa.

Inflation risk

The salary inflation is the major risk that the gratuity fund liability carries. In a general economic sense and in a longer view, there is a case that if bond yields increase, the change in salary inflation generally offsets the gains from the decrease in discounted gratuity liability.

Life expectancy / Withdrawal risk

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.

Final salary risk

The risk that the final salary at the time of cessation of service is higher than assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

Retention risk

The risk that employee will not be motivated to continue the service or start working with the Company if no market comparable retirement benefit is provided.

Compliance risk

The risk that retirement benefits offered by the Company does not comply with minimum statutory requirements.

Legal / political risk

The risk that the legal / political environment changes and the Company is required to offer additional or different retirement benefits than what the Company projected.

Mortality risk

The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service / age distribution and the benefits.

30 DEFINED CONTRIBUTION PLAN (PROVIDENT FUND)

30.1 Provident Fund

The general description of the plan is included in note 4.9.

	Provident fund	
	2019	2018
	(Rupees in '000)	
Contributions made during the year :		
Employer's Contribution	**5,826**	3,600
Employees' Contribution	**5,826**	3,600

The number of employees covered under the defined contribution plan are 25 (2018: 20).

31 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

31.1 Total Compensation Expense

	Directors				Managing Director / Chief Executive Officer		Key Management Personnel	
	Chairman		Non-Executive					
Items	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	(Rupees in '000)							
Fees / remuneration	**560**	440	**3,250**	4,438			**-**	-
Managerial remuneration	**-**	-	**-**	-	**26,715**	27,487	**50,939**	46,041
Medical	**-**	-	**-**	-	**126**	440	**821**	54
Others	**-**	-	**-**	-	**853**	145	**775**	207
Bonus	**-**	-	**-**	-	**750**	-	**3,299**	-
Total	**560**	440	**3,250**	4,438	**28,444**	28,072	**55,834**	46,302
Number of persons	**1**	1	**7**	9	**1**	2	**8**	6

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

2019

Sr. No.	Name of Director	For Board Meetings	For Board Committees: Board Audit Committee	Board Risk Committee	Board Human Resource Committee	Total Amount Paid
		(Rupees in '000)				
1	Mr. Syed Tariq Ali	345	120	-	-	465
2	Mr. Risha A. Mohyeddin	345	70	-	-	415
3	Mr. Rehmat Ali Hasnie	560		-	-	560
4	Mr. Rashid Nawaz Tipu	345	-	120	-	465
5	Mr. Imran Sarwar	345	-	90	-	435
6	Ms. Mehreen Ahmed	345	-	-	20	365
7	Mr. Farrakh Qayyum	460	-	-	80	540
8	Mr. Abid Naqvi	345	220	-	-	565
	Total Amount Paid	**3,090**	**410**	**210**	**100**	**3,810**

2018

Sr. No.	Name of Director	For Board Meetings	For Board Committees			Total Amount Paid
			Board Audit Committee	Board Risk Committee	Board Human Resource Committee	
		(Rupees in '000)				
1	Mr. Syed Tariq Ali	500	70	-	-	570
2	Mr. Tanvir Butt	324	-	-	10	334
3	Mr. Rehmat Ali Hasnie	440	-	-	-	440
4	Mr. Rashid Nawaz Tipu	601	-	90	-	691
5	Mr. Imran Sarwar	415	-	70	-	485
6	Ms. Mehreen Ahmed	340	30	-	10	380
7	Mr. Imran Ahmed	75	30	-	-	105
8	Mr. Zahid Parekh	605	60	-	-	665
9	Mr. Farrakh Qayyum	511	-	-	143	654
10	Mr. Abid Naqvi	469	85	-	-	554
	Total Amount Paid	4,280	275	160	163	4,878

31.3 Chief Executive is entitled to Company's maintained cars with fuel in accordance with the terms of their employment and is entitled to medical and life insurance benefits in accordance with the policy of the Company. In addition, the Chief Executive is also provided with drivers, corporate club membership, security arrangements and payment of travel bills in accordance with the terms of employment.

32 FAIR VALUE MEASUREMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Fair value of financial instruments is based on:

Federal Government Securities	PKRV rates
Non Government Debt Securities	Market prices

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

33 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:

	2019			
	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	**-**	**8,821,820**	**-**	**8,821,820**
Financial assets - disclosed but not measured at fair value				
Investments	**-**	**-**	**-**	**-**

In the opinion of the management, the fair value of the remaining financial assets and liabilities is not significantly different from their carrying values.

	2018			
	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	-	-	-	-
Financial assets - disclosed but not measured at fair value				
Investments	-	1,009,632	-	1,009,632

34 RELATED PARTY TRANSACTIONS

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

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

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

	2019			2018		
	Directors	**Key management personnel**	**Other related parties**	Directors	Key management personnel	Other related parties
	(Rupees in '000)					
Statement of financial position						
Balances with other banks						
In current accounts	-	-	47	-	-	179
In deposit accounts	-	-	50,539	-	-	4,540
	-	-	50,586	-	-	4,719
Advances						
Opening balance	-	-	1,200,000	-	-	-
Addition during the year	-	1,000	1,300,000	-	-	1,200,000
Repaid during the year	-	(278)	(33,328)	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-
Closing balance	-	722	2,466,672	-	-	1,200,000
Other Assets						
Interest / mark-up accrued	-	-	86,728	-	-	10,578
Other Liabilities						
Payable to staff retirement fund	-	-	32,850	-	-	14,715
Profit and loss account						
Income						
Mark-up / return / interest earned	-	-	246,371	-	-	56,447

The Company has subordinated loan and borrowings amounting to Rs. 7.05 billion and Rs. 5.64 billion respectively from ministry of finance.

35 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 intended by December 31, 2019. These instructions also specify the transitional arrangements from 2013 to 2019.

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

	2019	2018
	(Rupees in '000)	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	**3,658,506**	3,658,506
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	**4,606,808**	3,701,981
Eligible Additional Tier 1 (ADT 1) Capital	**-**	-
Total Eligible Tier 1 Capital	**4,606,808**	3,701,981
Eligible Tier 2 Capital	**80,244**	-
Total Eligible Capital (Tier 1 + Tier 2)	**4,687,052**	3,701,981
Risk Weighted Assets (RWAs):		
Credit Risk	**1,344,869**	462,937
Market Risk	**-**	-
Operational Risk	**920,195**	220,106
Total	**2,265,064**	683,043
Common Equity Tier 1 Capital Adequacy Ratio	**203.39%**	541.98%
Tier 1 Capital Adequacy Ratio	**203.39%**	541.98%
Total Capital Adequacy Ratio	**206.93%**	541.98%
Leverage Ratio (LR):		
Eligible Tier-1 Capital	**4,606,808**	3,701,981
Total Exposures	**19,358,850**	3,728,972
Leverage Ratio	**23.80%**	99.28%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	**6,930,825**	653
Total Net Cash Outflow	**1,812**	463
Liquidity Coverage Ratio	**382601%**	141%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	**17,303,816**	3,701,981
Total Required Stable Funding	**5,644,875**	1,689,582
Net Stable Funding Ratio	**306.54%**	219.11%

35.1 The full disclosures on the Capital Adequacy, Leverage Ratio & Liquidity Requirements as per SBP instructions issued from time to time have been placed on the website. The link to the full disclosure is available at http://www.pmrc.com.pk.

36 RISK MANAGEMENT

The Company has set up objectives and policies to manage the risks that arise in connection with financial instruments. The risk management framework and policies of the Company are guided by specific objectives to ensure that comprehensive and adequate risk management policies are established to mitigate the salient risk elements in operations of the Company. The establishment of the overall financial risk management objectives is consistent and in tandem with the strategy to create value and sustainability, whilst guided by a prudent and robust framework of risk management policies. Despite the low risk business model of the Company as it only deals with banks and regulated Financial Institutions, it places great emphasis on the importance of risk management and has put in place clear and comprehensive risk management framework to identify, monitor, manage and control the relevant risk factors.

Risk Management Organisation

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.

Risk Management Committee implements credit risk 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.

36.1 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 in fixed income securities.

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, limits for sectors and pricing strategies. 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 JCR-VIS whereas a comprehensive risk assessment matrix model is used for internal ratings.

36.1.1 Lendings to financial institutions

Credit risk by public / private sector	Gross lendings 2019	Gross lendings 2018	Non-performing lendings 2019	Non-performing lendings 2018	Provision held 2019	Provision held 2018
	(Rupees in '000)					
Public / Government	-	912,000	-	-	-	-
	-	912,000	-	-	-	-

36.1.2 Investment in debt securities

	Gross investments 2019	Gross investments 2018	Non-performing investments 2019	Non-performing investments 2018	Provision held 2019	Provision held 2018
	(Rupees in '000)					
Credit risk by industry sector						
Others (Government)	**8,821,820**	1,009,632	-	-	-	-
	8,821,820	1,009,632	-	-	-	-
Credit risk by public / private sector						
Public / Government	**8,821,820**	1,009,632	-	-	-	-
	8,821,820	1,009,632	-	-	-	-

36.1.3 Advances

	Gross advances 2019	Gross advances 2018	Non-performing advances 2019	Non-performing advances 2018	Provision held 2019	Provision held 2018
Credit risk by industry sector	(Rupees in '000)					
Financial	**7,800,000**	1,200,000	-	-	-	-
	7,800,000	1,200,000	-	-	-	-
Credit risk by public / private sector						
Public/ Government	**2,300,000**	-	-	-	-	-
Private	**5,500,000**	1,200,000	-	-	-	-
	7,800,000	1,200,000	-	-	-	-

36.1.4 Concentration of Advances

The total exposure (outstanding and limit) of the company is against 06 borrowers (funded and non-funded exposures) aggregated to Rs. 7.8 billion (2018: 02 Borrowers with Rs. 1.2 billion).

36.1.5 Advances - Province / Region-wise Disbursement & Utilization

2019

Province / Region	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	(Rupees in '000)						
Sindh	6,600,000	1,000,000	5,600,000	-	-	-	-
Total	6,600,000	1,000,000	5,600,000	-	-	-	-

2018

Province / Region	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	(Rupees in '000)						
Sindh	1,200,000	1,000,000	200,000	-	-	-	-
Total	1,200,000	1,000,000	200,000	-	-	-	-

36.2 Market Risk

Market risk is the risk of loss arising from movements in market rates or prices, such as interest rates, foreign exchange rates, and equity prices.

The Company's business model primarily caters to refinancing loans with recourse to the Customers by issuing bonds in the capital market. Its main line of business is funding refinancing loans. Any surplus funds shall be invested in safe investment.

An important element of the Company's internal control system over its interest rate risk management process is regular evaluation and review by independent reviewers. These reviews should ensure compliance with established processes and procedures while accepting any significant change for effective control mechanism. However, all such reviews and evaluations must be conducted regularly by individuals who are independent of the function they are assigned to review.

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".

36.2.1 Interest rate / yield Risk

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 refinance loans to Customer with similar repayment structure and tenor as the underlying bond issued to fund those loans (i.e. the Company will be match funding).

36.2.2 Balance sheet split by trading and banking books

	2019			2018		
	Banking book	**Trading book**	**Total**	Banking book	Trading book	Total
			(Rupees in '000)			
Cash and balances with treasury banks	**50,780**	-	**50,780**	653	-	653
Balances with other banks	**2,382,641**	-	**2,382,641**	504,566	-	504,566
Lendings to financial institutions	-	-	-	912,000	-	912,000
Investments	**8,821,820**	-	**8,821,820**	1,009,632	-	1,009,632
Advances	**7,729,232**	-	**7,729,232**	1,200,000	-	1,200,000
Fixed assets	**78,340**	-	**78,340**	45,067	-	45,067
Intangible assets	**9,220**	-	**9,220**	11,112	-	11,112
Other assets	**504,512**	-	**504,512**	66,648	-	66,648
	19,576,545	-	**19,576,545**	3,749,678	-	3,749,678

36.2.3 **Mismatch of Interest Rate Sensitive Assets and Liabilities**

			2019									
	Effective Yield / Interest rate	Total	Exposed to Yield / Interest risk									Non-interest bearing financial instruments
On-balance sheet 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	11.25%	50,780	82	-	-	-	-	-	-	-	-	50,698
Balances with other banks	13.00%	2,382,641	2,382,620	-	-	-	-	-	-	-	-	21
Lending to financial institutions		-	-	-	-	-	-	-	-	-	-	-
Investments	13.87%	8,821,820	494,733	1,021,800	1,437,723	3,455,221	2,412,343	-	-	-	-	-
Advances	9.76%	7,729,232	107	2,015,780	2,034,442	355,776	1,507,100	1,816,027	-	-	-	-
Other assets		504,512	-	-	-	-	-	-	-	-	-	504,512
		19,488,985	2,877,542	3,037,580	3,472,165	3,810,997	3,919,443	1,816,027	-	-	-	555,231
Liabilities												
Bills payable		-	-	-	-	-	-	-	-	-	-	-
Borrowings	5.71%	7,565,788	1,919,496	-	-	-	-	-	451,703	1,129,258	4,065,331	-
Deposits and other accounts		-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	3.00%	7,050,716	-	-	-	-	-	-	564,057	1,410,142	5,076,517	-
Other liabilities		263,769	-	-	-	-	-	-	-	-	-	263,769
		14,880,273	1,919,496	-	-	-	-	-	1,015,760	2,539,400	9,141,848	263,769
On-balance sheet gap		4,608,712	958,046	3,037,580	3,472,165	3,810,997	3,919,443	1,816,027	(1,015,760)	(2,539,400)	(9,141,848)	291,462
Total Yield / Interest Risk Sensitivity Gap			958,046	3,037,580	3,472,165	3,810,997	3,919,443	1,816,027	(1,015,760)	(2,539,400)	(9,141,848)	
Cumulative Yield / Interest Risk Sensitivity Gap			958,046	3,995,626	7,467,791	11,278,788	15,198,231	17,014,258	17,014,258	17,014,258	17,014,258	

			2018									
	Effective Yield / Interest rate	Total	Exposed to Yield / Interest risk									Non-interest bearing financial instruments
On-balance sheet 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	5.88%	653	153	-	-	-	-	-	-	-	-	500
Balances with other banks	10.62%	504,566	504,387	-	-	-	-	-	-	-	-	179
Lending to financial institutions	10.62%	912,000	912,000	-	-	-	-	-	-	-	-	-
Investments	10.23%	1,009,632	-	1,009,632	-	-	-	-	-	-	-	-
Advances	10.77%	1,200,000	-	1,113	15,076	17,139	41,160	1,125,512	-	-	-	-
Other assets		66,648	-	-	-	-	-	-	-	-	-	66,648
		3,693,499	1,416,540	1,010,745	15,076	17,139	41,160	1,125,512	-	-	-	67,327
Liabilities												
Advance against share capital		-	-	-	-	-	-	-	-	-	-	-
Borrowings		-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts		-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Subordinated debt		-	-	-	-	-	-	-	-	-	-	-
Other liabilities		36,588	-	-	-	-	-	-	-	-	-	36,588
		36,588	-	-	-	-	-	-	-	-	-	36,588
On-balance sheet gap		3,656,911	1,416,540	1,010,745	15,076	17,139	41,160	1,125,512	-	-	-	30,739
Total Yield / Interest Risk Sensitivity Gap			1,416,540	1,010,745	15,076	17,139	41,160	1,125,512	-	-	-	
Cumulative Yield / Interest Risk Sensitivity Gap			1,416,540	2,427,285	2,442,361	2,459,500	2,500,660	3,626,172	3,626,172	3,626,172	3,626,172	

	2019	2018
Reconciliation to total assets	(Rupees in '000)	
Balance as per balance sheet	19,576,545	3,749,678
Less: Non financial assets		
Fixed assets	78,340	45,067
Intangible assets	9,220	11,112
	87,560	56,179
Total financial assets	19,488,985	3,693,499

	2019	2018
Reconciliation to total liabilities	(Rupees in '000)	
Balance as per balance sheet	14,880,273	36,588
	-	-
Total financial liabilities	14,880,273	36,588

36.3 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.

36.4 *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, cash flow 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 quarterly basis.

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

2019

	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	50,780	50,780	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	2,382,641	2,382,641	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	8,821,820	-	-	-	494,733	-	-	1,437,724	3,455,220	-	2,412,342	-	-	1,021,801
Advances	7,729,232	-	-	-	107	15,673	2,000,107	2,034,442	317,961	37,815	1,507,100	1,816,027	-	-
Fixed assets	78,340	-	-	-	2,037	2,937	2,034	6,082	6,111	6,111	23,772	13,482	7,993	7,781
Intangible assets	9,220	-	-	-	195	195	195	583	585	585	2,338	2,338	2,206	-
Other assets	504,512	27,572		88,676	177	75,265	124,772	132,978	15,618	138	31,290	3,738	1,104	3,184
	19,576,545	2,460,993	-	88,676	497,249	94,070	2,127,108	3,611,809	3,795,495	44,649	3,976,842	1,835,585	11,303	1,032,766
Liabilities														
Borrowings	7,565,788	-	1,919,496	-	-	-	-	-	-	-	-	-	451,703	5,194,589
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	7,050,716	-	-	-	-	-	-	-	-	-	-	-	564,057	6,486,659
Other liabilities	263,769	4,680	2,566	-	-	150	74,301	83,688	3,425	26,196	68,763	-	-	-
	14,880,273	4,680	1,922,062	-	-	150	74,301	83,688	3,425	26,196	68,763	-	1,015,760	11,681,248
Net assets	4,696,272	2,456,313	(1,922,062)	88,676	497,249	93,920	2,052,807	3,528,121	3,792,070	18,453	3,908,079	1,835,585	(1,004,457)	(10,648,482)
Share capital	3,658,506													
Reserves	191,375													
Unappropriated profit	766,147													
Surplus on revaluation of assets	80,244													
	4,696,272													

2018

	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	653	653	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	504,566	4,566	-	500,000	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	912,000	-	12,000	-	900,000	-	-	-	-	-	-	-	-	-
Investments	1,009,632	-	-	-	-	1,009,632	-	-	-	-	-	-	-	-
Advances	1,200,000	-	-	-	-	1,113	-	15,076	1,285	15,854	41,160	1,125,512	-	-
Fixed assets	45,067	-	-	-	742	1,484	-	2,226	-	4,429	9,186	14,959	12,041	-
Intangible assets	11,112	-	-	-	185	185	185	556	556	556	2,222	2,222	4,445	-
Other assets	66,648	-	-	-	14,595	8,316	-	8,509	-	-	29,801	-	-	5,427
	3,749,678	5,219	12,000	500,000	915,522	1,020,730	185	26,367	1,841	20,839	82,389	1,142,693	16,486	5,427
Liabilities														
Advance against share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to	-	-	-	-	-	-	-	-	-	-	-	-	-	-
finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	36,588	-	-	-	1,850	10,998	-	16,302	-	7,438	-	-	-	-
	36,588	-	-	-	1,850	10,998	-	16,302	-	7,438	-	-	-	-
Net assets	3,713,090	5,219	12,000	500,000	913,672	1,009,732	185	10,065	1,841	13,401	82,389	1,142,693	16,486	5,427
Share capital	3,658,506													
Reserves	11,007													
Unappropriated profit	43,577													
Surplus / (Deficit) on revaluation of assets	-													
	3,713,090													

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

2019

	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	50,780	50,780	-	-	-	-	-	-	-	-
Balances with other banks	2,382,641	2,382,641	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	8,821,820	494,733	-	1,437,724	3,455,221	2,412,342	-	-	1,021,800	-
Advances	7,729,232	107	2,015,780	2,034,442	355,776	1,507,100	1,816,027	-	-	-
Fixed assets	78,340	2,037	4,971	6,082	12,222	23,772	13,482	7,993	7,781	-
Intangible assets	9,220	195	390	584	1,169	2,338	2,338	2,206	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	504,512	116,425	200,037	132,978	15,756	31,290	3,738	1,104	2,800	384
	19,576,545	3,046,918	2,221,178	3,611,810	3,840,144	3,976,842	1,835,585	11,303	1,032,381	384
Liabilities										
Bills payable	-	-	-	-	-	-	-	-	-	-
Borrowings	7,565,788	1,919,496	-	-	-	-	-	451,703	1,129,259	4,065,330
Deposits and other accounts	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	7,050,716	-	-	-	-	-	-	564,057	1,410,143	5,076,516
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	263,769	7,246	74,452	83,688	29,621	68,762	-	-	-	-
	14,880,273	1,926,742	74,452	83,688	29,621	68,762	-	1,015,760	2,539,402	9,141,846
Net assets	4,696,272	1,120,176	2,146,726	3,528,122	3,810,523	3,908,080	1,835,585	(1,004,457)	(1,507,021)	(9,141,462)
Share capital	3,658,506									
Reserves	191,375									
Unappropriated profit	766,147									
Surplus on revaluation of assets	80,244									
	4,696,272									

2018

	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	653	653	-	-	-	-	-	-	-	-
Balances with other banks	504,566	504,566	-	-	-	-	-	-	-	-
Lending to financial institutions	912,000	912,000	-	-	-	-	-	-	-	-
Investments	1,009,632	-	1,009,632	-	-	-	-	-	-	-
Advances	1,200,000	-	1,113	15,076	17,139	41,160	1,125,512	-	-	-
Fixed assets	45,067	742	1,484	2,226	4,429	9,186	14,959	12,041	-	-
Intangible assets	11,112	185	370	556	1,111	2,222	2,222	4,446	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	66,648	14,595	8,316	8,509	-	29,803	-	-	5,425	-
	3,749,678	1,432,741	1,020,915	26,367	22,679	82,371	1,142,693	16,487	5,425	-
Liabilities										
Advance against share capital	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	36,588	1,850	10,998	16,302	7,438	-	-	-	-	-
	36,588	1,850	10,998	16,302	7,438	-	-	-	-	-
Net assets	3,713,090	1,430,891	1,009,917	10,065	15,241	82,371	1,142,693	16,487	5,425	-
Share capital	3,658,506									
Reserves	11,007									
Unappropriated profit	43,577									
Surplus / (Deficit) on revaluation of assets	-									
	3,713,090									

37 EVENTS AFTER THE REPORTING DATE

There is no event occurring between the statement of financial position date and the date that the financial statements are authorized for issue which is required to be reflected in the financial statements.

38 GENERAL

38.1 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.

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

38.3 The comparative figures have been re-arranged and reclassified for comparison purposes or additionally incorporated in these financial statements wherever necessary to facilitate comparison and better presentation. There were no significant classifications during the year.

39 DATE OF AUTHORISATION

These financial statements were authorised on March 6, 2020 by the Board of Directors of the Company.

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

Poetry

'Mein hoon musafir uss rah-e-talab ka'

Rashid Masood Alam | Head Internal Audit

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میں ہوں مسافر اُس راہ طلب کا
جس راہ پہ گزر رہے کرن کا نہ صبا کا
دُھندلی سی فضا ہے اِک بے کیف سماء سا
موہوم سی خواہش ہے اور خوابِ شکستہ

برہنہ پا پھرتے رہے ہم سراب کے پیچھے
لاد کے انبار خواہش کا اور اپنا تن خستہ
سننے کے لیے یہ مژدہ عمر اپنی ہوئی تمام
بے مکانی کے ہوئے دن پورے اے چشم خوابیدہ

افلاک تو تھا تیرا، زمین بھی ہوئی تیری
در و دیوار بھی تیرے ہیں غائب ہوئی تیری
اب جاگتی آنکھوں کے ہر خواب ہوئے پورے
رہنے کو ٹھکانہ ہوا اور تعبیر ہوئی پوری

منزل کا نشان مل گیا ہم سوختہ تنوں کو
رہنے کو مکاں مل گیا میرے ہم وطنوں کو
گر ہو یقینِ کامل، کوئی کارِ جہاں نہیں دشوار
پورا خواب، اپنی چھت، آنگن اور اپنے در و دیوار

راشد مسعود عالم
فروری ۲۰۲۰

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