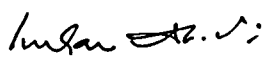


**FINANCIAL STATEMENTS  
OF  
HOUSE BUILDING FINANCE  
COMPANY LIMITED  
FOR THE MONTH ENDED  
SEPTEMBER 30, 2021**


**HOUSE BUILDING FINANCE COMPANY LIMITED**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2021**

		September 30, 2021 (Un-Audited)	December 31, 2020 (Audited)
	Note	Rupees in '000	
<b>ASSETS</b>			
Cash and balances with treasury banks	6	33,325	34,880
Balances with other banks	7	130,710	130,492
Lendings to financial institutions	8	540,084	1,450,000
Investments	9	10,399,129	10,414,228
Advances	10	12,229,549	11,177,470
Fixed assets	11	412,595	391,630
Intangible assets	12	54,169	41,494
Deferred tax assets		1,740,165	1,761,435
Other assets	13	1,243,059	1,400,694
		<b>26,782,785</b>	<b>26,802,323</b>
<b>LIABILITIES</b>			
Bills payable		-	-
Borrowings	14	2,804,304	2,959,973
Deposits and other accounts		-	-
Liabilities against assets subject to finance lease		145,720	114,474
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	15	2,125,792	2,829,959
		<b>5,075,816</b>	<b>5,904,406</b>
<b>NET ASSETS</b>		<b>21,706,969</b>	<b>20,897,917</b>
<b>REPRESENTED BY</b>			
Share capital		19,365,000	19,365,000
Reserves		2,177,773	2,005,103
Deficit on revaluation of investments	16	(63,222)	(8,585)
Accumulated losses		227,418	(463,601)
		<b>21,706,969</b>	<b>20,897,917</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	17		

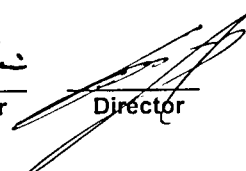
The annexed notes 1 to 32 form an integral part of this condensed interim financial information.

  
 \_\_\_\_\_  
 President/Chief Executive

  
 \_\_\_\_\_  
 Chief Financial Officer

  
 \_\_\_\_\_  
 Director

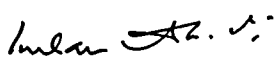
  
 \_\_\_\_\_  
 Director

  
 \_\_\_\_\_  
 Director

HOUSE BUILDING FINANCE COMPANY LIMITED  
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE PERIOD ENDED SEPTEMBER 30, 2021

	Note	Quarter Ended		Period Ended	
		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Rupees in '000					
Mark-up/return/interest earned	18	665,838	937,793	1,866,025	2,451,206
Mark-up/return/interest expensed	19	(48,962)	(38,449)	(149,039)	(144,938)
<b>Net mark-up/interest income</b>		<b>616,876</b>	<b>899,344</b>	<b>1,716,986</b>	<b>2,306,268</b>
<b>NON MARK-UP/INTEREST INCOME</b>					
Fee and commission income		-	-	-	-
Dividend income		210	179	1,028	357
Foreign exchange income		-	-	-	-
Income / (loss) from derivatives		-	-	-	-
Loss on securities	20	-	-	-	-
Other income	21	19,640	13,236	53,768	94,724
<b>Total non-markup / interest income</b>		<b>19,850</b>	<b>13,415</b>	<b>54,796</b>	<b>95,081</b>
<b>Total Income</b>		<b>636,726</b>	<b>912,759</b>	<b>1,771,782</b>	<b>2,401,349</b>
<b>NON MARK-UP/INTEREST EXPENSES</b>					
Operating expenses	22	(370,822)	(382,673)	(1,087,231)	(1,176,585)
Workers Welfare Fund		(7,070)	(8,422)	(21,228)	(19,092)
Other charges		-	(30)	(1,110)	(30)
<b>Total non-markup / interest expenses</b>		<b>(377,892)</b>	<b>(391,124)</b>	<b>(1,109,569)</b>	<b>(1,195,706)</b>
<b>Profit before provisions</b>		<b>258,834</b>	<b>521,635</b>	<b>662,213</b>	<b>1,205,643</b>
(Provision) / Reversal of provision and write offs - net	23	87,989	(117,278)	378,482	(269,992)
Relief package and reprocessing charges	24	56	8,298	(514)	(149)
<b>PROFIT BEFORE TAXATION</b>		<b>346,879</b>	<b>412,654</b>	<b>1,040,181</b>	<b>935,501</b>
Taxation	25	(38,210)	(119,669)	(176,831)	(271,296)
<b>PROFIT AFTER TAXATION</b>		<b>308,669</b>	<b>292,986</b>	<b>863,350</b>	<b>664,206</b>
<b>Rupees</b>					
<b>Earnings per share - basic &amp; diluted</b>	26	<b>0.16</b>	<b>0.15</b>	<b>0.45</b>	<b>0.34</b>

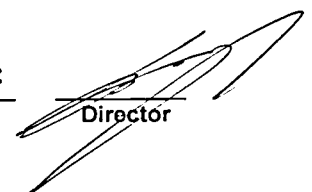
The annexed notes 1 to 32 form an integral part of this condensed interim financial information.

  
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, 2021

	Quarter Ended		Period Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	------(Rupees in '000)-----			
Profit after taxation for the period	308,669	292,986	863,350	664,206
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>				
Movement in surplus / (deficit) on revaluation of investments	(18,147)	(35,237)	(54,298)	85
<b>Total comprehensive income</b>	<b>290,522</b>	<b>257,749</b>	<b>809,052</b>	<b>664,291</b>

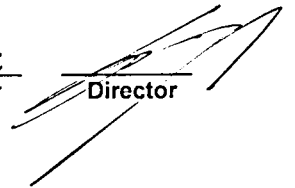
The annexed notes 1 to 32 form an integral part of these condensed interim financial information.

  
 \_\_\_\_\_  
 President/Chief Executive

  
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 Chief Financial Officer

  
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 Director

  
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 Director

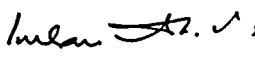
  
 \_\_\_\_\_  
 Director

**HOUSE BUILDING FINANCE COMPANY LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2021**

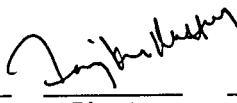
	Share capital	Statutory reserve	Surplus/(Deficit) on revaluation of Investments	Accumulated losses	Total
	-----Rupees in '000-----				
Balance as at January 1, 2020	19,365,000	1,799,383	(7,756)	(1,048,563)	20,108,063
Profit after taxation for the period ended September 30, 2020	-	-	-	664,206	664,206
Other comprehensive income - net of tax	-	-	85	-	85
Transfer to statutory reserve	-	132,841	-	(132,841)	-
<b>Balance as at September 30, 2020</b>	<b>19,365,000</b>	<b>1,932,224</b>	<b>(7,671)</b>	<b>(517,198)</b>	<b>20,772,354</b>
Profit after taxation for the quarter ended December 31, 2020	-	-	-	364,393	364,393
Other comprehensive income - net of tax	-	-	(914)	(237,917)	(238,831)
Transfer to statutory reserve	-	72,879	-	(72,879)	-
<b>Balance as at December 31, 2020</b>	<b>19,365,000</b>	<b>2,005,103</b>	<b>(8,585)</b>	<b>(463,601)</b>	<b>20,897,916</b>
Profit after taxation for the period ended September 30, 2021	-	-	-	863,350	863,350
Other comprehensive income - net of tax	-	-	(54,637)	339	(54,298)
Transfer to statutory reserve	-	172,670	-	(172,670)	-
<b>Balance as at September 30, 2021</b>	<b>19,365,000</b>	<b>2,177,773</b>	<b>(63,222)</b>	<b>227,418</b>	<b>21,706,968</b>

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

\* This represents reserve created under BPD circular no. 15 of 2004 which requires the Company to credit to its reserve an amount not less than 20% of its after tax profit till such time the reserves equals the amount of paid up capital. Thereafter, a sum not less than 5% of its after tax profit shall be credited to the said reserve.

  
 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, 2021

September 30,    September 30,  
2021                    2020  
Note                    -----Rupees in '000-----

**CASH FLOW FROM OPERATING ACTIVITIES**

Profit before taxation		1,040,181	935,501
<b>Adjustments:</b>			
Depreciation		36,466	28,313
Depreciation on right-of-use assets		37,047	11,286
Amortization		2,080	1,055
Reversal of provision and write-offs	23	(378,482)	269,992
Gain on sale of fixed assets		(58)	(163)
Reconciliation & GAS incentive adjustments		514	149
		<u>(302,433)</u>	<u>310,634</u>
		737,748	1,246,135
<b>Decrease / (increase) in operating assets</b>			
Lendings to financial institutions		909,916	(1,850,000)
Advances		(699,124)	315,656
Others assets (excluding advance taxation)		153,750	(505,048)
		364,542	(2,039,392)
<b>Decrease in operating liabilities</b>			
Other liabilities (excluding current taxation)		(678,885)	(306,476)
Income tax refundable / (paid)		(143,723)	(186,054)
<b>Net cash flow generated from / (used in) operating activities</b>		<u>279,682</u>	<u>(1,285,787)</u>

**CASH FLOW FROM INVESTING ACTIVITIES**

Net investments		(16,117)	357,771
Investments in operating fixed assets		(112,601)	(81,810)
Proceeds from sale of fixed assets		3,368	1,097
<b>Net cash flow (used in) / generated from investing activities</b>		<u>(125,350)</u>	<u>277,058</u>

**CASH FLOW FROM FINANCING ACTIVITIES**

Borrowings from financial institutions		(155,669)	974,019
<b>Net cash flow used in financing activities</b>		<u>(155,669)</u>	<u>974,019</u>
<b>Increase / (decrease) in cash and cash equivalents</b>		(1,337)	(34,710)
Cash and cash equivalents at beginning of the period		<u>165,372</u>	<u>410,337</u>
Cash and cash equivalents at end of the period		<u>164,035</u>	<u>375,627</u>

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, 2021**

**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 of houses/apartments including balance transfer facility (BTF) through a network of 51 branches, 7 area offices and 3 regional offices throughout Pakistan including Azad Jammu & Kashmir and Gilgit Baltistan. According to credit rating report dated June 28, 2021 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 directed the State Bank of Pakistan (SBP) to divest its entire shareholding in the Company, which will pave the way for the Company's privatisation.

**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, 2020.

**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** There are certain other new standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 01, 2021 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**

Certain standards are effective for the accounting periods beginning on January 01, 2021, but are considered not to be relevant or to have any significant effect on Company's operations and are therefore, not detailed in this condensed interim financial information.

## 2.5 Standards not yet effective

IASB issued IFRS 9 to replace the current 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, 2021 for all banks/DFIs/MFBs vide BPRD Circular Letter No. 24 of 2021. The effective date for the implementation of standard is January 01, 2022.

## 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, 2020.

## 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, 2020.

## 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, 2020.

	Note	September 30, 2021 (Un-Audited)	December 31, 2020 (Audited)
Rupees in '000			
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>With State Bank of Pakistan in</b>			
- local currency current accounts	6.1	33,263	34,821
<b>With National Bank of Pakistan in</b>			
- local currency current accounts	6.2	62	59
		33,325	34,880
		33,325	34,880

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 5.50% (2020: 5.50% to 11.25%) per annum.



September 30, 2021 (Un-Audited)	December 31, 2020 (Audited)
---------------------------------------	-----------------------------------

Rupees in '000

**7. BALANCES WITH OTHER BANKS**

**In Pakistan**

In deposit accounts	7.1	31,810	5,021
In term deposit accounts		37,500	-
Transitory district bank accounts - net		61,400	125,471
		<b>130,710</b>	<b>130,492</b>
		<b>130,710</b>	<b>130,492</b>

7.1 These balances carry mark-up at rate of 5.50% to 5.85% (2020: 5.50% to 12.00%) per annum.

Note	September 30, 2021 (Un-Audited)	December 31, 2020 (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	540,084	1,450,000
		<b>595,767</b>	<b>1,505,683</b>
Less: Provision held against Lending to Financial Institutions		<b>(55,683)</b>	<b>(55,683)</b>
Lendings to Financial Institutions - net of provision		<b>540,084</b>	<b>1,450,000</b>
		<b>540,084</b>	<b>1,450,000</b>

September  
30, 2021  
(Un-Audited)  
December  
31, 2020  
(Audited)  
Rupees in '000

## 8.1 Particulars of letters of placement

### In local currency

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

## 8.2 Repurchase agreement lendings (Reverse Repo)

### In local currency

Saudi Pak Industrial & Agricultural Investment Company Limited	-	1,000,000
Pak Libya Holding Company Limited	540,084	450,000
	<u>540,084</u>	<u>1,450,000</u>

## 8.3 Category of classification

September 30, 2021 (Un-Audited)		December 31, 2020 (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:	September 30, 2021 (Un-Audited)				December 31, 2020 (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	4,154,488	-	(5,872)	4,148,616	6,241,981	-	(1,294)	6,240,687
Pakistan Investment Bonds	4,043,981	-	(53,487)	3,990,494	500,000	-	(5,800)	494,200
Unlisted Ordinary Shares	63,785	(500)	-	63,285	63,785	(500)	-	63,285
Listed Ordinary Shares	9,603	-	(3,281)	6,322	9,603	-	(1,830)	7,773
	<u>8,271,857</u>	<u>(500)</u>	<u>(62,640)</u>	<u>8,208,717</u>	<u>6,815,369</u>	<u>(500)</u>	<u>(8,924)</u>	<u>6,805,945</u>
Held-to-maturity securities								
Pakistan Investment Bonds	2,168,496	-	-	2,168,496	3,608,283	-	-	3,608,283
Unlisted Sukuk Bonds	26,240	(26,240)	-	-	26,240	(26,240)	-	-
Certificate of Investments	22,500	(22,500)	-	-	45,000	(45,000)	-	-
	<u>2,217,236</u>	<u>(48,740)</u>	<u>-</u>	<u>2,168,496</u>	<u>3,679,523</u>	<u>(71,240)</u>	<u>-</u>	<u>3,608,283</u>
Premium / (discount) on Investment	21,916	-	-	21,916	-	-	-	-
<b>Total Investments</b>	<u>10,511,009</u>	<u>(49,240)</u>	<u>(62,640)</u>	<u>10,399,129</u>	<u>10,494,892</u>	<u>(71,740)</u>	<u>(8,924)</u>	<u>10,414,228</u>

September  
30, 2021  
(Un-Audited)  
December  
31, 2020  
(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	(22,500)	-
Reversal on disposals	-	-
	<u>(22,500)</u>	<u>-</u>
<b>Closing balance</b>	<u>49,240</u>	<u>71,740</u>

## 9.2.2 Particulars of provision against debt securities

Category of classification	September 30, 2021		December 31, 2020	
	(Un-Audited)		(Audited)	
	NPI	Provision	NPI	Provision
	----- Rupees in '000 -----			
Domestic Loss	48,740	48,740	71,240	71,240

9.3 The market value of securities classified as held to maturity amounted to Rs 2,168.5 million (2020: Rs 3,608.3 million).

## 10. ADVANCES

Note	Performing		Non Performing		Total	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
	(Un-Audited)	(Audited)	(Un-Audited)	(Audited)	(Un-Audited)	(Audited)
	----- Rupees in '000 -----					
In Pakistan - local currency						
Rental Sharing Schemes	7,356	8,515	1,194,113	1,211,005	1,201,469	1,219,520
Interest Bearing Schemes	-	-	99,971	99,941	99,971	99,941
Ghar Aasan Scheme	411,534	530,130	903,245	971,955	1,314,779	1,502,085
Shandar Ghar Scheme	-	-	86,321	98,221	86,321	98,221
Financing facility for Small Builders	857	5,826	4,969	-	5,826	5,826
Ghar Aasan Flexi Scheme	5,873,603	6,123,429	1,415,656	1,572,582	7,289,259	7,696,011
Bisma & Saima Projects	10,334	11,367	2,343	3,617	12,677	14,984
New Small Builders	7,083	18,453	10,327	-	17,410	18,453
Ghar Pakistan Scheme	2,624,134	2,544,532	60,854	62,412	2,684,988	2,606,944
Ghar Pakistan Plus Scheme	1,347,871	1,174,360	32,050	30,201	1,379,921	1,204,561
HBFC Khas	3,078	980	-	-	3,078	980
Mera Pakistan Mera Ghar	1,043,240	12,920	-	-	1,043,240	12,920
	11,329,090	10,430,512	3,809,849	4,049,934	15,138,939	14,480,446
Employee portfolio						
Housing finance to employees	498,537	468,885	5,550	5,550	504,087	474,435
Car advance to employees	65,760	61,028	-	-	65,760	61,028
Staff Personal Loan	15,891	13,540	-	-	15,891	13,540
PC advance to employees	-	-	19	19	19	19
	580,188	543,454	5,569	5,569	585,757	549,023
Partners' death claims	(20,579)	(23,962)	-	-	(20,579)	(23,962)
Advances - gross	11,888,699	10,950,004	3,815,418	4,055,503	15,704,117	15,005,507
Provision for non-performing advances						
- Specific						
Rental Sharing Schemes	7,356	2,779	1,194,113	1,211,005	1,201,469	1,213,784
Interest Bearing Schemes	-	-	99,971	99,941	99,971	99,941
Ghar Aasan Scheme	-	-	789,409	855,087	789,409	855,087
Shandar Ghar Scheme	-	-	85,072	98,221	85,072	98,221
Financing facility for Small Builders	-	4,968	4,968	-	4,968	4,968
Ghar Aasan Flexi Scheme	-	-	1,067,169	1,253,196	1,067,169	1,253,196
Bisma & Saima Projects	-	4,775	194	3,617	194	8,392
New Small Builders Scheme	-	18,453	9,058	-	9,058	18,453
Ghar Pakistan Scheme	-	-	15,239	15,532	15,239	15,532
Ghar Pakistan Plus Scheme	-	-	4,946	5,553	4,946	5,553
Housing finance to employees	-	-	5,550	5,550	5,550	5,550
PC advance to employees	-	-	19	19	19	19
	7,356	30,975	3,275,708	3,547,721	3,283,064	3,578,696
- General	191,504	249,341	-	-	191,504	249,341
	11,689,839	10,669,688	539,710	507,782	12,229,549	11,177,470

10.1 Advances include Rs. 3,815 million (December 31, 2020: Rs. 4,056 million) which have been placed under non-performing status as detailed below:-

Category of Classification	September 30, 2021		December 31, 2020	
	(Un-Audited)		(Audited)	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	----- Rupees in '000 -----			
Domestic				
Other Assets Especially Mentioned	249,586	4,599	263,503	39,146
Substandard	203,672	43,837	252,892	57,264
Doubtful	253,922	111,829	314,503	216,190
Loss	3,108,238	3,115,443	3,224,605	3,235,121
Total	3,815,418	3,275,708	4,055,503	3,547,721

## 10.2 Particulars of provision against advances

Note	September 30, 2021 (Un-Audited)			December 31, 2020 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
Opening balance	3,578,696	249,341	3,828,037	3,337,319	166,162	3,503,481
Charge / (reversals) for the period / year	(295,632)	(57,837)	(353,469)	241,377	83,179	324,556
Amounts written off	-	-	-	-	-	-
Closing balance	3,283,064	191,504	3,474,568	3,578,696	249,341	3,828,037

- 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 September 30, 2021, had FSV benefit of IH&SMEFD Circular no. 03 of 2017 not been taken, profit before taxation would have been decreased by Rs. 10.41 million.

	Note	September 30, 2021 (Un-Audited)	December 31, 2020 (Audited)
Rupees in '000			
<b>11. FIXED ASSETS</b>			
Capital work-in-progress	11.1	12,860	12,860
Property and equipment		280,008	287,074
Right-of-use assets		119,727	91,696
		<u>412,595</u>	<u>391,630</u>
<b>11.1 Capital work-in-progress</b>			
Civil works		<u>12,860</u>	<u>12,860</u>
<b>12. INTANGIBLE ASSETS</b>			
Computer Software & patent		27,163	1,991
Capital work-in-progress		27,006	39,503
		<u>54,169</u>	<u>41,494</u>

	Note	September 30, 2021 (Un-Audited)	December 31, 2020 (Audited)
Rupees in '000			
<b>13. OTHER ASSETS</b>			
Income/ mark-up accrued in local currency			
Advances		724,060	687,459
Investments		142,911	336,415
Lending to financial institutions		809	5,845
Advances, deposits, advance rent and other prepayments		77,857	55,163
Advance taxation (payments less provisions)		277,110	280,995
Advance for purchase of land - housing projects		53,815	53,815
Other receivables against advances		20,312	34,817
Assets acquired from Pakistan Refugees Rehabilitation Finance Corporation (PRRFC)	13.1	-	-
		<u>1,296,874</u>	<u>1,454,509</u>
Less: Provision held against other assets		(53,815)	(53,815)
Other Assets (Net of Provision)		<u>1,243,059</u>	<u>1,400,694</u>

- 13.1** 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	September 30, 2021 (Un-Audited)	December 31, 2020 (Audited)
Rupees in '000			
<b>14. BORROWINGS</b>			
<b>Secured</b>			
Pakistan Mortgage Refinance Company Limited	14.1	<u>2,804,304</u>	<u>2,959,973</u>
<b>14.1</b> The borrowing is secured against a charge of 125% on mortgage properties of customers and carries markup @ 6% to 7% per annum (2020: 6% - 8.15% per annum).			

	September 30, 2021 (Un-Audited)	December 31, 2020 (Audited)
Rupees in '000		
<b>15. OTHER LIABILITIES</b>		
Markup payable on borrowing	15,383	17,501
Retirement and other service benefits	1,534,756	2,184,899
Other obligation	24,359	22,104
Accrued expenses	60,485	135,197
Advance payments from customers	329,098	318,743
Insurance premium payable	68,164	15,662
Advance rent received	18,515	51,842
Refundable to customers against advances	3,762	29,468
Security deposits	5,600	5,600
Application fee - Gawadar project	3,872	3,872
Retention money payable	579	483
Reimbursement of claims by Government of Pakistan	579	579
Agents' deposit money	185	185
Sindh Workers' Welfare Fund	55,744	34,515
Others	4,711	9,310
	<u>2,125,792</u>	<u>2,829,959</u>

	September 30, 2021 (Un-Audited)	December 31, 2020 (Audited)
Rupees in '000		
<b>16. DEFICIT ON REVALUATION OF INVESTMENTS</b>		
Deficit on revaluation of		
- Available for sale securities	9.1 <u>(62,640)</u>	<u>(8,924)</u>

#### 17. CONTINGENCIES AND COMMITMENTS

-Commitments	17.1 <u>854,403</u>	<u>728,803</u>
-Other contingent liabilities	17.2 <u>47,990</u>	<u>47,990</u>
	<u>902,393</u>	<u>776,793</u>

#### 17.1 Commitments:

Documentary credits and short-term trade-related transactions	419,252	310,040
- Loans sanctioned but not disbursed		
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
Software being developed to replace Loan Management System	37,885	21,497
Other commitments	54,216	54,216
	<u>854,403</u>	<u>728,803</u>

#### 17.2 Other contingent liabilities

Claims not acknowledged as debt		
SMS Courier (Pvt) Limited (SMSCPL)	17.2.1 <u>39,890</u>	<u>39,890</u>
Liaquat National Hospital	17.2.2 <u>8,100</u>	<u>8,100</u>
	<u>47,990</u>	<u>47,990</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.

	September 30, 2021 (Un-Audited)	September 30, 2020 (Un-Audited)
	Rupees in '000	
<b>18. MARK-UP/RETURN/INTEREST EARNED</b>		
On:		
<b>a) Loans and advances</b>		
Customers	1,113,569	1,500,785
Employees	9,814	8,309
<b>b) Investments</b>		
Available-for-sale	394,759	552,829
Held-to-Maturity	288,821	314,733
<b>c) Lendings to financial institutions</b>		
Letters of placement	56	2,917
Repurchase agreement lending (Reverse repo)	51,499	52,957
<b>d) Balances with banks</b>	7,507	18,677
	<u>1,866,025</u>	<u>2,451,206</u>
<b>19. MARK-UP/RETURN/INTEREST EXPENSED</b>		
Borrowing from Pakistan Mortgage Refinance Company	139,683	140,184
Finance charge on lease liability	9,356	4,754
	<u>149,039</u>	<u>144,938</u>
<b>20. LOSS ON SECURITIES</b>		
Realised - Treasury Bills	<u>-</u>	<u>-</u>
<b>21. OTHER INCOME</b>		
Refund of premium from insurance company	-	39,713
Rent on property	33,327	32,361
Gain on sale of fixed assets-net	58	163
Inspection and application fee	3,762	6,488
Advance Unit Purchase Charges	-	10,124
Balloon Payment charges of Flexi Scheme	-	12
Storage documentation	3,273	2,979
Penalty income on conventional schemes	12,002	2,571
Miscellaneous Income	1,346	315
	<u>53,768</u>	<u>94,724</u>

	Note	September 30, 2021 (Un-Audited) Rupees in '000	September 30, 2020 (Un-Audited) Rupees in '000
<b>22. OPERATING EXPENSES</b>			
Total compensation expense	22.1	812,196	991,995
<b>Property expense</b>			
Rent and taxes		1,704	2,116
Insurance		353	-
Utilities cost		13,105	8,953
Security (including guards)		2,042	5,501
Repair and maintenance (including janitorial charges)		36,808	22,771
Depreciation		11,346	10,113
Depreciation on right-of-use assets		37,047	11,286
Others		-	2,584
		<b>102,405</b>	<b>63,323</b>
<b>Information technology expenses</b>			
Hardware maintenance		1,649	608
Depreciation		14,901	10,447
Amortization		2,080	1,055
Network charges		8,790	7,225
		<b>27,420</b>	<b>19,336</b>
<b>Other operating expenses</b>			
Directors' fees and allowances		-	2,300
Legal and professional charges		34,466	19,625
Consultancy charges		5,201	4,469
Outsourced services costs		32,129	24,485
Travelling and conveyance		6,729	8,976
Depreciation		10,219	7,754
Training and development		2,614	2,205
Postage and courier charges		3,573	4,576
Communication		459	341
Stationery and printing		4,934	4,440
Marketing, advertisement and publicity		12,332	-
Commission against recovery		-	1,121
Auditors remuneration		2,925	3,250
Banking service charges		5,778	4,614
Entertainment		1,727	1,528
Vehicle expense		10,201	6,212
Subscription		662	548
Others		11,261	5,488
		<b>145,210</b>	<b>101,931</b>
		<b>1,087,231</b>	<b>1,176,585</b>
<b>22.1</b> This amount includes remuneration, bonuses and other allowances paid to employees.			
<b>23. PROVISIONS &amp; WRITE OFFS - NET</b>			
Provision / (reversal) of provision against loans and advances		(353,466)	287,174
Provision / (reversal) of provision against investments		(22,500)	-
Provision / (reversal) against doubtful receivable insurance premium from partners		(2,516)	(17,182)
		<b>(378,482)</b>	<b>269,992</b>
<b>24. RELIEF PACKAGE AND REPROCESSING CHARGES</b>			
Reprocessing and closing adjustment		514	149
		<b>514</b>	<b>149</b>

	September 30, 2021 (Un-Audited)	September 30, 2020 (Un-Audited)
	Rupees in '000	
<b>25. TAXATION</b>		
Current	156,143	271,296
Prior	-	-
Deferred tax	<u>20,688</u>	<u>-</u>
	<u>176,831</u>	<u>271,296</u>
<b>26. EARNING PER SHARE - BASIC &amp; DILUTED</b>		
Profit after taxation for the period	<u>863,350</u>	<u>664,206</u>
Weighted average number of ordinary shares	<u>1,936,500,006</u>	<u>1,936,500,006</u>
Basic earnings per share	<u>0.45</u>	<u>0.34</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, 2021 (Un-Audited)			
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
<b>On balance sheet financial instruments</b>				
<b>Financial assets - measured at fair value</b>				
Investments				
Federal Government Securities	-	8,139,110	-	8,139,110
Listed ordinary shares	<u>6,322</u>	<u>-</u>	<u>-</u>	<u>6,322</u>
	<u>6,322</u>	<u>8,139,110</u>	<u>-</u>	<u>8,145,432</u>
	December 31, 2020 (Audited)			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
<b>On balance sheet financial instruments</b>				
<b>Financial assets - measured at fair value</b>				
Investments				
Federal Government Securities	-	6,734,887	-	6,734,887
Listed ordinary shares	<u>7,773</u>	<u>-</u>	<u>-</u>	<u>7,773</u>
	<u>7,773</u>	<u>6,734,887</u>	<u>-</u>	<u>6,742,660</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 (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, 2021 (Un-Audited)			December 31, 2020 (Audited)		
	Key management personnel	Associates	Other related parties	Key management personnel	Associates	Other related parties
Rupees in '000						
<b>Advances</b>						
Opening balance	58,357	-	-	50,771	-	-
Addition during the period / year	9,352	-	-	13,015	-	-
Repaid during the period / year	(5,183)	-	-	(5,462)	-	-
Transfer in / (out) - net	444	-	-	33	-	-
Closing balance	<u>62,970</u>	-	-	<u>58,357</u>	-	-
<b>Income</b>						
Markup / return / interest earned	<u>1,611</u>	-	-	<u>2,013</u>	-	-

	September 30, 2021 (Un-Audited)	December 31, 2020 (Audited)
	-----Rupees in '000-----	
<b>29. CAPITAL ADEQUACY, LEVERAGE RATIO &amp; LIQUIDITY REQUIREMENTS</b>		
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	<u>21,770,191</u>	<u>20,906,501</u>
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	<u>19,912,635</u>	<u>19,094,987</u>
Eligible Additional Tier 1 (ADT 1) Capital	<u>-</u>	<u>-</u>
Total Eligible Tier 1 Capital	<u>19,912,635</u>	<u>19,094,987</u>
Eligible Tier 2 Capital	<u>91,742</u>	<u>89,442</u>
Total Eligible Capital (Tier 1 + Tier 2)	<u>20,004,377</u>	<u>19,184,429</u>
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	<u>7,339,322</u>	<u>7,155,352</u>
Market Risk	<u>1,347,972</u>	<u>796,176</u>
Operational Risk	<u>5,682,924</u>	<u>5,682,984</u>
Total	<u>14,370,218</u>	<u>13,634,512</u>
Common Equity Tier 1 Capital Adequacy Ratio	<u>138.57%</u>	<u>140.05%</u>
Tier 1 Capital Adequacy Ratio	<u>138.57%</u>	<u>140.05%</u>
Total Capital Adequacy Ratio	<u>139.21%</u>	<u>140.70%</u>
<b>Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	<u>19,912,635</u>	<u>19,113,513</u>
Total Exposure	<u>27,637,188</u>	<u>27,531,126</u>
Leverage Ratio	<u>72.05%</u>	<u>69.43%</u>
<b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	<u>8,172,000</u>	<u>6,769,767</u>
Total Net Cash Outflow	<u>5,000</u>	<u>3,876</u>
Liquidity Coverage Ratio	<u>163440%</u>	<u>174659%</u>
<b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	<u>24,629,000</u>	<u>24,926,945</u>
Total Required Stable Funding	<u>10,941,000</u>	<u>10,622,025</u>
Net Stable Funding Ratio	<u>225%</u>	<u>235%</u>

**30. RECLASSIFICATION OF COMPARATIVE FIGURES**

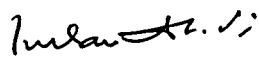
Comparative figures have been reclassified and re-arranged where necessary for the purpose of better presentation.

**31. DATE OF AUTHORIZATION**

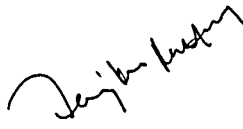
These financial statements were approved and authorized for issue on APRIL 12, 2022 by the Board of Directors of the Company.

**32. GENERAL**

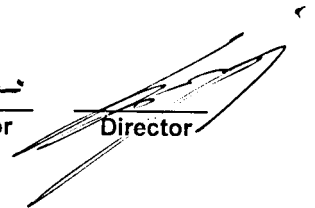
Figures have been rounded-off to the nearest thousand rupees except stated otherwise.

  
\_\_\_\_\_  
President/Chief Executive

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director