

HOUSE BUILDING FINANCE COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2019

		September 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
	Note	Rupees in '000	
ASSETS			
Cash and balances with treasury banks	6	40,984	34,387
Balances with other banks	7	891,542	412,020
Lendings to financial institutions	8	-	4,206,891
Investments	9	9,948,673	4,010,448
Advances	10	11,824,142	11,681,180
Fixed assets	11	361,626	312,517
Intangible assets	12	10,751	1,503
Deferred tax assets		-	-
Other assets	13	231,562	218,934
		23,309,280	20,877,881
LIABILITIES			
Bills payable		-	-
Borrowings	14	2,000,000	-
Deposits and other accounts		-	-
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	15	3,703,455	3,972,657
		5,703,455	3,972,657
NET ASSETS		17,605,825	16,905,224
REPRESENTED BY			
Share capital		19,365,000	19,365,000
Reserves		1,384,256	1,246,974
Deficit on revaluation of investments	16	(6,652)	(20,845)
Accumulated losses		(3,136,779)	(3,685,905)
		17,605,825	16,905,224
CONTINGENCIES AND COMMITMENTS	17		

The annexed notes 1 to 32 form an integral part of this condensed interim financial information.


 President/Chief Executive


 Chief Financial Officer


 Director


 Director

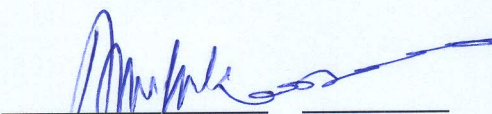

 Director

HOUSE BUILDING FINANCE COMPANY LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

	Note	Quarter Ended		Period Ended	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Rupees in '000					
Mark-up/return/interest earned	18	781,983	517,416	2,138,596	1,585,997
Mark-up/return/interest expensed	19	(45,640)	-	(90,879)	-
Net mark-up/interest income		736,343	517,416	2,047,717	1,585,997
NON MARK-UP/INTEREST INCOME					
Fee and commission income		-	-	-	-
Dividend income		167	168	503	503
Foreign exchange income		-	-	-	-
Income / (loss) from derivatives		-	-	-	-
Loss on securities	20	-	-	(2,899)	(484)
Other income	21	22,402	18,229	102,982	57,369
Total non-markup / interest income		22,569	18,397	100,586	57,389
Total Income		758,912	535,813	2,148,303	1,643,385
NON MARK-UP/INTEREST EXPENSES					
Operating expenses	22	(407,105)	(312,107)	(1,160,960)	(983,985)
Workers Welfare Fund		(6,963)	-	(20,196)	(8,392)
Other charges		-	(9,835)	-	(9,835)
Total non-markup / interest expenses		(414,068)	(321,942)	(1,181,156)	(1,002,211)
Profit before provisions		344,844	213,871	967,147	641,174
Reversal of provision and write offs - net	23	12,584	236,107	49,376	373,025
Relief package and reprocessing charges	24	(14,431)	6,371	(26,913)	(40,676)
Share of profit from associate		-	-	-	(6,259)
PROFIT BEFORE TAXATION		342,998	456,349	989,610	967,264
Taxation	25	(169,050)	(190,959)	(303,202)	(280,303)
PROFIT AFTER TAXATION		173,948	265,390	686,408	686,961
Rupees					
Earnings per share - basic & diluted	26	0.09	0.14	0.35	0.35

The annexed notes 1 to 32 form an integral part of this condensed interim financial information.


 President/Chief Executive


 Chief Financial Officer


 Director

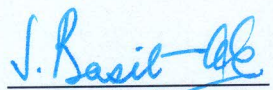

 Director

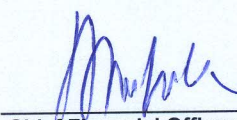

 Director

HOUSE BUILDING FINANCE COMPANY LIMITED
 CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
 FOR THE PERIOD ENDED SEPTEMBER 30, 2019

	Quarter Ended		Period Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	------(Rupees in '000)-----			
Profit after taxation for the period	173,948	265,390	686,408	686,961
Items that may be reclassified to profit and loss account in subsequent periods:				
Movement in surplus / (deficit) on revaluation of investments	9,579	(6,366)	14,193	(11,716)
Total comprehensive income	183,526	259,024	700,601	675,245

The annexed notes 1 to 32 form an integral part of these condensed interim financial information.


 J. Basit
 President/Chief Executive


 Chief Financial Officer


 Director

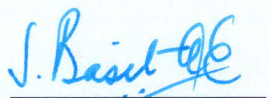

 Director



 Director


HOUSE BUILDING FINANCE COMPANY LIMITED
 CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
 FOR THE PERIOD ENDED SEPTEMBER 30, 2019


	Share capital	Statutory reserve	Surplus/(Defi cit) on revaluation of Investments -----Rupees in '000	Accumulated losses	Total
Balance as at January 1, 2018	19,365,000	1,038,728	2,174	(3,692,477)	16,713,425
Profit after taxation for the period ended September 30, 2018	-	-	-	686,961	686,961
Transfer to statutory reserve	-	137,392	-	(137,392)	-
Balance as at September 30, 2018	19,365,000	1,176,120	2,174	(3,142,908)	17,400,386
Profit after taxation for the year ended December 31, 2018	-	-	-	354,269	354,269
Other comprehensive income - net of tax	-	-	(23,019)	(826,412)	(849,431)
Transfer to statutory reserve	-	70,854	-	(70,854)	-
Balance as at December 31, 2018	19,365,000	1,246,974	(20,845)	(3,685,905)	16,905,224
Profit after taxation for the period ended September 30, 2019	-	-	-	686,408	686,408
Other comprehensive income - net of tax	-	-	14,193	-	14,193
Transfer to statutory reserve	-	137,282	-	(137,282)	-
Balance as at September 30, 2019	19,365,000	1,384,256	(6,652)	(3,136,779)	17,605,825


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 President/Chief Executive


 Chief Financial Officer


 Director


 Director


 Director

HOUSE BUILDING FINANCE COMPANY LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

September 30, 2019 September 30, 2018
-----Rupees in '000-----
Note

CASH FLOW FROM OPERATING ACTIVITIES

Profit before taxation 989,610 967,264

Adjustments:

Depreciation	30,734	24,248	
Depreciation on right-of-use assets	22,268	-	
Amortization	665	293	
Reversal of provision and write-offs	(49,376)	(361,727)	23
Gain on sale of fixed assets	(18)	(1,562)	
Reconciliation & GAS incentive adjustments	26,913	40,676	
	31,185	(298,072)	
	1,020,795	669,192	

Decrease / (increase) in operating assets

Lendings to financial institutions	4,206,892	(640,843)	
Advances	(123,184)	159,986	
Others assets (excluding advance taxation)	(100,702)	28,606	
	3,983,006	(452,251)	

Decrease in operating liabilities

Other liabilities (excluding current taxation)	(266,515)	-	
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Income tax refundable / (paid)	(215,127)	(112,737)	
Net cash flow generated from / (used in) operating activities	4,522,158	104,204	

CASH FLOW FROM INVESTING ACTIVITIES

Net investments	(5,924,033)	(551,267)	
Investments in operating fixed assets	(112,035)	(41,424)	
Capital work in progress	-	(8,908)	
Proceeds from sale of fixed assets	29	1,562	
Net cash flow (used in) / generated from investing activities	(6,036,039)	(600,037)	

CASH FLOW FROM FINANCING ACTIVITIES

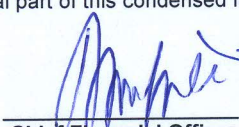
Borrowings from financial institutions	2,000,000	-	
Net cash flow used in financing activities	2,000,000	-	

Increase / (decrease) in cash and cash equivalents	486,119	(495,833)	
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Cash and cash equivalents at beginning of the period	446,407	825,113	
Cash and cash equivalents at end of the period	932,526	329,280	

The annexed notes 1 to 32 form an integral part of this condensed interim financial information


President/Chief Executive


Chief Financial Officer

Director

Director

Director

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

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 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 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 and 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 and renovation of houses 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 May 13, 2019 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 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 State Bank of Pakistan (SBP) and the Security 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 the IAS 34 or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

- 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 International Accounting Standard 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 for the year ended December 31, 2018.

2.3 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are effective in the current period

- 2.3.1** The SBP through BPRD Circular Letter No. 5 dated March 22, 2019 prescribed a new format for condensed interim financial information of banks which are applicable for quarterly / half yearly periods beginning on or after January 1, 2019. Accordingly, this condensed interim financial information is prepared in accordance with the new format. The changes impacting (other than certain presentation changes) this condensed interim financial information include:

- Inclusion of surplus / deficit on revaluation of investments as part of equity (previously shown below equity).
- Other reversal of provisions / write offs have now been combined under provisions & write off - net (note 23).

- 2.3.2** During the current period, the SBP vide BPRD Circular Letter No. 08 of 2019 has adopted IFRS 16, "Leases". The impacts of adopting IFRS 16 are detailed in note 4.1 of this condensed interim financial information.

- 2.3.3** There are certain other new standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 01, 2019 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore not detailed in these condensed interim financial information.

2.4 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are not yet effective

The following new standards and interpretations of and amendments to existing accounting standards will be effective from the dates mentioned below against the respective standard, interpretation or amendment:

Standard, Interpretation or Amendment**Effective from accounting periods
beginning on or after:**

IFRS 9 – Financial Instruments: Classification and Measurement

01 January 2020

The SECP vide its press release dated February 15, 2019 has deferred the applicability of IFRS 9 for the reporting periods ending on or after June 30, 2019. Further, the Bank considers that as the Prudential Regulations and other SBP directives currently provide the accounting framework for the measurement and valuation of investments and provision against non-performing financing, the implementation of IFRS 9 may require changes in the regulatory regime. Therefore, the Company anticipates that the SBP would issue suitable guidance and instruction on the application of IFRS 9 for the banking/financial sector of Pakistan.

There are certain other standards, amendments and interpretations with respect to the approved accounting standards that are not yet effective and are not expected to have any material impact on the Company's condensed interim financial information in the period of their initial application.

3. BASIS OF MEASUREMENT**3.1 Accounting convention**

This condensed interim financial information has been prepared under the historical cost convention, except that certain investments, foreign currency balances and commitments in respect of certain foreign exchange contracts have been marked to market and carried at fair 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 JUDGMENTS

The basis for accounting estimates adopted in the preparation of this condensed interim unconsolidated financial information is the same as that applied in the preparation of the unconsolidated financial statements for the year ended December 31, 2018.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the audited annual financial statements of the Company for the year ended December 31, 2018 except as detailed in note 4.1:

4.1 IFRS 16 - Leases

The Company has adopted IFRS 16, "Leases" based on the SBP BPRD Circular Letter No. 08 of 2019.

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

The Company has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising therefrom are therefore recognized in the opening condensed interim statement of financial position on January 01, 2019.

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases, which had previously been classified as 'operating leases'. These liabilities were initially measured at the present value of the remaining lease payments, discounted using the Company incremental borrowing rate as of January 01, 2019. The incremental borrowing rate of the Company's applied to lease liabilities on January 1, 2019 was 14.05%. The lease liability is subsequently measured at amortized cost using the effective interest rate method.

The remeasurements of the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

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

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

5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the financial statements for the year ended December 31, 2018.

	Note	September 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
Rupees in '000			
6. CASH AND BALANCES WITH TREASURY BANKS			
With State Bank of Pakistan in			
- local currency current accounts	6.1	40,953	34,315
With National Bank of Pakistan in			
- local currency current accounts	6.2	30	72
		40,984	34,387

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

6.2 The bank account carries mark-up at rate 8% (2018: 5.08%) per annum.

	Note	September 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
Rupees in '000			
7. BALANCES WITH OTHER BANKS			
In Pakistan			
In deposit accounts	7.1	191,542	212,020
In term deposit accounts	7.2	700,000	200,000
		891,542	412,020

7.1 These balances carry mark-up at rates ranging from 8% to 11% (2018: 3.78% to 8.5%) per annum.

7.2 These term deposit receipts carry mark-up at the rate of 14.25% (2018:11%) per annum.

	Note	September 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
Rupees in '000			
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Letters of placement	8.1	55,683	605,683
Repurchase agreement lending (reverse repo)	8.2	-	3,656,891
		55,683	4,262,575
Less: Provision held against Lending to Financial Institutions		(55,683)	(55,683)
Lendings to Financial Institutions - net of provision		-	4,206,891

September 30, 2019 (Un-Audited) December 31, 2018 (Audited)
Rupees in '000

8.1 Particulars of letters of placement

In local currency

Habib Metropolitan Bank Ltd (HMB)	-	300,000
Pak Oman Investment Co. Limited (POICL)	-	100,000
Pak Brunei Investment Company Limited (PBICL)	-	150,000
Trust Investment Bank Limited (TIBL)	5,909	5,909
First Dawood Investment Bank Limited (FDIBL)	49,774	49,774
	<u>55,683</u>	<u>605,683</u>

8.2 Repurchase agreement lendings (Reverse Repo)

In local currency

Pak Oman Investment Company Limited	-	1,475,879
United Bank Limited	-	1,189,332
Samba Bank Limited	-	499,722
Habib Metropolitan Bank Limited	-	491,958
	<u>-</u>	<u>3,656,891</u>

8.3 Category of classification

September 30, 2019 (Un-Audited)		December 31, 2018 (Audited)	
Classified Lending	Provision held	Classified Lending	Provision held
Rupees in '000			
	55,683	55,683	55,683

Domestic

9. INVESTMENTS

9.1 Investments by type:	September 30, 2019 (Un-Audited)				December 31, 2018 (Audited)			
	Cost / Amortised cost	Provision for diminution	Deficit	Carrying Value	Cost / Amortised cost	Provision for diminution	Deficit	Carrying Value
Rupees in '000								
Available-for-sale securities								
Market Treasury Bills	5,860,918	-	(1,619)	5,859,299	3,357,258	-	(2,275)	3,354,983
Pakistan Investment Bonds	500,000	-	(2,750)	497,250	601,147	-	(17,087)	584,060
Unlisted Ordinary Shares	63,785	(500)	-	63,285	63,785	(500)	-	63,285
Listed Ordinary Shares	9,603	-	(2,285)	7,318	9,603	-	(1,483)	8,120
	<u>6,434,306</u>	<u>(500)</u>	<u>(6,653)</u>	<u>6,427,152</u>	<u>4,031,793</u>	<u>(500)</u>	<u>(20,845)</u>	<u>4,010,448</u>
Held-to-maturity securities								
Pakistan Investment Bonds	3,521,521	-	-	3,521,521	-	-	-	-
Unlisted Sukuk Bonds	26,240	(26,240)	-	-	26,240	(26,240)	-	-
Certificate of Investments	45,000	(45,000)	-	-	45,000	(45,000)	-	-
	<u>3,592,761</u>	<u>(71,240)</u>	<u>-</u>	<u>3,521,521</u>	<u>71,240</u>	<u>(71,240)</u>	<u>-</u>	<u>-</u>
Total Investments	<u>10,027,066</u>	<u>(71,740)</u>	<u>(6,653)</u>	<u>9,948,673</u>	<u>4,103,033</u>	<u>(71,740)</u>	<u>(20,845)</u>	<u>4,010,448</u>

9.2 Provision for diminution in value of investments

9.2.1 Opening balance

Charge / reversals

Charge for the period / year
Reversals for the period / year
Reversal on disposals

September 30, 2019 (Un-Audited) December 31, 2018 (Audited)
Rupees in '000

71,740	71,740
-	-
-	-
-	-
<u>71,740</u>	<u>71,740</u>

Closing balance

9.2.2 Particulars of provision against debt securities

Category of classification	September 30, 2019		December 31, 2018	
	(Un-Audited)		(Audited)	
	NPI	Provision	NPI	Provision
Domestic Loss	71,240	71,240	71,240	71,240

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

9.3 The market value of securities classified as held to maturity amounted to RS 3.432 million (2018: Nil).

10. ADVANCES

Note	Performing		Non Performing		Total	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
	(Un-Audited)	(Audited)	(Un-Audited)	(Audited)	(Un-Audited)	(Audited)
	----- Rupees in '000 -----					
In Pakistan - local currency						
Rental Sharing Schemes	46,618	38,625	1,339,218	1,479,910	1,385,835	1,518,534
Interest Bearing Schemes	-	-	100,400	99,941	100,400	99,941
Ghar Aasan Scheme	699,512	887,441	1,153,005	1,177,713	1,852,516	2,065,154
Shandar Ghar Scheme	2,799	358	136,610	156,493	139,409	156,851
Financing facility for Small Builders	-	-	2,970	6,074	2,970	6,074
Ghar Aasan Flexi Scheme	8,697,174	8,658,472	2,141,089	1,731,541	10,838,263	10,390,013
Bisma & Saima Projects	11,634	11,447	13,240	19,585	24,875	31,032
New Small Builders	24,986	23,000	31,814	34,041	56,799	57,041
	9,482,722	9,619,343	4,918,346	4,705,298	14,401,067	14,324,640
Employee portfolio						
Housing finance to employees	417,982	402,117	5,550	5,550	423,532	407,667
Car advance to employees	57,901	54,092	-	-	57,901	54,092
Staff Personal Loan	25,563	-	-	-	25,563	-
PC advance to employees	19	19	-	-	19	19
	501,465	456,228	5,550	5,550	507,015	461,778
Partners' death claims	8,680	611	-	-	8,680	611
Transitory district bank accounts - net	(11,905)	21,557	-	-	(11,905)	21,557
Advances - gross	9,980,962	10,097,739	4,923,896	4,710,848	14,904,857	14,808,586
Provision for non-performing advances						
- Specific						
Rental Sharing Schemes	31,814	38,340	1,339,218	1,458,419	1,371,031	1,496,759
Interest Bearing Schemes	-	-	99,966	99,968	99,966	99,968
Ghar Aasan Scheme	-	-	841,845	876,702	841,845	876,702
Shandar Ghar Scheme	-	-	129,342	141,592	129,342	141,592
Financing facility for Small Builders	-	-	5,720	5,720	5,720	5,720
Ghar Aasan Flexi Scheme	-	-	457,218	338,963	457,218	338,963
Bisma & Saima Projects	-	-	5,997	7,980	5,997	7,980
New Small Builders Scheme	-	-	5,391	689	5,391	689
Finance to employees	-	-	5,550	5,550	5,550	5,550
	31,814	38,340	2,890,245	2,935,584	2,922,059	2,973,924
- General	158,656	153,482	-	-	158,656	153,482
	158,656	153,482	-	-	158,656	153,482
Advances - net of provision	9,790,492	9,905,916	2,033,651	1,775,264	11,824,142	11,681,180

10.1 Advances include Rs. 4,923 million (December 31, 2018: Rs. 4,710 million) which have been placed under non-performing status as detailed below:-

Category of Classification	September 30, 2019		December 31, 2018	
	(Un-Audited)		(Audited)	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	----- Rupees in '000 -----			
Domestic	675,929	823	240,151	1,141
Other Assets Especially Mentioned	364,651	61,343	267,883	27,084
Substandard	323,828	76,693	499,126	72,564
Doubtful	3,559,487	2,751,386	3,703,688	2,834,795
Loss				
Total	4,923,896	2,890,245	4,710,848	2,935,584

10.2 Particulars of provision against advances

Note	September 30, 2019 (Un-Audited)			December 31, 2018 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
Opening balance	2,973,924	153,482	3,127,406	3,316,890	135,967	3,452,857
Charge for the period / year	122,957	5,174	128,131	231,723	17,515	249,238
Reversals	(174,822)	-	(174,822)	(574,115)	-	(574,115)
	(51,865)	5,174	(46,691)	(342,392)	17,515	(324,877)
Amounts written off	-	-	-	(574)	-	(574)
Closing balance	2,922,059	158,656	3,080,715	2,973,924	153,482	3,127,406

	September 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
	Rupees in '000	
15. OTHER LIABILITIES		
Markup payable on borrowing	83,281	-
Retirement and other service benefits	3,209,517	3,531,640
Other obligation	42,334	36,118
Accrued expenses	103,517	174,699
Insurance premium payable	73,103	63,053
Advance rent received	16,100	45,080
Refundable to customers against advances	41,988	39,622
Lease liability against right-of-use-assets	62,999	-
Security deposits	5,600	5,600
Application fee - Gawadar project	3,872	3,872
Retention money payable	1,181	602
Reimbursement of claims by Government of Pakistan	579	579
Agents' deposit money	185	185
Sindh Workers' Welfare Fund	51,953	66,618
Others	7,248	4,989
	<u>3,703,455</u>	<u>3,972,657</u>

	September 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
	Rupees in '000	

16. DEFICIT ON REVALUATION OF INVESTMENTS

	Note	September 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
Deficit on revaluation of			
- Available for sale securities	9.1	<u>(6,653)</u>	<u>(20,845)</u>

17. CONTINGENCIES AND COMMITMENTS

	Note	September 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
-Commitments	17.1	694,671	623,398
-Other contingent liabilities	17.2	47,990	647,990
		<u>742,661</u>	<u>1,271,388</u>

17.1 Commitments:

	September 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
Documentary credits and short-term trade-related transactions		
- Loans sanctioned but not disbursed	297,405	226,132
Equity investment to be made in		
- Pakistan Mortgage Refinance Company Limited	193,325	193,325
Land to be purchased for Gwadar Housing Projects	149,725	149,725
Land to be purchased for Gwadar Office	9,750	9,750
Model Town Lahore Project	27,840	27,840
Hyderabad Project	5,305	5,305
Peshawar Office Building Project	10,485	10,485
Other commitments	836	836
	<u>694,671</u>	<u>623,398</u>

17.2 Other contingent liabilities

	Note	September 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
Claims not acknowledged as debt			
SMS Courier (Pvt) Limited (SMSCPL)	17.2.1	39,890	39,890
Liaquat National Hospital	17.2.2	8,100	8,100
National Testing Service (NTS)	17.2.3	-	-
Staff of HBFC		-	600,000
		<u>47,990</u>	<u>647,990</u>

17.2.1 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.

17.2.2 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.

17.2.3 In the year 2011, HBFC hired the services of National Testing Service (NTS) for conducting the test for employment as Trainee Managers in HBFC at its entire network across the country. An agreement was signed between HBFC and NTS. NTS furnished an invoice of Rs. 11 million for payment on account of services provided by them to HBFC. Dispute on invoiced amount arose between the NTS & HBFC. HBFC suggested NTS to resolve the issue through consultation and negotiation in good faith as provided under the agreement. NTS filed the subject suit against HBFC for payment of invoiced amount instead of resolving the issue through arbitration. HBFC filed application in the court for referring the matter to arbitrator which was accepted/allowed by the court and arbitrator has been appointed by the Court.

	September 30, 2019 (Un-Audited)	September 30, 2018 (Un-Audited)
Rupees in '000		
18. MARK-UP/RETURN/INTEREST EARNED		
On:		
a) Loans and advances		
Customers	1,261,471	1,160,020
Employees	12,146	8,011
b) Investments		
Available-for-sale	541,615	335,479
Held-to-Maturity	177,393	-
c) Lendings to financial institutions		
Letters of placement	10,721	8,973
Repurchase agreement lending (Reverse repo)	110,267	56,405
d) Balances with banks	24,983	17,108
	<u>2,138,596</u>	<u>1,585,997</u>
19. MARK-UP/RETURN/INTEREST EXPENSED		
Borrowing from Pakistan Mortgage Refinance Company	83,281	-
Finance charge on lease liability	7,598	-
	<u>90,879</u>	<u>-</u>
20. LOSS ON SECURITIES		
Realised - Treasury Bills	<u>(2,899)</u>	<u>(484)</u>
21. OTHER INCOME		
Profit Commission from insurance company	38,667	-
Rent on property	28,980	28,140
Gain on sale of fixed assets-net	18	1,562
Reversal of excess depreciation	-	930
Inspection and application fee	6,899	7,731
Advance Unit Purchase Charges	19,554	13,358
Balloon Payment charges of Flexi Scheme	67	192
Storage documentation	4,076	-
Penalty income on conventional schemes	2,274	-
Miscellaneous Income	2,446	5,456
	<u>102,982</u>	<u>57,369</u>

	September 30, 2019 (Un-Audited)	September 30, 2018 (Un-Audited)
	Rupees in '000	
22. OPERATING EXPENSES		
Total compensation expense	22.1	945,467
		810,714
Property expense		
Rent and taxes	533	22,390
Insurance	1,163	716
Utilities cost	8,486	7,120
Security (including guards)	5,184	5,184
Repair and maintenance (including janitorial charges)	19,028	16,989
Depreciation	11,310	11,617
Depreciation on right-of-use assets	22,268	-
Others	3,587	2,840
	71,559	66,855
Information technology expenses		
Hardware maintenance	1,776	3,157
Depreciation	10,436	4,311
Amortization	665	293
Network charges	5,051	4,775
	17,927	12,535
Other operating expenses		
Directors' fees and allowances	5,720	3,672
Legal and professional charges	13,484	11,663
Consultancy charges	14,442	11,050
Outsourced services costs	17,397	17,030
Travelling and conveyance	11,165	5,726
Depreciation	8,988	8,319
Training and development	4,328	4,121
Postage and courier charges	5,421	7,397
Communication	985	564
Stationery and printing	3,656	3,241
Marketing, advertisement and publicity	8,591	2,058
Commission against recovery	2,162	1,305
Auditors remuneration	2,490	2,234
Banking service charges	8,768	6,009
Entertainment	2,216	971
Vehicle expense	9,456	6,668
Subscription	790	113
Others	5,945	1,736
	126,006	93,880
	1,160,960	983,985
22.1 This amount includes remuneration, bonuses and other allowances paid to employees.		
23. PROVISIONS & WRITE OFFS - NET		
Reversal of provision against loans and advances	(46,691)	(355,235)
Reversal of provision against investments	-	(6,492)
Provision / (reversal) against doubtful receivable insurance premium from partners	(2,685)	(11,298)
	(49,376)	(373,025)
24. RELIEF PACKAGE AND REPROCESSING CHARGES		
Ghar Aasan Scheme incentive	16,023	36,780
Reprocessing and closing adjustment	947	3,896
Relief package and settlement schemes	9,942	-
	26,913	40,676

	September 30, 2019 (Un-Audited)	September 30, 2018 (Un-Audited)
	Rupees in '000	
25. TAXATION		
Current	277,091	280,303
Prior	26,111	-
	<u>303,202</u>	<u>280,303</u>

26. EARNING PER SHARE - BASIC & DILUTED

Profit after taxation for the period	<u>686,408</u>	<u>686,961</u>
Weighted average number of ordinary shares	<u>1,936,500,006</u>	<u>1,936,500,006</u>
Basic earnings per share	<u>0.35</u>	<u>0.35</u>

27. FAIR VALUE MEASUREMENTS

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

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

27.1 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:

	September 30, 2019 (Un-Audited)			
	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	-	9,948,673	-	9,948,673
Listed ordinary shares	7,318	-	-	7,318
	<u>7,318</u>	<u>9,948,673</u>	<u>-</u>	<u>9,955,991</u>
	December 31, 2018 (Audited)			
	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	-	4,010,448	-	4,010,448
Listed ordinary shares	8,120	-	-	8,120
	<u>8,120</u>	<u>4,010,448</u>	<u>-</u>	<u>4,018,568</u>

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

Item	Valuation approach and input us	Input Used
Market Treasury Bills & PIBs	Market approach	PKRV Rates

28. RELATED PARTY TRANSACTIONS

The Company has related party transactions with its parent, subsidiaries, associates, joint ventures, employee benefit plans and its directors and Key Management Personnel.

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 these financial statements are as follows:

	September 30, 2019 (Un-Audited)			December 31, 2018 (Audited)		
	Key management personnel	Associates	Other related parties	Key management personnel	Associates	Other related parties
Rupees in '000						
Investments						
Opening balance	-	-	47,380	-	51,240	-
Investment made during the period	-	-	-	-	-	-
Investment disposed off during the year	-	-	-	-	3,860	-
Transfer in / (out) - net	-	-	-	-	(47,380)	47,380
Closing balance	-	-	47,380	-	-	47,380
Advances						
Opening balance	18,587	-	-	24,578	-	-
Addition during the period / year	30,192	-	-	12,407	-	-
Repaid during the period / year	(2,684)	-	-	(464)	-	-
Transfer in / (out) - net	-	-	-	(17,934)	-	-
Closing balance	46,095	-	-	18,587	-	-
Income						
Markup / return / interest earned	999	-	-	-	-	-

September 30, December 31,
2019 2018
(Un-Audited) (Audited)
-----Rupees in '000-----

29. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)	17,605,825	16,926,068
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Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	17,601,727	16,924,565
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	17,601,727	16,924,565
Eligible Tier 2 Capital	81,218	72,803
Total Eligible Capital (Tier 1 + Tier 2)	17,682,945	16,997,368

Risk Weighted Assets (RWAs):

Credit Risk	7,029,670	7,491,746
Market Risk	877,270	243,259
Operational Risk	4,121,584	4,121,584
Total	12,028,524	11,856,589

Common Equity Tier 1 Capital Adequacy Ratio	146.33%	142.74%
Tier 1 Capital Adequacy Ratio	146.33%	142.74%
Total Capital Adequacy Ratio	147.01%	143.36%

Leverage Ratio (LR):

Eligible Tier-1 Capital	17,601,727	16,924,565
Total Exposure	24,003,952	21,501,280
Leverage Ratio	73.33%	78.71%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	6,397,082	3,973,430
Total Net Cash Outflow	14,630	10,258
Liquidity Coverage Ratio	43727%	38735%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	20,964,331	20,540,049
Total Required Stable Funding	12,476,418	11,214,470
Net Stable Funding Ratio	168%	183%

30. RECLASSIFICATION OF COMPARATIVE FIGURES


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

31. DATE OF AUTHORIZATION

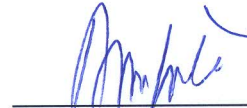
These financial statements were approved and authorized for issue on OCTOBER 31, 2019 by the Board of Directors of the Company.

32. GENERAL

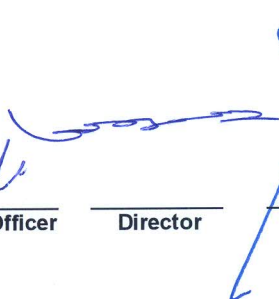
Figures have been rounded-off to the nearest thousand rupees except stated otherwise.




President/Chief Executive




Chief Financial Officer



Director



Director



Director