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**INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of House Building Finance Company Limited
Report on review of Interim Financial Information**

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Introduction

We have reviewed the accompanying condensed interim statement of financial position of **House Building Finance Company Limited** (the Company) as at **June 30, 2020** and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity, and relevant notes to the accounts for the six months period then ended (herein after referred to as the 'condensed interim financial information'). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

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

Conclusion

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

Emphasis of matter

We draw attention to note 13 to the condensed interim financial information which states that as of June 30, 2020, the Company has recognized deferred tax asset of Rs 1,817 million (December 31, 2019: Rs. 1,817 million). The said asset has been recognized on the basis of financial projections prepared by the management and approved by the Board of Directors of the Company. Our opinion is not modified in this respect.

Other matter

The financial statements of the Company for the six months ended June 30, 2019 and for the year ended December 31, 2019 were reviewed and audited by another auditor who expressed an unmodified conclusion and opinion on those statements dated August 29, 2019 and March 05, 2020 respectively.

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

Chartered Accountants
Karachi.

Date: August 20, 2020

Chartered Accountants
Member of Grant Thornton International Ltd
Offices in Islamabad, Lahore

HOUSE BUILDING FINANCE COMPANY LIMITED
 CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
 AS AT JUNE 30, 2020

		June 30, 2020 (Un-Audited)	December 31, 2019 (Audited)
	Note	Rupees in '000	
ASSETS			
Cash and balances with treasury banks	6	32,985	42,126
Balances with other banks	7	202,866	368,211
Lendings to financial institutions	8	661,000	-
Investments	9	10,744,040	10,283,836
Advances	10	11,220,550	11,668,736
Fixed assets	11	405,115	381,636
Intangible assets	12	35,811	21,863
Deferred tax assets	13	1,817,412	1,817,412
Other assets	14	970,790	618,025
		26,090,569	25,201,846
LIABILITIES			
Bills payable		-	-
Borrowings	15	2,987,290	2,000,000
Deposits and other accounts		-	-
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	16	2,588,674	3,093,783
		5,575,964	5,093,783
NET ASSETS		20,514,605	20,108,063
REPRESENTED BY			
Share capital		19,365,000	19,365,000
Reserves		1,873,627	1,799,383
Surplus / (deficit) on revaluation of investments	17	27,566	(7,756)
Accumulated losses		(751,588)	(1,048,564)
		20,514,605	20,108,063
CONTINGENCIES AND COMMITMENTS	18		

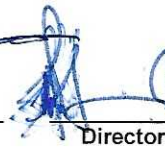
The annexed notes 1 to 34 form an integral part of this condensed interim financial information.

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 President/Chief Executive


 Chief Financial Officer


 Director


 Director


 Director

HOUSE BUILDING FINANCE COMPANY LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020

	Note	Quarter Ended		Half Year Ended	
		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Rupees in '000					
Mark-up/return/interest earned	19	673,047	766,391	1,513,413	1,356,613
Mark-up/return/interest expensed	20	(57,318)	(43,458)	(106,489)	(45,239)
Net mark-up/interest income		615,729	722,933	1,406,924	1,311,374
NON MARK-UP/INTEREST INCOME					
Fee and commission income		-	-	-	-
Dividend income		178	336	178	336
Foreign exchange income		-	-	-	-
Income / (loss) from derivatives		-	-	-	-
Loss on securities		-	(2,307)	-	(2,899)
Other income	21	59,012	21,134	81,488	80,580
Total non-markup / interest income		59,190	19,163	81,666	78,017
Total Income		674,919	742,096	1,488,590	1,389,391
NON MARK-UP/INTEREST EXPENSES					
Operating expenses	22	(374,778)	(407,980)	(793,912)	(753,855)
Workers Welfare Fund	23	(4,779)	(7,227)	(10,670)	(13,233)
Other charges		-	-	-	-
Total non-markup / interest expenses		(379,557)	(415,207)	(804,582)	(767,088)
Profit before provisions		295,362	326,889	684,008	622,303
Charge / (reversal) of provision and write offs - net	24	(52,762)	36,472	(152,714)	36,792
Relief package and reprocessing charges	25	(8,390)	(11,065)	(8,447)	(12,482)
PROFIT BEFORE TAXATION		234,210	352,296	522,847	646,613
Taxation	26	(67,921)	(25,633)	(151,627)	(134,152)
PROFIT AFTER TAXATION		166,289	326,663	371,220	512,461
Rupees					
Earnings per share - basic & diluted	27	0.09	0.17	0.19	0.26

The annexed notes 1 to 34 form an integral part of this condensed interim financial information.


President/Chief Executive


Chief Financial Officer


Director


Director


Director

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HOUSE BUILDING FINANCE COMPANY LIMITED
 CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
 FOR THE HALF YEAR ENDED JUNE 30, 2020

	Quarter Ended		Half Year Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	----- (Rupees in '000) -----			
Profit after taxation for the period	166,289	326,664	371,220	512,461
Other comprehensive income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Surplus on revaluation of investments	4,794	4,761	35,322	4,614
Total comprehensive income for the period	171,083	331,425	406,542	517,075

The annexed notes 1 to 34 form an integral part of this condensed interim financial information.

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 President/Chief Executive


 Chief Financial Officer


 Director


 Director


 Director

HOUSE BUILDING FINANCE COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020


	Share capital	Statutory reserve	Surplus/ (deficit) on revaluation of investments	Accumulated losses	Total
-----Rupees in '000 -----					
Balance as at January 1, 2019	19,365,000	1,246,974	(20,845)	(3,685,905)	16,905,224
Profit after taxation	-	-	-	512,461	512,461
Other comprehensive income - net of tax	-	-	4,614	-	4,614
Transfer to statutory reserve	-	102,492	-	(102,492)	-
Balance as at June 30, 2019	19,365,000	1,349,466	(16,231)	(3,275,936)	17,422,299
Profit after taxation	-	-	-	2,249,586	2,249,586
Other comprehensive income - net of tax	-	-	8,475	427,703	436,178
Transfer to statutory reserve	-	449,917	-	(449,917)	-
Balance as at December 31, 2019	19,365,000	1,799,383	(7,756)	(1,048,564)	20,108,063
Profit after taxation	-	-	-	371,220	371,220
Other comprehensive income - net of tax	-	-	35,322	-	35,322
Transfer to statutory reserve	-	74,244	-	(74,244)	-
Balance as at June 30, 2020	19,365,000	1,873,627	27,566	(751,588)	20,514,605


The annexed notes 1 to 34 form an integral part of this condensed interim financial information.

6722


President/Chief Executive


Chief Financial Officer


Director


Director


Director

HOUSE BUILDING FINANCE COMPANY LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020

June 30, 2020 June 30, 2019

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

CASH FLOW FROM OPERATING ACTIVITIES

Profit before taxation 522,847 646,613

Adjustments:

Depreciation	21,042	19,767
Depreciation on right-of-use assets	11,286	10,542
Amortization	787	282
Charge / (reversal) of provision and write-offs	152,714	(36,792)
Gain on sale of fixed assets	(139)	(18)
Relief package and reprocessing charges	8,447	12,482
	<u>194,137</u>	<u>6,263</u>
	716,984	652,876

Decrease / (increase) in operating assets

Lendings to financial institutions	(661,000)	2,756,607
Advances	286,982	(59,019)
Others assets (excluding advance taxation)	(401,595)	(136,905)
	(775,613)	2,560,683

Decrease in operating liabilities

Other liabilities (excluding current taxation)	(505,065)	(390,657)
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Income tax paid	(102,797)	(188,482)
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Net cash (used in) / generated from operating activities	(666,491)	2,634,420
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CASH FLOW FROM INVESTING ACTIVITIES

Net investments	(424,882)	(4,483,426)
Investments in operating fixed assets	(70,542)	(62,197)
Proceeds from sale of fixed assets	139	29
Net cash used in investing activities	(495,285)	(4,545,594)

CASH FLOW FROM FINANCING ACTIVITIES

Borrowings from financial institutions	987,290	2,000,000
Net cash generated from financing activities	987,290	2,000,000

(Decrease) / increase in cash and cash equivalents	(174,486)	88,826
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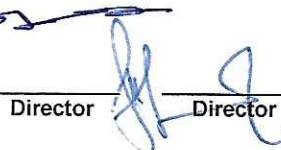
Cash and cash equivalents at beginning of the period	410,337	446,407
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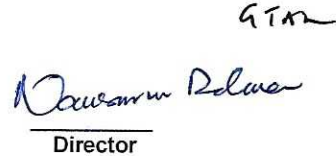
Cash and cash equivalents at end of the period	<u>235,851</u>	<u>535,233</u>
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The annexed notes 1 to 34 form an integral part of this condensed interim financial information.


President/Chief Executive


Chief Financial Officer


Director


Director

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HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 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 Act 2017 (previously Companies Ordinance 1984). The registered office of the Company is situated at Finance and Trade Centre, 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 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 Government of Pakistan from closing of the business on December 31, 2006. The Company has also changed its name from House Building Finance Corporation Limited to House Building Finance Company Limited in 2010.

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. 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".

The Federal Government has initiated to divest its entire shareholding in the Company including the investment of State Bank of Pakistan (SBP), which will pave the way for the Company's privatisation. The said privatisation process is expected to be completed by June 30, 2021.

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

This condensed interim financial information has been prepared in accordance with approved accounting and reporting standards as applicable in Pakistan. The 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 Security and Exchange Commission of Pakistan (SECP).

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

2.2 The disclosures made in this condensed interim financial information have been limited based on the format prescribed by the SBP through BPRD Circular Letter No. 5 dated March 22, 2019 and the requirements of IAS 34, "Interim Financial Reporting". This condensed interim financial information does not include all the disclosures required for annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2019.

2.3 The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarter ended June 30, 2020 and June 30, 2019 and notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the cumulative figures for the six months ended June 30, 2020 and June 30, 2019.

2.4 Standards that are effective in the current period

Certain standards are effective for the accounting periods beginning on January 1, 2020, but are considered not to be relevant or to have any significant effect on the Company's operations and are therefore, not detailed in this condensed interim financial information.

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2.5 **Standards not yet effective**

IASB issued IFRS - 9 to replace the current standard IAS 39 Financial Instruments: Recognition and Measurement with effect from January 01, 2018. The standard includes requirements for recognition, classification and measurement, impairment and de-recognition of financial instruments. The SECP has notified IFRS 9 for application in Pakistan for accounting periods beginning on or after July 01, 2019. However, SBP has clarified that implementation of IFRS 9 shall not be applicable on financial statements for the period ended December 31, 2020 for all banks/DFIs/MFBs vide Circular No. 4 of 2019. The effective date for the implementation of standard is January 01, 2021.

3 **BASIS OF MEASUREMENT**

3.1 **Accounting convention**

These financial statements have been prepared under the historical cost convention except that investments are measured at fair values and staff retirement benefit schemes that are stated at the present value of the obligation. Right of use-of-assets are discounted using incremental borrowing rate over the lease term and are recorded at present value.

3.2 **Functional and presentation currency**

This condensed interim financial information has been presented in Pakistani Rupees, which is the Company's functional and presentation currency.

3.3 **Critical accounting estimates and judgements**

The basis for accounting estimates adopted in the preparation of this condensed interim financial information is the same as that applied in the preparation of the annual financial statements for the year ended December 31, 2019.

4 **ACCOUNTING POLICIES**

The significant accounting policies and methods of computation adopted in the preparation of this condensed interim financial information is consistent with those applied in the preparation of the annual financial statements of the Company for the year ended December 31, 2019.

5 **FINANCIAL RISK MANAGEMENT**

The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Company for the year ended December 31, 2019.

	Note	June 30, 2020 (Un-Audited)	December 31, 2019 (Audited)
Rupees in '000			
CASH AND BALANCES WITH TREASURY BANKS			
With State Bank of Pakistan in			
- local currency current accounts	6.1	32,929	42,066
With National Bank of Pakistan in			
- local currency current accounts	6.2	56	60
		<u>32,985</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 6.5% to 9.5% (2019: 8% to 11%) per annum.

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	June 30, 2020 (Un-Audited)	December 31, 2019 (Audited)
Rupees in '000		
7 BALANCES WITH OTHER BANKS		
In Pakistan		
In deposit accounts	202,866	168,211
In term deposit accounts	-	200,000
	<u>202,866</u>	<u>368,211</u>

7.1 These balances carry mark-up at rates ranging from 6.50 % to 9.65% (2019: 8% to 12%) per annum.

	Note	June 30, 2020 (Un-Audited)	December 31, 2019 (Audited)
Rupees in '000			
8 LENDINGS TO FINANCIAL INSTITUTIONS			
Letters of placement	8.1	55,683	55,683
Repurchase agreement lending (reverse repo)	8.2	661,000	-
		<u>716,683</u>	<u>55,683</u>
		<u>(55,683)</u>	<u>(55,683)</u>
Less: Provision held against lending to financial institutions		661,000	-
Lendings to financial institutions - net of provision		<u>661,000</u>	<u>-</u>

8.1 Letters of placement			
In local currency			
Trust Investment Bank Limited		5,909	5,909
First Dawood Investment Bank Limited		49,774	49,774
		<u>55,683</u>	<u>55,683</u>

8.2 Repurchase agreement lendings (Reverse Repo)			
In local currency			
Pak Libya Holding Company (Pvt) Limited		261,000	-
PAIR Investment Company Limited		400,000	-
		<u>661,000</u>	<u>-</u>

	June 30, 2020 (Un-Audited)		December 31, 2019 (Audited)	
	Classified lending	Provision held	Classified lending	Provision held
8.3 Category of classification				
Rupees in '000				
Domestic	55,683	55,683	55,683	55,683

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9 INVESTMENTS

9.1 Investments by type:	June 30, 2020 (Un-Audited)				December 31, 2019 (Audited)			
	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	6,610,334	-	31,794	6,642,128	6,159,451	-	(10,450)	6,149,001
Pakistan Investment Bonds	500,000	-	(1,400)	498,600	500,000	-	3,700	503,700
Unlisted Ordinary Shares	63,785	(500)	-	63,285	63,785	(500)	-	63,285
Listed Ordinary Shares	9,603	-	(2,828)	6,775	9,603	-	(1,006)	8,597
	7,183,722	(500)	27,566	7,210,788	6,732,839	(500)	(7,756)	6,724,583

Held-to-maturity securities

Pakistan Investment Bonds	3,533,252	-	-	3,533,252	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)	-	-
	3,604,492	(71,240)	-	3,533,252	3,630,493	(71,240)	-	3,559,253

Total Investments	10,788,214	(71,740)	27,566	10,744,040	10,363,332	(71,740)	(7,756)	10,283,836
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June 30, 2020 (Un-Audited) December 31, 2019 (Audited)

Rupees in '000

9.2 Provision for diminution in value of investments

71,740 71,740

9.2.1 Particulars of provision against debt securities

Category of classification

Category of classification	June 30, 2020 (Un-Audited)		December 31, 2019 (Audited)	
	Non performing loans	Provision	Non performing loans	Provision
Domestic Loss	71,240	71,240	71,240	71,240

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

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10 ADVANCES

	Performing		Non Performing		Total	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
	(Un-Audited)	(Audited)	(Un-Audited)	(Audited)	(Un-Audited)	(Audited)
-----Rupees in '000-----						
In Pakistan - local currency						
Rental Sharing Schemes	20,699	44,330	1,276,499	1,289,632	1,297,198	1,333,962
Interest Bearing Schemes	-	-	99,941	99,941	99,941	99,941
Ghar Aasan Scheme	494,061	698,220	1,159,347	1,049,064	1,653,408	1,747,284
Shandar Ghar Scheme	4,640	2,793	113,225	127,515	117,865	130,308
Financing facility for Small Builders	-	-	2,970	2,970	2,970	2,970
Ghar Aasan Flexi Scheme	4,674,642	7,833,180	3,009,348	1,598,764	7,683,990	9,431,944
Bisma & Saima Projects	7,923	7,552	8,829	10,900	16,752	18,452
New Small Builders	24,626	30,280	27,200	26,544	51,826	56,824
Ghar Pakistan Scheme	2,107,509	1,413,340	255,590	-	2,363,099	1,413,340
Ghar Pakistan Plus Scheme	864,631	460,045	114,905	-	979,536	460,045
	8,198,730	10,489,740	6,067,855	4,205,330	14,266,585	14,695,070
Employee portfolio						
Housing finance to employees	423,386	418,125	5,550	5,550	428,936	423,675
Car advance to employees	59,212	59,426	-	-	59,212	59,426
Staff Personal Loan	20,822	21,891	-	-	20,822	21,891
PC advance to employees	-	-	19	19	19	19
	503,420	499,442	5,569	5,569	508,989	505,011
Partners' death claims	352	10,610	-	-	352	10,610
Transitory district bank accounts -net	100,858	(38,478)	-	-	100,858	(38,478)
Advances - gross	8,803,360	10,961,314	6,073,424	4,210,899	14,876,784	15,172,213
Provision for non-performing advances						
- Specific						
Rental Sharing Schemes	4,748	29,151	1,276,499	1,289,171	1,281,246	1,318,322
Interest Bearing Schemes	-	-	99,941	99,968	99,941	99,968
Ghar Aasan Scheme	-	-	918,790	888,246	918,790	888,246
Shandar Ghar Scheme	-	-	113,386	127,686	113,386	127,686
Financing facility for Small Builders	-	-	2,970	2,970	2,970	2,970
Ghar Aasan Flexi Scheme	-	-	1,030,151	857,543	1,030,152	857,543
Bisma & Saima Projects	-	-	7,958	5,156	7,958	5,156
New Small Builders Scheme	12,561	5,311	27,200	26,544	39,762	31,855
Ghar Pakistan Scheme	-	-	3,101	-	3,101	-
Ghar Pakistan Plus Scheme	-	-	463	-	463	-
Housing finance to employees	-	-	5,550	5,550	5,550	5,550
PC advance to employees	-	-	19	19	19	19
	17,309	34,462	3,486,028	3,302,853	3,503,338	3,337,315
- General	152,896	166,162	-	-	152,896	166,162
Advances - net of provision	8,633,156	10,760,690	2,587,396	908,046	11,220,550	11,668,736

10.1 Advances include Rs. 6,073 million (December 31, 2019: Rs. 4,211 million) which have been placed under non-performing status as detailed below:-

Category of Classification	June 30, 2020		December 31, 2019	
	(Un-Audited)		(Audited)	
	Non performing loans	Provision	Non performing loans	Provision
----- Rupees in '000 -----				
Domestic				
Other Assets Especially Mentioned	1,572,948	7,225	188,826	1,048
Substandard	794,934	55,799	274,026	16,098
Doubtful	350,432	72,399	297,337	40,887
Loss	3,355,110	3,355,110	3,450,710	3,244,820
Total	6,073,424	3,490,533	4,210,899	3,302,853

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10.2 Particulars of provision against advances

	June 30, 2020 (Un-Audited)			December 31, 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
Opening balance	3,337,319	166,162	3,503,481	2,973,924	153,482	3,127,406
Charge for the period / year	217,424	-	217,424	561,311	12,680	573,991
Reversals	(51,405)	(13,266)	(64,671)	(197,916)	-	(197,916)
	166,019	(13,266)	152,753	363,395	12,680	376,075
Closing balance	3,503,338	152,896	3,656,234	3,337,319	166,162	3,503,481

10.2.1 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.

10.2.2 The SBP vide BSD Circular no. 10 of 2009 dated October 20, 2009 had allowed banks/DFIs to avail benefit of 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. The SBP has also issued IH&SMEFD Circular No. 03 of 2017 dated April 18, 2017 specifying the rate at which the FSV should be calculated. As at June 30, 2020, had FSV benefit not been taken, profit before taxation would have been decreased by Rs. 214,891 million.

	June 30, 2020 (Un-Audited)	December 31, 2019 (Audited)
Rupees in '000		
11 FIXED ASSETS		
Capital work-in-progress - Civil works	12,860	12,860
Property and equipment	288,583	295,720
Right-of-use assets	103,672	73,056
	<u>405,115</u>	<u>381,636</u>
12 INTANGIBLE ASSETS		
Computer Software	2,787	3,573
Capital work-in-progress	33,024	18,290
	<u>35,811</u>	<u>21,863</u>
13 DEFERRED TAX ASSET		
Deductible temporary differences		
Provision against advances	1,060,308	1,016,004
Provision for diminution in the value of investments	12,810	20,660
Provision against other assets	15,606	15,606
Provision against other liabilities	34,633	-
Provision against lending to financial institutions	16,148	16,148
Provision against retirement and other service benefits	597,288	759,131
Accelerated tax depreciation and amortisation	-	8,655
Carry forward tax losses	120,587	-
	<u>1,857,380</u>	<u>1,836,204</u>
Taxable temporary differences		
Right of Use assets	(32,092)	(21,186)
Accelerated tax depreciation and amortisation	(7,876)	-
Surplus on revaluation of investments	-	2,394
	<u>(39,968)</u>	<u>(18,792)</u>
	<u>1,817,412</u>	<u>1,817,412</u>

13.1 Net deferred tax asset amounting to Rs. 1,817 million has been recognized in the condensed interim financial information as the management believes that based on financial projections of the Company, sufficient taxable profits will be available in the foreseeable future against which the said asset can be utilized. However, as of June 30, 2020, deferred tax asset on carry forward tax losses amounting to Rs. 350 million has not been recognized.

GTM

14 OTHER ASSETS	Note	June 30,	December
		2020 (Un-Audited)	31, 2019 (Audited)
		Rupees in '000	
Income/ mark-up accrued in local currency			
Advances		70,428	37,419
Investments		452,488	137,228
Advances, deposits, advance rent and other prepayments		61,485	49,441
Advance taxation (payments less provisions)		337,480	386,310
Advance for purchase of land - housing projects		53,815	53,815
Other receivables against advances		48,909	7,627
Assets acquired from Pakistan Refugees Rehabilitation Finance Corporation (PRRFC)	14.2	-	-
		<u>1,024,605</u>	<u>671,840</u>
Less: Provision held against other assets		<u>(53,815)</u>	<u>(53,815)</u>
Other Assets (Net of Provision)		<u>970,790</u>	<u>618,025</u>

14.1 Provision held against other assets

Advance for purchase of land - housing projects		<u>53,815</u>	<u>53,815</u>
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14.2 As directed vide SRO 499(1)/80 dated May 13, 1980 by Finance Division - Government of Pakistan, the Company (formerly HBFC) took over assets and liabilities of PRRFC. The Company does not have any control over these assets and liabilities. Accordingly, these are not recorded in the books of account.

15 BORROWINGS	Note	June 30,	December
		2020 (Un-Audited)	31, 2019 (Audited)
		Rupees in '000	
Secured			
Pakistan Mortgage Refinance Company Limited	15.1	<u>2,987,290</u>	<u>2,000,000</u>

15.1 The borrowing is secured against a charge of Rs. 2.5 billion on mortgage properties of customers and carries markup @ 6.57% to 7.65% (2019: 6.65% - 7.65%) per annum.

16 OTHER LIABILITIES	Note	June 30,	December
		2020 (Un-Audited)	31, 2019 (Audited)
		Rupees in '000	
Markup payable on borrowing		28,084	123,710
Retirement and other service benefits		2,059,615	2,617,691
Accrued expenses		145,373	108,599
Insurance premium payable		71,400	52,298
Advance rent received		77,763	6,440
Refundable to customers against advances		47,676	12,915
Lease liability against right-of-use-assets		111,625	82,119
Others		47,138	90,011
		<u>2,588,674</u>	<u>3,093,783</u>

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		June 30, 2020 (Un-Audited)	December 31, 2019 (Audited)
	Note	Rupees in '000	
17 SURPLUS / (DEFICIT) ON REVALUATION OF INVESTMENTS			
Available for sale securities	9.1	<u>27,566</u>	<u>(7,756)</u>
18 CONTINGENCIES AND COMMITMENTS			
-Commitments	18.1	<u>680,645</u>	<u>722,342</u>
-Other contingent liabilities	18.2	<u>47,990</u>	<u>47,990</u>
		<u>728,635</u>	<u>770,332</u>
18.1 Commitments:			
Documentary credits and short-term trade-related transactions		255,403	282,366
- Loans sanctioned but not disbursed			
Equity investment to be made in		193,325	193,325
- Pakistan Mortgage Refinance Company Limited		149,725	149,725
Land to be purchased for Gwadar Housing Projects		9,750	9,750
Land to be purchased for Gwadar Office		27,840	27,840
Model Town Lahore Project		5,305	5,305
Hyderabad Project		10,485	10,485
Peshawar Office Building Project		27,976	42,710
Software being developed to replace Loan Management System		836	836
Other commitments		680,645	722,342
18.2 Other contingent liabilities			
Claims not acknowledged as debt			
SMS Courier (Pvt) Limited (SMSCPL)	18.2.1	39,890	39,890
Liaquat National Hospital	18.2.2	<u>8,100</u>	<u>8,100</u>
		<u>47,990</u>	<u>47,990</u>

18.2.1 In the year 1995, the Company entered into an agreement with SMS Courier (Pvt) Limited (SMSCPL), a courier service company. 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 Honorable Sindh High Court. The legal advisor of the Company is of the opinion that no economic outflow is expected in this respect.

18.2.2 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 Honorable Sindh High Court. The legal advisor of the Company is of the opinion that no economic outflow is expected.

GTM

	June 30, 2020 (Un-Audited)	June 30, 2019 (Un-Audited)
	Rupees in '000	
19 MARK-UP/RETURN/INTEREST EARNED		
On:		
a) Loans and advances		
Customers	851,568	826,532
Employees	5,829	5,938
b) Investments		
Available-for-sale	393,594	245,896
Held-to-Maturity	209,691	168,305
c) Lendings to financial institutions		
Letters of placement	2,614	5,531
Repurchase agreement lending (Reverse repo)	34,288	88,106
d) Balances with banks	15,829	16,305
	<u>1,513,413</u>	<u>1,356,613</u>
20 MARK-UP/RETURN/INTEREST EXPENSED		
Borrowing from Pakistan Mortgage Refinance Company	99,511	42,309
Finance charge on lease liability	6,978	2,930
	<u>106,489</u>	<u>45,239</u>
21 OTHER INCOME		
Commission from insurance company	39,713	38,667
Rent on property	21,252	19,320
Inspection and application fee	6,021	4,669
Advance unit purchase charges	10,124	11,838
Storage documentation	1,833	2,566
Penalty income on conventional schemes	1,722	1,936
Miscellaneous income	823	1,584
	<u>81,488</u>	<u>80,580</u>

GTA

	Note	June 30, 2020 (Un-Audited) Rupees in '000	June 30, 2019 (Un-Audited) Rupees in '000
22 OPERATING EXPENSES			
Total compensation expense	22.1	679,774	607,204
Property expense			
Rent and taxes		1,657	2,658
Insurance		-	1,163
Utilities cost		4,503	4,443
Security (including guards)		3,417	3,456
Repair and maintenance (including janitorial charges)		12,955	11,953
Depreciation		7,543	7,494
Depreciation on right-of-use assets		11,286	10,542
Others		2,072	2,101
		43,433	43,810
Information technology expenses			
Hardware maintenance		1,391	1,046
Depreciation		7,710	6,862
Amortization		787	282
Network charges		4,654	4,307
		14,542	12,497
Other operating expenses			
Directors' fees and allowances		1,564	3,900
Legal and professional charges		8,577	11,596
Consultancy charges		5,143	10,781
Outsourced services costs		6,554	11,879
Travelling and conveyance		5,697	7,660
Depreciation		5,789	5,411
Training and development		1,004	650
Postage and courier charges		3,629	3,396
Communication		1,822	841
Stationery and printing		3,335	2,455
Marketing, advertisement and publicity		-	7,633
Auditors remuneration		1,950	1,660
Banking service charges		2,323	6,739
Vehicle expense		5,233	6,565
Others		3,543	9,178
		56,163	90,344
		793,912	753,855
22.1 This amount includes remuneration, bonuses and other allowances paid to employees.			
23 OTHER CHARGES			
Penalties imposed by regulatory authorities		-	-
24 PROVISIONS & WRITE OFFS - NET			
Charge / (reversal) of provision against loans and advances		152,772	(40,321)
Provision / (reversal) against doubtful receivable insurance premium from partners		(58)	3,529
		152,714	(36,792)
25 RELIEF PACKAGE AND REPROCESSING CHARGES			
Ghar Aasan Scheme incentive		8,298	11,886
Reprocessing and closing adjustment		149	596
		8,447	12,482

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	June 30, 2020 (Un-Audited)	June 30, 2019 (Un-Audited)
Rupees in '000		
26 TAXATION		
Current	151,625	108,041
Prior	-	26,111
	<u>151,625</u>	<u>134,152</u>
27 EARNING PER SHARE - BASIC & DILUTED		
Profit after taxation for the period	<u>371,220</u>	<u>512,461</u>
Weighted average number of ordinary shares	<u>1,936,500,006</u>	<u>1,936,500,006</u>
Basic earnings per share	<u>0.19</u>	<u>0.26</u>

28 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 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:

	June 30, 2020 (Un-Audited)			Total
	Level 1	Level 2	Level 3	
Rupees in '000				
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments	-	7,140,728	-	7,140,728
Federal Government Securities	6,775	-	-	6,775
Listed ordinary shares	<u>6,775</u>	<u>7,140,728</u>	<u>-</u>	<u>7,147,503</u>
	December 31, 2019 (Audited)			Total
	Level 1	Level 2	Level 3	
Rupees in '000				
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments	-	6,652,701	-	6,652,701
Federal Government Securities	8,597	-	-	8,597
Listed ordinary shares	<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	Valuation approach and input used	Input Used
Market Treasury Bills & PIBs	Market approach	PKRV Rates

912

29 RELATED PARTY TRANSACTIONS

The Company enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in condensed financial information are as follows:

	June 30, 2020 (Un-Audited)	December 31, 2019 (Audited)
	Key manage- ment personnel	Key manage- ment personnel
	Rupees in '000	
Advances		
Opening balance	50,771	18,587
Addition during the year	11,691	32,032
Repaid during the year	(1,759)	(4,557)
Transfer in / (out) - net	(242)	4,709
Closing balance	<u>60,461</u>	<u>50,771</u>
Income		
Markup / return / interest earned	<u>689</u>	<u>1,467</u>

GTA

June 30, 2020 (Un-Audited) December 31, 2019 (Audited)
 -----Rupees in '000-----

30 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Minimum Capital Requirement (MCR)

Paid-up capital (net of losses)

20,487,039 20,115,819

Capital Adequacy Ratio (CAR)

Eligible Common Equity Tier 1 (CET 1) Capital

18,633,817 18,284,299

Eligible Additional Tier 1 (ADT 1) Capital

- -

Total Eligible Tier 1 Capital

18,633,817 18,284,299

Eligible Tier 2 Capital

125,303 80,816

Total Eligible Capital (Tier 1 + Tier 2)

18,759,120 18,365,115

Risk Weighted Assets (RWAs):

Credit Risk

7,818,989 6,465,269

Market Risk

1,178,249 1,154,230

Operational Risk

4,700,933 4,700,933

Total

13,698,171 12,320,432

Common Equity Tier 1 Capital Adequacy Ratio

136.03% 148.41%

Tier 1 Capital Adequacy Ratio

136.03% 148.41%

Total Capital Adequacy Ratio

136.95% 149.06%

Leverage Ratio (LR):

Eligible Tier-1 Capital

18,633,817 18,284,299

Total Exposure

26,771,215 25,924,188

Leverage Ratio

69.60% 70.53%

Liquidity Coverage Ratio (LCR)

Total High Quality Liquid Assets

7,174,000 6,694,827

Total Net Cash Outflow

3,000 3,530

Liquidity Coverage Ratio

239133% 189655%

Net Stable Funding Ratio (NSFR)

Total Available Stable Funding

23,990,000 21,124,207

Total Required Stable Funding

10,917,000 10,899,456

Net Stable Funding Ratio

220% 194%

31 RECLASSIFICATION OF COMPARATIVE FIGURES

Comparative figures have been reclassified and re-arranged where necessary for the purpose of better presentation.

32 DATE OF AUTHORIZATION

20 AUG 2020

This condensed financial information was approved and authorized for issue on _____ by the Board of Directors of the Company.

33 IMPACT OF COVID-19

During the period, 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 this condensed financial information.

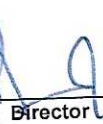
34 GENERAL

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


 President/Chief Executive


 Chief Financial Officer


 Director


 Director


 Director

572