

**INDEPENDENT AUDITOR'S REPORT
To the members of House Building Finance Company Limited
Report on the audit of financial statements**

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Opinion

We have audited the annexed financial statements of **House Building Finance Company Limited** (the Company), which comprise the statement of financial position as at 31 December 2021 and profit and loss account, the statement of comprehensive income, the statement of changes in equity, cash flow statement for the year ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information; and we state that we have obtained all the information and explanation which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, the statement of other comprehensive income, the statement of changes in equity and cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2021 and of the profit and other comprehensive profit, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and auditor's report thereon

Management is responsible for the other information. Other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so,

consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and board of directors for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists,

we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguard.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, profit and loss account, the statement of comprehensive income, the statement of changes in equity and cash flow statement together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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


Chartered Accountants

UDIN: AR202110093Njng2AfCu
Karachi.
Date: 13 April 2022

HOUSE BUILDING FINANCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

Note 2021 2020
 -----Rupees in '000-----

ASSETS

Cash and balances with treasury banks	5	32,465	34,880
Balances with other banks	6	28,458	130,492
Lendings to financial institutions	7	780,000	1,450,000
Investments	8	8,820,213	10,414,228
Advances	9	13,448,929	11,177,470
Fixed assets	10	395,039	391,630
Intangible assets	11	60,393	41,494
Deferred tax assets	12	1,405,090	1,761,435
Other assets	13	1,314,716	1,400,694
		26,285,303	26,802,323

LIABILITIES

Bills payable		-	-
Borrowings	14	2,676,237	2,959,973
Deposits and other accounts		-	-
Liabilities against assets subject to finance lease	15	140,480	114,474
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	16	1,019,071	2,829,960
		3,835,788	5,904,407
NET ASSETS		22,449,515	20,897,916

REPRESENTED BY

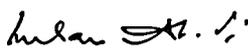
Share capital	17	19,365,000	19,365,000
Reserves		2,202,333	2,005,102
Deficit on revaluation of assets	18	(142,154)	(8,585)
Accumulated profit / (loss)		1,024,336	(463,601)
		22,449,515	20,897,916

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 40 and Annexure I form an integral part of these financial statements.

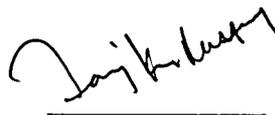
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President /
Chief Executive



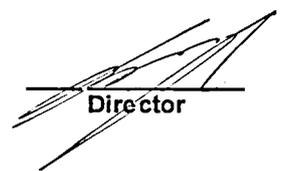
Chief Financial
Officer



Director



Director



Director

HOUSE BUILDING FINANCE COMPANY LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 -----Rupees in '000-----	2020
Mark-up / return / interest earned	20	2,548,069	3,447,781
Mark-up / return / interest expensed	21	(200,063)	(198,312)
Net mark-up / return / interest income		<u>2,348,006</u>	<u>3,249,469</u>
Non mark-up / interest income			
Fee and commission income		-	-
Dividend income		1,217	357
Foreign exchange income		-	-
Income / (loss) from derivatives		-	-
Gain / (loss) on securities		-	-
Other income	22	75,065	135,495
Total non-markup / interest income		<u>76,282</u>	<u>135,852</u>
TOTAL INCOME		<u>2,424,288</u>	<u>3,385,321</u>
Non mark-up / interest expenses			
Operating expenses	23	(1,491,837)	(1,657,545)
Sindh Workers' Welfare Fund		(27,104)	(28,360)
Other charges	24	(1,110)	(30)
Total non-markup / interest expenses		<u>(1,520,051)</u>	<u>(1,685,935)</u>
Profit before provisions		<u>904,237</u>	<u>1,699,386</u>
Provisions and write offs - net	25	426,425	(303,955)
Relief package and reprocessing charges	26	(2,525)	(5,793)
PROFIT BEFORE TAXATION		<u>1,328,137</u>	<u>1,389,638</u>
Taxation	27	(341,983)	(361,039)
PROFIT AFTER TAXATION		<u>986,154</u>	<u>1,028,599</u>
-----Rupees-----			
Earnings per share - basic and diluted	28	<u>0.51</u>	<u>0.53</u>

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 President /
 Chief Executive



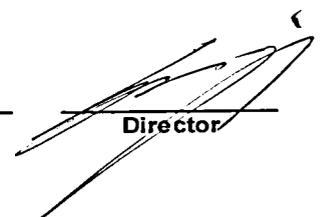
 Chief Financial
 Officer



 Director



 Director



 Director

HOUSE BUILDING FINANCE COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	-----Rupees in '000-----	
Profit after taxation	986,154	1,028,599
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Deficit on revaluation of investments - net of tax	(133,229)	(829)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain / (loss) on defined benefit obligations - net of tax	698,675	(237,917)
Total comprehensive income	<u>1,551,600</u>	<u>789,853</u>

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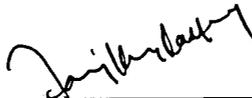
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President /
Chief Executive



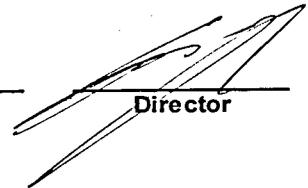
Chief Financial
Officer



Director



Director



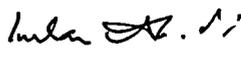
Director

HOUSE BUILDING FINANCE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Statutory reserve	Deficit on revaluation of investments	Accumulated profit / (loss)	Total
----- Rupees in '000 -----					
Balance as at 01 January 2020	19,365,000	1,799,382	(7,756)	(1,048,564)	20,108,063
Profit after taxation	-	-	-	1,028,599	1,028,599
Other comprehensive loss	-	-	(829)	(237,917)	(238,746)
Transfer to statutory reserve	-	205,720	-	(205,720)	-
Balance as at 31 December 2020	19,365,000	2,005,102	(8,585)	(463,601)	20,897,916
Profit after taxation	-	-	-	986,154	986,154
Other comprehensive (income) / loss	-	-	(133,569)	699,014	565,445
Transfer to statutory reserve	-	197,231	-	(197,231)	-
Balance as at 31 December 2021	19,365,000	2,202,333	(142,154)	1,024,336	22,449,515

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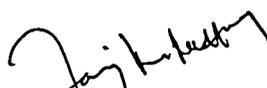
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President /
Chief Executive



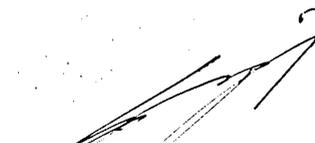
Chief Financial
Officer



Director



Director



Director

HOUSE BUILDING FINANCE COMPANY LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 -----Rupees in '000-----	2020
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		1,328,137	1,389,638
Dividend income		(1,217)	(357)
		<u>1,326,920</u>	<u>1,389,281</u>
Adjustments for non-cash items			
Depreciation		98,707	88,762
Amortization		3,498	1,583
Provisions and write offs		401,139	324,556
(Gain) / loss on sale of fixed assets		(58)	163
Provision for Sindh Workers Welfare Fund		27,104	28,360
Mark-up / return / interest expense		200,063	198,312
		<u>730,453</u>	<u>641,736</u>
		<u>2,057,373</u>	<u>2,031,017</u>
(Increase) / decrease in operating assets			
Lendings to financial institutions		670,000	(1,450,000)
Advances		(1,870,321)	202,578
Other assets (excluding advance taxation)		61,525	(887,984)
		<u>(1,138,796)</u>	<u>(2,135,407)</u>
Decrease in operating liability			
Other liabilities (excluding current taxation)		(1,795,995)	(565,771)
Income tax paid		(201,330)	(199,408)
Net cash used in from operating activities		<u>(1,078,748)</u>	<u>(869,568)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments		1,438,059	(131,560)
Dividends received		1,217	357
Additions to operating fixed assets		(129,213)	(120,895)
Payment of liabilities against right-of-use assets		(54,403)	(45,882)
Proceeds from sale of fixed assets		4,758	1,088
Net cash generated from / (used in) investing activities		<u>1,260,418</u>	<u>(296,892)</u>
CASH FLOW FROM FINANCING ACTIVITY			
(Borrowings from) / repayment to financial institutions		(286,118)	959,973
DECREASE IN CASH AND CASH EQUIVALENTS		<u>(104,448)</u>	<u>(206,487)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		<u>165,372</u>	<u>371,859</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<u>60,924</u>	<u>165,372</u>

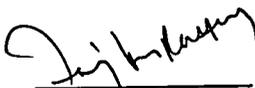
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President /
Chief Executive



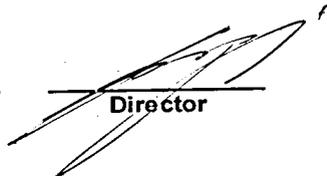
Chief Financial
Officer



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 SRO.I/2007 dated July 25, 2007 issued by the Finance Division of the Government of Pakistan (GoP) effective from January 1, 2007, the Company took over all the assets, running business, contracts, liabilities and proceedings of the House Building Finance Corporation which was established in 1952 under the House Building Finance Corporation Act, 1952 (XVIII of 1952) by the GoP and ceased to operate the business on December 31, 2006. As a result, in 2010, the name was also changed from House Building Finance Corporation Limited to House Building Finance Company Limited.

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".

Presently, the Company is on active privatization list in the current privatization program of the GoP. Invitation for expression of interest has been published by the Privatization Commission, Ministry of Privatization on December 26, 2021.

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with the requirements of the annual financial statements issued by State Bank of Pakistan (SBP) through Banking Policy Regulations Department (BPRD) Circular no. 02 of 2018.

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and 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, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

The SBP through its BSD Circular no. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' till further instructions. Further, according to the notification of the SECP dated April 28, 2008, IFRS-7, 'Financial Instruments: Disclosures' has not been made applicable for companies engaged in housing finance services. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

Further, SBP through its Circular no. 24 of 2021 dated July 05, 2021, has extended the effective date of the IFRS 9 on Banks / DFIs to January 01, 2022 and has required Banks / DFIs to have a parallel run of IFRS 9 from January 01, 2020. The Banks / DFIs are also required to prepare a pro-forma financial statements which includes the impact of IFRS 9 from the year ended December 31, 2020.

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2.2 New standards, interpretations and amendments to approved accounting standards

2.2.1 Standards effective during the year

There are certain other new standards, interpretations and amendments that are mandatory for the Company's accounting period beginning on January 1, 2021, but are considered either to be not relevant or to not have any significant effect on the company's operations and are, therefore, not detailed in these financial statements.

2.2.2 Standards not yet effective

The following standards, interpretations and amendments to published approved accounting standards that are effective for accounting periods, beginning on or after the date mentioned against each to them.

	Effective for the period beginning on or after
- IFRS 16 Amendment resulting Annual Improvement to IFRS Standards 2018-2020 (to resolve any potential confusion that might arise in lease incentives)	January 1, 2022
- IAS 8 Accounting Policies, changes in Accounting Estimates and Errors (Amendment regarding the definition of accounting estimates)	January 1, 2023
- IFRS 3 Business Combinations - Amendments updating a reference to the Conceptual Framework	January 1, 2022
- IFRS 4 Insurance Contracts - Amendments regarding the expiry date of the deferral approach	January 1, 2023
- IAS 12 Income Taxes (The amendments to narrow the scope of the initial exemption)	January 1, 2023
- IFRS 17 and IFRS 4 Ammenment to IFRS 17 Insurance Contracts	January 1, 2022
- IFRS 3 Business Combinations - Amendments updating a reference to the Conceptual Framework	January 1, 2022
- IAS 16 Propert, Plant and Equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts	January 1, 2022
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous.	January 1, 2022
- IAS 41 Amendment resulting from Annual Improvement to IFRS Standards	January 1, 2022
- IAS 1 Presentation of Financial Statements & Accounting Policies - Amendments regarding the classification of liabilities.	January 1, 2023

The above standards are not likely to have any material effect on the Company's financial statements in the year of application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards	IASB effective date (Annual periods beginning on or after)
- IFRS 1 First Time Adoption of IFRS	January 1, 2022
- IFRS 17 Insurance Contracts	July 1, 2021

3. BASIS OF MEASUREMENT

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except as otherwise stated in the respective notes to the financial statements.

3.2 Critical accounting estimates and judgments

The preparation of these financial statements in conformity with accounting standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. It also requires management to exercise judgment in application of its accounting policies. The estimates and associated assumptions are continually evaluated and are based on historical experience and various other factors including expectation of future events that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates. Revisions to accounting estimates, if any, are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The significant accounting areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in the application of accounting policies are as follows:

- i) classification and provisioning against investments (note 8)
- ii) classification and provisioning against advances (note 9)
- iii) provision for current / deferred taxation (note 12 and 27)
- iv) accounting for defined benefit plans (note 31)
- v) valuation of right-of-use assets and their related lease liability (note 10.3 and 15)

3.3 Functional and presentation currency

These financial statements have been presented in Pakistani Rupees, which is the Company's functional and presentation currency. The amounts are rounded to the nearest thousand rupees except as stated otherwise.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Cash and cash equivalents

These are carried at cost and consist of balances with treasury and other banks.

4.2 Lendings to / borrowings from financial institutions

The Company enters into transactions of borrowings (repos) from and lending (reverse repos) to financial institutions at contracted rates for a specified period of time. These are recorded as under:

Sale under resale obligations

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) are measured in accordance with IAS 39 for investment securities. The counterparty liability for amounts received under these agreements is included in borrowings from financial institutions. The difference between the sale and repurchase price is treated as mark-up/return/interest income/expense and is recognised over the term of the related repo agreement.

Purchase under repurchase obligations

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognized in the statement of financial position, as the Company does not obtain control over the securities. However, amounts paid under these agreements are included in lendings to financial institutions. The difference between the purchase and resale price is treated as mark-up/return/interest income/expense and is recognised over the term of the related reverse repo agreement.

Lending to financial institutions

These are stated net of provision. Mark-up on such lendings is charged to profit and loss account on time proportion basis using effective interest rate method except for mark-up on impaired/delinquent lendings, which are recognized on receipt basis.

Other borrowings

These are recorded at the proceeds received. Mark-up on such borrowings is charged to the profit and loss account on time proportion basis using effective interest method.

4.3 Investments

Classification

Investments of the Company are classified as follows:

(a) Held-for-trading

These are investments, which are either acquired for generating profits from short-term fluctuations in market prices or are securities included in a portfolio for which there is evidence of a recent actual pattern of short-term profit taking.

(b) Held-to-maturity

These are investments with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold till maturity.

(c) Available-for-sale

These are investments which do not fall under the 'held for trading' or 'held to maturity' categories.

Regular way contracts

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognized at trade date, which is the date on which the Company commits to purchase or sell the investments.

Initial recognition and measurement

Investments other than those categorized as 'held for trading' are initially recognized at fair value which includes transaction costs associated with the investment. Investments classified as 'held for trading' are initially recognized at fair value and transaction costs as incurred are expensed in the profit and loss account.

Subsequent measurement

Subsequent to initial recognition investments are valued as follows:

(a) Held-for-trading

These are measured at subsequent reporting dates at fair value. Gains and losses on remeasurement are included in the profit and loss account.

(b) Held-to-maturity

These are measured at amortized cost using the effective profit rate method, less any impairment loss recognized to reflect irrecoverable amount.

(c) Available-for-sale

These are measured at fair value on subsequent reporting dates. Surplus / deficit arising on remeasurement is included in the statement of comprehensive income and is recognized in the statement of financial position under equity. The surplus / deficit is taken to profit and loss account only upon its disposal.

Impairment

Impairment loss in respect of investments classified as available for sale and held to maturity (except sukuk) is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investment below its cost is also considered an objective evidence of impairment. Provision for diminution in the value of sukuk is made as per the Prudential Regulations issued by the SBP. In case of impairment of available for sale securities, the cumulative loss that previously reported in other comprehensive income is transferred to profit and loss account for the year. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

4.4 Advances

Advances are stated net of general and specific provisions. The general and specific provisions are made in accordance with the requirements of the Prudential Regulations and other directives issued by the SBP and are charged to the profit and loss account. Non-performing advances are written off only when all possible courses of action to achieve recovery have proved unsuccessful. The Company determines write-offs in accordance with the criteria prescribed by the SBP.

4.5 Fixed assets

Property and equipment

These are stated at cost less accumulated depreciation and impairment losses (if any). Cost of property and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable costs of bringing the asset to working condition. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Depreciation on property and equipment is charged to income using the straight line method' over the useful life of the assets. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date. Depreciation charge commences from the day when the asset is available for use and continues till the day the asset is discontinued either through disposal or retirement.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account when incurred.

Any gain or loss on disposal of the assets is included in the profit and loss account in the year of disposal.

4.6 Right-of-Use (RoU) assets

The Company recognizes RoU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). RoU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of RoU assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. These are depreciated on a straight-line basis over the lease term.

4.7 Intangibles

Intangible assets having finite useful life are stated at cost less accumulated amortization and impairment losses, if any. Intangible assets comprise of cost of computer software and patents, which are amortized using the 'Straight Line Method' over their useful lives' amortization is charged from the month of acquisition and up to the month of deletion. The useful lives and amortization method are reviewed and adjusted, if appropriate, at each reporting date.

Costs associated with maintaining computer software are recognized as expense when incurred.

Capital work-in-progress

These are stated at cost less accumulated impairment losses, if any.

4.8 Impairment of non-financial assets

The Company assesses at each reporting date whether there is any indication that the fixed assets and intangibles may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment charge is recognized in the profit or loss account.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

4.9 Lease liabilities

The Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

4.10 Financial instruments

Financial assets and financial liabilities

Financial instruments carried on the statement of financial position include cash and bank balances, lendings to financial institutions, investments, advances, certain receivables, borrowings from financial institutions and certain other liabilities. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them. Financial assets are de-recognized when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognized when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial assets and liabilities is recognized in the profit and loss account of the current period.

Off setting of financial instruments

Financial assets and financial liabilities are only offset and the net amount is reported in the financial statements when there is a legally enforceable right to set-off the recognized amount and the Company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

4.11 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

4.12 Staff retirement benefits

a. Defined benefit plans

Pension Fund

The Company operates an approved funded pension scheme for all its employees who have been in full time employment for at least 10 years. The scheme provides pension based on the employees' last drawn pensionable salary. Contributions are made to the scheme on the basis of actuarial recommendation. The latest actuarial valuation was carried out as of December 31, 2021. Amounts arising as a result of remeasurements, representing the actuarial gains and losses and the difference between the actual investment returns and the return implied by the net interest cost are recognized in the statement of financial position immediately, with a charge or credit to other comprehensive income in the year in which they occur.

Post retirement medical benefits

The Company provides post retirement medical facility to an employee in the following events:

- Retirement
- Early retirement from service
- Death / disability during or after service

The Company's post retirement medical benefits' structure is as follows:

Executives / officers their spouse and dependent children

- for hospitalization
- for consultation / pathological test
- for cost of medicine

Entitlement

One gross pension
 One gross pension
 One gross pension

Clerical staff

- for hospitalization
- for consultation / pathological test
- for cost of medicine

One gross pension
 One gross pension
 Two gross pension

Non-clerical staff

- for hospitalization
- for consultation / pathological test
- for cost of medicine

One and half gross pension
 One and half gross pension
 Three gross pension

Contributions in respect of medical benefits are made on the basis of actuarial recommendation. The latest actuarial valuation was carried out as of December 31, 2021.

Gratuity Fund

The Company operates an approved gratuity fund covering all of its employees who have completed the qualifying period under the scheme. The fund is administered by the trustees and the contributions there in are made by the Company at the rate of 50% of the basic salary of employees each year.

b. Defined contribution plan

The Company operates an approved provident fund. Equal monthly contributions are made both by the Company and respective employees to the fund at the rate of 12% of the basic salary in accordance with the terms of the scheme.

c. Employees' compensated absences

The Company accounts for the liability in respect of employees compensated absences in the year in which they are earned. The Company provides for employees compensated absences on the basis of actuarial recommendation. Latest actuarial valuation was carried out as of December 31, 2021.

4.13 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in the profit and loss account except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or equity.

Current

Provision for current taxation is based on taxable income for the year, at current rates of taxation, after taking into consideration available tax credits, rebates and tax losses as required under the Seventh Schedule to the Income Tax Ordinance, 2001. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments / developments made during the year.

Deferred

Deferred tax is recognized using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. Deferred tax is calculated using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The carrying amount of the deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

4.14 Revenue recognition

- Mark-up / return on regular advances and investments and bank balances is recognized on accrual basis. Mark -up / return on classified advances and investments is recognized on receipt basis.
- Dividend income is recognized when the right to receive the dividend is established.
- Gain / loss on disposal of investments is recognized in the profit and loss account.
- Gain / loss on disposal of fixed assets is recognized in the profit and loss account.

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4.15 Earnings per share

The Company presents basic and diluted Earnings Per Share (EPS). Basic EPS is calculated by dividing the profit or loss, as the case may be, attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

4.16 Demand charges

Demand charges (penalties) in respect of Ghar Aasan Scheme are credited to other liabilities. This amount is utilized for charity purposes after netting of recovery charges. Demand charges of conventional schemes are charged to income.

	Note	2021 -----Rupees in '000-----	2020
5. CASH AND BALANCES WITH TREASURY BANKS			
With State Bank of Pakistan in Local currency current account	5.1	32,403	34,821
With National Bank of Pakistan in Local currency deposit account	5.2	62	59
		<u>32,465</u>	<u>34,880</u>

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

5.2 These carry mark-up at rates ranging from 5.50% to 7.25% (2020: 5.50% to 11.25%) per annum.

	Note	2021 -----Rupees in '000-----	2020
6. BALANCES WITH OTHER BANKS In Pakistan			
In deposit accounts	6.1	<u>28,458</u>	<u>130,492</u>

6.1 These carry mark-up at rates ranging from 5.50% to 8.00% (2020: 5.50% to 12.00%) per annum.

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	Note	2021 -----Rupees in '000-----	2020
7. LENDINGS TO FINANCIAL INSTITUTIONS			
Letters of placement	7.1	55,683	55,683
Repurchase agreement lendings (Reverse Repo)	7.2	<u>780,000</u>	<u>1,450,000</u>
		835,683	1,505,683
Less: Provision held against lending to financial institutions	7.1 & 7.3	<u>(55,683)</u>	<u>(55,683)</u>
		<u><u>780,000</u></u>	<u><u>1,450,000</u></u>
7.1 Letters of placement In local currency			
Trust Investment Bank Limited (TIBL)	7.1.1	5,909	5,909
First Dawood Investment Bank Limited (FDIBL)	7.1.2	<u>49,774</u>	<u>49,774</u>
		<u>55,683</u>	<u>55,683</u>

7.1.1 This represents clean placement made on November 17, 2008 for a period of 14 days at the mark-up rate of 28% per annum. The transaction remained unsettled at maturity and rescheduling was made twice. Mark-up accrued up to February 15, 2012 was received. The Company filed a suit in the Banking Court for the recovery of outstanding principal along with mark-up. The Banking Court decreed the case in favor of the Company on October 12, 2015. Execution application was filed by the Company with notice issued to TIBL for attachment of assets of TIBL. However, on prudent basis, the Company has maintained 100% provision against outstanding receivable.

7.1.2 This represents clean placement made on September 12, 2008 for a period of 94 days at the mark-up rate of 17% per annum. The transaction remained unsettled at maturity. The Company filed a suit against FDIBL in the Sindh High Court (SHC) which ordered to pay the principal and cost of funds to the Company in twelve monthly installments. FDIBL paid twelve installments with total of Rs. 18.733 million as per its own schedule which was not accepted by the Company. The Company filed an execution application in March 2018 for recovery of cost of funds of Rs. 77.650 million as well as remaining principal of Rs. 56.266 million. The Company approached the SHC on March 20, 2018 for the release of sale proceeds realised from TFCs of FDIBL from the Nazir High Court and received Rs. 6.492 million from NAZIR on August 03, 2018 which reduced the outstanding balance of FDIBL to Rs. 49.774 million (principal amount). The Company is awaiting for next action of NAZIR High Court for selling the unlisted securities already attached. However, on prudent basis, the Company has maintained 100% provision against outstanding receivable.

	Note	2021 -----Rupees in '000-----	2020
7.2 Repurchase agreement lendings (Reverse Repo) In local currency			
Pak Libya Holding Company Limited	7.2.1	780,000	450,000
Saudi Pak Industrial and Agricultural Investment Company Limited			<u>1,000,000</u>
		<u>780,000</u>	<u>1,450,000</u>

7.2.1 These carry makrup rates ranging from 6.10% to 10.40% (2020: 6.92% to 7.25%) per annum.

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7.2.2 Securities held as collateral against Lendings to financial Institutions	2021			2020		
	Held by the Company	Further given as collateral	Total	Held by the Company	Further given as collateral	Total
	Rupees in '000					
Pakistan Investment Bonds	780,000	-	780,000	450,000	-	450,000
Market Treasury Bills	-	-	-	1,000,000	-	1,000,000
	<u>780,000</u>	<u>-</u>	<u>780,000</u>	<u>1,450,000</u>	<u>-</u>	<u>1,450,000</u>

7.3 Category of classification	2021		2020	
	Classified Lending	Provision held	Classified Lending	Provision held
	Rupees in '000			
Domestic Loss	65,683	55,683	55,683	55,683

8. INVESTMENTS	2021				2020			
	Cost / Amortised cost	Provision for diminution	Deficit	Carrying Value	Cost / Amortised cost	Provision for diminution	Deficit	Carrying Value
8.1 Investments by type:	Rupees in '000							
Available-for-sale securities								
Market Treasury Bills	2,690,215	-	(10,282)	2,679,933	6,241,981	-	(1,294)	6,240,687
Pakistan Investment Bonds	4,071,528	-	(173,928)	3,897,600	500,000	-	(5,800)	494,200
Unlisted Ordinary Shares	63,785	(500)	-	63,285	63,785	(500)	-	63,285
Listed Ordinary Shares	9,603	-	(3,170)	6,433	9,603	-	(1,830)	7,773
	<u>6,835,131</u>	<u>(500)</u>	<u>(187,380)</u>	<u>6,647,251</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	2,172,962	-	-	2,172,962	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>2,221,702</u>	<u>(48,740)</u>	<u>-</u>	<u>2,172,962</u>	<u>3,679,523</u>	<u>(71,240)</u>	<u>-</u>	<u>3,608,283</u>
Total Investments	9,056,833	(49,240)	(187,380)	8,820,213	10,494,892	(71,740)	(8,924)	10,414,228

8.2 Investments by segments:	2021				2020			
	Cost/ Amortised cost	Provision for diminution	Deficit	Carrying Value	Cost /Amortised cost	Provision for diminution	Deficit	Carrying Value
	Rupees in '000							
Federal government securities								
Market Treasury Bills	2,690,215	-	(10,282)	2,679,933	6,241,981	-	(1,294)	6,240,687
Pakistan Investment Bonds	6,244,490	-	(173,928)	6,070,562	4,108,283	-	(5,800)	4,102,483
	<u>8,934,705</u>	<u>-</u>	<u>(184,210)</u>	<u>8,750,495</u>	<u>10,350,264</u>	<u>-</u>	<u>(7,094)</u>	<u>10,343,170</u>
Fully paid-up ordinary shares:								
Listed companies	9,603	-	(3,170)	6,433	9,603	-	(1,830)	7,773
Unlisted companies	63,785	(500)	-	63,285	63,785	(500)	-	63,285
	<u>73,388</u>	<u>(500)</u>	<u>(3,170)</u>	<u>69,718</u>	<u>73,388</u>	<u>(500)</u>	<u>(1,830)</u>	<u>71,058</u>
Term Finance Certificates, Debentures, Bonds & Participation Term Certificates								
Unlisted Sukuk Bonds	26,240	(26,240)	-	-	26,240	(26,240)	-	-
Certificate of Investments	22,500	(22,500)	-	-	45,000	(45,000)	-	-
	<u>48,740</u>	<u>(48,740)</u>	<u>-</u>	<u>-</u>	<u>71,240</u>	<u>(71,240)</u>	<u>-</u>	<u>-</u>
Total Investments	9,056,833	(49,240)	(187,380)	8,820,213	10,494,892	(71,740)	(8,924)	10,414,228

8.1.1 Investments given as collateral

No investments given as collateral at 31 December 2021 and 31 December 2020.

8.1.2 These carry yield at rates ranging from 7.09% to 7.59% (2020: 6.33% to 14.24%) per annum.

8.1.3 These carry mark-up (coupon rate) at rates ranging from 8.60% to 12.45% (2020: 7.70% to 13.78%) per annum.

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8.1.4 Unlisted ordinary shares	Note	2021 -----Rupees in '000-----	2020
Resource and Engineering Management Corporation Limited		500	500
Pakistan Mortgage Refinance Company Limited		6,675	6,675
Salaam Takaful Limited		56,610	56,610
	8.3	<u>63,785</u>	<u>63,785</u>

8.1.5 This represents investment in 41,951 shares of Rs.10 each in MCB Bank Limited.

8.1.6 This represents the outstanding amount in Sukuk bonds of Rs. 200 million issued by Eden Housing Limited (EHL). In 2014, EHL defaulted the repayments of coupons and the related claims were placed before Lahore High Court by the Company for recovery. However, the Company on prudent basis has maintained 100% provision against outstanding principal amount.

8.1.7 This represents the outstanding amount in certificates of investment (COIs) of Rs. 225 million issued by Bankers Equity Limited (BEL). In 2001, BEL defaulted the repayment and went under liquidation, hence the related claims were placed before SHC. However, the Company on prudent basis has maintained 100% provision against outstanding principal amount.

8.3 Quality of available for sale securities

	Note	2021 -----Rupees in '000-----	2020 Cost
Federal government Securities - (Government guaranteed)			
- Market Treasury Bills	8.1.2	2,690,215	6,241,981
- Pakistan Investment Bonds	8.1.3	4,071,528	500,000
		<u>6,761,743</u>	<u>6,741,981</u>
Shares			
Listed companies			
Banking		<u>9,603</u>	<u>9,603</u>

Unlisted Companies

Note	2021		2020	
	Cost	Breakup value *	Cost	Breakup value
	-----Rupees in '000-----			
	500	-	500	-
	6,675	11,201	6,675	6,675
	56,610	52,696	56,610	78,032
8.1.4	<u>63,785</u>	<u>63,897</u>	<u>63,785</u>	<u>84,707</u>

* Breakup value has been calculated on the basis of unaudited financial statements of the above mentioned entities.

8.4 Particulars relating to Held to Maturity securities are as follows:	Note	2021 -----Rupees in '000-----	2020
Federal government securities - Government guaranteed			
- Pakistan Investment Bonds	8.1.3	<u>2,172,962</u>	<u>3,608,283</u>
Non government Debt Securities			
Unlisted			
- Sukuk Bonds	8.1.6	<u>26,240</u>	<u>26,240</u>
- Certificate of Investment	8.1.7	<u>22,500</u>	<u>45,000</u>
		<u>48,740</u>	<u>71,240</u>

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9. ADVANCES

Performing		Non Performing		Total	
2021	2020	2021	2020	2021	2020

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

In Pakistan - local currency

Rental Sharing Schemes	9.1	6,082	8,515	1,185,566	1,211,005	1,191,648	1,219,520
Interest Bearing Schemes	9.2	-	-	99,971	99,941	99,971	99,941
Ghar Aasan Scheme	9.3	417,425	530,130	838,287	971,955	1,255,712	1,502,085
Shandar Ghar Scheme	9.4	-	-	81,172	98,221	81,172	98,221
Financing facility for Small Builders	9.5	858	5,826	4,968	-	5,826	5,826
Ghar Aasan Flexi Scheme	9.6	5,945,258	6,123,429	1,198,601	1,572,582	7,143,859	7,696,011
Bisma & Saima Projects	9.7	11,446	11,367	760	3,617	12,206	14,984
New Small Builders Scheme	9.8	-	18,453	5,000	-	5,000	18,453
Ghar Pakistan Scheme	9.9	2,583,209	2,544,532	40,581	62,412	2,623,790	2,606,944
Ghar Pakistan Plus Scheme	9.10	1,369,127	1,174,360	17,272	30,201	1,386,399	1,204,561
HBFC Khas	9.11	3,167	980	-	-	3,167	980
Mera Pakistan Mera Ghar	9.12	2,514,944	12,920	-	-	2,514,944	12,920
		12,851,516	10,430,512	3,472,178	4,049,934	16,323,694	14,480,446

Employee portfolio

Housing finance to employees	9.13	486,326	468,885	5,550	5,550	491,876	474,435
Car advance to employees	9.14	68,012	61,028	-	-	68,012	61,028
Staff personal loan	9.15	17,388	13,540	-	-	17,388	13,540
PC advance to employees		-	-	19	19	19	19
		571,726	543,454	5,569	5,569	577,295	549,023
Partners' death claims	9.16	(25,161)	(23,962)	-	-	(25,161)	(23,962)
Advances - gross		13,398,081	10,950,004	3,477,747	4,055,503	16,875,828	15,005,507

Provision for non-performing

- Specific							
Rental Sharing Schemes		6,082	2,779	1,185,566	1,211,005	1,191,648	1,213,784
Interest Bearing Schemes		-	-	99,971	99,941	99,971	99,941
Ghar Aasan Scheme		-	-	774,852	855,087	774,852	855,087
Shandar Ghar Scheme		-	-	81,172	98,221	81,172	98,221
Financing facility for Small Builders		-	4,968	4,968	-	4,968	4,968
Ghar Aasan Flexi Scheme		-	-	1,015,054	1,253,196	1,015,054	1,253,196
Bisma & Saima Projects		-	4,775	194	3,617	194	8,392
New Small Builders Scheme		-	18,453	5,000	-	5,000	18,453
Ghar Pakistan Scheme		-	-	17,359	15,532	17,359	15,532
Ghar Pakistan Scheme Plus		-	-	5,817	5,553	5,817	5,553
Housing finance to employees		-	-	5,550	5,550	5,550	5,550
PC advance to employees		-	-	19	19	19	19
		6,082	30,975	3,195,522	3,547,721	3,201,604	3,578,696
- General	9.17	225,295	249,341	-	-	225,295	249,341
Advances - net of provision		13,166,704	10,669,688	282,225	507,782	13,448,929	11,177,470

9.1 No new disbursements under these schemes have been made since 2000.

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- 9.2 No new disbursement has been made under this scheme since the year 1979. In pursuance to the decision of the Honorable Supreme Court of Pakistan, the Company has not accrued interest on these advances since July 01, 2000.
- 9.3 This scheme was based on diminishing musharaka for construction, purchase of houses and replacement of existing housing advances obtained by applicants from another financial institutions (balance transfer facility) having maximum financing limit of Rs. 7.5 million. New disbursement under this scheme has been discontinued from February 11, 2009. During 2017, the Company introduced Ghar Asaan Incentive Scheme and the customers who have opted the facility may settle/regularize their advances after payment of due amounts based on revised terms. The scheme was initially offered till September 30, 2017, which was extended up to December 31, 2020. The scheme carries mark-up at the rate of one year KIBOR with a spread of 3.00% - 3.5% per annum.
- 9.4 No new disbursement has been made under this scheme.
- 9.5 This scheme is based on musharka finance for construction of individual houses and apartments for sale to the general public with maximum financing limit of Rs. 7.5 million for a period of 12 to 18 months extendable for further 3 months. The facility carries profit ranging from 13% to 18% per annum. New disbursement under this scheme has been discontinued from November 17, 2009.
- 9.6 This scheme is based on diminishing musharaka for construction, renovation and purchase of house and replacement of existing housing facility (balance transfer facilities) having maximum financing of Rs. 25 million. The facility is repayable in 36 to 240 monthly installments and carries mark-up at the rate of one year KIBOR with a spread of 3.25% - 3.5% (2020: 3.25% - 3.5%) per annum.
- 9.7 This scheme is based on musharka financing for construction of individual houses and apartments, having maximum financing of Rs. 10 million with tenure of 12 to 24 months and carries mark up at the rate of 2 years fixed KIBOR.
- 9.8 This scheme was introduced to facilitate small contractors / individuals who are in business of selling or building houses / flats. Maximum financing limit is Rs. 25 million, with tenure of 12 to 24 months and carries mark-up at the rate of KIBOR with a spread of 2.75% per annum.
- 9.9 The Company introduced Ghar Pakistan Scheme in 2020 for purchase and construction of individual houses and apartments with maximum financing limit of Rs. 2.5 million. The tenure of financing is between 3 to 20 years and mark-up is calculated on the basis of one year KIBOR with a spread of 2.00% subject to floor rate of 7.00% and ceiling of 12.00% per annum.
- 9.10 The Company introduced Ghar Pakistan Scheme Plus for purchase and construction of individual houses and apartments with maximum financing limit of Rs. 8.8 million. The tenure of financing is between 3 to 20 years and mark up is calculated on the basis of one year KIBOR with a spread of 2.50% subject to floor rate of 8.00% and ceiling of 13.00% per annum.
- 9.11 The Company introduced HBFC Khas Scheme for widows, children of martyrs, special persons holding CNIC with disability, transgender and persons in areas severely affected by terrorism. The tenure of financing will be determined with respect to the age of the eldest applicant(s) / guarantor(s) with maximum financing tenure not exceeding 12.5 years. The scheme carries mark up at a fixed rate of 4% per annum.
- 9.12 The Company introduced Mera Pakistan Mera Ghar Scheme for all Pakistani nationals holding valid CNIC. The tenure of financing is between 10 to 20 years. Markup is charged to customer at a fixed rate of 5% - 7% per annum for first five years, 7% - 9% for next five years, whereas the Company receives the differential of 1 year KIBOR + 4% per annum from Government of Pakistan through State Bank of Pakistan. After 10 years, markup will be charged at KIBOR + 2% per annum to customers.
- 9.13 Housing advance is given to employees as per the terms of employment for purchase of house, renovation or construction of houses, at rates ranging from 3.00% to 11.00%. These advance are given for a period of remaining service life of employee.
- 9.14 Car advance is given to employees as per the terms of employment for purchase of car at rates ranging from 4% to 10%. These advance are given for a period of 5 years.

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- 9.15** Represents interest free personal loan to regular officers up to a maximum of five months' current basic pay. These loans are recovered from salaries in 24 monthly installments or up to the date of retirement, whichever is earlier.
- 9.16** This represents the insurance claims received from State Life Insurance Corporation of Pakistan (SLICP) on behalf of the partners' death. Subsequently this will be paid to respective partners' heirs.
- 9.17** General provision against advances has been determined in accordance with the requirements of Prudential Regulations (HF-9) issued by the SBP on regular portfolio of consumer financing.
- 9.18** Advances include Rs. 3,478 million (2020: Rs. 4,056 million) which have been placed under non-performing status as detailed below:

Category of Classification	2021		2020	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	----- Rupees in '000 -----			
Domestic				
Other Assets Especially Mentioned	85,320	5,185	263,503	39,146
Substandard	142,142	32,810	252,892	57,264
Doubtful	227,053	134,295	314,503	216,190
Loss	3,023,232	3,023,232	3,224,606	3,235,121
Total	3,477,747	3,195,522	4,055,503	3,547,721

9.19 Particulars of provision against advances

	2021			2020		
	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 for the year	2,799	-	2,799	279,975	83,179	363,154
Reversals	(379,891)	(24,046)	(403,937)	(38,598)	-	(38,598)
	(377,092)	(24,046)	(401,138)	241,377	83,179	324,556
Amounts written off	-	-	-	-	-	-
Closing balance	3,201,604	225,295	3,426,899	3,578,696	249,341	3,828,037

- 9.20** The SBP vide BSD Circular no. 10 of 2009 dated October 20, 2009 had allowed banks/DFIs to avail benefit of Forced Sales Value (FSV) of collaterals mortgaged with them while determining provisioning requirement against non-performing financing. Further, SBP vide BSD Circular no.1 of 2011 dated October 21, 2011 made certain amendments in the Prudential Regulations for Consumer Financing with respect to allowing additional benefit of FSV of mortgage properties held as collateral against housing finances. According to the said circular, the impact on profitability due to availing FSV benefit shall not be available for payment of cash dividend or stock dividend. As at December 31, 2021, the Company has not taken FSV benefit as allowed under IH&SMEFD Circular no. 03 of 2017.

10. FIXED ASSETS	Note	2021	2020
		-----Rupees in '000-----	
Capital work-in-progress	10.1	12,860	12,860
Property and equipment	10.2	274,494	287,074
Right of use-of-assets	10.3	107,685	91,696
		<u>395,039</u>	<u>391,630</u>

10.1 Capital work-in-progress

Civil works	10.1.1	<u>12,860</u>	<u>12,860</u>
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- 10.1.1** Represent payments on account of Traffic Impact Analysis (TIA) Report & Environment Impact Report as required by Lahore Development Authority and other land regulatory bodies.

HOUSE BUILDING FINANCE COMPANY LIMITED
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10.2 Property and equipment

2021						
Freehold land	Leasehold land	Buildings on Lease holdland	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
Rupees '000						
At 1 January 2021						
Cost	6,075	5,673	360,512	84,405	274,570	804,747
Accumulated depreciation	-	-	(159,193)	(80,614)	(224,435)	(517,673)
Net book value	<u>6,075</u>	<u>5,673</u>	<u>201,319</u>	<u>3,791</u>	<u>50,135</u>	<u>287,074</u>
Year ended 31 December 2021						
Opening net book value	6,075	5,673	201,319	3,791	50,135	287,074
Additions	-	-	-	14,248	25,247	39,495
Disposals						
- Cost	-	-	-	-	(414)	(8,551)
- Depreciation	-	-	-	-	406	3,852
	-	-	-	-	(8)	(4,700)
Depreciation charge	-	-	(15,169)	(1,691)	(25,071)	(47,376)
Closing net book value	<u>6,075</u>	<u>5,673</u>	<u>186,150</u>	<u>16,348</u>	<u>50,304</u>	<u>274,494</u>
At 31 December 2021						
Cost	6,075	5,673	360,512	98,653	299,403	835,691
Accumulated depreciation	-	-	(174,362)	(82,305)	(249,099)	(561,197)
Net book value	<u>6,075</u>	<u>5,673</u>	<u>186,150</u>	<u>16,348</u>	<u>50,304</u>	<u>274,494</u>
Rate of depreciation (percentage)	-	-	5%	10%	10%-33%	20%
2020						
Free hold land	Leasehold land	Buildings on Lease holdland	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
Rupees '000						
At 1 January 2020						
Cost	6,075	5,673	360,512	84,841	256,064	780,720
Accumulated depreciation	-	-	(144,024)	(81,253)	(211,711)	(485,000)
Net book value	<u>6,075</u>	<u>5,673</u>	<u>216,488</u>	<u>3,588</u>	<u>44,353</u>	<u>295,720</u>
Year ended 31 December 2020						
Opening net book value	6,075	5,673	216,488	3,588	44,353	295,720
Additions	-	-	-	999	27,366	35,706
Disposals						
- Cost	-	-	-	(1,435)	(8,860)	(1,384)
- Depreciation	-	-	-	1,435	8,860	459
	-	-	-	-	-	(925)
Depreciation charge	-	-	(15,169)	(796)	(21,584)	(43,428)
Closing net book value	<u>6,075</u>	<u>5,673</u>	<u>201,319</u>	<u>3,791</u>	<u>50,135</u>	<u>287,074</u>
At 31 December 2020						
Cost	6,075	5,673	360,512	84,405	274,570	804,747
Accumulated depreciation	-	-	(159,193)	(80,614)	(224,435)	(517,673)
Net book value	<u>6,075</u>	<u>5,673</u>	<u>201,319</u>	<u>3,791</u>	<u>50,135</u>	<u>287,074</u>
Rate of depreciation (percentage)	-	-	5%	10%	10%-33%	20%

HOUSE BUILDING FINANCE COMPANY LIMITED
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Details of disposal of property and equipment having net book value of Rs. 500,000 or above are as follows:

		Cost	Net book value	Sale proceeds	Gain on disposal	Mode of disposal	Particular of buyers
----- Rupees in '000 -----							
Motor Vehicles	2021	8,137	4,692	5,270	579	Settlement	Ex-Employees
Motor Vehicles	2020	1,384	934	960	26	Settlement	Ex-Employees

Cost of fully depreciated assets still in use:

	Building on Leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
..... Rupees in '000					
2021	57,129	78,723	210,685	43,352	389,889
2020	57,129	77,736	175,825	43,217	353,907

10.3 Right-of-use assets - buildings on leasehold land

	2021	2020
	-----Rupees in '000-----	
Recognized value of right of-use assets	159,049	136,860
Accumulated depreciation	<u>(51,364)</u>	<u>(45,164)</u>
Net book value	<u>107,685</u>	<u>91,696</u>

10.3.1 Movement in RoU assets

Opening balance	91,696	73,056
Additions during the year	67,353	63,804
Depreciation for the year	<u>(51,364)</u>	<u>(45,164)</u>
Closing balance	<u>107,685</u>	<u>91,696</u>

HOUSE BUILDING FINANCE COMPANY LIMITED
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11. INTANGIBLE ASSETS	Note	2021	2020
		-----Rupees in '000-----	
Computer software	11.1	25,746	1,991
Capital work-in-progress	11.2	34,647	39,503
		<u>60,393</u>	<u>41,494</u>
11.1 Computer software			
As at January 1			
Cost		13,107	13,107
Accumulated amortization		<u>(11,116)</u>	<u>(9,534)</u>
Net book value		<u>1,991</u>	<u>3,573</u>
Year ended December 31			
Opening net book value		1,991	3,573
Addition		27,253	-
Amortization charge		<u>(3,498)</u>	<u>(1,582)</u>
Closing net book value		<u>25,746</u>	<u>1,991</u>
As at December 31			
Cost		40,360	13,107
Accumulated amortization		<u>(14,614)</u>	<u>(11,116)</u>
Net book value		<u>25,746</u>	<u>1,991</u>
Rate of amortisation (percentage)		<u>33%</u>	<u>33%</u>
Useful life		<u>3 years</u>	<u>3 years</u>

11.2 The Company is developing a new system to replace its Loan Management System. The Company has paid about 50% of the total amount of Rs. 72.5 million (2020: Rs. 61 million).

12. DEFERRED TAX ASSETS	At 1 Jan 2021	Recognised in Profit & Loss	2021	At 31 Dec 2021
			Recognised in Other Comprehensive Income	
	----- (Rupees in '000) -----			
Taxable temporary differences on:				
Accelerated tax depreciation and amortisation	(37,464)	(4,610)	-	(42,074)
Deductible temporary differences on:				
Provision for diminution in the value of investments	22,862	-	44,839	67,701
Provision against lending to financial institutions	16,148	-	-	16,148
Provision against advances	1,110,131	(116,330)	-	993,801
Provision against retirement benefits	633,621	(211,765)	(285,374)	136,482
Provision against other assets	15,606	-	-	15,606
Carried forward tax losses	-	-	-	-
Surplus on revaluation of investments	531	-	390	920
Unabsorbed losses	-	216,505	-	216,506
	<u>1,798,899</u>	<u>(111,590)</u>	<u>(240,145)</u>	<u>1,447,164</u>
	<u>1,761,435</u>	<u>(116,200)</u>	<u>(240,145)</u>	<u>1,405,090</u>

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13. OTHER ASSETS	Note	2021 -----Rupees in '000-----	2020
Income/ mark-up accrued in local currency - net of provision			
Advances		730,102	687,459
Investments		255,520	336,415
Lendings to financial institutions		1,628	5,845
		<u>987,250</u>	<u>1,029,719</u>
Advances, deposits and prepayments		50,542	55,163
Advance taxation		256,542	280,995
Advance for purchase of land - housing projects	13.1	53,815	53,815
Other receivables against advances - net		20,382	34,817
Assets acquired from Pakistan Refugees Rehabilitation Finance Corporation (PRRFC)	13.2	-	-
		<u>1,368,531</u>	<u>1,454,509</u>
Less: Provision held against other assets		<u>(53,815)</u>	<u>(53,815)</u>
		<u>1,314,716</u>	<u>1,400,694</u>

13.1 This represents 32% advance payment made in 2007 for the purchase of two pieces of land measuring 163 acres situated in Gwadar. The Company intends to construct low cost houses on this land to promote affordable housing facilities to low income groups of the residents of Gwadar. The management on prudent basis, has made full provision against this amount.

13.2 As directed vide SRO 499(1)/80 dated May 13, 1980 by Finance Division - GoP, the Company took over assets and liabilities of PRRFC. Further, all assets and liabilities are shown distinctively as below, however, the Company does not have any control over these assets and liabilities. Accordingly, these are not recorded in the books of account of the Company.

	2021 -----Rupees in '000-----	2020
Assets		
Fixed assets	1	1
Cash and bank balances	518	518
Investments	253	253
Loans and advances	16,583	16,583
Inter-center adjustment	2,432	2,432
Other receivables	1,992	1,992
Sundry debtors	200	200
Advances, deposits and prepayments	227	227
	<u>22,206</u>	<u>22,206</u>
Provision for doubtful debts	<u>(2,579)</u>	<u>(2,579)</u>
	19,627	19,627
Liabilities		
Sundry creditors	93	93
Accrued expenses	38	38
Return on capital	7,371	7,371
Other liabilities	129	129
	<u>7,631</u>	<u>7,631</u>
Net Assets	<u>11,996</u>	<u>11,996</u>

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14.	BORROWINGS	Note	2021 -----Rupees in '000-----	2020
	Secured - Local currency			
	Pakistan Mortgage Refinance Company Limited	14.1	2,673,855	2,959,973
	Refinance from SBP - HBFC Khas		2,382	-
			<u>2,676,237</u>	<u>2,959,973</u>

14.1 The borrowing is secured against a charge of Rs. 3,750 million against gross advances of customers and carries markup @ 6% - 7% per annum.

15. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2021 -----Rupees in '000-----	2020
Opening balance	114,474	82,119
Additions during the year	67,353	68,770
Interest expense	16,759	9,467
Payments	(58,106)	(45,882)
Closing balance	<u>140,480</u>	<u>114,474</u>

15.1 Lease liabilities are payable as follows

	Current year			Prior year		
	Minimum lease payments	Interest cost	Present value of minimum lease payment	Minimum lease payments	Interest cost	Present value of minimum lease payment
	-----Rupees in '000-----					
Less than one year	65,014	18,671	46,343	33,499	4,745	28,754
One to five years	132,062	37,925	94,137	88,886	3,166	85,720
	<u>197,076</u>	<u>56,597</u>	<u>140,480</u>	<u>122,385</u>	<u>7,911</u>	<u>114,474</u>

16	OTHER LIABILITIES	Note	2021 -----Rupees in '000-----	2020
	Mark up payable on borrowings		13,913	17,501
	Retirement and other service benefits		470,630	2,184,899
	Demand charges	16.1	25,337	22,104
	Accrued expenses		90,333	135,197
	Advance payments from customers		287,152	318,743
	Insurance premium payable		69,224	15,662
	Advance rent received		7,406	51,842
	Refundable to customers against advances		4,715	29,468
	Sindh Workers' Welfare Fund	16.2	33,260	34,515
	Others		17,101	20,030
			<u>1,019,071</u>	<u>2,829,960</u>

16.1 Demand charges

	2021	2020
Opening balance	22,104	45,387
Demand charges - net of recovery expenses	3,233	6,717
Contribution to Prime Minister's COVID-19 Pandemic Relief Fund	-	(30,000)
Closing balance	<u>25,337</u>	<u>22,104</u>

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	2021	2020		
	-----Rupees in '000-----			
16.2 Sindh Workers' Welfare Fund				
Opening balance	34,515	25,086		
Charge for the year	27,104	28,360		
Payments made during the year	<u>(28,359)</u>	<u>(18,931)</u>		
Closing balance	<u>33,260</u>	<u>34,515</u>		
17 SHARE CAPITAL				
17.1 Authorized Capital				
	2021	2020		
Number of ordinary shares of Rs. 10 each				
	<u>2,000,000,000</u>	<u>2,000,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>
17.2 Issued, subscribed and paid up				
	2021	2020		
Number of shares				
	100,000	100,000	<u>Ordinary shares of Rs. 10 each</u>	
1,936,400,000	1,936,400,000	1,936,400,000	Fully paid in cash	1,000
			Issued for consideration other than cash	19,364,000
	<u>1,936,500,006</u>	<u>1,936,500,006</u>		<u>19,365,000</u>
			<u>Pattern of shareholding</u>	
187,562,506	187,562,506	187,562,506	Federal Government	1,875,625
1,748,937,500	1,748,937,500	1,748,937,500	State Bank of Pakistan	17,489,375
	<u>1,936,500,006</u>	<u>1,936,500,006</u>		<u>19,365,000</u>
18. DEFICIT ON REVALUATION OF ASSETS				
Available for sale securities			<u>(142,154)</u>	<u>(8,585)</u>
19 CONTINGENCIES AND COMMITMENTS				
-Commitments	19.1	943,969	728,803	
-Other contingent liabilities	19.2	47,990	47,990	
		<u>991,959</u>	<u>776,793</u>	
19.1 Commitments				
Loans sanctioned but not disbursed		508,818	310,040	
Equity investment to be made in 'Pakistan Mortgage Refinance Company Limited		193,325	193,325	
Software being developed to replace Loan Management System		37,885	21,497	
Land to be purchased for Gwadar Housing Projects	13.1	149,725	149,725	
Other commitments		54,216	54,216	
		<u>943,969</u>	<u>728,803</u>	

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		2021	2020
		-----Rupees in '000-----	
19.2 Other contingent liabilities			
Claims not acknowledged as debt			
SMS Courier (Pvt.) Limited	19.2.1	39,890	39,890
Liaquat National Hospital	19.2.2	8,100	8,100
		<u>47,990</u>	<u>47,990</u>

19.2.1 In the year 1995, the Company entered into an agreement with SMS Courier (Pvt.) Limited (SMSCPL). Subsequently, due to unsatisfactory service, the Company terminated the agreement with SMSCPL. SMSCPL claimed indemnity against loss of Rs. 39.89 million and filed a suit for recovery from the Company which is pending for adjudication in SHC. The legal advisor of the Company is of the opinion that no economic outflow is expected in this respect.

19.2.2 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 SHC. The legal advisor of the Company is of the opinion that no economic outflow is expected in this respect.

		2021	2020
		-----Rupees in '000-----	
20. MARK-UP / RETURN / INTEREST EARNED			
a) Loans and advances			
Customers		1,567,448	2,234,008
Employees		15,064	12,962
b) Investments			
Available-for-sale		542,362	675,877
Held to maturity		337,287	419,679
c) Lendings to financial institutions			
Letter of placements		56	3,316
Repurchase agreement lending (Reverse Repo)		75,389	80,221
d) Balances with banks - deposit accounts		10,463	21,719
		<u>2,548,069</u>	<u>3,447,781</u>

21 MARK-UP / RETURN / INTEREST EXPENSED			
Borrowings		183,304	188,845
Finance lease charge		16,759	9,467
		<u>200,063</u>	<u>198,312</u>

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22. OTHER INCOME	Note	2021 -----Rupees in '000-----	2020
Refund of premium from insurance company		-	62,351
Rent on property		44,436	43,470
Gain on sale of fixed assets-net		58	163
Inspection and application fee		6,410	7,199
Early termination charge and penalty income on conventional scheme		17,611	17,004
Storage documentation		4,665	4,520
Miscellaneous income		1,885	788
		<u>75,065</u>	<u>135,495</u>
23. OPERATING EXPENSES			
Total compensation expense	23.1	1,105,486	1,328,748
Property expense			
Rent and taxes		3,126	2,558
Insurance		353	-
Utilities		19,101	13,656
Security (including guards)		7,469	8,038
Repair and maintenance (including janitorial charges)		61,049	38,436
Depreciation		15,169	15,169
Depreciation on right-of-use assets		51,364	45,164
Others		-	8,191
		<u>157,631</u>	<u>131,212</u>
Information technology expenses			
Hardware maintenance		5,057	608
Depreciation		18,663	16,256
Amortization	11.1	3,498	1,583
Network charges		16,269	9,683
		<u>43,487</u>	<u>28,130</u>
Other operating expenses			
Directors' fees and allowances		-	3,400
Legal and professional charges		46,042	34,688
Consultancy charges		8,329	9,845
Outsourced services costs		43,362	33,783
Travelling and conveyance		11,232	13,131
Depreciation		13,511	12,173
Training and development		3,302	3,145
Postage and courier charges		4,613	6,628
Communication		634	2,715
Stationery and printing		6,738	6,437
Marketing, advertisement and publicity		3,532	9,282
Commission against recovery		-	1,528
Auditors remuneration	23.2	3,900	3,500
Banking service charges		8,031	6,617
Entertainment		2,824	2,803
Vehicle expense		14,725	10,214
Subscription		765	679
Others		13,693	8,887
		<u>185,233</u>	<u>169,455</u>
		<u>1,491,837</u>	<u>1,657,545</u>

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	Note	2021 -----Rupees in '000-----	2020
23.1 Total compensation expense			
Managerial Remuneration			
i) Fixed		501,106	584,112
ii) Variable - Performance awards		29,170	27,280
Retirement and other service benefits			
- Pension		152,514	214,709
- Gratuity		2,924	2,526
- Medical and compensated absences		67,316	135,430
Contribution to EOBI		4,228	29,481
Contribution to Benevolent Fund		5,555	5,739
Rent & house maintenance		213,484	214,860
Utilities		30,520	30,429
Medical		13,582	10,653
Conveyance		82,501	71,429
Group Life Insurance		2,472	2,029
Overtime to staff		114	71
		1,105,486	1,328,748
23.2 Auditors' remuneration			
Audit fee		2,288	2,000
Half yearly review		512	512
Other certifications		1,100	988
		3,900	3,500
24. OTHER CHARGES			
Penalties imposed by SBP		1,110	30
25. PROVISIONS AND WRITE OFFS - net			
(Reversal) of provision for diminution in value of investments	8.4	(22,500)	-
(Reversal) / provision for non-performing advances	9.2	(401,139)	324,556
Reversal of provision for other receivable against advances		(2,786)	(20,601)
		(426,425)	303,955
26. RELIEF PACKAGE AND REPROCESSING CHARGES			
Reprocessing and closing adjustment		2,525	2,606
GAS incentive / adjustment		-	3,187
		2,525	5,793

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	2021	2020
	-----Rupees in '000-----	
27. TAXATION		
Current	225,783	304,723
Deferred	116,200	56,316
	<u>341,983</u>	<u>361,039</u>

Due to alternative corporate tax applicable on the Company's business at fixed rate 17%, relationship between tax expense and accounting profit for the year has not been presented.

28. EARNINGS PER SHARE - BASIC AND DILUTED

Profit for the year	986,154	1,028,599
	----- (No. of Shares) -----	
Weighted average number of ordinary shares	1,936,500,006	1,936,500,006
	-----Rupees-----	
Earnings per share - basic and diluted	0.51	0.53

		2021	2020
	Note	-----Rupees in '000-----	
29. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	5	32,465	34,880
Balance with other banks	6	28,458	130,492
		<u>60,923</u>	<u>165,372</u>

	2021	2020
	----- (Number) -----	
30. STAFF STRENGTH		
Permanent	451	486
Contractual employees	50	45
Company's own staff strength	<u>501</u>	<u>531</u>
Outsourced employees	105	49
	<u>606</u>	<u>580</u>

31. DEFINED BENEFIT PLAN

31.1 Number of employees under the schemes

The number of employees covered under the following defined benefit schemes are:

	2021	2020
	----- (Number) -----	
- Pension fund	660	671
- Post retirement medical benefits	660	671
- Employees compensated absences	336	365

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31.2 Principal actuarial assumptions

The actuarial valuations were carried out using the following significant assumptions:

	2021	2020
	Per annum	
Discount rate	12.25%	11.75%
Expected rate of return on plan assets	12.25%	11.75%
Expected rate of salary increase	12.25%	10.25%
Expected rate of increase in pension	11.25%	9.25%
Expected rate of increase in medical benefit	4.50%	2.50%
Expected rate of increase in compensated absences	12.25%	10.25%

31.3 Reconciliation of payable to defined benefit plans

	Note	2021			2020		
		Pension fund	Medical benefits	Compensated absences	Pension fund	Medical benefits	Compensated absences
		Rupees in '000					
Present value of obligations	31.4	7,195,649	753,240	315,294	6,848,990	744,821	337,971
Fair value of plan assets	31.5	(7,795,635)	-	-	(5,746,882)	-	-
(Receivable) / Payable		(599,986)	753,240	315,294	1,102,108	744,821	337,971

31.4 Movement in defined benefit obligations

Obligations at the beginning of the year	6,848,990	744,821	337,971	6,916,813	785,816	311,085
Current service cost	83,746	11,319	18,993	92,043	13,425	18,613
Interest cost	683,768	71,799	34,290	786,077	88,757	36,179
Benefits paid by the Company	(356,160)	(88,677)	(6,874)	(453,584)	(60,876)	(6,392)
Re-measurement (gain) / loss	(64,695)	13,978	(69,086)	(492,359)	(82,301)	(21,514)
Obligations at the end of the year	7,195,649	753,240	315,294	6,848,990	744,821	337,971

31.5 Movement in fair value of plan assets

Fair value at the beginning of the year	5,746,882	-	-	5,396,048	-	-
Interest income on plan assets	615,000	-	-	663,411	-	-
Benefits paid by Company	(356,160)	-	-	(453,584)	-	-
Contribution by the Company - net	856,160	-	-	953,584	-	-
Re-measurements: Net return on plan assets over interest income gain / (loss)	933,753	-	-	(812,577)	-	-
Fair value at the end of the year	7,795,635	-	-	5,746,882	-	-

31.6 Movement in payable

under defined benefit schemes

Opening balance	1,102,108	744,821	337,971	1,520,765	785,816	311,085
Charge for the year	152,514	83,118	(15,802)	214,709	102,182	33,248
Contribution by the Company - net	(500,000)	-	-	(500,000)	-	-
Re-measurement gain / (loss) recognized in OCI during the year	(998,448)	13,978	-	320,218	(82,301)	-
Benefits paid by the Company	(356,160)	(88,677)	(6,874)	(453,584)	(60,876)	(6,362)
Closing balance	(599,986)	753,240	315,295	1,102,108	744,821	337,971

31.7 Charge for defined benefit plans

31.7.1 Cost recognized in profit and loss account

Current service cost	83,746	11,319	18,993	92,043	13,425	18,613
Net interest on defined benefit asset	68,768	71,799	34,290	122,666	88,757	36,179
Losses arising on PVDBO	-	-	(69,085)	-	-	(21,544)
	152,514	83,118	(15,802)	214,709	102,182	33,248

31.7.2 Re-measurements recognized in other comprehensive income

(Gain) / loss on obligation						
- Financial assumptions	(58,910)	14,053	-	3,891	(71,337)	-
- Experience adjustment	(5,785)	(75)	-	(496,250)	(10,964)	-
Return on plan assets over interest income	(933,753)	-	-	812,577	-	-
Total re-measurements recognized in OCI	(998,448)	13,978	-	320,218	(82,301)	-

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	2021 Pension fund	2020 Pension fund
	-----Rupees in '000-----	
31.8 Components of plan assets		
Bank balances	142	3,936
Government Securities	<u>7,795,493</u>	<u>5,742,946</u>
	<u>7,795,635</u>	<u>5,746,882</u>

31.8.1 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the reporting date. Expected return on equity investments reflect long-term real rates of return experienced in the market.

31.9 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:

	2021			
	Change in assumption	Pension fund	Post retirement medical benefit	Compensated absences
	-----Rupees in '000-----			
1% increase in discount rate	1%	6,437,327	688,113	301,231
1% decrease in discount rate	1%	8,116,619	830,464	330,997
1% increase in expected rate of salary increase	1%	7,336,563	-	330,728
1% decrease in expected rate of salary increase	1%	7,067,413	-	301,207
1% increase in expected rate of pension increase	1%	7,924,326	-	-
1% decrease in expected rate of pension increase	1%	6,574,151	-	-
1% increase in expected rate of medical benefit increase	1%	-	815,750	-
1% decrease in expected rate of medical benefit increase	1%	-	698,818	-

31.10 Expected contributions to be paid to the fund in the next financial year

31.11 Expected charge for the next financial year	(33,074)	98,494	-
--	----------	--------	---

31.12 Maturity profile

The weighted average duration of the obligation is 12 years.

31.13 Risks associated with defined benefit plans

Investment The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

Longevity The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

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32. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

32.1 Total Compensation Expense

Items	2021			
	Directors		President / CEO	Key Management Personnel
	Chairman	Non-Executives		
----- Rupees in '000 -----				
Directors Fees	-	-	-	-
Managerial Remuneration				
i) Fixed	-	-	5,880	32,735
ii) Total variable of which				
a) Cash bonus / awards	-	-	-	3,310
b) Bonus and awards in shares	-	-	-	-
Rent and house maintenance	-	-	2,646	15,391
Utilities	-	-	-	3,599
Medical	-	-	-	1,565
Conveyance	-	-	-	2,182
Mobile Charges	-	-	-	166
Others	-	-	-	10,368
Total	-	-	8,526	69,316
Number of Persons	-	-	1	12

Items	2020			
	Directors		President / CEO	Key Management Personnel
	Chairman	Non-Executives		
----- Rupees in '000 -----				
Directors Fees	350	3,050	-	-
Managerial Remuneration				
i) Fixed	-	-	-	56,482
ii) Total Variable of which				
a) Cash Bonus / Awards	-	-	-	718
b) Bonus & Awards in shares	-	-	-	-
Rent & house maintenance	-	-	-	17,238
Utilities	-	-	-	4,433
Medical	-	-	-	215
Conveyance	-	-	-	1,727
Mobile Charges	-	-	-	151
Others	-	-	-	11,305
Total	350	3,050	-	92,269
Number of Persons	1	4	1	14

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32.2 Remuneration paid to Directors for participation in Board and Committee Meetings

Due to lack of minimum number of directors on the Board, no Board and Committee meeting was held in 2021.

		2020					
Sr. No.	Name of Director	Meeting Fees and Allowances Paid					Total
		For Board Meetings	For Board Committees			Credit & Ops Committee	
			Audit Committee	HR Committee			
							----- Rs. in '000' -----
1	Ali Mehdi	200	200	150		200	1,050
2	Arfa Waheed	200	200	-		200	750
3	Azhar Iqbal Kureshi	200	200	150		200	900
4	Mansur Ur Rehman Khan	200	-	150		-	350
5	Munir Ahmad	200	-	-		-	350
	Total Amount Paid	1,000	600	450		600	3,400

33. FAIR VALUE MEASUREMENTS

The fair value of traded investments other than those classified as held to maturity is based on quoted market price. Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available financial statements. Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The management is of the view that the fair values of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of customer advances are frequently repriced.

33.1 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 categorized:

	2021			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments----- Rupees in '000 -----				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	6,577,533	-	6,577,533
Listed Ordinary Shares	6,433	-	-	6,433
	6,433	6,577,533	-	6,583,966

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	2020			Total
	Level 1	Level 2	Level 3	
On balance sheet financial instruments	Rupees in '000			
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	6,734,887	-	6,734,887
Listed Ordinary Shares	7,773	-	-	7,773
	<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	Input used
Federal Government Securities	PKRV Rates

34. RELATED PARTY TRANSACTIONS

Related parties comprise of associates, directors and key management personnel of the Company. There were no transactions with the key management personnel other than those under the terms of their employment. Key management personnel includes chief executive officer, group head internal auditor, group head treasury, chief financial officer, company secretary, group head compliance and risk management, group head recovery and head of information technology. Details of transactions with the related parties other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2021	2020
	Key management personnel	Key management personnel
 Rupees in '000	
Advances		
Opening balance	58,357	50,771
Addition during the year	9,871	13,015
Repaid during the year	(16,288)	(5,462)
Transfer in / (out) - net	3,499	33
Closing balance	<u>55,439</u>	<u>58,357</u>
Income		
Mark-up/return/interest earned	<u>1,997</u>	<u>2,013</u>

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	2021	2020
	Rupees in '000	
35. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>21,425,178</u>	<u>20,906,501</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	<u>22,389,122</u>	<u>20,856,423</u>
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	<u>22,389,122</u>	<u>20,856,423</u>
Eligible Tier 2 Capital	<u>95,434</u>	<u>89,442</u>
Total Eligible Capital (Tier 1 + Tier 2)	<u>22,484,556</u>	<u>20,945,865</u>
Risk Weighted Assets (RWAs):		
Credit risk	<u>7,634,707</u>	<u>7,155,352</u>
Market risk	<u>1,218,378</u>	<u>796,176</u>
Operational risk	<u>5,829,135</u>	<u>5,682,924</u>
Total	<u>14,682,220</u>	<u>13,634,452</u>
Common Equity Tier 1 Capital Adequacy ratio	<u>152.49%</u>	<u>152.97%</u>
Tier 1 Capital Adequacy Ratio	<u>152.49%</u>	<u>152.97%</u>
Total Capital Adequacy Ratio	<u>153.14%</u>	<u>153.62%</u>

In accordance with BSD Circular No.19 dated September 05, 2008 the minimum paid up capital requirement (net of losses) of the company at December 31, 2009 and onward would be Rs. 6 billion.

Under Basel III guidelines banks / DFIs are required to maintain the following ratios on an on going basis:

S.No.	Ratio	2015	2016	2017	2018	2019	2020	2021
1	CET-1	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
2	ADT-1	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
3	TIER-1	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
4	Total Capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
5	CCB	0.25%	0.65%	1.28%	1.90%	2.50%	1.50%	1.50%
6	Total Capital Plus CCB	10.25%	10.65%	11.28%	11.90%	12.50%	11.50%	11.50%

	2021	2020
	Rupees in '000	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	<u>22,389,122</u>	<u>20,856,558</u>
Total exposures	<u>27,229,272</u>	<u>27,531,126</u>
Leverage ratio	<u>82.22%</u>	<u>75.76%</u>
Liquidity Coverage Ratio (LCR):		
Total high quality liquid assets	<u>6,589,000</u>	<u>6,769,767</u>
Total net cash outflow	<u>5,000</u>	<u>3,876</u>
Liquidity coverage ratio	<u>131780%</u>	<u>174659%</u>

2021 2020
Rupees in '000

Net Stable Funding Ratio (NSFR):

Total available stable funding	25,458,000	26,669,854
Total required stable funding	11,951,000	10,622,025
Net stable funding ratio	213%	251%

35.1 Full disclosures of Capital Adequacy Ratio, Liquidity Coverage Ratio & Net Stable Funding Ratio will be available at <http://hbfc.com.pk> under the tab of Regulatory Disclosures.

36. RISK MANAGEMENT

Financial institutions are exposed to various risks in pursuit of their business objectives. The nature and complexity of these risks has rapidly changed over time. The failure to adequately manage these risks not only results in business losses but also places hurdles in achieving strategic objectives. Consequently, a solid and vigorous risk management framework in the organization is required.

The Company's risk management policy is in line with the Risk Management Guidelines of the SBP and Basel III Accord. The risk management policy is approved by the Board of Directors.

The risk management policies and procedures cover all activities of the Company including credit evaluation, treasury and investment operations. The basic principles employed in formulation of the above policies and procedures involves identification, measurement, monitoring and controlling risks to ensure that:

- The Company's risk exposure is within the limits established by the Board of Directors.
- Risk taking decisions are in line with the business strategy and objectives of the Company.
- The expected payoffs compensate the risks taken by the Company.

Risk profile of the Company

The key risks are credit risk, liquidity risk, market risk and operational risk.

Risk Structures and Responsibilities

Organizational framework for Risk Management includes the following:

The Board of Directors is responsible for overall supervision of the risk management process. A Board Risk Management Committee has been formed to regularly review risk related activities of the company. The Board Risk Management Committee is responsible to establish and implement risk management framework of the Company. Individual risks are reviewed and controlled by various committees at management level like Assets and Liabilities Committee and Credit Committee.

Risk Management Department is responsible for coordinating and implementing all the risk management activities of the Company. It ensures that risks remain within the boundaries as defined by the Board, comply with the risk parameters and prudential limits and work out remedial measures. The core function is to identify, measure, monitor and report key risks to which company may be exposed. It works in close coordination with all the functions and business units that are involved in risk taking.

Risk Management department undertakes the following activities on regular basis utilizing the overall risk framework:

- Formulate policies and guidelines for managing all risk categories.
- Develop systems and procedures. These systems and procedures should be capable of accurate measurement of the risks to identify deviation from approved risk parameters.
- Facilitate introduction and implementation of prudent practices for risk management.
- Facilitate management in business decisions by providing analytical risk reviews.
- Communicate and liaise with other functions and business units in carrying out risk reviews, analysis and mitigation activities.

36.1 Credit Risk

Credit risk is the risk that a customer or counterparty may not settle an obligation for full value, either when due or at any time thereafter. This risk arises from the potential that a customer or counterparty's willingness to meet an obligation or its ability to meet such an obligation is impaired, resulting in an economic loss to the Company.

Housing Finance is the core function of the Company and credit risk is the major risk faced by the Company. Credit risk is incurred mainly in the following two areas of its operations: -

- In its credit operations, where it provides housing finance to retail or wholesale clients; and
- In treasury operations where credit risk is incurred with counterparties in its investments in financial markets and instruments.

Overall credit risk is monitored by Credit Committee at Head Office, which reviews and recommends improvements in credit policies and monitors portfolio behavior. To further strengthen credit risk management and credit setup, proper delegation of credit decisions at committee level with appropriate approving limits has been made.

Following measures have been applied to govern credit policy of the Company: -

- Lending process and decision is based on a full appreciation of the risks inherent in the transaction.

Management monitors credit portfolio through MIS reports.

- Stress testing for individual credits and the overall credit portfolio under adverse changes in the conditions / environment in which the borrowers operate.
- The Company has instituted an effective system for monitoring servicing of its performing credit portfolio and collection of non performing portfolio.
- The Company creates loan loss provisions against non-performing advances in accordance with Prudential Regulations issued by SBP.

Credit Risk Mitigation

It is the Company's policy to reduce or mitigate credit risk on credit facilities or exposures, by securing these with collaterals. To correctly assess the extent to which the collateral mitigates the credit risk the collateral must be valued according to a specified valuation method, documented and monitored.

In this regard following steps have been taken: -

- Outsourcing of property title verification.
- Outsourcing of borrower income verification.
- Outsourcing of property valuation.

Credit Risk is also mitigated through a set up of sub credit committee at Zonal and Regional level for credit approvals depending upon the level of risk assumed. Overall credit risk is monitored by central credit committee which reviews and recommends improvements in credit policies and monitors portfolio behavior.

To strengthen credit risk management and to fulfill SBP requirements, the company is working to develop and implement internal credit risk rating system for its entire credit portfolio.

Collateral & Security

Collateral is an important mitigate of credit risk. All the residential mortgages are collateralized. Valuation of the collateral is taken within agreed parameters. The legal mechanism by which collaterals is pledged and the company's procedures ensure that the Company has clear rights over the collaterals and may liquidate, retain or take legal possession of it in a timely manner in the event of default.

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Insurance Cover

- Every borrower and guarantor is insured for life and disability for repayment of the balance amount of the loans.
- Every property taken as collateral is insured.

Credit Concentration Risk

Concentration of credit risk is the risk related to the degree of diversification in the credit portfolio, i.e. the risk inherent in doing business with large customers or not being equally exposed across borrower types and geographical regions. The concentration risk can arise in loan book as well as investment book.

36.1.1 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2021	2020	2021	2020	2021	2020
	----- Rupees in '000 -----					
Public / Government	780,000	1,450,000	-	-	-	-
Private	55,683	55,683	55,683	55,683	(55,683)	(55,683)
	835,683	1,505,683	55,683	55,683	(55,683)	(55,683)

36.1.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2021	2020	2021	2020	2021	2020
	----- Rupees in '000 -----					
Construction	26,240	26,240	26,240	26,240	(26,240)	(26,240)

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2021	2020	2021	2020	2021	2020
	----- Rupees in '000 -----					
Public / Government	6,577,533	6,734,887	-	-	-	-
Private	26,240	26,240	26,240	26,240	(26,240)	(26,240)
	6,761,127	6,761,127	26,240	26,240	(26,240)	(26,240)

36.1.3 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2021	2020	2021	2020	2021	2020
	----- Rs in '000 -----					
Others	16,875,828	15,005,507	3,477,747	4,055,503	3,201,604	3,578,696

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Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2021	2020	2021	2020	2021	2020
	----- Rupees in '000 -----					
Public/ Government	5,826	5,826	4,968	-	4,968	-
Private	16,870,002	14,999,681	3,472,779	4,055,503	3,196,636	3,578,696
	16,875,828	15,005,507	3,477,747	4,055,503	3,201,604	3,578,696

36.1.4 Contingencies and Commitments

Credit risk by industry sector

	2021	2020
	Rupees in '000	
Individuals	508,818	310,040
Others	483,141	466,753
	991,959	776,793

36.1.5 Advances - Province/Region-wise Disbursement & Utilization

Province/Region	2021						
	Disbursement	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	----- Rupees in '000 -----						
Punjab	1,977,460	1,977,460	-	-	-	-	-
Sindh	934,870	-	934,870	-	-	-	-
KPK including FATA	810,296	-	-	810,296	-	-	-
Balochistan	27,230	-	-	-	27,230	-	-
Islamabad	221,943	-	-	-	-	221,943	-
AJK including Gilgit-Baltistan	321,873	-	-	-	-	-	321,873
Total	4,293,672	1,977,460	934,870	810,296	27,230	221,943	321,873

Province/Region	2020						
	Disbursement	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	----- Rupees in '000 -----						
Punjab	824,250	824,250	-	-	-	-	-
Sindh	429,670	-	429,670	-	-	-	-
KPK including FATA	329,787	-	-	329,787	-	-	-
Balochistan	13,310	-	-	-	13,310	-	-
Islamabad	106,129	-	-	-	-	106,129	-
AJK including Gilgit-Baltistan	107,830	-	-	-	-	-	107,830
Total	1,810,976	824,250	429,670	329,787	13,310	106,129	107,830

Effective Yield/ Interest rate	Total	2020									Non-interest bearing financial instruments	
		Exposed to Yield/ Interest risk										
		Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
Rupees in '000												
On-balance sheet financial Instruments												
Assets												
Cash and balances with treasury banks	34,880	34,880	-	-	-	-	-	-	-	-	-	
Balances with other banks	5.50%-11.25%	130,492	130,492	-	-	-	-	-	-	-	-	
Lending to financial institutions	5.50%-12.00%	1,450,000	1,450,000	-	-	-	-	-	-	-	-	
Investments		10,414,228	260,435	3,111,812	2,939,498	3,425,237	-	183,047	-	494,200	-	
Advances	6.33%-14.24%	11,177,470	201,369	168,799	111,473	406,125	741,136	718,408	1,394,904	4,376,485	3,058,770	
Deferred tax		1,761,435	-	-	-	-	-	-	-	-	1,761,435	
Other assets		1,400,694	-	-	-	-	-	-	-	-	1,400,694	
		26,369,199	2,077,175	3,280,611	3,050,971	3,831,362	741,136	901,455	1,394,904	4,870,685	3,058,770	
Liabilities												
Bills payable		-	-	-	-	-	-	-	-	-	-	
Borrowings	6.0% - 8.15%	2,959,973	-	14,853	15,100	256,165	454,739	364,964	227,842	1,065,430	560,879	
Deposits and other accounts		-	-	-	-	-	-	-	-	-	-	
Liabilities against assets subject to finance lease		114,474	3,202	6,404	6,404	12,745	29,014	29,014	27,693	-	-	
Subordinated debt		-	-	-	-	-	-	-	-	-	-	
Other liabilities		2,829,960	-	-	-	-	-	-	-	-	2,829,960	
		5,904,407	3,202	21,256	21,504	268,909	483,753	393,978	255,535	1,065,430	560,879	
On-balance sheet gap		20,464,792	2,073,973	3,259,354	3,029,468	3,562,453	257,383	507,477	1,139,369	3,805,255	2,497,891	332,169
Off-balance sheet financial Instruments												
Commitments in respect of:												
- forward government securities transactions		-	-	-	-	-	-	-	-	-	-	
- forward lending		-	-	-	-	-	-	-	-	-	-	
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	
Total Yield/Interest Risk Sensitivity Gap		2,073,973	3,259,354	3,029,468	3,562,453	257,383	507,477	1,139,369	3,805,255	2,497,891	332,169	
Cumulative Yield/Interest Risk Sensitivity Gap		2,073,973	5,333,327	8,362,795	11,925,248	12,182,631	12,690,108	13,829,477	17,634,732	20,132,622	20,464,792	

HOUSE BUILDING FINANCE COMPANY LIMITED
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	Effective Yield/ Interest rate	Total	2020								Non-interest bearing financial instruments	
			Exposed to Yield/ Interest risk									
			Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years		Above 10 Years
Rupees in '000												
On-balance sheet financial Instruments												
Assets												
Cash and balances with treasury banks		34,880	34,880	-	-	-	-	-	-	-	-	-
Balances with other banks	5.50%-11.25%	130,492	130,492	-	-	-	-	-	-	-	-	-
Lending to financial institutions	5.50%-12.00%	1,450,000	1,450,000	-	-	-	-	-	-	-	-	-
Investments		10,414,228	260,435	3,111,812	2,939,498	3,425,237	741,136	183,047	1,394,904	494,200	4,376,485	3,058,770
Advances	6.33%-14.24%	11,177,470	201,369	168,799	111,473	406,125	741,136	718,408	-	-	-	-
Deferred tax		1,761,435	-	-	-	-	-	-	-	-	-	1,761,435
Other assets		1,400,694	-	-	-	-	-	-	-	-	-	1,400,694
		26,369,199	2,077,175	3,280,611	3,050,971	3,831,362	741,136	901,455	1,394,904	4,870,685	3,058,770	3,162,129
Liabilities												
Bills payable		-	-	-	-	-	-	-	-	-	-	-
Borrowings	6.0% - 8.15%	2,959,973	-	14,853	15,100	256,165	454,739	364,964	227,842	1,065,430	560,879	-
Deposits and other accounts		-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease		114,474	3,202	6,404	6,404	12,745	29,014	29,014	27,693	-	-	-
Subordinated debt		-	-	-	-	-	-	-	-	-	-	2,829,960
Other liabilities		2,829,960	-	-	-	-	-	-	-	-	-	-
		5,904,407	3,202	21,256	21,504	268,909	483,753	393,978	255,535	1,065,430	560,879	2,829,960
On-balance sheet gap		20,464,792	2,073,973	3,259,354	3,029,468	3,562,453	257,383	507,477	1,139,369	3,805,255	2,497,891	332,169
Off-balance sheet financial Instruments												
Commitments in respect of:												
- forward government securities transactions		-	-	-	-	-	-	-	-	-	-	-
- forward lending		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap			2,073,973	3,259,354	3,029,468	3,562,453	257,383	507,477	1,139,369	3,805,255	2,497,891	332,169
Cumulative Yield/Interest Risk Sensitivity Gap			2,073,973	5,333,327	8,362,795	11,925,248	12,182,631	12,690,108	13,829,477	17,634,732	20,132,622	20,464,792

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

Reconciliation of Assets and Liabilities exposed to Yield/Interest Rate Risk with Total Assets and Liabilities

	December 31, 2021 ----- (Rupees in '000) -----	December 31, 2020 -----
Total financial assets	25,829,871	26,369,199
Operating fixed assets and intangibles assets	455,432	433,124
Total assets	26,285,303	26,802,323
Total financial liabilities	3,835,788	5,904,407

Yield Risk is the risk of decline in earnings due to adverse movement of the yield curve. Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

36.3 Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events

The Company has strengthened its risk management framework by developing policies, guidelines and manuals. Operational and other risk assessment tool e.g. Risk Control and Self Assessment (RCSA) is being effectively used to assess, mitigate and monitor possible risk that may arise in any of the Company's financial product or department. Operational Loss Database (OLD) records all the internal / external potential operational losses which helps the management understand the causes and impact of these risks.

36.4 Liquidity Risk

Liquidity risk is the risk caused, among others by the inability of the Company to settle liabilities at due date. Objectives of our liquidity management is to ensure that the Company is able to honor all its financial commitments on an ongoing basis without (i) effecting the Company's cost of funds (ii) adversely effecting ability to raise funds and (iii) resorting to sale of assets.

The Company has Asset and Liability Committee (ALCO), Treasury, Finance Division and Risk Management Department each of them plays their role in management of liquidity risk.

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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37 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Company

Total	2021									
	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
Rupees in '000										
Assets										
Cash and balances with treasury banks	32,465	32,465	-	-	-	-	-	-	-	
Balances with other banks	28,458	28,458	-	-	-	-	-	-	-	
Lending to financial	780,000	780,000	-	-	-	-	-	-	-	
Investments	8,820,213	680,603	2,005,763	-	4,065,230	1,508,682	-	496,650	63,286	
Advances	13,448,929	527,423	569,883	1,067,352	1,037,655	2,068,503	3,946,000	3,822,104	164,024	
Fixed assets	395,039	18,965	21,760	22,730	72,420	25,850	60,980	81,300	60,671	
Intangible assets	60,393	1,881	2,031	2,539	2,539	43,025	8,378	-	-	
Deferred tax assets	1,405,090	-	-	-	348,033	348,033	348,033	-	-	
Other assets	1,314,716	1,002,198	32,666	59,482	140,288	80,083	-	320,694	-	
Total	26,285,303	3,071,992	2,632,104	1,152,103	1,600,936	6,630,724	5,872,073	4,224,098	721,345	339,631
Liabilities										
Bills payable	-	-	-	-	-	-	-	-	-	
Borrowings	2,676,237	117,980	17,648	140,500	296,878	365,764	104,403	271,312	1,265,524	
Deposits and other accounts	-	-	-	-	-	-	-	-	-	
Liabilities against assets	140,480	7,024	7,024	7,024	35,120	21,072	21,072	42,144	-	
Subordinated debt	-	-	-	-	-	-	-	-	-	
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	
Other liabilities	1,019,071	206,929	56,980	79,970	109,662	117,957	111,893	111,893	111,893	
Total	3,835,788	331,933	81,652	227,494	441,661	504,793	237,368	425,349	1,377,417	208,122
Net assets	22,449,515	2,740,059	2,550,452	924,610	1,159,275	6,125,931	5,634,705	3,798,749	(656,072)	131,509
Share capital	19,365,000									
Reserves	2,202,333									
Accumulated loss	1,024,336									
Deficit on revaluation of assets	(142,154)									
Total	22,449,514									

Total	2020									
	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
Rupees in '000										
Assets										
Cash and balances with treasury banks	34,880	34,880	-	-	-	-	-	-	-	
Balances with other banks	130,492	130,492	-	-	-	-	-	-	-	
Lending to financial	1,450,000	1,450,000	-	-	-	-	-	-	-	
Investments	10,414,228	260,435	3,111,812	2,939,498	3,425,237	718,408	1,394,904	4,376,485	3,058,770	
Advances	11,177,470	201,369	168,799	111,473	406,125	43,306	35,627	117,750	99,741	
Intangible assets	391,630	18,713	6,179	9,314	18,906	4,588	12,476	10,568	4,460	
Operating Fixed assets	41,494	1,983	655	987	2,003	3,775	-	-	-	
Deferred tax assets	1,761,435	1,761,435	-	-	-	-	-	-	-	
Other assets	1,400,694	5,508	1,073,730	13,791	27,581	140,042	140,042	-	-	
Total	26,802,323	3,864,814	4,361,175	3,075,063	3,879,853	929,072	1,080,898	1,525,130	4,980,994	3,105,324
Liabilities										
Bills payable	-	-	-	-	-	-	-	-	-	
Borrowings	2,959,973	-	14,853	15,100	256,165	454,739	364,964	227,842	1,065,430	
Deposits and other accounts	-	-	-	-	-	-	-	-	-	
Liabilities against assets	114,474	3,202	6,404	6,404	12,745	29,014	29,014	27,693	-	
subject to finance lease	-	-	-	-	-	-	-	-	-	
Subordinated debt	-	-	-	-	-	-	-	-	-	
Deferred tax liabilities	2,829,960	55,695	76,733	80,227	74,858	177,517	131,246	251,147	1,747,919	
Other liabilities	5,904,407	58,897	97,990	101,731	343,767	661,270	525,224	506,682	1,300,047	
Total	20,897,916	3,805,917	4,263,185	2,973,332	3,536,085	267,802	555,675	1,018,448	3,680,947	796,526
Share capital	19,365,000									
Reserves	2,005,103									
Accumulated loss	(8,585)									
Surplus on revaluation of assets	(463,601)									
Total	20,897,916									

Information relating to above disclosure is not available through system, therefore is based on management best estimate.

HOUSE BUILDING FINANCE COMPANY LIMITED
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38 CORRESPONDING FIGURES

Certain prior period figures have been reclassified for the purpose of better presentation.

39 DATE OF AUTHORIZATION

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

40 GENERAL

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

GTA



President /
Chief Executive



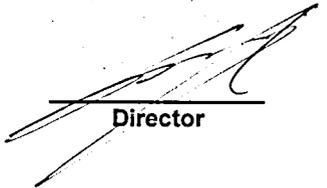
Chief Financial
Officer



Director



Director



Director