

(Un-Audited)
CONDENSED INTERIM
FINANCIAL STATEMENTS
OF
HOUSE BUILDING FINANCE
COMPANY LIMITED
FOR THE QUARTER ENDED
MARCH 31, 2019

HOUSE BUILDING FINANCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2019

	(Un-Audited)	(Audited)
Note	March 31, 2019	December 31, 2018
	Rupees in '000	
ASSETS		
Cash and balances with treasury banks	6 46,611	34,387
Balances with other banks	7 507,392	412,020
Lendings to financial institutions	8 3,145,188	4,206,891
Investments	9 7,194,920	4,010,448
Advances	10 11,640,148	11,681,180
Fixed assets	11 320,788	312,517
Intangible assets	12 1,356	1,504
Deferred tax assets	-	-
Other assets	13 203,027	218,934
	23,059,430	20,877,882
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 3,968,555	3,972,657
	5,968,555	3,972,657
NET ASSETS	<u>17,090,875</u>	<u>16,905,224</u>
REPRESENTED BY		
Share capital/ Head office capital account - net	19,365,000	19,365,000
Reserves	1,284,134	1,246,974
(Deficit) / surplus on revaluation of assets	16 (20,991)	(20,845)
Accumulated loss	(3,537,268)	(3,685,905)
	<u>17,090,875</u>	<u>16,905,224</u>
CONTINGENCIES AND COMMITMENTS	17	

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



President/Chief Executive



Chief Financial Officer



Director



Director



Director

HOUSE BUILDING FINANCE COMPANY LIMITED
 PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2019

Note	(Un-Audited) (Un-Audited) Quarter Ended	
	March 31, 2019	March 31, 2018
	Rupees in '000	
Mark-up/Return/Interest Earned	18 590,222	455,473
Mark-up/Return/Interest Expensed	19 (1,781)	-
Net Mark-up / Interest Income	588,441	455,473
NON MARK-UP/INTEREST INCOME		
Fee and Commission Income	-	-
Dividend Income	-	-
Foreign Exchange Income	-	-
Income / (loss) from derivatives	-	-
Gain / (loss) on securities	20 (592)	5
Other Income	21 59,446	17,163
Total non-markup/interest Income	58,854	17,169
Total Income	647,295	472,642
NON MARK-UP/INTEREST EXPENSES		
Operating expenses	22 (345,875)	(291,688)
Workers Welfare Fund	(6,006)	-
Other charges	-	-
Total non-markup/interest expenses	(351,881)	(291,688)
Profit / (Loss) before provisions	295,414	180,954
Reversal of provision and write offs - net	23 320	(1,963)
Relief package and reprocessing charges	(1,417)	(78,202)
Share of profit from associate	-	-
PROFIT/(LOSS) BEFORE TAXATION	294,317	100,788
Taxation	25 (108,519)	(30,237)
PROFIT/(LOSS) AFTER TAXATION	185,798	70,552
	Rupees	
Earnings per share - basic & diluted	26 0.10	0.04

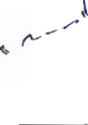
The annexed notes 1 to 32 form an integral part of these condensed interim financial statements.

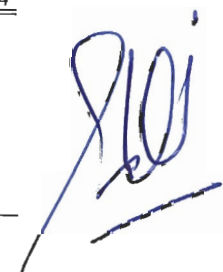

 J. Basit
 President/Chief Executive


 Chief Financial Officer


 Director


 Director


 Director



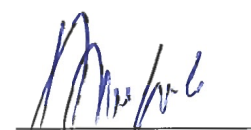
HOUSE BUILDING FINANCE COMPANY LIMITED
 STATEMENT OF COMPREHENSIVE INCOME
 FOR THE PERIOD ENDED MARCH 31, 2019

	(Un-Audited) (Un-Audited) Quarter Ended	
	March 31, 2019	March 31, 2018
	----- (Rupees in '000) -----	
Profit / (Loss) after taxation for the period	185,798	70,552
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in surplus / (deficit) on revaluation of investments	(147)	-
Total comprehensive income	<u>185,651</u>	<u>70,552</u>


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




 President/Chief Executive



 Chief Financial Officer



 Director



 Director



 Director




HOUSE BUILDING FINANCE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED MARCH 31, 2019

	Share capital	Statutory reserve	Surplus/(Deficit) on revaluation Rupees in '000	Unappropriated losses	Total
Opening Balance as at January 1, 2018	19,365,000	1,038,728	2,174	(3,692,478)	16,713,424
Profit / (loss) after taxation (March 31 2018)	-	-	-	70,552	70,552
Other comprehensive income - net of tax	-	-	-	-	-
Transfer to statutory reserve *	-	14,110	-	(14,110)	-
Opening Balance as at April 01, 2018	19,365,000	1,052,838	2,174	(3,636,036)	16,783,976
Profit / (loss) after taxation (December 31, 2018)	-	-	-	970,678	970,678
Other comprehensive income - net of tax	-	-	(23,018)	(826,412)	(849,430)
Transfer to statutory reserve *	-	194,136	-	(194,136)	-
Opening Balance as at January 1, 2019	19,365,000	1,246,974	(20,844)	(3,685,906)	16,905,224
Profit / (loss) after taxation (March 31 2018)	-	-	-	185,798	185,798
Other comprehensive income - net of tax	-	-	(147)	-	(147)
Transfer to statutory reserve *	-	37,160	-	(37,160)	-
Closing Balance as on March 31, 2019	19,365,000	1,284,134	(20,991)	(3,537,268)	17,090,875

* 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 reserve 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.

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


President/Chief Executive


Chief Financial Officer


Director


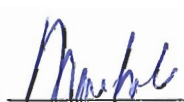
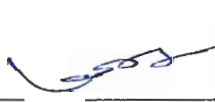
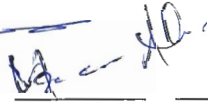


Director


Director

HOUSE BUILDING FINANCE COMPANY LIMITED
CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31, 2019

	(Un-Audited) March 31, 2019	(Un-Audited) March 31, 2018
	Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	294,317	100,788
Adjustments:		
Depreciation	9,550	7,650
Amortization	147	79
Reversal of provision / provisions and write-offs	(320)	1,963
Gain on sale of fixed assets	(18)	-
Reconciliation & GAS incentive adjustments	(1,417)	(78,202)
Provision for SWWF	6,006	-
	<u>13,948</u>	<u>(68,509)</u>
	308,265	32,279
(Increase)/ Decrease in operating assets		
Lendings to financial institutions	1,061,704	(163,238)
Advances	44,206	269,300
Others assets (excluding advance taxation)	105,829	(65,133)
	<u>1,211,739</u>	<u>40,929</u>
Increase/ (Decrease) in operating liabilities		
Borrowings from financial institutions	2,000,000	-
Other liabilities (excluding current taxation)	(176,362)	106,814
	<u>1,823,638</u>	<u>106,814</u>
Income tax paid	(33,624)	(12,283)
<i>Net cash flow generated from / (used in) operating activities</i>	<u>3,310,018</u>	<u>167,739</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments	(3,184,618)	(788,548)
Investments in operating fixed assets	(17,833)	(1,735)
Proceeds from sale of fixed assets	29	-
<i>Net cash flow generated from / (used in) investing activities</i>	<u>(3,202,422)</u>	<u>(790,283)</u>
Increase / (Decrease) in cash and cash equivalents	<u>107,596</u>	<u>(622,544)</u>
Cash and cash equivalents at beginning of the period	446,407	825,113
Cash and cash equivalents at end of the period	<u>554,003</u>	<u>202,569</u>

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

 President/Chief Executive	 Chief Financial Officer	 Director	 Director	 Director
--	--	---	--	---

1. STATUS AND NATURE OF BUSINESS

House Building Finance Company Limited (the Company) is an unlisted public limited company incorporated in Pakistan on June 13, 2006 under the Companies Ordinance, 1984 (now the Companies Act 2017). The registered office of the Company is situated at Finance and Trade Centre Building, Sharah-e-Faisal, Karachi, in the province of Sindh. Pursuant to a vesting order SRO.I/2007 dated July 25, 2007 issued by Finance Division - Government of Pakistan 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 branch offices, 7 area offices and 3 regional offices throughout Pakistan including Azad Jammu and Kashmir. According to credit rating report dated May 18, 2018 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 standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards IFRS issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017 provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Act, 2017 and directives issued by the SBP and the Securities and Exchange Commission of Pakistan (SECP). Whenever the requirements of the Banking Companies Ordinance, 1962, Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

2.2 The condensed interim financial statements do not include all the information and disclosures required in the audited annual financial statements, and should be read in conjunction with the audited annual financial statements for the financial year ended December 31, 2018.

3. 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 Bank/DFI for the year ended December 31, 2018.

4. 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.

5. FINANCIAL RISK MANAGEMENT

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

6. CASH AND BALANCES WITH TREASURY BANKS

		(Un-Audited) March 31, 2019	(Audited) December 31, 2018
Rupees in '000			
With State Bank of Pakistan in Local currency current account	6.1	46,537	34,315
With National Bank of Pakistan in Local currency current accounts	6.2	74	72
		46,611	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 8.0% (2018: 5.08%) per annum.

		(Un-Audited) March 31, 2019	(Audited) December 31, 2018
Rupees in '000			
7	BALANCES WITH OTHER BANKS		
	In Pakistan		
	In deposit accounts	7.1	207,392
	In term deposit accounts	7.2	200,000
		<u>507,392</u>	<u>412,020</u>

7.1 These bank accounts carry mark-up at rates ranging from 5.00% to 8.75% (2018: 3.78% to 8.5%) per annum.

7.2 These term deposit receipts carry mark-up at the rate of 11.25% to 11.50% (2018:11%) per annum.

8 LENDINGS TO FINANCIAL INSTITUTIONS

Letters of placement	8.1	705,683	605,683
Repurchase agreement lending (reverse repo)	8.2	2,495,188	3,656,892
		<u>3,200,871</u>	<u>4,262,575</u>
Less: Provision held against Lending to Financial Institutions		(55,683)	(55,683)
Lendings to Financial Institutions - net of provision		<u>3,145,188</u>	<u>4,206,891</u>

8.1 Particulars of letters of placement

In local currency

PAIR Investment Co. Limited (PICL)	150,000	-
Saudi Pak Oman Invest & Agri Co. Ltd (SAPICO)	150,000	-
Zari Taraqati 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
Trust Investment Bank Limited (TIBL)	5,909	5,909
First Dawood Investment Bank Limited (FDIBL)	49,774	49,774
	<u>705,683</u>	<u>605,683</u>

8.2 Repurchase agreement lendings (Reverse Repo)

In local currency

PAIR Investment Co. Limited (PICL)	495,978	-
Saudi Pak Oman Invest & Agri Co. Ltd (SAPICO)	1,000,898	-
Silk Bank Limited	998,312	-
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>2,495,188</u>	<u>3,656,891</u>

8.3 Category of classification	(Un-Audited) March 31, 2019		(Audited) December 31, 2018	
	Classified Lending	Provision held	Classified Lending	Provision held
Rupees in '000				
Domestic	55,683	55,683	55,683	55,683

9 INVESTMENTS	(Un-Audited) March 31, 2019				(Audited) December 31, 2018			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
9.1 Investments by type:	Rupees in '000							
Available-for-sale securities								
Market Treasury Bills	2,967,865	-	(1,192)	2,966,673	3,357,258	-	(2,275)	3,354,983
Pakistan Investment Bonds	4,175,158	-	(18,441)	4,156,717	601,147	-	(17,087)	584,060
Unlisted Ordinary Shares	63,785	(500)	-	63,285	63,785	(500)	-	63,285
Listed Ordinary Shares	9,603	-	(1,358)	8,245	9,603	-	(1,483)	8,120
	<u>7,216,411</u>	<u>(500)</u>	<u>(20,991)</u>	<u>7,194,920</u>	<u>4,031,793</u>	<u>(500)</u>	<u>(20,845)</u>	<u>4,010,448</u>
Held-to-maturity securities								
Unlisted Sukuk Bonds	26,240	(26,240)	-	-	26,240	(26,240)	-	-
Certificate of Investments	45,000	(45,000)	-	-	45,000	(45,000)	-	-
	<u>71,240</u>	<u>(71,240)</u>	<u>-</u>	<u>-</u>	<u>71,240</u>	<u>(71,240)</u>	<u>-</u>	<u>-</u>
Total Investments	<u>7,287,651</u>	<u>(71,740)</u>	<u>(20,991)</u>	<u>7,194,920</u>	<u>4,103,033</u>	<u>(71,740)</u>	<u>(20,845)</u>	<u>4,010,448</u>

	(Un-Audited) March 31, 2019	Audied December 31, 2018
	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	(Un-Audited) March 31, 2019		(Audited) December 31, 2018	
	NPI	Provision	NPI	Provision
Domestic				
Loss	71,240	71,240	71,240	71,240

10 ADVANCES

	Performing		Non Performing		Total	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
	Rupees in '000					
In Pakistan - local currency						
Rental Sharing Schemes	29,756	38,625	1,476,271	1,479,910	1,506,027	1,518,534
Interest Bearing Schemes	-	-	99,941	99,941	99,941	99,941
Ghar Aasan Scheme	804,059	887,441	1,195,625	1,177,713	1,999,685	2,065,154
Shandar Ghar Scheme	-	358	124,000	156,493	124,000	156,851
Financing facility for Small Builders	-	-	6,074	6,074	6,074	6,074
Ghar Aasan Flexi Scheme	8,367,752	8,658,472	2,073,601	1,731,541	10,441,353	10,390,013
Bisma & Saima Projects	12,557	11,447	14,859	19,585	27,416	31,032
New Small Builders	18,025	23,000	39,562	34,041	57,587	57,041
	9,232,149	9,619,343	5,029,933	4,705,298	14,262,082	14,324,640
Employee portfolio						
Housing finance to employees	408,917	402,117	5,550	5,550	414,467	407,667
Car advance to employees	51,019	54,092	-	-	51,019	54,092
Staff Personal Loan	24,614	-	-	-	24,614	-
PC advance to employees	19	19	-	-	19	19
	484,569	456,228	5,550	5,550	490,119	461,778
Partners' death claims	3,204	611	-	-	3,204	611
Transitory district bank accounts - net	10,392	21,557	-	-	10,392	21,557
Advances - gross	9,730,315	10,097,739	5,035,483	4,710,848	14,765,798	14,808,586
Provision for non-performing advances						
- Specific						
Rental Sharing Schemes	29,756	38,340	1,454,356	1,458,419	1,484,112	1,496,759
Interest Bearing Schemes	-	-	99,968	99,968	99,968	99,968
Ghar Aasan Scheme	-	-	867,477	876,702	867,477	876,702
Shandar Ghar Scheme	-	-	136,987	141,592	136,987	141,592
Financing facility for Small Builders	-	-	5,720	5,720	5,720	5,720
Ghar Aasan Flexi Scheme	-	-	361,252	338,963	361,252	338,963
Bisma & Saima Projects	-	-	6,152	7,980	6,152	7,980
New Small Builders Scheme	-	-	3,580	689	3,580	689
Finance to employees	-	-	5,550	5,550	5,550	5,550
	29,756	38,340	2,941,042	2,935,584	2,970,798	2,973,924
- General	154,852	153,482	-	-	154,852	153,482
Advances - net of provision	9,545,707	9,905,916	2,094,441	1,775,264	11,640,148	11,681,180

10.1 Advances include Rs. 5,035 million (December 31, 2018: Rs. 4,710 million) which have been placed under non-performing status as detailed below:-

Category of Classification	(Un-Audited) March 31, 2019		(Audited) December 31, 2018	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	Rupees in '000			
Domestic				
Other Assets Especially Mentioned	659,158	1,003	240,151	1,141
Substandard	256,711	32,150	267,883	27,084
Doubtful	442,070	76,265	499,126	72,564
Loss	3,677,544	2,831,624	3,703,688	2,834,794
Total	5,035,483	2,941,042	4,710,848	2,935,583

10.2 Particulars of provision against advances	(Un-Audited) March 31, 2019			(Audited) December 31, 2018		
	Specific	General	Total	Specific	General	Total
Opening balance	2,973,924	153,482	3,127,406	3,316,890	135,967	3,452,857
Charge for the period / year	25,180	1,370	26,550	231,723	17,515	249,238
Reversals	(28,306)	-	(28,306)	(574,115)	-	(574,115)
	(3,126)	1,370	(1,756)	(342,392)	17,515	(324,877)
Amounts written off	-	-	-	(574)	-	(574)
Closing balance	2,970,798	154,852	3,125,650	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 March 31, 2019, had FSV benefit of IH&SMEFD Circular no. 03 of 2017 not been taken, accumulated profit before taxation would have been decreased by Rs. 992.64 million.

11	FIXED ASSETS		(Un-Audited)	(Audited)
			March 31, 2019	December 31, 2018
			Rupees in '000	
	Capital work-in-progress	11.1	12,860	12,860
	Property and equipment		307,928	299,657
			<u>320,788</u>	<u>312,517</u>
11.1	Capital work-in-progress			
	Civil works		12,860	12,860
			<u>12,860</u>	<u>12,860</u>
12	INTANGIBLE ASSETS			
	Computer Software		1,356	1,504
			<u>1,356</u>	<u>1,504</u>
13	OTHER ASSETS			
	Income/ mark-up accrued in local currency - net of provision			
	Advances		34,456	27,666
	Investments		81,830	8,065
	Advances, deposits, advance rent and other prepayments		29,083	52,766
	Advance taxation (payments less provisions)		49,456	122,902
	Advance for purchase of land - housing projects		53,815	53,815
	Other receivables against advances		8,202	7,535
	Assets acquired from Pakistan Refugees Rehabilitation Finance Corporation (PRRFC)		-	-
			<u>256,841</u>	<u>272,749</u>
	Less: Provision held against other assets		(53,815)	(53,815)
	Other Assets (Net of Provision)		<u>203,027</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>
14	BORROWINGS			
	Secured			
	Pakistan Mortgage Refinance Company Limited		2,000,000	-
			<u>2,000,000</u>	<u>-</u>

		(Un-Audited) March 31, 2019	(Audited) December 31, 2018
Rupees in '000			
15 OTHER LIABILITIES			
Markup payable on borrowing		1,781	-
Retirement and other service benefits		3,594,713	3,531,640
Other obligation		38,351	36,118
Accrued expenses		107,605	174,699
Insurance premium payable		63,526	63,053
Advance rent received		35,420	45,080
Refundable to customers against advances		37,686	39,622
Profit commission held for adjustment		-	-
Security deposits		5,600	5,600
Application fee - Gawadar project		3,872	3,872
Retention money payable		577	602
Reimbursement of claims by Government of Pakistan		579	579
Agents' deposit money		185	185
Sindh Workers' Welfare Fund		72,625	66,618
Others		6,036	4,989
		<u>3,968,555</u>	<u>3,972,657</u>
16 SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS			
Surplus / (deficit) on revaluation of			
- Available for sale securities	9.1	(20,991)	(20,845)
17 CONTINGENCIES AND COMMITMENTS			
-Commitments	17.1	592,228	623,398
-Other contingent liabilities	17.2	658,998	647,990
		<u>1,251,226</u>	<u>1,271,388</u>
17.1 Commitments:			
Documentary credits and short-term trade-related transactions		194,962	226,132
- Loans sanctioned but not disbursed			
Equity investment to be made in		193,325	193,325
- Pakistan Mortgage Refinance Company Limited			
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
		592,228	623,398
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	600,000	600,000
		<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, HBFCL hired the services of National Testing Service (NTS) for conducting the test for employment as Trainee Managers in HBFCL at its entire net work across the country. An agreement was signed between HBFCL and NTS. NTS furnished an invoice of Rs.11,002,500/= for payment on account of services provided by them to HBFCL. Dispute on invoiced amount was arose between the NTS & HBFCL. HBFCL suggested NTS to resolve the issue through consultation and negotiation in good faith as provided under the agreement. NTS filed the subject suit against HBFCL for payment of invoiced amount instead to resolve the issue through arbitration. HBFCL 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. Arbitrator has been appointed by the court.
- 17.2.4 In 2016, the then 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.

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 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 the High Court of

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.

	(Un-Audited) March 31, 2019	(Audited) March 31, 2018
	Rupees in '000	
18 MARK-UP/RETURN/INTEREST EARNED		
On:		
a) Loans and advances		
Customers	360,025	330,767
Employees	3,231	363
b) Investments		
Available-for-sale	175,058	102,281
c) Lendings		
Letters of placement	3,373	4,902
Repurchase agreement lending (Reverse repo)	41,811	13,092
d) Balances with banks	6,724	4,067
	<u>590,222</u>	<u>455,473</u>
19 MARK-UP/RETURN/INTEREST EXPENSED		
On:		
a) Borrowing from Pakistan Mortgage Refinance Company	1,781	-
	<u>1,781</u>	<u>-</u>
20 GAIN / (LOSS) ON SECURITIES		
Realised	(592)	5
21 OTHER INCOME		
Profit Commission from insurance company	38,667	-
Rent on property	9,660	8,820
Gain on sale of fixed assets-net	18	-
Inspection and application fee	2,169	2,562
Advance Unit Purchase Charges	5,709	4,172
Balloon Payment charges of Flexi Scheme	72	31
Storage documentation	1,385	-
Penalty income on conventional schemes	1,211	-
Miscellaneous Income	555	1,578
Gain on sale of investment in associate	-	-
	<u>59,446</u>	<u>17,163</u>
22 OPERATING EXPENSES		
Total compensation expense	277,717	250,707
Property expense		
Rent and taxes	6,269	5,792
Insurance	211	152
Utilities cost	2,087	1,338
Security (including guards)	1,152	1,200
Repair and maintenance (including janitorial charges)	5,381	1,105
Depreciation	3,726	3,862
Others	1,019	1,056
	19,845	14,504
Information technology expenses		
Hardware maintenance	621	601
Depreciation	3,445	1,004
Amortization	147	79
Network charges	1,339	1,529
	5,551	3,213

(Un-Audited) (Audited)
 March 31, 2019 March 31, 2018
 Rupees in '000

Other operating expenses		
Directors' fees and allowances	2,376	759
Legal and professional charges	4,918	7,194
Consultancy charges	6,673	2,295
Outsourced services costs	5,640	1,805
Travelling and conveyance	3,541	1,417
Depreciation	2,380	2,785
Training and development	268	361
Postage and courier charges	1,440	2,012
Communication	450	68
Stationery and printing	1,207	1,079
Marketing, advertisement and publicity	1,602	(95)
Commission against recovery	75	-
Auditors remuneration	830	688
Banking service charges	3,897	2,097
Entertainment	728	37
Vehicle expense	2,601	1,500
Subscription	99	58
Others	4,034	(795)
	<u>42,762</u>	<u>23,264</u>
	<u>345,875</u>	<u>291,688</u>

23 PROVISIONS & WRITE OFFS - NET

Reversal of provision for diminution in value of investments	8.3	-	-
Reversal of provision for lendings	9.2.1	-	-
Reversal of provision against loans and advances	10.2	(1,758)	(18,716)
(Reversal) / Provision against doubtful receivable insurance premium from partners		1,438	20,680
Write off against advances			
		<u>(320)</u>	<u>1,963</u>

24 RELIEF PACKAGE AND REPROCESSING CHARGES

GAS incentive	1,360	74,347
Reprocessing and closing adjustment	57	3,855
	<u>1,417</u>	<u>78,202</u>

25 TAXATION

Current	82,408	30,237
Prior periods	26,111	-
	<u>108,519</u>	<u>30,237</u>

26 EARNING PER SHARE - BASIC & DILUTED

Profit for the period	<u>185,798</u>	<u>70,552</u>
Weighted average number of ordinary shares	<u>1,936,500,006</u>	<u>1,936,500,006</u>
Basic earnings per share	<u>0.10</u>	<u>0.04</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 Fair value of financial assets

The Bank 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:

	(Un-Audited) March 31, 2019			
	Level 1	Level 2	Level 3	Total
Rupees in '000				
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	7,194,919	-	7,194,919
(Audited) December 31, 2018				
	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

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

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

28 RELATED PARTY TRANSACTIONS

The Company has related party transactions with its parent, subsidiaries, associates, joint ventures,

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:

	March 31, 2019			December 31, 2018		
	Key management personnel	Associates	Other related parties	Key management personnel	Associates	Other related parties
Advances						
Opening balance	18,587	-	-	24,578	-	-
Addition during the period / year	29,516	-	-	12,407	-	-
Repaid during the period / year	(831)	-	-	(464)	-	-
Transfer in / (out) - net	-	-	-	(17,934)	-	-
Closing balance	<u>47,272</u>	<u>-</u>	<u>-</u>	<u>18,587</u>	<u>-</u>	<u>-</u>
Income						
Markup / return / interest earned	<u>322</u>	<u>-</u>	<u>-</u>	<u>211</u>	<u>-</u>	<u>-</u>

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

29 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses) 17,090,875 16,905,224

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	17,110,507	16,924,565
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	17,110,507	16,924,565
Eligible Tier 2 Capital	71,420	72,803
Total Eligible Capital (Tier 1 + Tier 2)	17,181,927	16,997,368

Risk Weighted Assets (RWAs):

Credit Risk	7,392,917	7,491,746
Market Risk	1,114,217	243,259
Operational Risk	4,121,584	4,121,584
Total	12,628,718	11,856,589

Common Equity Tier 1 Capital Adequacy Ratio	135.49%	142.74%
Tier 1 Capital Adequacy Ratio	135.49%	142.74%
Total Capital Adequacy Ratio	136.05%	143.36%

Leverage Ratio (LR):

Eligible Tier-1 Capital	17,110,507	16,924,565
Total Exposure	23,651,659	21,501,280
Leverage Ratio	72.34%	78.71%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	7,170,000	3,973,430
Total Net Cash Outflow	6,883	10,258
Liquidity Coverage Ratio	104165%	38735%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	21,851,445	20,540,049
Total Required Stable Funding	9,978,076	11,214,470
Net Stable Funding Ratio	219%	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

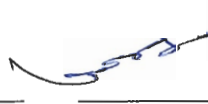
These financial statements were approved and authorized for issue on April 25, 19 by the Board of Directors of the

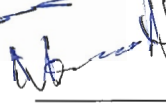
32 GENERAL

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


 President/Chief Executive


 Chief Financial Officer


 Director


 Director


 Director