

**House Building
Finance Company
Limited**

Financial Statements
For the half year ended June 30, 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of House Building Finance Company Limited

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **House Building Finance Company Limited** ("the Company") as at June 30, 2019 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim cash flow statement and notes to the financial statements for the half year then ended (here-in-after referred as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements 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 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 interim financial information is not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

We draw attention to note 17.2.4 to the financial information, which explains contingency relating to a pending case in respect of pay increase of certain Company employees. The ultimate outcome of the matter cannot presently be determined. Our conclusion is not modified in respect of this matter.

Other Matter

The figures for the quarters ended June 30, 2019 and 2018 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the half year ended June 30, 2019.


Chartered Accountants
Nadeem Yousuf Adil

Place: Karachi
Dated: August 29, 2019


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

		June 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
	Note	Rupees in '000	
ASSETS			
Cash and balances with treasury banks	6	40,640	34,387
Balances with other banks	7	494,593	412,020
Lendings to financial institutions	8	1,450,285	4,206,891
Investments	9	8,498,488	4,010,448
Advances	10	11,768,039	11,681,180
Fixed assets	11	344,394	312,517
Intangible assets	12	1,221	1,503
Deferred tax assets		-	-
Other assets	13	410,169	218,934
		23,007,829	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	3,585,530	3,972,657
		5,585,530	3,972,657
NET ASSETS		17,422,299	16,905,224
REPRESENTED BY			
Share capital		19,365,000	19,365,000
Reserves		1,349,466	1,246,974
Deficit on revaluation of investments	16	(16,231)	(20,845)
Accumulated losses		(3,275,936)	(3,685,905)
		17,422,299	16,905,224
CONTINGENCIES AND COMMITMENTS	17		

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


BYA


 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, 2019

	Note	Quarter Ended		Half Year Ended	
		June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Rupees in '000					
Mark-up/return/interest earned	18	766,391	613,108	1,356,613	1,068,581
Mark-up/return/interest expensed	19	(43,458)	-	(45,239)	-
Net mark-up/interest income		722,934	613,108	1,311,374	1,068,581
NON MARK-UP/INTEREST INCOME					
Fee and commission income		-	-	-	-
Dividend income		336	336	336	336
Foreign exchange income		-	-	-	-
Income / (loss) from derivatives		-	-	-	-
Loss on securities	20	(2,307)	(489)	(2,899)	(484)
Other income	21	21,134	21,976	80,580	39,140
Total non-markup / interest income		19,163	21,823	78,017	38,992
Total Income		742,097	634,931	1,389,391	1,107,573
NON MARK-UP/INTEREST EXPENSES					
Operating expenses	22	(407,980)	(380,190)	(753,855)	(671,878)
Workers Welfare Fund		(7,227)	(8,392)	(13,233)	(8,392)
Other charges		-	-	-	-
Total non-markup / interest expenses		(415,207)	(388,582)	(767,088)	(680,270)
Profit before provisions		326,890	246,349	622,303	427,303
Reversal of provision and write offs - net	23	36,472	138,882	36,792	136,918
Relief package and reprocessing charges	24	(11,065)	31,155	(12,482)	(47,047)
Share of profit from associate		-	(6,259)	-	(6,259)
PROFIT BEFORE TAXATION		352,298	410,127	646,613	510,915
Taxation	25	(25,633)	(59,107)	(134,152)	(89,344)
PROFIT AFTER TAXATION		326,664	351,019	512,461	421,571
Rupees					
Earnings per share - basic & diluted	26	0.17	0.18	0.26	0.22


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 CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2019

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

CASH FLOW FROM OPERATING ACTIVITIES

Profit before taxation 646,613 510,915

Adjustments:

Depreciation		19,767	15,176
Depreciation on right-of-use assets		10,542	-
Amortization		282	164
Reversal of provision and write-offs	23	(36,792)	(115,351)
Gain on sale of fixed assets		(18)	(5,152)
Reconciliation & GAS incentive adjustments		12,482	47,047
Share of profit from associate		-	6,259
		6,263	(51,857)
		652,876	459,058

Decrease / (increase) in operating assets

Lendings to financial institutions		2,756,607	(948,754)
Advances		(59,019)	178,338
Others assets (excluding advance taxation)		(136,905)	60,877
		2,560,683	(709,539)

Decrease in operating liabilities

Other liabilities (excluding current taxation) (767,621) (114,123)

Income tax refundable / (paid) 188,482 (263,105)

Net cash flow generated from / (used in) operating activities 2,634,420 (627,709)

CASH FLOW FROM INVESTING ACTIVITIES

Net investments		(4,483,426)	104,526
Investments in operating fixed assets		(62,197)	(8,575)
Proceeds from sale of fixed assets		29	7,893
Net cash flow (used in) / generated from investing activities		(4,545,594)	103,844

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 88,826 (523,866)

Cash and cash equivalents at beginning of the period 446,407 825,113

Cash and cash equivalents at end of the period 535,233 301,247


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

BY


 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, 2019

	Share capital	Statutory reserve	Surplus/(Deficit) on revaluation of Investments	Accumulated losses	Total
	-----Rupees in '000-----				
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 half year ended June 30, 2018	-	-	-	421,571	421,571
Transfer to statutory reserve	-	84,314	-	(84,314)	-
Balance as at June 30, 2018	19,365,000	1,123,042	2,174	(3,355,220)	17,134,996
Profit after taxation for the year ended December 31, 2018	-	-	-	619,659	619,659
Other comprehensive income - net of tax	-	-	(23,019)	(826,412)	(849,431)
Transfer to statutory reserve	-	123,932	-	(123,932)	-
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 half year ended June 30, 2019	-	-	-	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	<u>19,365,000</u>	<u>1,349,466</u>	<u>(16,231)</u>	<u>(3,275,936)</u>	<u>17,422,299</u>

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

BVA


 President/Chief Executive


 Chief Financial Officer


 Director


 Director


 Director

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

	Quarter Ended		Half Year Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	------(Rupees in '000)-----			
Profit after taxation for the period	326,664	351,019	512,461	421,571
Items that may be reclassified to profit and loss account in subsequent periods:				
Movement in surplus / (deficit) on revaluation of investments	4,761	(5,350)	4,614	(5,350)
Total comprehensive income	331,425	345,669	517,075	416,221

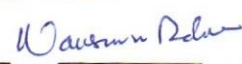
The annexed notes 1 to 32 form an integral part of these condensed interim financial information.

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 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 HALF YEAR ENDED JUNE 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 Bank'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 Bank'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 Bank expects that the SBP would issue suitable guidance and instruction on the application of IFRS 9 for the banking 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 have 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 have 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's incremental borrowing rate as of January 01, 2019. The weighted average incremental borrowing rate of the Company's applied to lease liabilities on January 1, 2019 was 15.13%. 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.

(Rupees in '000)

The total lease liability recognised as at January 01, 2019, of which:

Current lease liabilities	21,141
Non-current lease liabilities	21,253
	<u>42,394</u>

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.

The recognised right-of-use assets are of the following type:

	June 30, 2019	January 01, 2019
	----- (Rupees in '000) -----	
Right-of-use assets - building on leasehold land	<u>31,852</u>	<u>42,394</u>

The effect of this change in accounting policy is as follows:

Impact on Condensed Interim Statement of Financial Position

Increase in fixed assets - right-of-use assets	31,852	42,394
Increase in other liabilities:		
- Lease Liabilities	<u>(33,472)</u>	<u>(42,394)</u>
Decrease in net asset	<u>(1,620)</u>	<u>-</u>

Half year
ended June 30,
2019
(Rupees in '000)

Impact on Condensed Interim Profit and Loss account

Increase in mark-up/return/interest expensed - lease liability against right-of-use assets	(2,930)
(Increase) / decrease in administrative expenses:	
- Depreciation on right-of-use assets	(10,542)
- Rent expense	<u>11,852</u>
Decrease in profit before tax	<u>(1,620)</u>
Decrease in tax	<u>275</u>
Decrease in profit after tax	<u>(1,345)</u>

The impact on earnings per share is not material and therefore has not been disclosed.

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	June 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	40,566	34,315
With National Bank of Pakistan in			
- local currency current accounts	6.2	74	72
		40,640	34,387
		40,640	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	June 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
Rupees in '000			
7. BALANCES WITH OTHER BANKS			
In Pakistan			
In deposit accounts	7.1	194,593	212,020
In term deposit accounts	7.2	300,000	200,000
		494,593	412,020
		494,593	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 13.2% to 13.25% (2018:11%) per annum.

	Note	June 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
Rupees in '000			
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Letters of placement	8.1	555,683	605,683
Repurchase agreement lending (reverse repo)	8.2	950,285	3,656,891
		1,505,968	4,262,575
Less: Provision held against Lending to Financial Institutions		(55,683)	(55,683)
Lendings to Financial Institutions - net of provision		1,450,285	4,206,891

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

8.1 Particulars of letters of placement

In local currency

Zari Taraqiati Bank Limited (ZTBL)	200,000	-
Habib Metropolitan Bank Ltd (HMB)	-	300,000
Pak Oman Investment Co. Limited (POICL)	150,000	100,000
Pak Brunei Investment Company Limited (PBICL)	150,000	150,000
Trust Investment Bank Limited (TIBL)	5,909	5,909
First Dawood Investment Bank Limited (FDIBL)	49,774	49,774
	<u>555,683</u>	<u>605,683</u>

8.2 Repurchase agreement lendings (Reverse Repo)

In local currency

Pak Brunei Investment Company Limited (PBICL)	700,543	-
Pak Oman Investment Company Limited	249,742	1,475,879
United Bank Limited	-	1,189,332
Samba Bank Limited	-	499,722
Habib Metropolitan Bank Limited	-	491,958
	<u>950,285</u>	<u>3,656,891</u>

8.3 Category of classification

June 30, 2019 (Un-Audited)		December 31, 2018 (Audited)	
Classified Lending	Provision held	Classified Lending	Provision held

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, 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	4,457,141	-	(4,796)	4,452,345	3,357,258	-	(2,275)	3,354,983
Pakistan Investment Bonds	500,000	-	(9,150)	490,850	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>5,030,529</u>	<u>(500)</u>	<u>(16,231)</u>	<u>5,013,798</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	3,484,690	-	-	3,484,690	-	-	-	-
Unlisted Sukuk Bonds	26,240	(26,240)	-	-	26,240	(26,240)	-	-
Certificate of Investments	45,000	(45,000)	-	-	45,000	(45,000)	-	-
	<u>3,555,930</u>	<u>(71,240)</u>	<u>-</u>	<u>3,484,690</u>	<u>71,240</u>	<u>(71,240)</u>	<u>-</u>	<u>-</u>

Total Investments	<u>8,586,459</u>	<u>(71,740)</u>	<u>(16,231)</u>	<u>8,498,488</u>	<u>4,103,033</u>	<u>(71,740)</u>	<u>(20,845)</u>	<u>4,010,448</u>
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	June 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
	Rupees in '000	
9.2 Provision for diminution in value of investments		
9.2.1 Opening balance	71,740	71,740
Charge / reversals		
Charge for the period / year	-	-
Reversals for the period / year	-	-
Reversal on disposals	-	-
Closing balance	71,740	71,740

9.2.2 Particulars of provision against debt securities

Category of classification	June 30, 2019		December 31, 2018	
	(Un-Audited)		(Audited)	
	NPI	Provision	NPI	Provision
	----- Rupees in '000 -----			
Domestic				
Loss	71,240	71,240	71,240	71,240

9.3 The market value of securities classified as held to maturity amounted to RS 3.443 million (2018: Nil).

10. ADVANCES

	Note	Performing		Non Performing		Total	
		June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
		(Un-Audited)	(Audited)	(Un-Audited)	(Audited)	(Un-Audited)	(Audited)
		----- Rupees in '000 -----					
In Pakistan - local currency							
Rental Sharing Schemes		55,017	38,625	1,383,049	1,479,910	1,438,066	1,518,534
Interest Bearing Schemes		-	-	100,400	99,941	99,482	99,941
Ghar Aasan Scheme	10.4	781,151	887,441	1,137,680	1,177,713	1,918,831	2,065,154
Shandar Ghar Scheme		2,854	358	140,475	156,493	143,329	156,851
Financing facility for Small Builders		-	-	5,720	6,074	5,720	6,074
Ghar Aasan Flexi Scheme		8,738,518	8,658,472	1,926,595	1,731,541	10,665,113	10,390,013
Bisma & Saima Projects		11,893	11,447	13,295	19,585	25,188	31,032
New Small Builders		16,943	23,000	30,576	34,041	47,519	57,041
		9,606,376	9,619,343	4,737,790	4,705,298	14,343,248	14,324,640
Employee portfolio							
Housing finance to employees		420,547	402,117	5,550	5,550	426,097	407,667
Car advance to employees		54,700	54,092	-	-	54,700	54,092
Staff Personal Loan		29,230	-	-	-	29,230	-
PC advance to employees		20	19	-	-	20	19
		504,497	456,228	5,550	5,550	510,047	461,778
Partners' death claims		6,608	611	-	-	6,608	611
Transitory district bank accounts - net		(4,780)	21,557	-	-	(4,780)	21,557
Advances - gross		10,112,701	10,097,739	4,743,340	4,710,848	14,855,123	14,808,586
Provision for non-performing advances							
- Specific							
Rental Sharing Schemes		34,795	38,340	1,383,048	1,458,419	1,417,843	1,496,759
Interest Bearing Schemes		-	-	99,966	99,968	99,966	99,968
Ghar Aasan Scheme		-	-	851,738	876,702	851,738	876,702
Shandar Ghar Scheme		-	-	131,984	141,592	131,984	141,592
Financing facility for Small Builders		-	-	5,720	5,720	5,720	5,720
Ghar Aasan Flexi Scheme		-	-	408,647	338,963	408,647	338,963
Bisma & Saima Projects		-	-	5,309	7,980	5,309	7,980
New Small Builders Scheme		-	-	2,891	689	2,891	689
Finance to employees		-	-	5,550	5,550	5,550	5,550
		34,795	38,340	2,894,853	2,935,584	2,929,648	2,973,924
- General		157,436	153,482	-	-	157,436	153,482
Advances - net of provision		9,920,470	9,905,916	1,848,487	1,775,264	11,768,039	11,681,180

- 10.1 Advances include Rs. 4.743 million (December 31, 2018: Rs. 4.710 million) which have been placed under non-performing status as detailed below:-

Category of Classification	June 30, 2019 (Un-Audited)		December 31, 2018 (Audited)	
	Non Performing Loans	Provision	Non Performing Loans	Provision
----- Rupees in '000 -----				
Domestic				
Other Assets Especially Mentioned	474,069	694	240,151	1,141
Substandard	303,637	48,470	267,883	27,084
Doubtful	381,402	86,020	499,126	72,564
Loss	3,584,232	2,759,669	3,703,688	2,834,794
Total	4,743,340	2,894,853	4,710,848	2,935,583

10.2 Particulars of provision against advances

Note	June 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	71,886	3,954	75,840	231,723	17,515	249,238
Reversals	(116,162)	-	(116,162)	(574,115)	-	(574,115)
Amounts written off	(44,276)	3,954	(40,321)	(342,392)	17,515	(324,877)
				(574)		(574)
Closing balance	2,929,648	157,436	3,087,085	2,973,924	153,482	3,127,406

- 10.3.1 General provision against advances has been determined in accordance with the requirements of Prudential Regulations (HF-9) issued by the State Bank of Pakistan on regular portfolio of consumer financing.
- 10.3.2 The SBP vide BSD Circular no. 10 of 2009 dated October 20, 2009 had allowed banks/DFIs to avail benefit of forced sales value 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 forced sales value (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 June 30, 2019, had FSV benefit of IH&SMEFD Circular no. 03 of 2017 not been taken, profit before taxation would have been decreased by Rs. 921.24 million.
- 10.4 This includes an amount of Rs. 130.9 million (2018: Nil) related to Ghar Pakistan Scheme launched by the Company during the period.
- 10.5 This includes amounting Rs. 34.79 million (2018: 38.34 million) related to Rental Sharing Scheme which is provided by the Company on prudent basis.

11. FIXED ASSETS	Note	June 30,	December
		2019 (Un-Audited)	31, 2018 (Audited)
----- Rupees in '000 -----			
Capital work-in-progress	11.1	12,860	12,860
Property and equipment		299,682	299,657
Right-of-use assets		31,852	-
		<u>344,394</u>	<u>312,517</u>
11.1 Capital work-in-progress			
Civil works		<u>12,860</u>	<u>12,860</u>
12. INTANGIBLE ASSETS			
Computer Software		<u>1,221</u>	<u>1,503</u>

	Note	June 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
Rupees in '000			
13. OTHER ASSETS			
Income/ mark-up accrued in local currency			
Advances		41,380	27,666
Investments		136,965	8,065
Advances, deposits, advance rent and other prepayments		44,320	52,766
Advance taxation (payments less provisions)		177,232	122,902
Advance for purchase of land - housing projects		53,815	53,815
Other receivables against advances		10,272	7,535
Assets acquired from Pakistan Refugees Rehabilitation Finance Corporation (PRRFC)	13.2	-	-
Less: Provision held against other assets		463,984	272,749
Other Assets (Net of Provision)		<u>410,169</u>	<u>218,934</u>

13.1 Provision held against other assets

Advance for purchase of land - housing projects		53,815	53,815
		<u>53,815</u>	<u>53,815</u>

13.2 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.

	Note	June 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
Rupees in '000			
14. BORROWINGS			
<i>Secured</i>			
Pakistan Mortgage Refinance Company Limited	14.1	<u>2,000,000</u>	-

14.1 The borrowing is secured against a charge of Rs. 2.5 billion on mortgage properties of customers and carries markup @ 8.5% per annum (2018: Nil).

		June 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
Rupees in '000			
15. OTHER LIABILITIES			
Markup payable on borrowing		42,309	-
Retirement and other service benefits		3,155,881	3,531,640
Other obligation		40,291	36,118
Accrued expenses		91,986	174,699
Insurance premium payable		53,767	63,053
Advance rent received		25,760	45,080
Refundable to customers against advances		42,003	39,622
Lease liability against right-of-use-assets		33,472	-
Security deposits		5,600	5,600
Application fee - Gawadar project		3,872	3,872
Retention money payable		483	602
Reimbursement of claims by Government of Pakistan		579	579
Agents' deposit money		185	185
Sindh Workers' Welfare Fund		79,851	66,618
Others		9,491	4,989
		<u>3,585,530</u>	<u>3,972,657</u>

	Note	June 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
Rupees in '000			
16. DEFICIT ON REVALUATION OF INVESTMENTS			
Deficit on revaluation of			
- Available for sale securities	9.1	<u>(16,231)</u>	<u>(20,844)</u>
17. CONTINGENCIES AND COMMITMENTS			
-Commitments	17.1	<u>651,187</u>	623,398
-Other contingent liabilities	17.2	<u>658,998</u>	647,990
		<u>1,310,185</u>	<u>1,271,388</u>
17.1 Commitments:			
Documentary credits and short-term trade-related transactions			
- Loans sanctioned but not disbursed		253,921	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>651,187</u>	<u>623,398</u>
17.2 Other contingent liabilities			
Claims not acknowledged as debt			
SMS Courier (Pvt) Limited (SMSCPL)	17.2.1	39,895	39,890
Liaquat National Hospital	17.2.2	8,100	8,100
National Testing Service (NTS)	17.2.3	11,003	-
Staff of HBFC	17.2.4	<u>600,000</u>	<u>600,000</u>
		<u>658,998</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 was 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 to resolve 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.		
17.2.4	In 2016, the Board and management of the Company, under the collective bargaining mechanism, allowed an increase of 18% in the gross salaries of the workmen/staff of the Company following decision by Honorable High Court of Sindh. However, considering certain business and other reasons the Board did not extend similar salary increase to the executives and officers grade. Aggrieved by this decision, some officers/executives of the Company challenged this decision in the High Court of respective jurisdictions including Sindh High Court.		

The Hon'ble Division Bench of the High Court of Sindh at Karachi, vide its judgment dated November 26, 2018, held that the decision taken by the Company, whereby it restricted the increase in salary structure to workmen/staff only and excluded its executives and officers from such increase was erroneous and of no legal effect and remanded the case back to the Company for fresh decision on the issue of inclusion of the aforesaid pay and allowances in the emoluments of the Petitioners (i.e. officers and executives) in accordance with the law and dicta laid down by the Honorable Supreme Court of Pakistan within a period of two months, from the date of receipt of the Judgment" of the High Court of Sindh.

In order to protect the legal interest of the Company and its shareholders, the management filed a Civil Appeal with the Honorable Supreme Court of Pakistan against the judgment of the High Court of Sindh. The Honorable Supreme Court while granting leave to appeal, suspended the operation of the judgment of the Sindh High Court. The legal advisor of the Company is of the view that the Company has a fair chance in prevailing its contention on this matter.

	June 30, 2019 (Un-Audited)	June 30, 2018 (Un-Audited)
	Rupees in '000	
18. MARK-UP/RETURN/INTEREST EARNED		
On:		
a) Loans and advances		
Customers	826,532	801,724
Employees	5,938	4,551
b) Investments		
Available-for-sale	245,896	213,495
Held-to-Maturity	168,305	-
c) Lendings to financial institutions		
Letters of placement	5,531	6,796
Repurchase agreement lending (Reverse repo)	88,106	27,955
d) Balances with banks	16,305	14,059
	<u>1,356,613</u>	<u>1,068,581</u>
19. MARK-UP/RETURN/INTEREST EXPENSED		
Borrowing from Pakistan Mortgage Refinance Company	42,309	-
Finance charge on lease liability	2,930	-
	<u>45,239</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	19,320	18,480
Gain on sale of fixed assets-net	18	1,547
Reversal of excess depreciation	-	930
Inspection and application fee	4,669	5,185
Advance Unit Purchase Charges	11,838	8,694
Balloon Payment charges of Flexi Scheme	67	101
Storage documentation	2,566	-
Penalty income on conventional schemes	1,936	-
Miscellaneous Income	1,499	4,204
	<u>80,580</u>	<u>39,140</u>

	Note	June 30, 2019 (Un-Audited)	June 30, 2018 (Un-Audited)
		Rupees in '000	
22. OPERATING EXPENSES			
Total compensation expense	22.1	607,204	555,778
Property expense			
Rent and taxes		2,658	13,896
Insurance		1,163	406
Utilities cost		4,443	4,166
Security (including guards)		3,456	3,456
Repair and maintenance (including janitorial charges)		11,953	10,863
Depreciation		7,494	7,724
Depreciation on right-of-use assets		10,542	-
Others		2,101	1,962
		43,810	42,473
Information technology expenses			
Hardware maintenance		1,046	2,287
Depreciation		6,862	2,061
Amortization		282	164
Network charges		4,307	3,486
		12,497	7,999
Other operating expenses			
Directors' fees and allowances		3,900	2,373
Legal and professional charges		11,596	10,522
Consultancy charges		10,781	6,578
Outsourced services costs		11,879	11,651
Travelling and conveyance		7,660	4,297
Depreciation		5,411	5,391
Training and development		650	3,864
Postage and courier charges		3,396	5,079
Communication		841	338
Stationery and printing		2,455	2,287
Marketing, advertisement and publicity		7,633	1,139
Commission against recovery		2,162	600
Auditors remuneration		1,660	1,547
Banking service charges		6,739	4,297
Entertainment		1,301	519
Vehicle expense		6,565	4,270
Subscription		558	89
Others		5,157	787
		90,344	65,628
		753,855	671,878
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		(40,321)	(115,351)
Provision / (reversal) against doubtful receivable insurance premium from partners		3,529	(21,567)
		(36,792)	(136,918)
24. RELIEF PACKAGE AND REPROCESSING CHARGES			
Ghar Aasan Scheme incentive		11,886	36,780
Reprocessing and closing adjustment		596	10,267
		12,482	47,047

	June 30, 2019 (Un-Audited)	June 30, 2018 (Un-Audited)
	Rupees in '000	
25. TAXATION		
Current	108,041	89,344
Prior	26,111	-
	<u>134,152</u>	<u>89,344</u>
26. EARNING PER SHARE - BASIC & DILUTED		
Profit after taxation for the period	512,461	421,571
Weighted average number of ordinary shares	1,936,500,006	1,936,500,006
Basic earnings per share	0.26	0.22

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:

	June 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	-	3,484,890	-	3,484,890
Listed ordinary shares	7,318	-	-	7,318
	<u>7,318</u>	<u>3,484,890</u>	<u>-</u>	<u>3,492,208</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

Federal Government Securities The fair value of Federal Government securities is determined using the prices / rates available on Mutual Funds Association of Pakistan (MUFAP).

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:

	June 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	-	-	-	-	-	-
Closing balance	-	-	47,380	-	47,380	-
Advances						
Opening balance	18,587	-	-	24,578	-	-
Addition during the period / year	29,856	-	-	12,407	-	-
Repaid during the period / year	(1,758)	-	-	(464)	-	-
Transfer in / (out) - net	-	-	-	(17,934)	-	-
Closing balance	46,685	-	-	18,587	-	-
Income						
Markup / return / interest earned	663	-	-	211	-	-
Transaction During The Period						
Directors fee	4,016	-	-	3,420	-	-
Key management personnel remuneration	33,862	-	-	44,592	-	-

	June 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
	-----Rupees in '000-----	
29. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>17,422,299</u>	<u>16,926,068</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	<u>17,437,309</u>	<u>16,924,565</u>
Eligible Additional Tier 1 (ADT 1) Capital	<u>-</u>	<u>-</u>
Total Eligible Tier 1 Capital	<u>17,437,309</u>	<u>16,924,565</u>
Eligible Tier 2 Capital	<u>74,292</u>	<u>72,803</u>
Total Eligible Capital (Tier 1 + Tier 2)	<u>17,511,601</u>	<u>16,997,368</u>
Risk Weighted Assets (RWAs):		
Credit Risk	<u>7,241,873</u>	<u>7,491,746</u>
Market Risk	<u>1,087,218</u>	<u>243,259</u>
Operational Risk	<u>4,121,584</u>	<u>4,121,584</u>
Total	<u>12,450,675</u>	<u>11,856,589</u>
Common Equity Tier 1 Capital Adequacy Ratio	<u>140.50%</u>	<u>142.74%</u>
Tier 1 Capital Adequacy Ratio	<u>140.05%</u>	<u>142.74%</u>
Total Capital Adequacy Ratio	<u>140.65%</u>	<u>143.36%</u>
Leverage Ratio (LR):		
Eligible Tier-1 Capital	<u>17,437,309</u>	<u>16,924,565</u>
Total Exposure	<u>23,659,474</u>	<u>21,501,280</u>
Leverage Ratio	<u>73.70%</u>	<u>78.71%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	<u>4,983,835</u>	<u>3,973,430</u>
Total Net Cash Outflow	<u>12,508</u>	<u>10,258</u>
Liquidity Coverage Ratio	<u>39845%</u>	<u>38735%</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	<u>21,665,803</u>	<u>20,540,049</u>
Total Required Stable Funding	<u>13,581,963</u>	<u>11,214,470</u>
Net Stable Funding Ratio	<u>160%</u>	<u>183%</u>
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 29 AUG 2019 by the Board of Directors of the Company.

32. GENERAL

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

BYA



President/Chief Executive




Chief Financial Officer



Director



Director



Director

