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Rahman**
1st & 3rd Floor,
Modern Motors House,
Beaumont Road,
Karachi, Pakistan.

**INDEPENDENT AUDITOR'S REPORT
To the members of House Building Finance Company Limited
Report on the audit of financial statements**

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Opinion

We have audited the annexed financial statements of **House Building Finance Company Limited** (the Company), which comprise the statement of financial position as at December 31, 2020 and profit and loss account, the statement of comprehensive income, the statement of changes in equity, cash flow statement for the year 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 explanation which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, the statement of other comprehensive income, the statement of changes in equity and cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2020 and of the profit and other comprehensive profit, 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. Other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

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

financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and board of directors for the financial statements

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

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

Board of directors is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists,

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 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 safeguard.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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, profit and loss account, the statement of comprehensive income, the statement of changes in equity and cash flow statement together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Other Matter

The financial statements of the Company for the year ended December 31, 2020 were audited by another firm of auditors who expressed an unmodified opinion on those financial statements on March 05, 2020.

The engagement partner on the audit resulting in this independent auditor's report is Khurram Jameel.



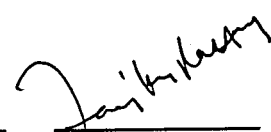
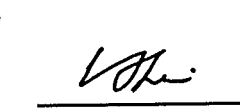
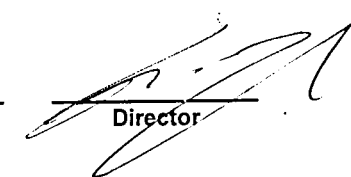

Chartered Accountants
Karachi.
Date: 13 April 2022

HOUSE BUILDING FINANCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020

	2020	2019
Note	-----'Rupees in '000-----	
ASSETS		
Cash and balances with treasury banks	5 34,880	42,126
Balances with other banks	6 130,492	329,733
Lendings to financial institutions	7 1,450,000	-
Investments	8 10,414,228	10,283,836
Advances	9 11,177,470	11,707,215
Fixed assets	10 391,630	381,636
Intangible assets	11 41,494	21,863
Deferred tax assets	12 1,761,435	1,817,412
Other assets	13 1,400,694	618,025
	26,802,323	25,201,846
LIABILITIES		
Bills payable	-	-
Borrowings	14 2,959,973	2,000,000
Deposits and other accounts	-	-
Liabilities against assets subject to finance lease	15 114,474	82,119
Subordinated debt	-	-
Deferred tax liabilities	-	-
Other liabilities	16 2,829,960	3,011,664
	5,904,407	5,093,783
NET ASSETS	20,897,916	20,108,063
REPRESENTED BY		
Share capital	17 19,365,000	19,365,000
Reserves	2,005,103	1,799,383
Deficit on revaluation of assets	18 (8,585)	(7,756)
Accumulated loss	(463,601)	(1,048,564)
	20,897,916	20,108,063
CONTINGENCIES AND COMMITMENTS	19	

The annexed notes 1 to 41 and Annexure I form an integral part of these financial statements.

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President / Chief Executive	Chief Financial Officer	Director	Director	Director

HOUSE BUILDING FINANCE COMPANY LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2020

		2020	2019
	Note	-----Rupees in '000-----	
Mark-up/return/interest earned	20	3,447,781	2,987,835
Mark-up/return/interest expensed	21	<u>(198,312)</u>	<u>(137,507)</u>
Net mark-up/interest income		3,249,469	2,850,328
NON MARK-UP/INTEREST INCOME			
Fee and commission income		-	-
Dividend income		357	671
Foreign exchange income		-	-
Income / (loss) from derivatives		-	-
Gain / (loss) on securities		-	-
Other income	22	<u>135,495</u>	<u>130,126</u>
Total non-markup / interest income		135,852	130,797
Total Income		<u>3,385,321</u>	<u>2,981,125</u>
NON MARK-UP/INTEREST EXPENSES			
Operating expenses	23	<u>(1,657,545)</u>	<u>(1,618,363)</u>
Sindh Workers' Welfare Fund		(28,360)	(18,931)
Other charges	24	<u>(30)</u>	<u>(3)</u>
Total non-markup / interest expenses		(1,685,935)	(1,637,297)
Profit before provisions		1,699,386	1,343,828
Provisions and write offs - net	25	(303,955)	(368,641)
Relief package and reprocessing charges	26	<u>(5,793)</u>	<u>(21,440)</u>
PROFIT BEFORE TAXATION		1,389,638	953,748
Taxation	27	<u>(361,039)</u>	<u>1,808,299</u>
PROFIT AFTER TAXATION		<u>1,028,599</u>	<u>2,762,047</u>
-----Rupees-----			
Earnings per share - basic and diluted	28	<u>0.53</u>	<u>1.43</u>

The annexed notes 1 to 41 and Annexure I form an integral part of these financial statements.

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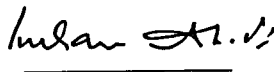
 _____ President / Chief Executive	 _____ Chief Financial Officer	 _____ Director	 _____ Director	 _____ Director
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HOUSE BUILDING FINANCE COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
	-----Rupees in '000-----	
Profit after taxation	1,028,599	2,762,047
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
(Deficit) / surplus on revaluation of investments - net of tax	(829)	13,088
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement (loss) / gain on defined benefit obligations - net of tax	(237,917)	427,704
Total comprehensive income	<u>789,853</u>	<u>3,202,839</u>

The annexed notes 1 to 41 and Annexure I form an integral part of these financial statements.

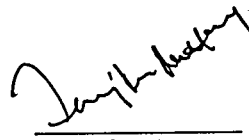
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 President /
 Chief Executive



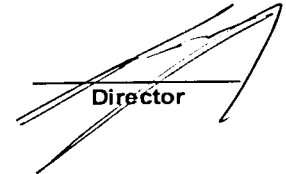
 Chief Financial
 Officer



 Director



 Director




 Director

HOUSE BUILDING FINANCE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2020

	Share capital	Statutory reserve	Surplus / (deficit) on revaluation of investments	Accumulated loss	Total
	----- Rupees in '000 -----				
Balance as at January 01, 2019	19,365,000	1,246,973	(20,844)	(3,685,905)	16,905,224
Profit after taxation	-	-	-	2,762,047	2,762,047
Other comprehensive income	-	-	13,088	427,704	440,792
Transfer to statutory reserve	-	552,409	-	(552,409)	-
Balance as at December 31, 2019	19,365,000	1,799,383	(7,756)	(1,048,564)	20,108,063
Profit after taxation	-	-	-	1,028,599	1,028,599
Other comprehensive loss	-	-	(829)	(237,917)	(238,746)
Transfer to statutory reserve	-	205,720	-	(205,720)	-
Balance as at December 31, 2020	19,365,000	2,005,103	(8,585)	(463,601)	20,897,916

The annexed notes 1 to 41 and Annexure I form an integral part of these financial statements.

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President /
Chief Executive



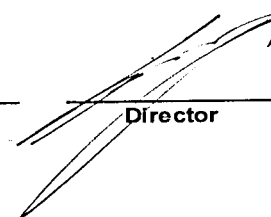
Chief Financial
Officer



Director



Director



Director

HOUSE BUILDING FINANCE COMPANY LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
Note	-----Rupees in '000-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,389,638	953,748
Less: Dividend income	(357)	(671)
	1,389,281	953,077
Adjustments:		
Depreciation	88,762	73,797
Amortization	1,583	1,055
Provisions and write offs	324,556	376,075
Loss / (gain) on sale of fixed assets	163	(18)
Sindh Workers Welfare Fund	28,360	18,931
Mark-up / return / interest expensed	198,312	137,507
	641,736	607,347
	2,031,017	1,560,424
(Increase) / decrease in operating assets		
Lendings to financial institutions	(1,450,000)	4,206,891
Advances	202,578	(363,626)
Other assets (excluding advance taxation)	(887,984)	(135,683)
	(2,135,407)	3,707,582
Decrease in operating liabilities		
Other liabilities (excluding current taxation)	(565,771)	(568,138)
Income tax paid	(199,408)	(263,408)
Net cash (used in) / inflow from operating activities	(869,568)	4,436,460
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments	(131,560)	(6,273,388)
Dividends received	357	671
Investments in operating fixed assets	(120,895)	(164,341)
Payment of liabilities against right-of-use assets	(45,882)	(35,500)
Proceeds from sale of fixed assets	1,088	29
Net cash used in investing activities	(296,892)	(6,472,529)
CASH FLOW FROM FINANCING ACTIVITIES		
Borrowings obtained	959,973	2,000,000
Decrease in cash and cash equivalents	(206,487)	(36,070)
Cash and cash equivalents at beginning of the year	371,859	446,407
Cash and cash equivalents at end of the year	165,372	410,337


The annexed notes 1 to 41 and Annexure I form an integral part of these financial statements.



President /
Chief Executive



Chief Financial
Officer

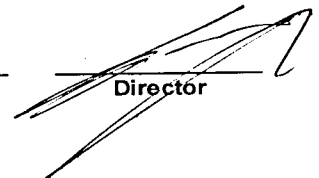


Director



Director

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Director

**HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

1. STATUS AND NATURE OF BUSINESS

House Building Finance Company Limited (the Company) is an unlisted public limited company incorporated in Pakistan on June 13, 2006 under the Companies Ordinance, 1984 (now the Companies Act 2017). The registered office of the Company is situated at Finance and Trade Centre Building, Sharah-e-Faisal, Karachi, in the province of Sindh. Pursuant to a vesting order SRO.I/2007 dated July 25, 2007 issued by Finance Division - Government of Pakistan (GoP) effective from January 1, 2007, the Company had taken over all assets, running business, contracts, liabilities and proceedings of the House Building Finance Corporation established in 1952 under the House Building Finance Corporation Act, 1952 (XVIII of 1952) by the GoP from closing of the business on December 31, 2006 and has also changed its name from House Building Finance Corporation Limited to House Building Finance Company Limited in 2010.

The Federal Government has directed the State Bank of Pakistan (SBP) to divest its entire shareholding in the Company, which will pave the way for the Company's privatisation. The Company is expected to be privatised by the end of 2021.

The Company is designated as a financial institution by the Federal Government and is providing financing facilities for the purchase & construction of houses/apartments including balance transfer facility (BTF) through a network of 51 branches, 7 area offices and 3 regional offices throughout Pakistan including Azad Jammu & Kashmir and Gilgit Baltistan. According to credit rating report dated June 12, 2020 of JCR-VIS Credit Rating Company Limited, the long term and short term ratings of the Company are "A" and "A-1".

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with the requirements of the annual financial statements issued by SBP through BPRD circular no. 02 of 2018.

2.1 Statement of compliance

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

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

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

The SBP through its BSD Circular no. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' till further instructions. Further, according to the notification of the SECP dated April 28, 2008, IFRS-7, 'Financial Instruments: Disclosures' has not been made applicable for companies engaged in housing finance services. 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.

Further, SBP through its Circular no. 4 of 2019 dated October 23, 2019, has extended the effective date of the IFRS 9 on Banks / DFIs to January 01, 2021 and has required Banks / DFIs to have a parallel run of IFRS 9 from January 01, 2020. The Banks / DFIs are also required to prepare a pro-forma financial statements which includes the impact of IFRS 9 from the year ended December 31, 2019.

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

During the year, the Company has adopted the following amendments and improvements to IFRS. However, these standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements.

Standards	Effective Date (Annual periods beginning on or after)
- IFRS 3 Definition of a Business (Amendment to IFRS 3)	January 1, 2020
- IAS 1 and IAS 8 Definition of Material (Amendment to IAS 1 and IAS 8)	January 1, 2020
- Annual improvements to IFRSs 2015 - 2017 Cycle	January 1, 2020

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

The following standards would be effective from the dates mentioned below against the respective standards:

Standards	Effective Date (Annual periods beginning on or after)
- IFRS 16 COVID-19 Rent Related Concessions	June 1, 2020
- IFRS 9, IAS 39, IFRS7, IFRS4, and IFRS16 Interest Rate Benchmark Reform Phase 2	January 1, 2021
- IFRS 3 References to Conceptual Framework	January 1, 2022
- IAS 16 Proceeds before intended use	January 1, 2022
- IAS 37 Onerous Contracts- Cost of Fulfilling a contract	January 1, 2022
- IAS 1 Classification of Liabilities as Current or Non-current	January 1, 2023
- Annual improvements to IFRSs 2018 - 2020 Cycle	January 1, 2022

The above standards are not likely to have any material effect on the Company's financial statements in the year of application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan

Standards	IASB effective date (Annual periods beginning on or after)
- IFRS 17 'Insurance Contracts'	January 1, 2022
- IFRS 9 (ECL model on the financial assets due from Government)	July 1, 2021

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3. BASIS OF MEASUREMENT

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except as otherwise stated in the respective notes to the financial statements.

3.2 Critical accounting estimates and judgments

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

The significant accounting areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in the application of accounting policies are as follows:

- i) classification and provisioning against investments (note 8)
- ii) classification and provisioning against advances (note 9)
- iii) provision for current / deferred taxation and current taxation (note 12 and 27)
- iv) accounting for defined benefit plans (note 31)

3.3 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

4.1 Cash and cash equivalents

These are carried at cost and consist of cash in hand and balances with treasury and other banks.

4.2 Lendings to / borrowings from financial institutions

The Company enters into transactions of borrowings (repos) from and lending (reverse repos) to financial institutions at contracted rates for a specified period of time. These are recorded as under:

Sale under repurchase obligations

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

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Purchase under resale obligations

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

Other lendings

These are stated net of provision. Mark-up on such lendings is charged to profit and loss account on time proportion basis using effective interest rate method except for mark-up on impaired/delinquent lendings, which are recognized on receipt basis.

Other borrowings

These are recorded at the proceeds received. Mark-up on such borrowings is charged to the profit and loss account on time proportion basis using effective interest method.

4.3 Investments

Classification

Investments of the Company are classified as follows:

(a) Held-for-trading

These are investments, which are either acquired for generating profits from short-term fluctuations in market prices or are securities included in a portfolio for which there is evidence of a recent actual pattern of short-term profit taking.

(b) Held-to-maturity

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

(c) Available-for-sale

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

Regular way contracts

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

Initial recognition and measurement

Investments other than those categorised as 'held for trading' are initially recognised at fair value which includes transaction costs associated with the investment. Investments classified as 'held for trading' are initially recognised at fair value and transaction costs as incurred are expensed in the profit and loss account.

Subsequent measurement

Subsequent to initial recognition investments are valued as follows:

(a) Held-for-trading

These are measured at subsequent reporting dates at fair value. Gains and losses on remeasurement are included in the profit and loss account.

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(b) Held-to-maturity

These are measured at amortized cost using the effective profit rate method, less any impairment loss recognised to reflect irrecoverable amount.

(c) Available-for-sale

These are measured at subsequent reporting dates at fair value. Surplus / (deficit) arising on remeasurement is included in the statement of comprehensive income and recognized in the statement of financial position in equity. The surplus / (deficit) is taken to profit and loss account when actually realized upon disposal.

Impairment

Impairment loss in respect of investments classified as available for sale and held to maturity (except sukuk) is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investment below its cost is also considered an objective evidence of impairment. Provision for diminution in the value of sukuk is made as per the Prudential Regulations issued by the SBP. In case of impairment of available for sale securities, the cumulative loss that previously reported in other comprehensive income is transferred to profit and loss account for the year. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

4.4 Advances

Advances are stated net of general and specific provisions. The general and specific provisions are made in accordance with the requirements of the Prudential Regulations and other directives issued by the SBP and are charged to the profit and loss account. Non-performing advances are written off only when all possible courses of action to achieve recovery have proved unsuccessful. The Company determines write-offs in accordance with the criteria prescribed by the SBP.

4.5 Fixed assets

Property and equipment

These are stated at cost less accumulated depreciation and impairment losses (if any). Cost of property and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable costs of bringing the asset to working condition. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Depreciation on property and equipment is charged to income using the 'Straight Line Method' over the useful life of the assets. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date. Depreciation charge commences from the day when the asset is available for use and continues till the day the asset is discontinued either through disposal or retirement.

Subsequent costs are included in the asset's carrying amount or recognized 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. All other repairs and maintenance are charged to the profit and loss account when incurred.

Any gain or loss on disposal of the assets is included in the profit and loss account in the year of disposal.

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Right-of-Use (RoU) assets

The Company recognises RoU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). RoU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of RoU assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. These are depreciated on a straight-line basis over the lease term.

4.6 Intangibles

Intangible assets having finite useful life are stated at cost less accumulated amortization and impairment losses, if any. Intangible assets comprise of cost of computer software and patents, which are amortized using the 'Straight Line Method' over their useful lives' amortization is charged from the month of acquisition and up to the month of deletion. The useful lives and amortization method are reviewed and adjusted, if appropriate, at each reporting date.

Costs associated with maintaining computer software are recognized as expense when incurred.

Capital work-in-progress

These are stated at cost less accumulated impairment losses, if any.

4.7 Impairment of non-financial assets

The Company assesses at each reporting date whether there is any indication that the fixed assets and intangibles may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment charge is recognised in the profit or loss account.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

4.8 Lease liabilities

The Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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4.9 Financial instruments

Financial assets and financial liabilities

Financial instruments carried on the statement of financial position include cash and bank balances, lendings to financial institutions, investments, advances, certain receivables, borrowings from financial institutions and certain other liabilities. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them. Financial assets are de-recognized when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognized when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial assets and liabilities is recognized in the profit and loss account of the current period.

Off setting of financial instruments

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 recognized amount and the Company intends either to settle on a net basis, or to realize 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.

4.10 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will 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.

4.11 Staff retirement benefits

a. Defined benefit plans

Pension Fund

The Company operates an approved funded pension scheme for all its employees who have been in full time employment for at least 10 years. The scheme provides pension based on the employees' last drawn pensionable salary. Contributions are made to the scheme on the basis of actuarial recommendation. The latest actuarial valuation was carried out as of December 31, 2020. Amounts arising as a result of remeasurements, representing the actuarial gains and losses and the difference between the actual investment returns and the return implied by the net interest cost are recognised in the statement of financial position immediately, with a charge or credit to other comprehensive income in the year in which they occur.

Post retirement medical benefits

The Company provides post retirement medical facility to an employee in the following events:

- Retirement
- Early retirement from service
- Death / disability during or after service

The Company's post retirement medical benefits' structure is as follows:

Executives / officers their spouse and dependent children

- for hospitalization
- for consultation / pathological test
- for cost of medicine

Entitlement

One gross pension
One gross pension
One gross pension

GTA

Clerical staff

- | | |
|--|-------------------|
| - for hospitalization | One gross pension |
| - for consultation / pathological test | One gross pension |
| - for cost of medicine | Two gross pension |

Non-clerical staff

- | | |
|--|----------------------------|
| - for hospitalization | One and half gross pension |
| - for consultation / pathological test | One and half gross pension |
| - for cost of medicine | Three gross pension |

Contributions in respect of medical benefits are made on the basis of actuarial recommendation. The latest actuarial valuation was carried out as of December 31, 2020.

Gratuity Fund

The Company operates an approved gratuity fund covering all of its employees, who have completed the qualifying period under the scheme. The fund is administered by the trustees and the contributions there in are made by the Company at the rate of 1/2 of the basic salary of employees each year.

b. Defined contribution plan

The Company operates an approved Provident Fund. Equal monthly contributions are made both by the Company and respective employees to the fund at the rate of 12% of the basic salary in accordance with the terms of the scheme.

c. Employees' compensated absences

The Company accounts for the liability in respect of employees compensated absences in the year in which they are earned. The Company provides for employees compensated absences on the basis of actuarial recommendation. Latest actuarial valuation was carried out as of December 31, 2020.

4.12 Taxation

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

Current

Provision for current taxation is based on taxable income for the year, at current rates of taxation, after taking into consideration available tax credits, rebates and tax losses as required under the Seventh Schedule to the Income Tax Ordinance, 2001. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments / developments made during the year.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. Deferred tax is calculated using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. 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.

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4.13 Revenue recognition

- Mark-up / return on regular advances and investments and bank balances is recognized on accrual basis. Mark -up / return on classified advances and investments is recognized on receipt basis.
- Mark-up income on Ghar Aasan Scheme is recognized on the basis of share in rental income and share in appreciation in value of property.
- Mark-up income on housing finance under Interest Bearing Schemes is not recognized since July 2000 pursuant to the decision of the Honorable Supreme Court of Pakistan.
- Dividend income is recognized when the right to receive the dividend is established.
- Gain / loss on disposal of investments is recognized in the profit and loss account.

4.14 Foreign currency transactions and translations

Monetary assets and liabilities in foreign currency are translated into Rupees at the applicable rate of exchange prevailing at the reporting date. Foreign currency transactions during the year are translated into Pakistani Rupee applying the exchange rate at the date of respective transactions. Gains and losses on translation are included in profit and loss account currently.

4.15 Earnings per share

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

4.16 Demand charges

Demand charges (penalties) in respect of Ghar Asan Scheme are credited to other liabilities. This amount is utilized for charity purposes after netting of recovery charges. Demand charges of conventional schemes are charged to income.

	Note	2020 -----Rupees in '000-----	2019
5. CASH AND BALANCES WITH TREASURY BANKS			
With State Bank of Pakistan in Local currency current account	5.1	34,821	42,066
With National Bank of Pakistan in Local currency deposit account	5.2	59	60
		<u>34,880</u>	<u>42,126</u>

5.1 This represents the amount required to be maintained by the Company in accordance with the SBP's Regulations.

5.2 These carry mark-up at rate 5.50% to 11.25% (2019: 8.0% to 11.0%) per annum.

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	Note	2020 -----Rupees in '000-----	2019
6. BALANCES WITH OTHER BANKS			
In Pakistan			
-In deposit accounts	6.1	5,021	168,211
-In term deposit receipts		-	200,000
-Transitory district bank accounts - net		125,471	(38,478)
		<u>130,492</u>	<u>329,733</u>

6.1 These carry mark-up at rates ranging from 5.50% to 12.0% (2019: 8.0% to 12.0%) per annum.

	Note	2020 -----Rupees in '000-----	2019
7. LENDINGS TO FINANCIAL INSTITUTIONS			
Letters of placement	7.1	55,683	55,683
Repurchase agreement lendings (Reverse Repo)	7.2	1,450,000	-
		1,505,683	55,683
Less: Provision held	7.1 & 7.3	(55,683)	(55,683)
		<u>1,450,000</u>	<u>-</u>

7.1 Letters of placement

In local currencies

Trust Investment Bank Limited (TIBL)	7.1.1	5,909	5,909
First Dawood Investment Bank Limited (FDIBL)	7.1.2	49,774	49,774
		<u>55,683</u>	<u>55,683</u>

7.1.1 This represents clean placement made on November 17, 2008 for a period of 14 days at the mark-up rate of 28% per annum. The transaction remained unsettled at maturity and rescheduling was made twice. Mark-up accrued up to February 15, 2012 was received. The Company filed a suit in the Banking Court for the recovery of outstanding principal along with mark-up. The Banking Court decreed the case in favor of the Company on October 12, 2015. Execution application was filed by the Company with notice issued to TIBL for attachment of assets of TIBL. However, on prudent basis, the Company has maintained 100% provision against outstanding receivable.

7.1.2 This represents clean placement made on September 12, 2008 for a period of 94 days at the mark-up rate of 17% per annum. The transaction remained unsettled at maturity. The Company filed a suit against FDIBL in the Sindh High Court (SHC) which ordered to pay the principal and cost of funds to the Company in twelve monthly installments. FDIBL paid twelve installments with total of Rs. 18.733 million as per its own schedule which was not accepted by the Company. The Company filed an execution application in March 2018 for recovery of cost of funds of Rs. 77.650 million as well as remaining principal of Rs. 56.266 million. The Company approached the SHC on March 20, 2018 for the release of sale proceeds realised from TFCs of FDIBL from the Nazir High Court and received Rs. 6.492 million from NAZIR on August 03, 2018 which reduced the outstanding balance of FDIBL to Rs. 49.774 million (principal amount). The Company is awaiting for next action of NAZIR High Court for selling the unlisted securities already attached. However, on prudent basis, the Company has maintained 100% provision against outstanding receivable.

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	Note	2020	2019
		-----Rupees In '000-----	
7.2 Repurchase agreement lendings (Reverse Repo)			
In local currency			
Pak Libya Holding Company Limited	7.2.1	450,000	-
Saudi Pak Industrial and Agricultural Investment Company Limited		1,000,000	-
		<u>1,450,000</u>	<u>-</u>

7.2.1 These carry makrup rates ranging from 6.92% to 7.25% per annum.

7.2.2 Securities held as collateral against Lendings to financial institutions	2020			2019		
	Held by the Company	Further given as collateral	Total	Held by the Company	Further given as collateral	Total
	----- Rupees In '000 -----					
Pakistan Investment Bonds	450,000	-	450,000	-	-	-
Market Treasury Bills	1,000,000	-	1,000,000	-	-	-
	<u>1,450,000</u>	<u>-</u>	<u>1,450,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

7.3 Category of classification	2020		2019	
	Classified Lending	Provision held	Classified Lending	Provision held
	----- Rupees In '000 -----			
Domestic Loss	55,683	-	55,683	55,683

8. INVESTMENTS

8.1 Investments by type:

Note	2020				2019			
	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	----- Rupees In '000 -----							
Available-for-sale securities								
Market Treasury Bills	6,241,981	-	(1,294)	6,240,687	6,159,451	-	(10,450)	6,149,001
Pakistan Investment Bonds	500,000	-	(5,800)	494,200	500,000	-	3,700	503,700
Unlisted Ordinary Shares	63,785	(500)	-	63,285	63,785	(500)	-	63,285
Listed Ordinary Shares	9,603	-	(1,830)	7,773	9,603	-	(1,006)	8,597
	<u>6,815,369</u>	<u>(500)</u>	<u>(8,924)</u>	<u>6,805,945</u>	<u>6,732,839</u>	<u>(500)</u>	<u>(7,756)</u>	<u>6,724,583</u>
Held-to-maturity securities								
Pakistan Investment Bonds	3,608,283	-	-	3,608,283	3,559,253	-	-	3,559,253
Unlisted Sukuk Bonds	26,240	(26,240)	-	-	26,240	(26,240)	-	-
Certificate of Investments	45,000	(45,000)	-	-	45,000	(45,000)	-	-
	<u>3,679,523</u>	<u>(71,240)</u>	<u>-</u>	<u>3,608,283</u>	<u>3,630,493</u>	<u>(71,240)</u>	<u>-</u>	<u>3,559,253</u>
Total Investments	10,494,892	(71,740)	(8,924)	10,414,228	10,363,332	(71,740)	(7,756)	10,283,836

8.2 Investments by segments:

Note	2020				2019			
	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	----- Rupees In '000 -----							
Federal government securities								
Market Treasury Bills	6,241,981	-	(1,294)	6,240,687	6,159,451	-	(10,450)	6,149,001
Pakistan Investment Bonds	4,108,283	-	(5,800)	4,102,483	4,059,253	-	3,700	4,062,953
	<u>10,350,264</u>	<u>-</u>	<u>(7,094)</u>	<u>10,343,170</u>	<u>10,218,704</u>	<u>-</u>	<u>(6,750)</u>	<u>10,211,954</u>
Fully paid-up ordinary shares:								
Listed companies	9,603	-	(1,830)	7,773	9,603	-	(1,006)	8,597
Unlisted companies	63,785	(500)	-	63,285	63,785	(500)	-	63,285
	<u>73,388</u>	<u>(500)</u>	<u>(1,830)</u>	<u>71,058</u>	<u>73,388</u>	<u>(500)</u>	<u>(1,006)</u>	<u>71,882</u>
Term Finance Certificates, Debentures, Bonds & Participation Term Certificates								
Unlisted Sukuk Bonds	26,240	(26,240)	-	-	26,240	(26,240)	-	-
Certificate of Investments	45,000	(45,000)	-	-	45,000	(45,000)	-	-
	<u>71,240</u>	<u>(71,240)</u>	<u>-</u>	<u>-</u>	<u>71,240</u>	<u>(71,240)</u>	<u>-</u>	<u>-</u>
Total Investments	10,494,892	(71,740)	(8,924)	10,414,228	10,363,332	(71,740)	(7,756)	10,283,836

8.1.1 Investments given as collateral

There were no investments given as collateral at December 31, 2020 and December 31, 2019.

8.1.2 These carry yield at rate 6.33% to 14.24% (2019: 12.94% to 14.24%) per annum.

8.1.3 These carry mark-up (coupon rate) at rates ranging from 7.70% to 13.78% (2019: 9.25% to 13.78%) per annum.

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8.1.4 Unlisted ordinary shares	Note	2020 -----Rupees in '000-----	2019
Resource and Engineering Management Corporation Limited		500	500
Pakistan Mortgage Refinance Company Limited		6,675	6,675
Takaful Pakistan Limited		56,610	56,610
	8.3	<u>63,785</u>	<u>63,785</u>

8.1.5 This represents investment in 41,951 shares of Rs.10 each in MCB Bank Limited.

8.1.6 This represents the outstanding amount in Sukuk bonds of Rs. 150 million issued by Eden Housing Limited (EHL). In 2014, EHL defaulted the repayments of coupons and the related claims were placed before Lahore High Court by the Company for recovery. However, the Company on prudent basis has maintained 100% provision against outstanding principal amount.

8.1.7 This represents the outstanding amount in certificates of investment (COIs) of Rs. 225 million issued by Bankers Equity Limited (BEL). In 2001, BEL defaulted the repayment and went under liquidation, hence the related claims were placed before SHC. However, the Company on prudent basis has maintained 100% provision against outstanding principal amount.

8.3 Quality of Available for sale securities

	Note	2020 -----Rupees in '000-----	2019 -----Rupees in '000-----
Federal Government Securities - Government guaranteed			
- Market Treasury Bills	8.1.2	6,241,981	6,159,451
- Pakistan Investment Bonds	8.1.3	500,000	500,000
		<u>6,741,981</u>	<u>6,659,451</u>

Shares

Listed companies

Banking

9,603 9,603

Unlisted Companies

Note	2020		2019	
	Cost	Breakup value *	Cost	Breakup value
	-----Rupees in '000-----			
	500	-	500	-
	6,675	6,675	6,675	6,675
	56,610	78,032	56,610	78,032
8.1.4	<u>63,785</u>	<u>84,707</u>	<u>63,785</u>	<u>84,707</u>

* Breakup value has been calculated on the basis of unaudited financial statements of the above mentioned entities.

8.4 Particulars relating to Held to Maturity securities are as follows:	Note	2020 -----Rupees in '000-----	2019 -----Rupees in '000-----
Non Government Debt Securities			
Unlisted / unrated			
- Sukuk Bonds	8.1.6	26,240	26,240
- Certificate of Investment	8.1.7	45,000	45,000
		<u>71,240</u>	<u>71,240</u>
Federal Government securities - Government guaranteed			
- Pakistan Investment Bonds	8.1.3	<u>3,608,283</u>	<u>3,559,253</u>

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9. ADVANCES

Performing		Non Performing		Total	
2020	2019	2020	2019	2020	2019

Note

----- Rupees in '000 -----

In Pakistan - local currency

Rental Sharing Schemes	9.1	8,515	44,330	1,211,005	1,289,632	1,219,520	1,333,962
Interest Bearing Schemes	9.2	-	-	99,941	99,941	99,941	99,941
Ghar Aasan Scheme	9.3	530,130	698,220	971,955	1,049,064	1,502,085	1,747,284
Shandar Ghar Scheme	9.4	-	2,793	98,221	127,515	98,221	130,308
Financing facility for Small Builders	9.5	5,826	-	-	2,970	5,826	2,970
Ghar Aasan Flexi Scheme	9.6	6,123,429	7,833,180	1,572,582	1,598,764	7,696,011	9,431,944
Bisma & Saima Projects	9.7	11,367	7,552	3,617	10,900	14,984	18,452
New Small Builders Scheme	9.8	18,453	30,280	-	26,544	18,453	56,824
Ghar Pakistan Scheme	9.9	2,544,532	1,413,340	62,412	-	2,606,944	1,413,340
Ghar Pakistan Plus Scheme	9.10	1,174,360	460,045	30,201	-	1,204,561	460,045
HBFC Khas	9.11	980	-	-	-	980	-
Naya Pakistan Housing Scheme	9.12	12,920	-	-	-	12,920	-
		10,430,512	10,489,740	4,049,934	4,205,330	14,480,446	14,695,070

Employee portfolio

Housing finance to employees	9.13	468,885	418,125	5,550	5,550	474,435	423,675
Car advance to employees	9.14	61,028	59,426	-	-	61,028	59,426
Staff personal loan	9.15	13,540	21,891	-	-	13,540	21,891
PC advance to employees		-	-	19	19	19	19
		543,454	499,442	5,569	5,569	549,023	505,011
Partners' death claims	9.16	(23,962)	10,610	-	-	(23,962)	10,610
Advances - gross		10,950,004	10,999,792	4,055,503	4,210,899	15,005,507	15,210,691

Provision for non-performing

- Specific

Rental Sharing Schemes		2,779	29,151	1,211,005	1,289,171	1,213,784	1,318,348
Interest Bearing Schemes		-	-	99,941	99,941	99,941	99,941
Ghar Aasan Scheme		-	-	855,087	888,246	855,087	888,246
Shandar Ghar Scheme		-	-	98,221	127,686	98,221	127,686
Financing facility for Small Builders		4,968	-	-	2,970	4,968	2,970
Ghar Aasan Flexi Scheme		-	-	1,253,196	857,543	1,253,196	857,543
Bisma & Saima Projects		4,775	-	3,617	5,156	8,392	5,156
New Small Builders Scheme		18,453	5,311	-	26,544	18,453	31,855
Ghar Pakistan Scheme		-	-	15,532	-	15,532	-
Ghar Pakistan Scheme Plus		-	-	5,553	-	5,553	-
Housing finance to employees		-	-	5,550	5,550	5,550	5,550
'PC advance to employees		-	-	19	19	19	19
		30,975	34,462	3,547,721	3,302,826	3,578,696	3,337,314

- General

	9.17	249,341	166,162	-	-	249,341	166,162
Advances - net of provision		10,669,688	10,799,168	507,782	908,073	11,177,470	11,707,215

9.1 No new disbursements under these schemes have been made since 2000. These are provided upto 99% of the gross amount.

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- 9.2 No new disbursement has been made under this scheme since the year 1979. In pursuance to the decision of the Honorable Supreme Court of Pakistan, the Company has not accrued interest on these advances since July 01, 2000. All advances under this category have been classified as "Loss" and fully are provided. These advance are fully provided for.
- 9.3 This scheme was based on Diminishing Musharaka for construction, purchase of houses and replacement of existing housing advance obtained by applicants from another financial institutions - Balance Transfer Facility (BTF) with maximum financing limit of Rs. 7.5 million. New disbursement under this scheme has been discontinued from February 11, 2009. During 2017, the Company introduced Ghar Asaan Incentive Scheme and the customers who have opted the facility may settle/regularize their advances after payment of due amounts based on revised terms. The scheme was initially offered up till September 30, 2017, which was extended upto December 31, 2020. The scheme carries mark up rate of one year KIBOR with a spread of 3.00% - 3.5% per annum.
- 9.4 No new disbursement has been made under this scheme. These advances are fully provided for.
- 9.5 This scheme is based on musharka finance for construction of individual houses and apartments for sale to the general public with maximum financing limit of Rs. 7.5 million for a period of 12 to 18 months extendable for further 3 months. The facility carries profit ranging from 13% to 18% per annum. New disbursement under this scheme has been discontinued from November 17, 2009.
- 9.6 This scheme is based on Diminishing Musharaka for construction, renovation and purchase of house and replacement of existing housing facility – Balance Transfer Facilities (BTF) with maximum financing of Rs. 25 million is based on Diminishing Musharaka. The facility is repayable in 36 to 240 monthly installments and carries markup one year KIBOR with a spread of 3.00% - 3.5% (2019: 3.25% - 3.5%) per annum.
- 9.7 This scheme is based on musharka financing for construction of individual houses and apartments with maximum financing of Rs. 10 million with the tenure of 12 to 24 months and carries mark up at the rate of 2 years fixed KIBOR.
- 9.8 This Scheme was introduced to facilitate the small contractors / individuals who are in business of selling and / or building houses and / or flats. Maximum financing limit is Rs. 25 million with the tenure of 12 to 24 months with mark up rate of KIBOR with a spread of 2.75% per annum.
- 9.9 The Company introduced Ghar Pakistan Scheme for purchase and construction of individual houses and apartments with maximum financing limit of Rs. 2.5 million. The tenure of financing is between 3 to 20 years and mark up is calculated on the basis of one year KIBOR with a spread of 2.00% subject to floor rate of 7.00% and ceiling of 12.00% per annum.
- 9.10 The Company introduced Ghar Pakistan Scheme Plus for purchase and construction of individual houses and apartments with maximum financing limit of Rs. 8.8 million. The tenure of financing is between 3 to 20 years and mark up is calculated on the basis of one year KIBOR with a spread of 2.50% subject to floor rate of 8.00% and ceiling of 13.00% per annum.
- 9.11 During the year the Company has introduced HBFC Khas Scheme for widows, children of martyrs, special persons holding CNIC with disability, transgender and persons in areas severely affected by terrorism. The tenure of financing will be determined with respect to the age of the eldest applicant(s) / guarantor(s) with maximum financing tenure not exceeding 12.5 years. The scheme carries mark up at a fixed rate of 4% per annum.
- 9.12 During the year the Company has introduced has introduced Naya Pakistan Housing Scheme for all Pakistani nationals holding valid CNIC. The tenure of financing is between 10 to 20 years. profit is calculated at a fixed rate of 5% per annum for first five years, 7% for next five years and thereafter at Kibor + 2% per annum.
- 9.13 Housing advance is given to employees as per the terms of employment for purchase of house, renovation or construction of houses, at rates ranging from 3.00% to 11.00%. These advance are given for a period of remaining service life of employee.
- 9.14 Car advance is given to employees as per the terms of employment for purchase of car at rates ranging from 4% to 10%. These advance are given for a period of 5 years.
- 9.15 Represents interest free personal loan to regular officers up to a maximum of five months' current basic pay. These loans are recovered from salaries in 24 monthly installments or up to the date of retirement, whichever is earlier.
- 9.16 This represents the insurance claims received from State Life Insurance Corporation of Pakistan (SLICP) on behalf of the partners' death. Subsequently this will be paid to respective partners' heirs.

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9.17 General provision against advances has been determined in accordance with the requirements of Prudential Regulations (HF-9) issued by the SBP on regular portfolio of consumer financing.

9.18 Advances include Rs. 4,056 million (2019: Rs. 4,211 million) which have been placed under non-performing status as detailed below:

Category of Classification	2020		2019	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	----- Rupees in '000 -----			
Domestic				
Other Assets Especially Mentioned	263,503	39,146	188,826	1,048
Substandard	252,892	57,264	274,026	16,098
Doubtful	314,503	216,190	297,337	40,887
Loss	3,224,606	3,235,121	3,450,710	3,244,820
Total	4,055,503	3,547,721	4,210,899	3,302,853

9.20 Particulars of provision against advances

	2020			2019		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
Opening balance	3,337,319	166,162	3,503,481	2,973,924	153,482	3,127,406
Charge for the year	279,975	83,179	363,154	561,311	12,680	573,991
Reversals	(38,598)	-	(38,598)	(197,230)	-	(197,230)
	241,377	83,179	324,556	364,081	12,680	376,761
Amounts written off	-	-	-	(686)	-	(686)
Closing balance	3,578,696	249,341	3,828,037	3,337,319	166,162	3,503,481

The SBP vide BSD Circular no. 10 of 2009 dated October 20, 2009 had allowed banks/DFIs to avail benefit of Forced Sales Value (FSV) of collaterals mortgaged with them while determining provisioning requirement against non-performing financing. Further, SBP vide BSD Circular no.1 of 2011 dated October 21, 2011 made certain amendments in the Prudential Regulations for Consumer Financing with respect to allowing additional benefit of FSV of mortgage properties held as collateral against housing finances. According to the said circular, the impact on profitability due to availing FSV benefit shall not be available for payment of cash dividend or stock dividend. As at December 31, 2020, had the FSV benefit of IH&SMEFD Circular no. 03 of 2017 not been taken, profit for the year before taxation would have been decreased by Rs. 21.998 million (2019: Rs. 330.5 million).

10. FIXED ASSETS	Note	2020	2019
		-----Rupees In '000-----	
Capital work-in-progress	10.1	12,860	12,860
Property and equipment	10.2	287,074	295,720
Right of use-of-assets	10.3	91,696	73,056
		<u>391,630</u>	<u>381,636</u>
10.1 Capital work-in-progress			
Civil works	10.1.1	<u>12,860</u>	<u>12,860</u>
10.1.1	Represent payments on account of Traffic Impact Analysis (TIA) Report & Environment Impact Report as required by Lahore Development Authority and other land regulatory bodies.		

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10.2 Property and equipment

2020							
Freehold land	Lease hold land	Building on Lease hold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total	
..... Rupees '000							
At January 1, 2020							
Cost	6,075	5,673	360,512	84,841	256,064	67,555	780,720
Accumulated depreciation	-	-	(144,024)	(81,253)	(211,711)	(48,012)	(485,000)
Net book value	6,075	5,673	216,488	3,588	44,353	19,543	295,720
Year ended December 31, 2020							
Opening net book value	6,075	5,673	216,488	3,588	44,353	19,543	295,720
Additions	-	-	-	999	27,366	7,341	35,706
Disposals	-	-	-	(1,435)	(8,860)	(1,384)	(11,679)
- Cost	-	-	-	1,435	8,860	459	10,754
- Depreciation	-	-	-	-	-	(925)	(925)
Depreciation charge	-	-	(15,169)	(796)	(21,584)	(5,878)	(43,428)
Closing net book value	6,075	5,673	201,319	3,791	50,135	20,081	287,074
At December 31, 2020							
Cost	6,075	5,673	360,512	84,405	274,570	73,512	804,747
Accumulated depreciation	-	-	(159,193)	(80,614)	(224,435)	(53,431)	(517,673)
Net book value	6,075	5,673	201,319	3,791	50,135	20,081	287,074
Rate of depreciation (percentage)	-	-	5%	10%	10%-33%	20%	
2019							
Free hold land	Lease hold land	Office premises	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total	
..... Rupees '000							
At January 1, 2019							
Cost	6,075	5,673	359,251	84,057	243,726	43,417	742,198
Accumulated depreciation	-	-	(128,892)	(78,891)	(192,394)	(42,364)	(442,541)
Net book value	6,075	5,673	230,359	5,166	51,332	1,053	299,657
Year ended December 31, 2019							
Opening net book value	6,075	5,673	230,359	5,166	51,332	1,053	299,657
Additions	-	-	1,261	784	12,375	24,138	38,558
Disposals	-	-	-	-	(40)	-	(40)
- Cost	-	-	-	-	29	-	29
- Depreciation	-	-	-	-	(11)	-	(11)
Depreciation charge	-	-	(15,132)	(2,362)	(19,346)	(3,768)	(40,608)
Other adjustments	-	-	-	-	3	-	3
- Cost	-	-	-	-	-	(1,880)	(1,880)
- Accumulated depreciation	-	-	-	-	-	-	-
Closing net book value	6,075	5,673	216,488	3,588	44,353	19,543	295,720
At December 31, 2019							
Cost	6,075	5,673	360,512	84,841	256,064	67,555	780,720
Accumulated depreciation	-	-	(144,024)	(81,253)	(211,711)	(48,012)	(485,000)
Net book value	6,075	5,673	216,488	3,588	44,353	19,543	295,720
Rate of depreciation (percentage)	-	-	5%	10%	10%-33%	20%	

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Details of disposal of property and equipment having net book value of Rs. 500,000 or above are as follows:

Particulars		Cost	Net book value	Sale proceeds	Gain on disposal	Mode of disposal	Particular of buyers
		----- Rupees in '000 -----					
Motor Vehicle	2020	1,384	934	960	26	Settlement	Ex-Employees
	2019	-	-	-	-		

Cost of fully depreciated assets still in use

	Building on Lease hold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
	----- Rupees in '000 -----				
2020	57,129	77,736	175,825	43,217	353,907
2019	57,129	68,393	177,352	40,698	343,572

10.3 Right-of-use assets - buildings on leasehold land

	2020	2019
	-----Rupees in '000-----	
Recognized value of right of-use assets	136,860	104,365
Accumulated depreciation	(45,164)	(31,309)
Net book value	91,696	73,056

10.3.1 Movement in RoU assets

Opening balance	73,056	-
Additions during the year	63,804	104,365
Depreciation for the year	(45,164)	(31,309)
Closing balance	91,696	73,056

Depreciation is charged over the useful life of lease term on straight line basis.

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11. INTANGIBLE ASSETS	Note	2020	2019
		-----Rupees In '000-----	
Computer software	11.1	1,991	3,573
Capital work-in-progress	11.2	39,503	18,290
		<u>41,494</u>	<u>21,863</u>
11.1 Computer software			
As at January 1			
Cost		13,107	9,982
Accumulated amortization		<u>(9,534)</u>	<u>(8,479)</u>
Net book value		<u>3,573</u>	<u>1,503</u>
Year ended December 31			
Opening net book value		3,573	1,503
Additions		-	3,125
Amortization charge		<u>(1,582)</u>	<u>(1,055)</u>
Closing net book value		<u>1,991</u>	<u>3,573</u>
As at December 31			
Cost		13,107	13,107
Accumulated amortization		<u>(11,116)</u>	<u>(9,534)</u>
Net book value		<u>1,991</u>	<u>3,573</u>
Rate of amortisation (percentage)		<u>33%</u>	<u>33%</u>
Useful life		<u>3 years</u>	<u>3 years</u>
11.2	The Company is developing a new system to replace its Loan Management System. The Company has paid about 60% of the total amount of Rs. 61 million.		

12. DEFERRED TAX ASSET	2020			
	At Jan 1, 2020	Recognised In Profit & Loss	Recognised in Other Comprehensive Income	At Dec 31, 2020
	----- (Rupees In '000) -----			
Taxable temporary differences on:				
Accelerated tax depreciation and amortisation	(12,531)	(24,933)	-	(37,464)
Surplus on revaluation of investments	2,394	-	(1,863)	531
	<u>(10,137)</u>	<u>(24,933)</u>	<u>(1,863)</u>	<u>(36,933)</u>
Deductible temporary differences on:				
Provision for diminution in the value of investments	20,660	-	2,202	22,862
Provision against lending to financial institutions	16,148	-	-	16,148
Provision against advances	1,016,004	94,127	-	1,110,131
Provision against retirement benefits	759,131	(125,510)	-	633,621
Provision against other assets	15,606	-	-	15,606
	<u>1,827,549</u>	<u>(31,383)</u>	<u>2,202</u>	<u>1,798,368</u>
	<u>1,817,412</u>	<u>(56,316)</u>	<u>339</u>	<u>1,761,435</u>

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13. OTHER ASSETS	Note	2020	2019
		-----Rupees in '000-----	
Income/ mark-up accrued in local currency - net of provision			
Lendings to financial institutions		5,845	-
Investments		336,415	137,228
Advances		687,459	37,419
		<u>1,029,719</u>	<u>37,419</u>
Advances, deposits and prepayments		55,163	49,441
Advance taxation (payments less provisions)		280,995	386,310
Advance for purchase of land - housing projects	13.1	53,815	53,815
Other receivables against advances - net		34,817	7,627
Assets acquired from Pakistan Refugees Rehabilitation Finance Corporation (PRRFC)	13.2	-	-
		<u>1,454,509</u>	<u>671,840</u>
Less: Provision held against other assets		<u>(53,815)</u>	<u>(53,815)</u>
		<u>1,400,694</u>	<u>618,025</u>

13.1 This represents 32% advance payment made in 2007 for the purchase of two pieces of land measuring 163 acres situated in Gwadar. The Company intends to construct low cost houses on this land to promote affordable housing facilities to low income groups of the residents of Gwadar. The management on prudent basis, has made full provision against this amount.

13.2 As directed vide SRO 499(1)/80 dated May 13, 1980 by Finance Division - GoP, the Company took over assets and liabilities of PRRFC. Further, all assets and liabilities are shown distinctively as below, however, the Company does not have any control over these assets and liabilities. Accordingly, these are not recorded in the books of account of the Company.

	2020	2019
	-----Rupees in '000-----	
Assets		
Fixed assets	1	1
Cash and bank balances	518	518
Investments	253	253
Loans and advances	16,583	16,583
Inter-center adjustment	2,432	2,432
Other receivables	1,992	1,992
Sundry debtors	200	200
Advances, deposits and prepayments	227	227
	<u>22,206</u>	<u>22,206</u>
Provision for doubtful debts	<u>(2,579)</u>	<u>(2,579)</u>
	<u>19,627</u>	<u>19,627</u>
Liabilities		
Sundry creditors	93	93
Accrued expenses	38	38
Return on capital	7,371	7,371
Other liabilities	129	129
	<u>7,631</u>	<u>7,631</u>
Net Assets	<u>11,996</u>	<u>11,996</u>

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14.	BORROWINGS	Note	2020 -----Rupees in '000-----	2019
	Secured - Local currency			
	Pakistan Mortgage Refinance Company Limited	14.1	<u>2,959,973</u>	<u>2,000,000</u>

14.1 The borrowing is secured against a charge of Rs. 3,750 million against gross advances of customers and carries markup @ 6% - 8.15% per annum.

15. **LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

	2020 -----Rupees in '000-----	2019
Opening balance	82,119	-
Additions during th year	68,770	100,983
Interest expense	9,467	13,797
Payments	<u>(45,882)</u>	<u>(32,661)</u>
Closing balance	<u>114,474</u>	<u>82,119</u>

15.1 **Lease liabilities are payable as follows**

	Minimum lease payments	Interest cost	Present value of minimum lease payment
	-----Rupees in '000-----		
Less than one year	33,499	4,745	28,754
One to five years	<u>88,886</u>	<u>3,166</u>	<u>85,720</u>
	<u>122,385</u>	<u>7,911</u>	<u>114,474</u>

16	OTHER LIABILITIES	Note	2020 -----Rupees in '000-----	2019
	Mark up payable on borrowings		17,501	123,710
	Retirement and other service benefits		2,184,899	2,617,691
	Demand charges	16.1	22,104	45,387
	Accrued expenses		135,197	108,599
	Advance payments from customers		318,743	-
	Insurance premium payable		15,662	52,298
	Advance rent received		51,842	6,440
	Refundable to customers against advances		29,468	12,915
	Sindh Workers' Welfare Fund	16.2	34,515	25,086
	Others		20,030	19,538
			<u>2,829,960</u>	<u>3,011,664</u>

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	2020	2019
	-----Rupees in '000-----	
16.1 Demand charges		
Balance at beginning of the year	45,387	36,118
Demand charges - net of recovery expenses	6,717	9,269
Contribution to Prime Minister's COVID-19 Pandemic Relief Fund	<u>(30,000)</u>	<u>-</u>
Balance at end of the year	<u>22,104</u>	<u>45,387</u>

	2020	2019
	-----Rupees in '000-----	
16.2 Sindh Workers' Welfare Fund		
Balance at beginning of the year	25,086	66,618
Charge for the year	28,360	18,931
Payments made	<u>(18,931)</u>	<u>(60,463)</u>
Balance at the end of the year	<u>34,515</u>	<u>25,086</u>

17 SHARE CAPITAL

17.1 Authorized Capital

2020	2019	2020	2019
Number of ordinary shares of Rs. 10 each		-----Rupees in '000-----	
<u>2,000,000,000</u>	<u>2,000,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>

17.2 Issued, subscribed and paid up

2020	2019		2020	2019
Number of shares			-----Rupees in '000-----	
		Ordinary shares of Rs. 10 each		
100,000	100,000	Fully paid in cash	1,000	1,000
<u>1,936,400,000</u>	<u>1,936,400,000</u>	Issued for consideration other than cash	<u>19,364,000</u>	<u>19,364,000</u>
<u>1,936,500,006</u>	<u>1,936,500,006</u>		<u>19,365,000</u>	<u>19,365,000</u>
		Pattern of shareholding		
187,562,506	187,562,506	Federal Government	1,875,625	1,875,625
<u>1,748,937,500</u>	<u>1,748,937,500</u>	State Bank of Pakistan	<u>17,489,375</u>	<u>17,489,375</u>
<u>1,936,500,006</u>	<u>1,936,500,006</u>		<u>19,365,000</u>	<u>19,365,000</u>

18. DEFICIT ON REVALUATION OF ASSETS

	2020	2019
	-----Rupees in '000-----	
Available for sale securities	<u>(8,924)</u>	<u>(7,756)</u>

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	2020	2019
Note	-----Rupees in '000-----	
19 CONTINGENCIES AND COMMITMENTS		
-Commitments	19.1 728,803	722,342
-Other contingent liabilities	19.2 47,990	47,990
	776,793	770,332

19.1 Commitments:

Loans sanctioned but not disbursed	13.1 310,040	282,366
Equity investment to be made in 'Pakistan Mortgage Refinance Company	193,325	193,325
Software being developed to replace Loan Management System	21,497	42,710
Land to be purchased for Gwadar Housing Projects	149,725	149,725
Other commitments	54,216	54,216
	728,803	722,342

19.2 Other contingent liabilities

Claims not acknowledged as debt

SMS Courier (Pvt) Limited	19.2.1 39,890	39,890
Liaquat National Hospital	19.2.2 8,100	8,100
	47,990	47,990

19.2.1 In the year 1995, the Company entered into an agreement with SMS Courier (Pvt) Limited (SMSCPL). Subsequently, due to unsatisfactory service, the Company terminated the agreement with SMSCPL. SMSCPL claimed indemnity of loss for Rs. 39.89 million and filed a suit for recovery from the Company which is pending for adjudication in SHC. The legal advisor of the Company is of the opinion that no economic outflow is expected in this respect.

19.2.2 In the year 2008, the Company entered into an agreement with Liaquat National Hospital (LNH) in Karachi for providing medical facilities/treatments to employees of the Company and their dependents. LNH lodged a claim of Rs. 8.1 million against the Company, which include bills of the individuals who were not referred by the Company to LNH, as these were neither the Company's employees nor their dependents. Currently, the case is pending for adjudication in SHC. The legal advisor of the Company is of the opinion that no economic outflow is expected in this respect.

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		2020	2019
		-----Rupees in '000-----	
20.	MARK-UP / RETURN / INTEREST EARNED		
a)	Loans and advances		
	Customers	2,234,008	1,763,908
	Employees	12,962	15,216
b)	Investments		
	Available-for-sale	675,877	647,943
	Held to maturity	419,679	375,279
c)	Lendings to financial institutions		
	Letter of placements	3,316	11,361
	Repurchase agreement lending (Reverse Repo)	80,221	132,167
d)	Balances with banks	21,719	41,961
		<u>3,447,781</u>	<u>2,987,835</u>

		2020	2019
		-----Rupees in '000-----	
21	MARK-UP / RETURN / INTEREST EXPENSED		
	Borrowings	188,845	123,710
	Finance lease charge	9,467	13,797
		<u>198,312</u>	<u>137,507</u>

		2020	2019
		-----Rupees in '000-----	
22.	OTHER INCOME		
	Refund of premium from insurance company	62,351	38,667
	Rent on property	43,470	38,640
	Gain on sale of fixed assets-net	163	18
	Inspection and application fee	7,199	14,142
	Advance unit purchase charges	10,124	27,089
	Storage documentation	4,520	5,544
	Penalty income on conventional schemes	6,880	3,177
	Miscellaneous income	788	2,849
		<u>135,495</u>	<u>130,126</u>

22.1 The Company receives 90% of the premium paid after adjusting actual death claims by the insurance company with respect to property and life insurance after every 3 years.

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Note 2020 2019
-----Rupees in '000-----

23. OPERATING EXPENSES

Total compensation expense 23.1 **1,328,748** 1,293,157

Property expense

Rent and taxes		2,558	639
Insurance		-	2,115
Utilities		13,656	11,684
Security (including guards)		8,038	6,557
Repair and maintenance (including janitorial charges)		38,436	26,906
Depreciation		15,169	15,132
Depreciation on right-of-use assets		45,164	31,309
Others		8,191	4,678
		131,212	99,020

Information technology expenses

Hardware maintenance		608	3,788
Depreciation		16,256	13,977
Amortization	11.1	1,583	1,055
Network charges		9,683	7,908
		28,130	26,728

Other operating expenses

Directors' fees and allowances		3,400	7,724
Legal and professional charges		34,688	15,931
Consultancy charges		9,845	7,763
Outsourced services costs		33,783	24,170
Travelling and conveyance		13,131	17,229
Depreciation		12,173	12,219
Training and development		3,145	6,374
Postage and courier charges		6,628	8,387
Communication		2,715	919
Stationery and printing		6,437	6,065
Marketing, advertisement and publicity		9,282	21,034
Commission against recovery		1,528	457
Auditors remuneration	23.2	3,500	3,321
Banking service charges		6,617	12,426
Entertainment		2,803	3,111
Vehicle expense		10,214	14,070
Subscription		679	905
Sindh sales tax on services		-	30,235
Others		8,887	7,118
		169,455	199,458
		1,657,545	1,618,363

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2020 2019
-----Rupees in '000-----

23.1 Total compensation expense

Managerial Remuneration		
i) Fixed	584,112	508,998
ii) Variable - Performance awards	27,280	4,314
Retirement and other service benefits		
- Pension	214,709	366,363
- Gratuity	2,526	2,543
- Medical	102,182	108,252
- Leave encashment	33,248	9,150
Contribution to EOBI	29,481	-
Contribution to Benevolent Fund	5,739	3,422
Rent & house maintenance	214,860	184,827
Utilities	30,429	25,122
Medical	10,653	14,106
Conveyance	71,429	66,073
Group Life Insurance	2,029	(303)
Overtime to staff	71	290
	<u>1,328,748</u>	<u>1,293,157</u>

23.2 Auditors' remuneration

	2020	2019
	-----Rupees in '000-----	
Audit fee	2,000	1,461
Half yearly review	512	512
Other certifications	988	1,348
	<u>3,500</u>	<u>3,321</u>

24. OTHER CHARGES

Penalties imposed by SBP	<u>30</u>	<u>3</u>
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25. PROVISIONS AND WRITE OFFS - net

	2020	2019
	-----Rupees in '000-----	
Provision for non-performing advances	324,556	376,075
Reversal of provision for other receivable against advances	(20,601)	(7,434)
	<u>303,955</u>	<u>368,641</u>

26. RELIEF PACKAGE AND REPROCESSING CHARGES

	2020	2019
	-----Rupees in '000-----	
GAS incentive / adjustment	<u>5,793</u>	<u>21,440</u>

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	2020	2019
	-----Rupees in '000-----	
27. TAXATION		
Current	304,723	157,698
Prior years	-	26,111
Deferred tax	56,316	(1,992,108)
	<u>361,039</u>	<u>(1,808,299)</u>

27.1 Relationship between tax expense and accounting profit

Profit before taxation	1,389,638	953,748
Tax at applicable tax rate of 29% (2019: 29%)	402,995	276,587
Tax effect of expenses that are not deductible in determining taxable profit	230,165	316,735
Tax effect of income that is not taxable in determining taxable profit	(272,121)	(2,401,621)
	<u>361,039</u>	<u>(1,808,299)</u>

28. EARNINGS PER SHARE - BASIC AND DILUTED

	2020	2019
	-----Rupees in '000-----	
Profit for the year	1,028,599	2,762,047
	----- (No. of Shares) -----	
Weighted average number of ordinary shares	1,936,500,006	1,936,500,006
	-----Rupees -----	
Earnings per share - basic and diluted	0.53	1.43

29. CASH AND CASH EQUIVALENTS

	2020	2019
	-----Rupees in '000-----	
Cash and balances with treasury banks	34,880	42,126
Balance with other banks	130,492	329,733
	<u>165,372</u>	<u>371,859</u>

30. STAFF STRENGTH

	2020	2019
	----- (Number) -----	
Permanent	486	501
Contractual employees	45	42
Company's own staff strength	531	543
Outsourced employees	49	49
	<u>580</u>	<u>592</u>

31. DEFINED BENEFIT PLAN

31.1 Number of employees under the schemes

The number of employees covered under the following defined benefit schemes are:

	2020	2019
	----- (Number) -----	
- Pension fund	671	670
- Post retirement medical benefits	671	670
- Employees compensated absences	365	402

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31.2 Principal actuarial assumptions

The actuarial valuations were carried out using the following significant assumptions:

	2020	2019
	----- Per annum -----	
Discount rate	11.75%	13.75%
Expected rate of return on plan assets	11.75%	13.75%
Expected rate of salary increase	10.25%	11.75%
Expected rate of increase in pension	9.25%	10.75%
Expected rate of increase in medical benefit	2.50%	4.75%
Expected rate of increase in compensated absences	10.25%	11.75%

31.3 Reconciliation of payable to defined benefit plans

	2020			2019		
	Pension fund	Medical benefits	Compensated absences	Pension fund	Medical benefits	Compensated absences
Note	----- Rupees in '000 -----					
Present value of obligations	6,848,990	744,821	337,971	6,916,813	785,816	311,085
Fair value of plan assets	(5,746,882)	-	-	(5,396,047)	-	-
Payable	1,102,108	744,821	337,971	1,520,766	785,816	311,085

31.4 Movement in defined benefit obligations

Obligations at the beginning of the year	6,916,813	785,816	311,085	6,703,632	753,621	307,024
Current service cost	92,043	13,425	18,613	78,117	7,446	16,656
Interest cost	786,077	88,757	36,179	904,845	100,806	41,866
Benefits paid by the Company	(453,584)	(60,876)	(6,392)	(245,881)	(40,978)	(5,089)
Re-measurement (gain) / loss	(492,359)	(82,301)	(21,514)	(523,900)	(35,079)	(49,372)
Obligations at the end of the year	6,848,990	744,821	337,971	6,916,813	785,816	311,085

31.5 Movement in fair value of plan assets

Fair value at the beginning of the year	5,396,048	-	-	4,232,681	-	-
Interest income on plan assets	663,411	-	-	616,599	-	-
Benefits paid by Company	(453,584)	-	-	(245,881)	-	-
Contribution by the Company - net	953,584	-	-	749,228	-	-
Re-measurements: Net return on plan assets over interest income gain / (loss)	(812,577)	-	-	43,420	-	-
Fair value at the end of the year	5,746,882	-	-	5,396,047	-	-

31.6 Movement in payable under defined benefit schemes

Opening balance	1,520,765	785,816	311,085	2,470,951	753,621	307,024
Charge for the year	214,709	102,182	33,248	366,363	108,252	9,150
Contribution by the Company - net	(500,000)	-	-	(500,000)	-	-
Re-measurement gain / (loss) recognized in OCI during the year	320,218	(82,301)	-	(567,321)	(35,079)	-
Benefits paid by the Company	(453,584)	(60,876)	(6,362)	(249,228)	(40,978)	(5,089)
Closing balance	1,102,108	744,821	337,971	1,520,765	785,816	311,085

31.7 Charge for defined benefit plans

31.7.1 Cost recognized in profit and loss account

Current service cost	92,043	13,425	18,613	78,117	7,446	16,656
Net interest on defined benefit asset	122,666	88,757	36,179	288,246	100,806	41,866
Losses arising on PVDBO	-	-	(21,544)	-	-	(49,372)
	214,709	102,182	33,248	366,363	108,252	9,150

31.7.2 Re-measurements recognized in other comprehensive income

(Gain) / loss on obligation						
- Financial assumptions	3,891	(71,337)	-	(8,855)	(17,429)	-
- Experience adjustment	(496,250)	(10,964)	-	(515,045)	(17,650)	-
Return on plan assets over interest income	812,577	-	-	(43,421)	-	-
Total re-measurements recognized in OCI	320,218	(82,301)	-	(567,321)	(35,079)	-

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2020 2019
Pension fund Pension fund
-----Rupees in '000-----

31.8 Components of plan assets

Bank balances	3,936	2,639
Government Securities	<u>5,742,946</u>	<u>5,393,408</u>
	<u>5,746,882</u>	<u>5,396,047</u>

31.8.1 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the reporting date. Expected return on equity investments reflect long-term real rates of return experienced in the market.

31.9 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:

	Change in assumption	2020		
		Pension fund	Post retirement medical benefit	Leave encashment benefit
-----Rupees in '000-----				
1% increase in discount rate	1%	6,111,907	679,648	322,744
1% decrease in discount rate	1%	7,751,792	822,314	354,944
1% increase in expected rate of salary increase	1%	6,997,567	-	354,671
1% decrease in expected rate of salary increase	1%	6,713,850	-	322,715
1% increase in expected rate of pension increase	1%	7,558,560	-	-
1% decrease in expected rate of pension increase	1%	6,247,696	-	-
1% increase in expected rate of medical medical benefit increase	1%	-	807,198	-
1% decrease in expected rate of medical medical benefit increase	1%	-	690,670	-
31.10 Expected contributions to be paid to the fund in the next financial year		500,000	-	-
31.11 Expected charge for the next financial year		147,088	84,543	53,635

31.12 Maturity profile

The weighted average duration of the obligation is 12.59 years.

31.13 Risks associated with defined benefit plans

Investment risks	The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.
Longevity risks	The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.
Salary increase risks	The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.
Withdrawal risks	The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

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32. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

32.1 Total Compensation Expense

Items	2020			
	Directors		President / CEO	Key Management Personnel
	Chairman	Non-Executives		
	----- Rupees in '000-----			
Directors Fees	350	3,050	-	-
Managerial Remuneration				
i) Fixed	-	-	-	56,482
ii) Total variable of which				
a) Cash bonus / awards	-	-	-	718
b) Bonus and awards in shares	-	-	-	-
Rent and house maintenance	-	-	-	17,238
Utilities	-	-	-	4,433
Medical	-	-	-	215
Conveyance	-	-	-	1,727
Mobile Charges	-	-	-	151
Others	-	-	-	11,305
Total	350	3,050	-	92,269
Number of Persons	1	4	1	14

Items	2019			
	Directors		President / CEO	Key Management Personnel
	Chairman	Non-Executives		
	----- Rupees in '000-----			
Directors Fees	800	3,600	-	-
Managerial Remuneration				
i) Fixed	-	-	-	36,016
ii) Total Variable of which				
a) Cash Bonus / Awards	-	-	-	100
b) Bonus & Awards in shares	-	-	-	-
Rent & house maintenance	-	-	-	13,397
Utilities	-	-	-	3,392
Medical	-	-	-	860
Conveyance	-	-	-	1,562
Mobile Charges	-	-	-	133
Others	-	-	-	8,582
Total	800	3,600	-	64,042
Number of Persons	1	4	1	11

32.1.1 Syed Basit Aly, CEO's approval of remuneration is awaited from Ministry of Finance. However, SBP has debited the Company's account maintained with SBP to recover the dues in respect of the salary of CEO.

32.1.2 Remuneration of Group Head - Human Resource is paid by SBP. Therefore, it is not included in disclosure.

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

		2020						
Sr. No.	Name of Director	Meeting Fees and Allowances Paid						
		For Board Meetings	For Board Committees					Total
			Audit Committee	HR Committee	R.M. Committee	Credit & Ops Committee	I.T. Committee	
----- Rs. in '000' -----								
1	Ali Mehdi	200	200	150	150	200	150	1,050
2	Arfa Waheed	200	200	-	150	200	-	750
3	Azhar Iqbal Kureshi	200	200	150	-	200	150	900
4	Mansur Ur Rehman Khan	200	-	150	-	-	-	350
5	Munir Ahmad	200	-	-	150	-	-	350
	Total Amount Paid	1,000	600	450	450	600	300	3,400

		2019						
Sr. No.	Name of Director	Meeting Fees and Allowances Paid						
		For Board Meetings	For Board Committees					Total
			Audit Committee	HR Committee	R.M. Committee	Credit & Ops Committee	I.T. Committee	
----- Rs. in '000' -----								
1	Ali Mehdi	350	200	250	150	200	100	1,250
2	Arfa Waheed	350	200	-	150	200	-	900
3	Azhar Iqbal Kureshi	350	200	250	-	200	100	1,100
4	Mansur Ur Rehman Khan	350	-	250	-	200	-	800
5	Munir Ahmad	250	-	-	100	-	-	350
	Total Amount Paid	1,650	600	750	400	800	200	4,400

33. FAIR VALUE MEASUREMENTS

The fair value of traded investments other than those classified as held to maturity is based on quoted market price. Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available financial statements. Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The management is of the view that the fair values of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of customer advances are frequently repriced.

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33.1 Fair value of financial assets

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

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

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

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

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

	2020			
	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	-	6,734,887	-	6,734,887
Listed Ordinary Shares	7,773	-	-	7,773
	<u>7,773</u>	<u>6,734,887</u>	<u>-</u>	<u>6,742,660</u>
	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	-	6,652,701	-	6,652,701
Listed Ordinary Shares	8,597	-	-	8,597
	<u>8,597</u>	<u>6,652,701</u>	<u>-</u>	<u>6,661,298</u>

Valuation techniques used in determination of fair valuation of financial instruments within level 2 and level 3

Item	Input used
Federal Government Securities	PKRV Rates

34. RELATED PARTY TRANSACTIONS

Related parties comprise of associates, directors and key management personnel of the Company. There were no transactions with the key management personnel other than those under the terms of their employment. Details of transactions with the related parties other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2020	2019
	Key management personnel	Key management personnel
	----- Rupees in '000 -----	
Advances		
Opening balance	50,771	18,587
Addition during the year	13,015	32,032
Repaid during the year	(5,462)	(4,557)
Transfer in / (out) - net	33	4,709
Closing balance	<u>58,357</u>	<u>50,771</u>
Income		
Mark-up/return/interest earned	<u>2,013</u>	<u>1,467</u>

2020 2019
Rupees in '000

35. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses) 20,906,501 20,115,819

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	<u>20,856,423</u>	18,284,299
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	20,856,423	18,284,299
Eligible Tier 2 Capital	<u>89,442</u>	<u>80,816</u>
Total Eligible Capital (Tier 1 + Tier 2)	<u>20,945,865</u>	<u>18,365,115</u>

Risk Weighted Assets (RWAs):

Credit risk	<u>7,155,352</u>	6,465,269
Market risk	796,176	1,154,230
Operational risk	<u>5,682,924</u>	<u>4,700,933</u>
Total	<u>13,634,452</u>	<u>12,320,432</u>

Common Equity Tier 1 Capital Adequacy ratio	<u>152.97%</u>	<u>148.41%</u>
Tier 1 Capital Adequacy Ratio	<u>152.97%</u>	<u>148.41%</u>
Total Capital Adequacy Ratio	<u>153.62%</u>	<u>149.06%</u>

In accordance with BSD Circular No.19 dated September 05, 2008 the minimum paid up capital requirement (net of losses) of the company at December 31, 2009 and onward would be Rs. 6 billion.

Under Basel III guidelines banks / DFIs are required to maintain the following ratios on an going basis:

S.No.	Ratio	2015	2016	2017	2018	2019	2020
1	CET-1	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
2	ADT-1	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
3	TIER-1	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
4	Total Capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
5	CCB	0.25%	0.65%	1.28%	1.90%	2.50%	1.50%
6	Total Capital Plus CCB	10.25%	10.65%	11.28%	11.90%	12.50%	11.50%

2020 2019
Rupees in '000

Leverage Ratio (LR):

Eligible Tier-1 Capital	20,856,558	18,284,299
Total exposures	<u>27,531,126</u>	<u>25,924,188</u>
Leverage ratio	<u>75.76%</u>	<u>70.53%</u>

Liquidity Coverage Ratio (LCR):

Total high quality liquid assets	6,769,767	6,694,827
Total net cash outflow	<u>3,876</u>	<u>3,530</u>
Liquidity coverage ratio	<u>174659%</u>	<u>189655%</u>

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2020 2019
Rupees in '000

Net Stable Funding Ratio (NSFR):

Total available stable funding	26,669,854	21,124,207
Total required stable funding	<u>10,622,025</u>	<u>10,899,456</u>
Net stable funding ratio	<u>251%</u>	<u>194%</u>

35.1 Full disclosures of Capital Adequacy Ratio, Liquidity Coverage Ratio & Net Stable Funding Ratio will be available at <http://hbfc.com.pk> under the tab of Regulatory Disclosures.

36. RISK MANAGEMENT

Financial institutions are exposed to various risks in pursuit of their business objectives. The nature and complexity of these risks has rapidly changed over time. The failure to adequately manage these risks not only results in business losses but also places hurdles in achieving strategic objectives. Consequently, a solid and vigorous risk management framework in the organization is required.

The Company's risk management policy is in line with the Risk Management Guidelines of the SBP and Basel III Accord. The risk management policy is approved by the Board of Directors.

The risk management policies and procedures cover all activities of the Company including credit evaluation, treasury and investment operations. The basic principles employed in formulation of the above policies and procedures involves identification, measurement, monitoring and controlling risks to ensure that:

- The Company's risk exposure is within the limits established by the Board of Directors.
- Risk taking decisions are in line with the business strategy and objectives of the Company.
- The expected payoffs compensate the risks taken by the Company.

Risk profile of the Company

The key risks are credit risk, liquidity risk, market risk and operational risk.

Risk Structures and Responsibilities

Organizational framework for Risk Management includes the following:

The Board of Directors is responsible for overall supervision of the risk management process. A Board Risk Management Committee has been formed to regularly review risk related activities of the company. The Board Risk Management Committee is responsible to establish and implement risk management framework of the Company. Individual risks are reviewed and controlled by various committees at management level like Assets and Liabilities Committee and Credit Committee.

Risk Management Department is responsible for coordinating and implementing all the risk management activities of the Company. It ensures that risks remain within the boundaries as defined by the Board, comply with the risk parameters and prudential limits and work out remedial measures. The core function is to identify, measure, monitor and report key risks to which company may be exposed. It works in close coordination with all the functions and business units that are involved in risk taking.

Risk Management department undertakes the following activities on regular basis utilizing the overall risk framework:

- Formulate policies and guidelines for managing all risk categories.
- Develop systems and procedures. These systems and procedures should be capable of accurate measurement of the risks to identify deviation from approved risk parameters.
- Facilitate introduction and implementation of prudent practices for risk management.
- Facilitate management in business decisions by providing analytical risk reviews.
- Communicate and liaise with other functions and business units in carrying out risk reviews, analysis and mitigation activities.

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36.1 Credit Risk

Credit risk is the risk that a customer or counterparty may not settle an obligation for full value, either when due or at any time thereafter. This risk arises from the potential that a customer or counterparty's willingness to meet an obligation or its ability to meet such an obligation is impaired, resulting in an economic loss to the Company.

Housing Finance is the core function of the Company and credit risk is the major risk faced by the Company. Credit risk is incurred mainly in the following two areas of its operations: -

- In its credit operations, where it provides housing finance to retail or wholesale clients; and
- In treasury operations where credit risk is incurred with counterparties in its investments in financial markets and instruments.

Overall credit risk is monitored by Credit Committee at Head Office, which reviews and recommends improvements in credit policies and monitors portfolio behavior. To further strengthen credit risk management and credit setup, proper delegation of credit decisions at committee level with appropriate approving limits has been made.

Following measures have been applied to govern credit policy of the Company: -

- Lending process and decision is based on a full appreciation of the risks inherent in the transaction.

Management monitors credit portfolio through MIS reports.

- Stress testing for individual credits and the overall credit portfolio under adverse changes in the conditions / environment in which the borrowers operate.
- The Company has instituted an effective system for monitoring servicing of its performing credit portfolio and collection of non performing portfolio.
- The Company creates loan loss provisions against non-performing advances in accordance with Prudential Regulations issued by SBP.

Credit Risk Mitigation

It is the Company's policy to reduce or mitigate credit risk on credit facilities or exposures, by securing these with collaterals. To correctly assess the extent to which the collateral mitigates the credit risk the collateral must be valued according to a specified valuation method, documented and monitored.

In this regard following steps have been taken: -

- Outsourcing of property title verification.
- Outsourcing of borrower income verification.
- Outsourcing of property valuation.

Credit Risk is also mitigated through a set up of sub credit committee at Zonal and Regional level for credit approvals depending upon the level of risk assumed. Overall credit risk is monitored by central credit committee which reviews and recommends improvements in credit policies and monitors portfolio behavior.

To strengthen credit risk management and to fulfill SBP requirements, the company is working to develop and implement internal credit risk rating system for its entire credit portfolio.

Collateral & Security

Collateral is an important mitigate of credit risk. All the residential mortgages are collateralized. Valuation of the collateral is taken within agreed parameters. The legal mechanism by which collaterals is pledged and the company's procedures ensure that the Company has clear rights over the collaterals and may liquidate, retain or take legal possession of it in a timely manner in the event of default.

Insurance Cover

- Every borrower and guarantor is insured for life and disability for repayment of the balance amount of the loans.
- Every property taken as collateral is insured.

Credit Concentration Risk

Concentration of credit risk is the risk related to the degree of diversification in the credit portfolio, i.e. the risk inherent in doing business with large customers or not being equally exposed across borrower types and geographical regions. The concentration risk can arise in loan book as well as investment book.

36.1.1 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2020	2019	2020	2019	2020	2019
	----- Rupees in '000 -----					
Public / Government	1,450,000	-	-	-	-	-
Private	55,683	-	55,683	55,683	(55,683)	(55,683)
	1,505,683	-	55,683	55,683	(55,683)	(55,683)

36.1.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2020	2019	2020	2019	2020	2019
	----- Rupees in '000 -----					
Construction	26,240	26,240	26,240	26,240	(26,240)	(26,240)

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2020	2019	2020	2019	2020	2019
	----- Rupees in '000 -----					
Public / Government	6,734,887	6,652,701	-	-	-	-
Private	26,240	26,240	26,240	26,240	(26,240)	(26,240)
	6,761,127	6,678,941	26,240	26,240	(26,240)	(26,240)

36.1.3 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2020	2019	2020	2019	2020	2019
	----- Rs in '000 -----					
Others	14,480,446	14,695,070	4,055,503	4,210,899	3,578,696	3,337,319

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Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2020	2019	2020	2019	2020	2019
	----- Rupees in '000 -----					
Public/ Government	4,968	6,828	-	6,828	-	6,828
Private	14,475,478	14,688,242	4,055,503	4,204,071	3,578,696	3,330,491
	14,480,446	14,695,070	4,055,503	4,210,899	3,578,696	3,337,319

36.1.4 Contingencies and Commitments

Credit risk by industry sector

	2020	2019
	Rupees in '000	
Individuals	310,040	282,366
Others	466,753	487,966
	776,793	770,332

36.1.5 Advances - Province/Region-wise Disbursement & Utilization

Province/Region	2020						
	Utilization						
Disbursement	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan	
	----- Rupees in '000 -----						
Punjab	824,250	824,250	-	-	-	-	
Sindh	429,670	-	429,670	-	-	-	
KPK including FATA	329,787	-	-	329,787	-	-	
Balochistan	13,310	-	-	-	13,310	-	
Islamabad	106,129	-	-	-	-	106,129	
AJK including Gilgit-Baltistan	107,830	-	-	-	-	-	
Total	1,810,976	824,250	429,670	329,787	13,310	106,129	
						107,830	

Province/Region	2019						
	Utilization						
Disbursement	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan	
	----- Rupees in '000 -----						
Punjab	1,455,970	1,455,970	-	-	-	-	
Sindh	876,475	-	876,475	-	-	-	
KPK including FATA	307,585	-	-	307,585	-	-	
Balochistan	-	-	-	-	-	-	
Islamabad	465,099	-	-	-	-	465,099	
AJK including Gilgit-Baltistan	191,787	-	-	-	-	-	
Total	3,296,916	1,455,970	876,475	307,585	-	465,099	
						191,787	

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36.2 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

Yield / interest rate risk is the risk that the value of the financial instruments will fluctuate due to changes in the market yield / interest rates. Sensitivity to yield / interest rate risk arises from mismatches of financial assets and financial liabilities that mature or reprice in a given period. The Company manages these mismatches through matching the repricing of assets and liabilities and off-balance sheet instruments. The Company is exposed to yield / interest risk in respect of the following:

36.2.1 Mismatch of Interest Rate Sensitive Assets and Liabilities

	Effective Yield/ Interest rate	Total	2020								Non-interest bearing financial instruments	
			Exposed to Yield/ Interest risk									
			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												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	5.50%-11.25%	34,880	34,880	-	-	-	-	-	-	-	-	-
Balances with other banks	5.50%-12.00%	130,492	130,492	-	-	-	-	-	-	-	-	-
Lending to financial institutions		1,450,000	1,450,000	-	-	-	-	-	-	-	-	-
Investments	6.33%-14.24%	10,414,228	260,435	3,111,812	2,939,498	3,425,237	-	183,047	-	494,200	-	-
Advances		11,177,470	201,369	168,799	111,473	406,125	741,136	718,408	1,394,904	4,376,485	3,058,770	-
Deferred tax		1,761,435	-	-	-	-	-	-	-	-	-	1,761,435
Other assets		1,400,694	-	-	-	-	-	-	-	-	-	1,400,694
		26,369,199	2,077,175	3,280,611	3,050,971	3,831,362	741,136	901,455	1,394,904	4,870,685	3,058,770	3,162,129
Liabilities												
Bills payable		-	-	-	-	-	-	-	-	-	-	-
Borrowings	6.0% - 8.15%	2,959,973	-	14,853	15,100	256,165	454,739	364,964	227,842	1,065,430	560,879	-
Deposits and other accounts		-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease		114,474	3,202	6,404	6,404	12,745	29,014	29,014	27,693	-	-	-
Subordinated debt		-	-	-	-	-	-	-	-	-	-	-
Other liabilities		2,829,960	-	-	-	-	-	-	-	-	-	2,829,960
		5,904,407	3,202	21,256	21,504	268,909	483,753	393,978	255,535	1,065,430	560,879	2,829,960
On-balance sheet gap		20,464,792	2,073,973	3,259,354	3,029,468	3,562,453	257,383	507,477	1,139,369	3,805,255	2,497,891	332,169
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions												
Commitments in respect of:												
- forward government securities transactions		-	-	-	-	-	-	-	-	-	-	-
- forward lending		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap			2,073,973	3,259,354	3,029,468	3,562,453	257,383	507,477	1,139,369	3,805,255	2,497,891	332,169
Cumulative Yield/Interest Risk Sensitivity Gap			2,073,973	5,333,327	8,362,795	11,925,248	12,182,631	12,690,108	13,829,477	17,634,732	20,132,622	20,464,792

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Effective Yield/ Interest rate	Total	2019									Non-interest bearing financial instruments	
		Exposed to Yield/ Interest risk										
		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												
On-balance sheet financial instruments												
Assets												
		42,126	42,126	-	-	-	-	-	-	-	-	-
		329,733	329,733	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-
		10,283,836	3,352,149	4,048,125	2,328,930	387,016	-	167,618	-	-	-	-
		11,707,215	596,037	184,120	277,512	563,305	1,290,308	1,061,508	3,508,394	2,971,818	1,254,212	-
		1,817,412	-	-	-	-	-	-	-	-	-	1,817,412
		618,025	-	-	-	-	-	-	-	-	-	618,025
		24,798,348	4,320,045	4,232,245	2,606,442	950,321	1,290,308	1,229,126	3,508,394	2,971,818	1,254,212	2,435,437
Liabilities												
		-	-	-	-	-	-	-	-	-	-	-
		2,000,000	95,565	1,904,435	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-
		82,119	2,297	4,594	4,594	9,142	20,813	20,813	19,866	-	-	-
		-	-	-	-	-	-	-	-	-	-	-
		3,011,664	-	-	-	-	-	-	-	-	-	3,011,664
		5,093,783	97,862	1,909,029	4,594	9,142	20,813	20,813	19,866	-	-	3,011,664
		19,704,565	4,222,183	2,323,216	2,601,848	941,179	1,269,495	1,208,313	3,488,528	2,971,818	1,254,212	(576,227)
Off-balance sheet financial instruments												
Commitments in respect of:												
- forward government securities transactions												
- forward lending												
Off-balance sheet gap												
Total Yield/Interest Risk Sensitivity Gap												
Cumulative Yield/Interest Risk Sensitivity Gap												

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Reconciliation of Assets and Liabilities exposed to Yield/Interest Rate Risk with Total Assets and Liabilities

	December 31, 2020 ----- (Rupees in '000) -----	December 31, 2019 -----
Total financial assets	26,369,199	24,798,347
Operating fixed assets and intangibles assets	433,124	403,499
Total assets	<u>26,802,323</u>	<u>25,201,846</u>
Total financial liabilities	<u>2,829,960</u>	<u>3,093,783</u>

Yield Risk is the risk of decline in earnings due to adverse movement of the yield curve. Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

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

The Company has strengthened its risk management framework by developing policies, guidelines and manuals. Operational and other risk assessment tool e.g. Risk Control and Self Assessment (RCSA) is being effectively used to assess, mitigate and monitor possible risk that may arise in any of the Company's financial product or department. Operational Loss Database (OLD) records all the internal / external potential operational losses which helps the management understand the causes and impact of these risks.

36.4 Liquidity Risk

Liquidity risk is the risk caused, among others by the inability of the Company to settle liabilities at due date. Objectives of our liquidity management is to ensure that the Company is able to honor all its financial commitments on an ongoing basis without (i) effecting the Company's cost of funds (ii) adversely effecting ability to raise funds and (iii) resorting to sale of assets.

The Company has Asset and Liability Committee (ALCO), Treasury, Finance Division and Risk Management Department each of them plays their role in management of liquidity risk.

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

Total	2020								
	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	34,880	34,880	-	-	-	-	-	-	-
Balances with other banks	130,492	130,492	-	-	-	-	-	-	-
Lending to financial	1,450,000	1,450,000	-	-	-	-	-	-	-
Investments	10,414,228	260,435	3,111,812	2,939,498	3,425,237	183,047	-	494,200	-
Advances	11,177,470	201,369	168,799	111,473	406,125	741,136	718,408	1,394,904	4,376,485
Fixed assets	391,630	18,713	6,179	9,314	18,906	43,306	35,627	117,750	99,741
Intangible assets	41,494	1,983	655	987	2,003	4,588	3,775	12,476	10,568
Deferred tax assets	1,761,435	1,761,435	-	-	-	-	-	-	-
Other assets	1,400,694	5,508	1,073,730	13,791	27,581	140,042	140,042	-	-
	26,802,323	3,864,814	4,361,175	3,075,063	3,879,853	929,072	1,080,898	1,525,130	4,980,994
									3,105,324
Liabilities									
Bills payable	-	-	-	-	-	-	-	-	-
Borrowings	2,959,973	-	14,853	15,100	256,165	454,739	364,964	227,842	1,065,430
Deposits and other	-	-	-	-	-	-	-	-	-
Liabilities against assets	114,474	3,202	6,404	6,404	12,745	29,014	29,014	27,693	-
Subordinated debt	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
Other liabilities	2,829,960	55,695	76,733	80,227	74,858	177,517	131,246	251,147	234,617
	5,904,407	58,897	97,990	101,731	343,767	661,270	525,224	506,682	1,300,047
									2,308,798
Net assets	20,897,916	3,805,917	4,263,185	2,973,332	3,536,085	267,802	555,675	1,018,448	3,680,947
									796,526
Share capital	19,365,000								
Reserves	2,005,103								
Accumulated loss	(8,585)								
Deficit on revaluation of assets	(463,601)								
	<u>20,897,916</u>								

Total	2019								
	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	42,126	42,126	-	-	-	-	-	-	-
Balances with other banks	329,733	329,733	-	-	-	-	-	-	-
Lending to financial	-	-	-	-	-	-	-	-	-
Investments	10,283,836	3,322,233	4,011,997	2,308,146	383,561	166,120	-	-	91,779
Advances	11,707,215	596,038	184,120	277,512	563,305	1,290,308	1,061,508	3,508,394	2,971,818
Intangible assets	381,636	18,235	6,022	9,076	18,423	42,201	34,718	114,745	97,196
Operating Fixed assets	21,863	1,045	345	520	1,055	2,418	1,989	6,573	5,568
Deferred tax assets	1,817,412	86,840	28,677	43,223	87,735	200,966	165,331	546,434	462,862
Other assets	618,025	7,742	81,772	7,413	18,582	200,999	236,226	19,246	41,325
	25,201,846	4,403,992	4,312,932	2,645,890	1,072,661	1,736,892	1,665,892	4,195,392	3,578,769
									1,589,424
Liabilities									
Bills payable	-	-	-	-	-	-	-	-	-
Borrowings	2,000,000	35,524	1,964,476	-	-	-	-	-	-
Deposits and other	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	82,119	2,297	4,594	4,594	9,142	20,813	20,813	19,866	-
Subordinated debt	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
Other liabilities	3,011,664	52,654	53,717	108,641	207,247	869,108	665,473	997,878	40,646
	5,093,783	90,475	2,022,787	113,234	216,390	889,921	686,286	1,017,744	40,646
									16,299
Net assets	20,108,063	4,313,517	2,290,145	2,532,655	856,272	846,970	979,606	3,177,648	3,538,123
									1,573,124
Share capital	19,365,000								
Reserves	1,799,383								
Accumulated loss	(1,048,564)								
Surplus on revaluation of assets	(7,756)								
	<u>20,108,063</u>								

Information relating to above disclosure is not available through system, therefore is based on management best estimate.

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38 IMPACT OF COVID-19

During the year, the pandemic of COVID-19 rapidly spread all across the world impacting the global economy. Due to this, Management has assessed the accounting implications of the same and believes that there is no significant accounting impact of the effects of COVID-19 on these financial statements.

39 CORRESPONDING FIGURES

Certain prior period figures have been reclassified for the purpose of better presentation. However, there were no material reclassifications except that transitory district bank account is now being disclosed under balances with other banks as compared to advances in the prior year.


40 DATE OF AUTHORIZATION

These financial statements were approved and authorized for issue on APRIL 12, 2022 by the Board of Directors of the Company.


41 GENERAL

Figures have been rounded-off to the nearest thousand rupees except stated otherwise.

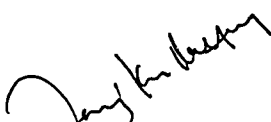
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President /
Chief Executive



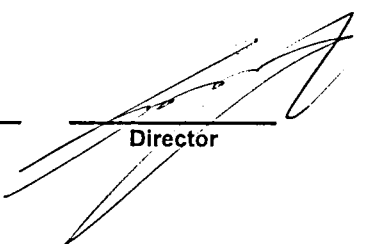
Chief Financial
Officer



Director



Director



Director