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

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 2022 and profit and loss account, the statement of other 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 31 December 2022 and of the profit, other comprehensive income, 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.

Emphasis of Matter

We draw attention to note 5 to these financial statements, which states that during the year, the Company has restated certain prior period figures. Our opinion is not modified in respect of this matter.

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.

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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.

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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 other 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.**

Grant Thornton Anjum Rahman

Chartered Accountants
Karachi.
Date:07 March 2023
UDIN: AR2022100937WfGzgv0x

HOUSE BUILDING FINANCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note	2022	Restated 2021	Restated 2020
		-----------Rupees in '000	-------------	
ASSETS				
Cash and balances with treasury banks	6	15,005	32,465	34,880
Balances with other banks	7	3,842	28,458	130,492
Lendings to financial institutions	8	-	780,000	1,450,000
Investments	9	18,008,675	8,820,213	10,414,228
Advances	10	16,106,390	13,448,929	11,177,470
Fixed assets	11	630,254	395,039	391,630
Intangible assets	12	61,768	60,393	41,494
Deferred tax assets	13	1,389,432	1,405,091	1,761,435
Other assets	14	1,090,779	651,825	784,208
		37,306,145	25,622,413	26,185,837
LIABILITIES				
Bills payable		-	-	-
Borrowings	15	12,833,929	2,676,237	2,959,973
Deposits and other accounts		-	-	-
Liabilities against assets subject to finance lease	16	388,967	140,480	114,474
Subordinated debt		-	-	-
Deferred tax liabilities		-	-	-
Other liabilities	17	978,353	1,019,071	2,829,960
		14,201,249	3,835,788	5,904,407
NET ASSETS		23,104,896	21,786,625	20,281,430
REPRESENTED BY				
Share capital	18	19,365,000	19,365,000	19,365,000
Reserves		2,365,417	2,069,755	1,881,805
Deficit on revaluation of assets	19	(199,862)	(141,814)	(8,585)
Accumulated profit / (loss)		1,574,341	493,684	(956,790)
		23,104,896	21,786,625	20,281,430
CONTINGENCIES AND COMMITMENTS	20			

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The annexed notes 1 to 41 and Annexure I form an integral part of these financial statements.

President / Chief Executive	Chief Financial Officer	Director	Director	Director

HOUSE BUILDING FINANCE COMPANY LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022	Restated 2021
		--------Rupees in '000--------	
Mark-up / return / interest earned	21	**3,881,750**	2,501,664
Mark-up / return / interest expensed	22	**(688,423)**	(200,063)
Net mark-up / return / interest income		**3,193,327**	2,301,601
Non mark-up / interest income			
Fee and commission income		**-**	-
Dividend income		**797**	1,217
Foreign exchange income		**-**	-
Income / (loss) from derivatives		**-**	-
Gain / (loss) on securities		**101**	-
Other income	23	**87,706**	75,065
Total non-markup / interest income		**88,604**	76,282
TOTAL INCOME		**3,281,931**	2,377,883
Non mark-up / interest expenses			
Operating expenses	24	**(1,593,906)**	(1,491,837)
Sindh Workers' Welfare Fund		**(38,947)**	(27,104)
Other charges	25	**(3,045)**	(1,110)
Total non-markup / interest expenses		**(1,635,898)**	(1,520,051)
PROFIT BEFORE PROVISIONS		**1,646,033**	857,832
Provisions and write offs - net	26	**276,720**	426,425
Relief package and reprocessing charges	27	**(14,348)**	(2,525)
PROFIT BEFORE TAXATION		**1,908,405**	1,281,732
Taxation	28	**(430,095)**	(341,983)
PROFIT AFTER TAXATION		**1,478,310**	939,749
		-----------Rupees-----------	
Earnings per share - basic and diluted	29	**0.76**	0.49

The annexed notes 1 to 41 and Annexure I form an integral part of these financial statements.

President / Chief Executive | Chief Financial Officer | Director | Director | Director

HOUSE BUILDING FINANCE COMPANY LIMITED
STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	Restated 2021
	------------Rupees in '000------------	
Profit after taxation	**1,478,310**	939,749
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Deficit on revaluation of investments - net of tax	**(58,048)**	(133,229)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement (loss) / gain on defined benefit obligations - net of tax	**(101,991)**	698,675
Total other comprehensive income for the year	**1,318,271**	1,505,195

The annexed notes 1 to 41 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
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	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)	(1,048,563)	20,108,063
Profit after taxation - Restated	-	-	-	412,113	412,113
Other comprehensive loss	-	-	(829)	(237,917)	(238,746)
Transfer to statutory reserve	-	82,423	-	(82,423)	-
Balance as at 31 December 2020 - Restated	19,365,000	1,881,805	(8,585)	(956,790)	20,281,430
Profit after taxation - Restated	-	-	-	939,749	939,749
Other comprehensive (loss) / income	-	-	(133,229)	698,675	565,446
Transfer to statutory reserve	-	187,950	-	(187,950)	-
Balance as at 31 December 2021 - Restated	19,365,000	2,069,755	(141,814)	493,684	21,786,624
Profit after taxation	-	-	-	**1,478,310**	1,478,310
Other comprehensive loss	-	-	**(58,048)**	**(101,991)**	(160,038)
Transfer to statutory reserve	-	**295,662**	-	**(295,662)**	-
Balance as at 31 December 2022	**19,365,000**	**2,365,417**	**(199,862)**	**1,574,341**	**23,104,896**

The annexed notes 1 to 41 and Annexure I form an integral part of these financial statements.

President / Chief Executive | Chief Financial Officer | Director | Director | Director

HOUSE BUILDING FINANCE COMPANY LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	-------Rupees in '000------	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	**1,908,405**	1,328,137
Dividend income	**(797)**	(1,217)
	1,907,608	1,326,920
Adjustments for non-cash items		
Depreciation	**101,762**	98,707
Amortization	**4,897**	3,498
Provisions and write offs	**(276,720)**	401,139
Gain on sale of fixed assets	**(866)**	(58)
Provision for Sindh Workers Welfare Fund	**38,947**	27,104
Charge for defined benefit plan	**63,458**	222,754
Impairment loss on capital work in progress	**12,860**	-
Mark-up / return / interest expense	**688,423**	200,063
	632,761	953,207
	2,540,369	2,280,127
(Increase) / decrease in operating assets		
Lendings to financial institutions	**780,000**	670,000
Advances	**(2,377,579)**	(1,870,321)
Other assets (excluding advance taxation)	**(468,131)**	61,525
	(2,065,710)	(1,138,796)
Decrease in operating liabilities		
Other liabilities (excluding current taxation)	**(312,607)**	(1,162,589)
Contribution to defined benefit plan	**(563,674)**	(856,160)
Income tax paid	**(295,252)**	(201,330)
Net cash used in from operating activities	**(696,874)**	(1,078,748)
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments	**(9,286,281)**	1,438,059
Dividends received	**797**	1,217
Additions to operating fixed assets	**(65,361)**	(129,213)
Payment of liabilities against right-of-use assets	**(153,444)**	(54,403)
Proceeds from sale of fixed assets	**1,394**	4,758
Net cash (used in) / generated from investing activities	**(9,502,896)**	1,260,418
CASH FLOW FROM FINANCING ACTIVITY		
Borrowings from financial institutions	**10,157,692**	(286,118)
DECREASE IN CASH AND CASH EQUIVALENTS	**(42,077)**	(104,448)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**60,924**	165,372
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**18,847**	60,924

The annexed notes 1 to 41 and Annexure I form an integral part of these financial statements.

President / Chief Executive	Chief Financial Officer	Director	Director	Director

1. STATUS AND NATURE OF BUSINESS

House Building Finance Company Limited (the Company) is an unlisted public limited company incorporated in Pakistan on 13 June 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 25 July 2007 issued by Finance Division - Government of Pakistan (GoP) effective from 1 January 2007, the Company took over all assets, running business, contracts, liabilities and proceedings of the House Building Finance Corporation established in 1952 under the House Building Finance Corporation Act, 1952 (XVIII of 1952) by the GoP from closing of the business on 31 December 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 and 3 regional offices throughout Pakistan including Azad Jammu & Kashmir and Gilgit Baltistan. According to credit rating report dated 30 June 2022 of VIS Credit Rating Company Limited, the long term and short term ratings of the Company are "A" and "A-1" respectively.

Presently, the Company is on active privatisation list in the current privatisation program of the GoP. Invitation for expression of interest was published by the Privatisation Commission, Ministery of Privatisation on 26 December 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 26 August 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 28 April 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.

2.2 New standards, interpretations and amendments to approved accounting standards

2.2.1 Standards effective during the year

There are certain new standards and amendments that are mandatory for the Company's accounting period beginning on 1 January 2022, 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

There are certain new standards and amendments to the approved accounting standards that will be mandatory for the Company's accounting periods beginning on / after 1 January 2023. However, the Company expects that these standards will not have any material impact on the future financial statements of the Company except for the impact stated below:

IFRS 9 'Financial Instruments'

As per SBP's BPRD Circular no 3 of 2022, IFRS 9 will become applicable for the Company effective from periods beginning on or after 1 January 2023. In this respect, the management has prepared various models required under IFRS 9 and the estimated impact on the equity and regulatory capital has been disclosed below. Further, the Company will implement changes in classification of certain financial instruments as follows:

a) Classification and measurement

The classification and measurement of debt financial assets will depend on how these are managed and their contractual cash flow characteristics. The Company's business model in which financial assets are held will determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVTPL'). The classification of equity instruments is generally measured as FVTPL unless the Company elects for FVTOCI at initial recognition. The Company has analyzed the impact of initial application of IFRS 9 on its financial assets as follows:

Equity securities

For equity shares currently held as available-for-sale (AFS) with gains and losses recorded in OCI, the Company will apply the option to present fair value changes in OCI, and, therefore, the application of IFRS 9 will not have a significant impact on adoption. However, in accordance with IFRS 9 requirements, fair value gain or losses recognized in OCI will not be recycled to profit and loss account on derecognition of these securities.

For those equity shares currently held as AFS with gains and losses recorded in OCI for which FVOCI election is not made, will, instead, be measured at FVTPL, which will increase volatility in recorded profit or loss for future periods. The revaluation surplus / deficit related to those securities in amount, which is currently presented as accumulated OCI, will be reclassified to retained earnings however, there will be no impact on overall equity with respect to such classification. Unquoted equity securities are required to be measure at fair value under IFRS 9, however, SBP has postponed this requirement for Companys till one year to carry these investments under the current PR regime.

Debt securities, loans and advances

Debt securities currently classified as AFS are expected to be measured at fair value through OCI under IFRS 9 as the Company's business model is to hold the assets to collect contractual cash flows, but also to sell these investments. Debt securities currently classified as HTM and are expected to be measured at amortized cost under IFRS 9 as the Company's business model is to hold the assets to collect contractual cash flows.

Impairment

The impairment requirements apply to financial assets measured at amortised cost and FVOCI (other than equity instruments) and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months . In the event of a significant increase in credit risk, an allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument .

Based on the requirement of IFRS 9 and SBP's IFRS 9 application instructions, the Company has performed an ECL assessment taking into account the key elements such as assessment of Significant Increase in Credit Risk (SICR), Probability of Default, Loss Given Default and Exposure at Default. Under the SBP's instructions, credit exposure (in local currency) guaranteed by the Government and Government Securities are exempted from the application of ECL.

b) Presentation and disclosure

IFRS 9 introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of Company's disclosure about its financial instruments particularly in the year of adoption of the IFRS 9. The SBP has issued a revised format for financial statements of the Companys for the accounting periods starting from 1 January 2023, which includes the presentation and disclosures under IFRS 9 as applicable in Pakistan.

c) Impact of adoption of IFRS 9

The actual impact of adopting IFRS 9 on the Company's financial statements in the year 2023 may not be accurately estimated because it will be dependent on the financial instruments that the Company would hold during next year and economic conditions at that time as well as accounting elections and judgements that it will make in future. Nevertheless, the Company has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its statement of financial position as at 31 December 2022.

Classification and measurement

Based on the Company's assessment, the IFRS 9 requirements are expected to have the following impact on the classification and measurement of its financial assets and financial liabilities:

- Debt instruments (amount of Rs. 15,753 million will be reclassified from AFS to FVOCI)
- Equity instruments (amount of Rs. 65 million will be reclassified from AFS to FVTPL)

Impairment

The total estimated adjustment of the adoption of IFRS 9 on the opening balance of the Company's equity at 01 January 2023 will be as follows:

- A decrease of approximately Rs. 775 million related to impairment requirements
- An increase of approximately Rs. 256 million related to deferred tax

d) Impact on regulatory capital

The impact of adoption of IFRS 9 on the capital ratios of the Company will be as follows:

	As per adopted IFRS 9	As per current Regime
	-------- %	-------
Common Equity Tier 1 Capital Adequacy Ratio	138.06	136.39
Tier 1 Capital Adequacy Ratio	138.06	136.39
Total Capital Adequacy Ratio	138.64	137.00

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 9)
ii) classification and provisioning against advances (note 10)
iii) provision for current / deferred taxation (note 28 and 13)
iv) accounting for defined benefit plans (note 32)
v) valuation of right-of-use assets and their related lease liabilty (note 11.2 and 16)

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 Companys.

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 31 December 2022. 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	**Entitlement**
- for hospitalization	One gross pension
- for consultation / pathological test	One gross pension
- for cost of medicine	One gross pension
Clerical staff	
- for hospitalization	One gross pension
- for consultation / pathological test	One gross pension
- for cost of medicine	Two gross pension
Non-clerical staff	
- for hospitalization	One and half gross pension
- for consultation / pathological test	One and half gross pension
- for cost of medicine	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 31 December 2022.

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 31 December 2022.

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.

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.

5 RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS

During the year ended 31 December 2020, the Company migrated to a new loan system "Auto LMS". However, during the process of migration, the utility to suspend outstanding markup did not function properly which resulted in an overstatement of other assets by Rs. 616.486 million. The balance was carried forward in the subsequent year thereby increasing the other assets by further Rs. 46.404 million as of 31 December 2021. Accordingly, the management has adjusted the current period financial statements to incorporate the restatement amounting to Rs 662.891 million.

The effect of restatement is as follows:

Impact on statement of financial position As at 31 December 2020	**As previously reported**	**Adjustments**	**As restated**
		------Rupees in '000-----	
Income / mark-up accrued in advances	687,459	(616,486)	70,972
Accumulated loss	(463,601)	(493,189)	(956,790)
Statutory reserves	2,005,102	(123,297)	1,881,805

Impact on statement of financial position As at 31 December 2021	**As previously reported**	**Adjustments**	**As restated**
		------Rupees in '000-----	
Income/ mark-up accrued in advances	730,102	(662,891)	67,211
Accumulated profit / (loss)	1,024,336	(530,652)	493,684
Statutory reserves	2,202,333	(132,578)	2,069,755

Impact on profit and loss account for the year ended 31 December 2021	**As previously reported**	**Adjustments**	**As restated**
		------Rupees in '000-----	
Mark-up / return / interest earned	2,548,069	(46,405)	2,501,664

6 CASH AND BALANCES WITH TREASURY BANKS

	Note	**2022**	2021
		------Rupees in '000-----	
With State Bank of Pakistan in Local currency current account	6.1	**14,951**	32,403
With National Bank of Pakistan in Local currency deposit account	6.2	**54**	62
		15,005	32,465

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

6.2 These carry mark-up at rates ranging from 8.25% to 14.50% (2021: 5.50% to 7.25%) per annum.

	Note	2022	2021
		------Rupees in '000-----	
7 BALANCES WITH OTHER BANKS			
In Pakistan			
In deposit accounts	7.1	**3,842**	28,458

7.1 These carry mark-up at rates ranging from 8.25% to 14.51% (2021: 5.50% to 8.00%) per annum.

	Note	2022	2021
		------Rupees in '000-----	
8 LENDINGS TO FINANCIAL INSTITUTIONS			
Letters of placement	8.1	**55,683**	55,683
Repurchase agreement lendings (Reverse Repo)		**-**	780,000
		55,683	835,683
Less: Provision held against lending to finacial institutions	8.1 & 8.2	**(55,683)**	(55,683)
		-	780,000

	Note	2022	2021
8.1 Letters of placement			
In local currency			
Trust Investment Bank Limited (TIBL)	8.1.1	**5,909**	5,909
First Dawood Investment Bank Limited (FDIBL)	8.1.2	**49,774**	49,774
		55,683	55,683

8.1.1 This represents clean placement made on 17 November 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 15 February 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 12 October 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.

8.1.2 This represents clean placement made on 12 September 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 20 March 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 03 August 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.

8.2 Category of classification

	2022		2021	
	Classified Lending	Provision held	Classified Lending	Provision held
	Rupees in '000			
Domestic				
Loss	55,683	55,683	55,683	55,683

9 INVESTMENTS

9.1 Investments by type:

	Note	2022 Cost / Amortised cost	2022 Provision for diminution	2022 Deficit	2022 Carrying Value	2021 Cost / Amortised cost	2021 Provision for diminution	2021 Deficit	2021 Carrying Value
		Rupees in '000							
Available-for-sale securities									
Market Treasury Bills	9.1.2	1,491,837	-	943	1,492,780	2,690,215	-	(10,282)	2,679,933
Pakistan Investment Bonds	9.1.3	14,541,634	-	(281,412)	14,260,222	4,071,528	-	(173,928)	3,897,600
Unlisted Ordinary Shares	9.1.4	63,785	(3,664)	-	60,120	63,785	(500)	-	63,285
Listed Ordinary Shares	9.1.5	9,603	-	(4,730)	4,873	9,603	-	(3,170)	6,433
		16,106,859	(3,664)	(285,199)	15,817,995	6,835,131	(500)	(187,381)	6,647,251
Held-to-maturity securities									
Pakistan Investment Bonds	9.1.3	2,190,680	-	-	2,190,680	2,172,962	-	-	2,172,962
Unlisted Sukuk Bonds	9.1.6	26,240	(26,240)	-	-	26,240	(26,240)	-	-
Certificate of Investments	9.1.7	22,500	(22,500)	-	-	22,500	(22,500)	-	-
		2,239,420	(48,740)	-	2,190,680	2,221,702	(48,740)	-	2,172,962
Total Investments		18,346,279	(52,404)	(285,199)	18,008,675	9,056,833	(49,240)	(187,381)	8,820,213

9.2 Investments by segments:

	Note	2022 Cost/ Amortised cost	2022 Provision for diminution	2022 Deficit	2022 Carrying Value	2021 Cost /Amortised cost	2021 Provision for diminution	2021 Deficit	2021 Carrying Value
		Rupees in '000							
Federal government securities									
Market Treasury Bills	9.1.2	1,491,837	-	943	1,492,780	2,690,215	-	(10,282)	2,679,933
Pakistan Investment Bonds	9.1.3	16,732,314	-	(281,412)	16,450,902	6,244,490	-	(173,928)	6,070,562
		18,224,151	-	(280,469)	17,943,682	8,934,705	-	(184,210)	8,750,495
Fully paid-up ordinary shares:									
Listed companies	9.1.5	9,603	-	(4,730)	4,873	9,603	-	(3,170)	6,433
Unlisted companies	9.1.4	63,785	(3,664)	-	60,120	63,785	(500)	-	63,285
		73,388	(3,664)	(4,730)	64,993	73,388	(500)	(3,170)	69,718
Term Finance Certificates, Debentures, Bonds & Participation Term Certificates									
Unlisted Sukuk Bonds	9.1.6	26,240	(26,240)	-	-	26,240	(26,240)	-	-
Certificate of Investments	9.1.7	22,500	(22,500)	-	-	22,500	(22,500)	-	-
		48,740	(48,740)	-	-	48,740	(48,740)	-	-
Total Investments		18,346,279	(52,404)	(285,199)	18,008,675	9,056,833	(49,240)	(187,380)	8,820,213

9.1.1 Investments given as collateral

No investments given as collateral at 31 December 2022 and 31 December 2021.

9.1.2 These carry yield at rates ranging from 7.42% to 16.70% (2021: 7.09% to 7.59%) per annum.

9.1.3 These carry mark-up (coupon rate) at rates ranging from 8.60% to 16.49% (2021: 8.60% to 12.45%) per annum.

9.1.4 Unlisted ordinary shares

	Note	2022	2021
		------Rupees in '000-----	
Resource and Engineering Management Corporation Limited		**500**	500
Pakistan Mortgage Refinance Company Limited		**6,675**	6,675
Salaam Takaful Limited		**56,610**	56,610
	9.3	**63,785**	63,785

9.1.5 This respresents investment in 41,951 shares of Rs.10 each in MCB Bank Limited.

9.1.6 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.

9.1.7 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.

9.3 Quality of available for sale securities

	Note	2022	2021
		Cost	
		---------Rupees in '000--------	
Federal government Securities - (Government guaranteed)			
- Market Treasury Bills	9.1.2	**1,491,837**	2,690,215
- Pakistan Investment Bonds	9.1.3	**14,541,634**	4,071,528
		16,033,471	6,761,744
Shares			
Listed companies			
Banking		**9,603**	9,603

Unlisted Companies	Note	2022 Cost	2022 Breakup value *	2021 Cost	2021 Breakup value
		--------------------Rupees in '000		------------------------	
Resource and Engineering Management Corporation Limited		**500**	**-**	500	-
Pakistan Mortgage Refinance Company Limited		**6,675**	**9,039**	6,675	11,201
Salaam Takaful Limited		**56,610**	**53,446**	56,610	52,696
	9.1.4	**63,785**	**62,485**	63,785	63,897

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

	Note	2022	2021
		---------Rupees in '000--------	
9.4 Particulars relating to Held to Maturity securities are as follows:			
Federal government securities - Government guaranteed			
- Pakistan Investment Bonds	9.1.3	**2,190,680**	2,172,962
Non government Debt Securities			
Unlisted			
- Sukuk Bonds	9.1.6	**26,240**	26,240
- Certificate of Investment	9.1.7	**22,500**	22,500
		48,740	48,740

10 ADVANCES

	Note	Performing 2022	Performing 2021	Non Performing 2022	Non Performing 2021	Total 2022	Total 2021
		Rupees in '000					
In Pakistan - local currency							
Rental Sharing Schemes	10.1	-	6,082	1,126,565	1,185,566	1,126,565	1,191,648
Interest Bearing Schemes	10.2	-	-	95,251	99,971	95,251	99,971
Ghar Aasan Scheme	10.3	316,313	417,425	742,133	838,287	1,058,446	1,255,712
Shandar Ghar Scheme	10.4	-	-	69,382	81,172	69,382	81,172
Financing facility for Small Builders	10.5	858	858	4,968	4,968	5,826	5,826
Ghar Aasan Flexi Scheme	10.6	5,142,995	5,945,258	977,180	1,198,601	6,120,175	7,143,859
Bisma & Saima Projects	10.7	10,190	11,446	-	760	10,190	12,206
New Small Builders Scheme	10.8	-	-	4,265	5,000	4,265	5,000
Ghar Pakistan Scheme	10.9	2,381,015	2,583,209	53,506	40,581	2,434,521	2,623,790
Ghar Pakistan Plus Scheme	10.10	1,405,075	1,369,127	7,983	17,272	1,413,058	1,386,399
Ghar Ujala Scheme	10.11	12,739	-	-	-	12,739	-
HBFC Khas	10.12	2,795	3,167	-	-	2,795	3,167
Mera Pakistan Mera Ghar	10.13	6,325,004	2,514,944	-	-	6,325,004	2,514,944
		15,596,984	12,851,516	3,081,233	3,472,178	18,678,217	16,323,694
Employee portfolio							
Housing finance to employees	10.14	491,697	486,326	5,550	5,550	497,247	491,876
Car advance to employees	10.15	82,380	68,012	-	-	82,380	68,012
Staff personal loan	10.16	23,935	17,388	-	-	23,935	17,388
PC advance to employees		-	-	19	19	19	19
		598,012	571,726	5,569	5,569	603,581	577,295
Partners' death claims	10.17	(28,391)	(25,161)	-	-	(28,391)	(25,161)
Advances - gross		16,166,605	13,398,081	3,086,802	3,477,747	19,253,407	16,875,828
Provision for non-performing advances							
- Specific							
Rental Sharing Schemes		-	6,082	1,126,565	1,185,566	1,126,565	1,191,648
Interest Bearing Schemes		-	-	95,251	99,971	95,251	99,971
Ghar Aasan Scheme		-	-	703,669	774,852	703,669	774,852
Shandar Ghar Scheme		-	-	69,382	81,172	69,382	81,172
Financing facility for Small		-	-	4,968	4,968	4,968	4,968
Ghar Aasan Flexi Scheme		-	-	832,163	1,015,054	832,163	1,015,054
Bisma & Saima Projects		-	-	-	194	-	194
New Small Builders Scheme		-	-	4,265	5,000	4,265	5,000
Ghar Pakistan Scheme		-	-	23,322	17,359	23,322	17,359
Ghar Pakistan Scheme Plus		-	-	2,966	5,817	2,966	5,817
Mera Pakistan Mera Ghar				-		-	
Housing finance to employees		-	-	5,550	5,550	5,550	5,550
PC advance to employees		-	-	19	19	19	19
		-	6,082	2,868,120	3,195,522	2,868,120	3,201,604
- General	10.18	278,897	225,295	-	-	278,897	225,295
Advances - net of provision		15,887,708	13,166,704	218,682	282,225	16,106,390	13,448,929

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

10.2 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 01 July 2000.

10.3 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 11 February 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 30 September 2017, which was extended up to 31 December 2020. The scheme carries mark-up at the rate of one year KIBOR with a spread of 3.00% - 3.5% per annum.

10.4 No new disbursement has been made under this scheme.

10.5 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 17 November 2009.

10.6 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% - 3.50% (2021: 3.25% - 3.50%) per annum.

10.7 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.

10.8 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.

10.9 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.

10.10 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.

10.11 The Company introduced Ghar Ujala Scheme to finance the customers who are willing to install solar systems for the generation of electricity ranging from 3KW to 20 KW with or without net metering @ 6% per annum.

10.12 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.

10.13 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.

10.14 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.

10.15 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.

10.16 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.

10.17 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.

10.18 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.

10.19 Advances include Rs. 3,087 million (2021: Rs. 3,478 million) which have been placed under non-performing status as detailed below:

Category of Classification	2022		2021	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	Rupees in '000			
Domestic				
Other Assets Especially Mentioned	83,795	506	85,320	5,185
Substandard	86,899	21,725	142,142	32,810
Doubtful	140,440	70,220	227,053	134,295
Loss	2,775,669	2,775,669	3,023,232	3,023,232
Total	3,086,802	2,868,120	3,477,747	3,195,522

10.20 Particulars of provision against advances

	2022			2021		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	3,201,604	225,295	3,426,899	3,578,696	249,341	3,828,037
Charge for the year	86,304	53,602	139,906	2,799	-	2,799
Reversals	(419,788)	-	(419,788)	(379,891)	(24,046)	(403,937)
	(333,484)	53,602	(279,882)	(377,092)	(24,046)	(401,138)
Amounts written off	-	-	-	-	-	-
Closing balance	2,868,120	278,897	3,147,017	3,201,604	225,295	3,426,899

10.21 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 31 December 2022, the Company has not taken FSV benefit as allowed under IH&SMEFD Circular no. 03 of 2017.

11 FIXED ASSETS	Note	2022	2021
		Rupees in '000	
Capital work-in-progress		-	12,860
Property and equipment	11.1	286,643	274,494
Right of use-of-assets	11.2	343,611	107,685
		630,254	395,039

11.1 Property and equipment

	2022						
	Freehold land	Leasehold land	Buildings on Lease holdland	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
	Rupees '000						
At 1 January 2022							
Cost	6,075	5,673	360,512	98,653	299,403	65,375	835,691
Accumulated depreciation	-	-	(174,362)	(82,305)	(249,099)	(55,431)	(561,197)
Net book value	6,075	5,673	186,150	16,348	50,304	9,944	274,494
Year ended 31 December 2022							
Opening net book value	6,075	5,673	186,150	16,348	50,304	9,944	274,494
Additions	-	-	4,148	8,232	24,857	21,852	59,089
Disposals							
- Cost	-	-	-	-	(3,939)	(2,155)	(6,094)
- Depreciation	-	-	-	-	3,937	1,629	5,566
	-	-	-	-	(3)	(525)	(528)
Depreciation charge	-	-	(15,308)	(2,295)	(22,329)	(6,481)	(46,413)
Closing net book value	6,075	5,673	174,990	22,286	52,829	24,790	286,643
At 31 December 2022							
Cost	6,075	5,673	364,660	106,886	320,320	85,072	888,686
Accumulated depreciation	-	-	(189,670)	(84,600)	(267,492)	(60,283)	(602,043)
Net book value	6,075	5,673	174,990	22,286	52,829	24,790	286,643
Rate of depreciation (percentage)	-	-	5%	10%	10%-33%	20%	

	2021						
	Free hold 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	73,512	804,747
Accumulated depreciation	-	-	(159,193)	(80,614)	(224,435)	(53,431)	(517,673)
Net book value	6,075	5,673	201,319	3,791	50,135	20,081	287,074
Year ended 31 December 2021							
Opening net book value	6,075	5,673	201,319	3,791	50,135	20,081	287,074
Additions	-	-	-	14,248	25,247	-	39,495
Disposals							
- Cost	-	-	-	-	(414)	(8,137)	(8,551)
- Depreciation	-	-	-	-	406	3,445	3,852
	-	-	-	-	(8)	(4,692)	(4,700)
Depreciation charge	-	-	(15,169)	(1,691)	(25,071)	(5,445)	(47,376)
Closing net book value	6,075	5,673	186,150	16,348	50,304	9,944	274,494
At 31 December 2021							
Cost	6,075	5,673	360,512	98,653	299,403	65,375	835,691
Accumulated depreciation	-	-	(174,362)	(82,305)	(249,099)	(55,431)	(561,197)
Net book value	6,075	5,673	186,150	16,348	50,304	9,944	274,493
Rate of depreciation (percentage)	-	-	5%	10%	10%-33%	20%	

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	....	....	
2022	**57,129**	**78,751**	**222,986**	**43,352**	**402,219**
2021	57,129	78,723	210,685	43,352	389,889

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

	2022	2021
	------Rupees in '000------	
Recognized value of right of-use assets	**427,371**	159,049
Accumulated depreciation	**(83,760)**	(51,364)
Net book value	**343,611**	107,685

11.2.1 Movement in RoU assets

	2022	2021
Opening balance	**107,685**	91,696
Additions during the year	**291,275**	67,353
Depreciation for the year	**(55,349)**	(51,364)
Closing balance	**343,611**	107,685

12 INTANGIBLE ASSETS

	Note	2022	2021
		------Rupees in '000-----	
Computer software	12.1	**20,849**	25,746
Capital work-in-progress	12.2	**40,919**	34,647
		61,768	60,393

12.1 Computer software

	2022	2021
	------Rupees in '000-----	
As at January 1		
Cost	**40,360**	13,107
Accumulated amortization	**(14,614)**	(11,116)
Net book value	**25,746**	1,991
Year ended December 31		
Opening net book value	**25,746**	1,991
Addition	**-**	27,253
Amortization charge	**(4,897)**	(3,498)
Closing net book value	**20,849**	25,746
As at December 31		
Cost	**40,360**	40,360
Accumulated amortization	**(19,511)**	(14,614)
Net book value	**20,849**	25,746
Rate of amortisation (percentage)	**10% - 33%**	10% - 33%
Useful life	**3 - 10 years**	3 - 10 years

12.2 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.

13 DEFERRED TAX ASSETS

	2022			
	At 1 Jan 2022	Recognised in Profit & Loss	Recognised in Other Comprehensive Income	At 31 Dec 2022
	(Rupees in '000)			
Taxable temporary differences on:				
Accelerated tax depreciation and amortisation	(42,074)	6,733	-	(35,341)
Deductible temporary differences on:				
Provision for diminution in the value of investment	14,281	3,013	-	17,293
Provision against lending to financial instituitions	16,148	2,227	-	18,375
Provision against advances	993,801	44,715	-	1,038,516
Provision against retirement benefits	136,482	(162,313)	50,234	24,405
Provision against other assets	15,606	2,156	-	17,759
Deficit on revaluation of investments	54,340	-	39,775	94,116
Unabsorbed losses	216,506	(2,197)	-	214,309
	1,447,164	(112,399)	90,009	1,424,773
	1,405,090	**(105,666)**	**90,009**	**1,389,432**

14 OTHER ASSETS	Note	2022	Restated 2021	Restated 2020
			------Rupees in '000------	
Income / mark-up accrued in local currency - net of provision				
Advances		**462,862**	67,211	70,972
Investments		**269,760**	255,520	336,415
Lendings to financial institutions		**-**	1,628	5,845
		732,622	324,359	413,232
Advances, deposits and prepayments		**108,775**	50,542	55,163
Advance taxation		**227,365**	256,542	280,995
Advance for purchase of land - housing projects	14.1	**53,815**	53,815	53,815
Other receivables against advances - net		**22,017**	20,382	34,817
Assets acquired from Pakistan Refugees Rehabilitation Finance Corporation (PRRFC)	14.2	**-**	-	-
		1,144,594	705,640	838,023
Less: Provision held against other assets	14.1	**(53,815)**	(53,815)	(53,815)
		1,090,779	651,825	784,208

14.1 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.

14.2 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.

	2022	2021
	------Rupees in '000------	
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
	22,206	22,206
Provision for doubtful debts	**(2,579)**	(2,579)
	19,627	19,627
Liabilities		
Sundry creditors	**93**	93
Accrued expenses	**38**	38
Return on capital	**7,371**	7,371
Other liabilities	**129**	129
	7,631	7,631
Net Assets	**11,996**	11,996

15 BORROWINGS

	Note	2022	2021
		------Rupees in '000------	
Secured - Local currency			
Pakistan Mortgage Refinance Company Limited	15.1	**2,101,162**	2,673,855
Repurchase agreement borrowing (Repo)	15.2	**10,729,977**	-
Refinance from SBP - HBFC Khas		**2,790**	2,382
		12,833,929	2,676,237

15.1 The borrowing is secured against advances of customers and carries markup @ 6% - 7% per annum.

15.2 The borrowing is secured against investments in PIBs issued by Government of Pakistan amounting PKR 10.45 billion and of carries markup @ 15.2% - 16.5% per annum.

16 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2022	2021
	------Rupees in '000------	
Opening balance	**140,480**	114,474
Additions during the year	**366,074**	67,353
Interest expense	**35,857**	16,759
Payments	**(153,444)**	(58,106)
Closing balance	**388,967**	140,480

16.1 Lease liabilities are payable as follows

	2022			2021		
	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	**83,454**	**46,281**	**37,173**	65,014	18,671	46,343
One to five years	**493,678**	**141,884**	**351,794**	132,062	37,925	94,137
	577,132	**188,165**	**388,967**	197,076	56,597	140,480

17 OTHER LIABILITIES

	Note	2022	2021
		------Rupees in '000------	
Mark up payable on borrowings		**128,675**	13,913
Retirement and other service benefits		**73,955**	470,630
Demand charges	17.1	**8,408**	25,337
Accrued expenses		**254,937**	90,333
Advance payments from customers		**291,716**	287,152
Insurance premium payable		**83,011**	69,224
Advance rent received		**60,436**	7,406
Sindh Workers' Welfare Fund	17.2	**58,231**	33,260
Others		**18,984**	21,816
		978,353	1,019,071

17.1 Demand charges

	2022	2021
Opening balance	**25,337**	22,104
Demand charges - net of recovery expenses	**3,071**	3,233
Contribution to Prime Minister's Flood Relief Fund	**(20,000)**	-
Closing balance	**8,408**	25,337

		2022	2021
		------Rupees in '000------	

17.2 Sindh Workers' Welfare Fund

	2022	2021
Opening balance	33,260	34,515
Charge for the year	38,947	27,104
Payment made	(13,976)	(28,359)
Balance at end of the year	58,231	33,260

18 SHARE CAPITAL

18.1 Authorized Capital

2022	2021		2022	2021
Number of ordinary shares of Rs. 10 each				
2,000,000,000	2,000,000,000		20,000,000	20,000,000

18.2 Issued, subscribed and paid up

2022	2021		2022	2021
Number of shares				
		Ordinary shares of Rs. 10 each		
100,000	100,000	Fully paid in cash	1,000	1,000
1,936,400,000	1,936,400,000	Issued for consideration other than cash	19,364,000	19,364,000
1,936,500,006	1,936,500,006		19,365,000	19,365,000
		Pattern of shareholding		
187,562,506	187,562,506	Federal Government	1,875,625	1,875,625
1,748,937,500	1,748,937,500	State Bank of Pakistan	17,489,375	17,489,375
1,936,500,006	1,936,500,006		19,365,000	19,365,000

19 DEFICIT ON REVALUATION OF ASSETS

	2022	2021
Available for sale securities	(199,862)	(141,814)

20 CONTINGENCIES AND COMMITMENTS

	Note	2022	2021
- Commitments	20.1	768,057	943,969
- Other contingent liabilities	20.2	47,990	47,990
		816,047	991,959

20.1 Commitments

	Note	2022	2021
Loans sanctioned but not disbursed		339,178	508,818
Equity investment to be made in 'Pakistan Mortgage Refinance Company		193,325	193,325
Software being developed to replace Loan Management System		31,613	37,885
Land to be purchased for Gwadar Housing Projects	14.1	149,725	149,725
Other commitments		54,216	54,216
		768,057	943,969

		2022	2021
20.2 Other contingent liabilities		------Rupees in '000------	
Claims not acknowledged as debt			
SMS Courier (Pvt.) Limited	20.2.1	**39,890**	39,890
Liaquat National Hospital	20.2.2	**8,100**	8,100
		47,990	47,990

20.2.1 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.

20.2.2 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.

	2022	Restated 2021
	------Rupees in '000------	
21 MARK-UP / RETURN / INTEREST EARNED		
a) Loans and advances		
Customers	**2,486,952**	1,521,043
Employees	**16,495**	15,064
b) Investments		
Available-for-sale	**854,375**	542,362
Held to maturity	**413,134**	337,287
c) Lendings to financial institutions		
Letter of placements	**2,206**	56
Repurchase agreement lending (Reverse Repo)	**91,473**	75,389
d) Balances with banks - deposit accounts	**17,115**	10,463
	3,881,750	2,501,664
22 MARK-UP / RETURN /INTEREST EXPENSED		
Borrowings	**652,566**	183,304
Finance lease charge	**35,857**	16,759
	688,423	200,063

	Note	2022	2021
		------Rupees in '000------	
23 OTHER INCOME			
Rent on property		**51,041**	44,436
Gain on sale of fixed assets-net		**866**	58
Inspection and application fee		**7,270**	6,410
Early termination charge and penalty income on conventional scheme		**20,422**	17,611
Storage documentation		**4,388**	4,665
Miscellaneous income		**3,719**	1,885
		87,706	75,065
24 OPERATING EXPENSES			
Total compensation expense	24.1	**1,109,050**	1,105,486
Property expense			
Rent and taxes		**1,693**	3,126
Insurance		**826**	353
Utilities		**38,140**	19,101
Security (including guards)		**10,335**	7,469
Repair and maintenance (including janitorial charges)		**75,415**	61,049
Depreciation		**15,308**	15,169
Depreciation on right-of-use assets		**55,349**	51,364
Impairment loss on capital work in progress		**12,860**	-
		209,926	157,631
Information technology expenses			
Hardware maintenance		**9,067**	5,057
Depreciation		**15,387**	18,663
Amortization	12.1	**4,897**	3,498
Network charges		**11,004**	16,269
		40,355	43,487
Other operating expenses			
Directors' fees and allowances		**1,100**	-
Legal and professional charges		**33,895**	46,042
Consultancy charges		**13,373**	8,329
Outsourced services costs		**58,473**	43,362
Travelling and conveyance		**12,689**	11,232
Depreciation		**15,718**	13,511
Training and development		**7,542**	3,302
Postage and courier charges		**4,152**	4,613
Communication		**6,011**	634
Stationery and printing		**8,405**	6,738
Marketing, advertisement and publicity		**19,888**	3,532
Commission against recovery		**3,800**	-
Auditors remuneration	24.2	**3,900**	3,900
Banking service charges		**9,286**	8,031
Entertainment		**2,461**	2,824
Vehicle expense		**22,501**	14,725
Subscription		**1,846**	765
Others		**9,535**	13,693
		234,575	185,233
		1,593,906	1,491,837

	Note	2022	2021
		------Rupees in '000------	
24.1 Total compensation expense			
Managerial Remuneration			
i) Fixed		**564,763**	501,106
ii) Variable - Performance awards		**50,784**	29,170
Retirement and other service benefits		**63,458**	222,754
Contribution to EOBI		**4,230**	4,228
Contribution to Benevolent Fund		**7,136**	5,555
Rent & house maintenance		**223,497**	213,484
Utilities		**35,153**	30,520
Medical		**10,375**	13,582
Conveyance		**128,304**	82,501
Group Life Insurance		**13,739**	2,472
Hajj		**7,139**	-
Overtime to staff		**472**	114
		1,109,050	1,105,486
24.2 Auditors' remuneration			
Audit fee		**2,288**	2,288
Half yearly review		**512**	512
Other certifications		**1,100**	1,100
		3,900	3,900
25 OTHER CHARGES			
Penalties imposed by SBP		**3,045**	1,110
26 PROVISIONS AND WRITE OFFS - net			
Provision / (Reversal) for diminution in value of investments		**3,164**	(22,500)
Reversal of provision for non-performing advances		**(279,884)**	(401,139)
Reversal of provision for other receivable against advances		**-**	(2,786)
		(276,720)	(426,425)
27 RELIEF PACKAGE AND REPROCESSING CHARGES			
Reprocessing and closing adjustment		**14,348**	2,525

28 TAXATION

	2022	2021
	------------Rupees in '000---------	
Current	324,429	225,783
Deferred	105,666	116,200
	430,095	341,983

28.1 Due to alternate 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.

29 EARNINGS PER SHARE - BASIC AND DILUTED

	2022	2021
	------------Rupees in '000---------	
Profit for the year	1,478,310	939,749
	---------(No. of Shares)---------	
Weighted average number of ordinary shares	1,936,500,006	1,936,500,006
	---------Rupees ---------	
Earnings per share - basic and diluted	0.76	0.49

30 CASH AND CASH EQUIVALENTS

	Note	2022	2021
		------Rupees in '000------	
Cash and balances with treasury banks	6	15,005	32,465
Balance with other banks	7	3,842	28,458
		18,847	60,923

31 STAFF STRENGTH

	2022	2021
	----------- (Number) -----------	
Permanent	427	451
Contractual employees	82	50
Company's own staff strength	509	501
Outsourced	136	105
	645	606

32 DEFINED BENEFIT PLAN

32.1 General description

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

	2022	2021
	----------- (Number) -----------	
- Pension fund	654	660
- Post retirement medical benefits	654	660
- Employees compensated absences	307	336

32.2 Principal actuarial assumptions

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

	2022	2021
	Per annum	
Discount rate	13.50%	12.25%
Expected rate of return on plan assets	13.50%	12.25%
Expected rate of salary increase	13.50%	12.25%
Expected rate of increase in pension	12.50%	11.25%
Expected rate of increase in medical benefit	5.75%	4.50%
Expected rate of increase in compensated absences	13.50%	12.25%

32.3 Reconciliation of payable to defined benefit plans

	Note	2022 Pension fund	2022 Medical benefits	2022 Compensated absences	2021 Pension fund	2021 Medical benefits	2021 Compensated absences
		Rupees in '000					
Present value of obligations	32.4	7,958,590	739,942	282,902	7,195,649	753,240	315,294
Fair value of plan assets	32.5	(8,909,000)	-	-	(7,795,635)	-	-
(Receivable) / Payable		(950,410)	739,942	282,902	(599,986)	753,240	315,294
32.4 Movement in defined benefit obligations							
Obligations at the beginning of the year		7,195,649	753,240	315,294	6,848,990	744,821	337,971
Current service cost		82,583	11,654	18,285	83,746	11,319	18,993
Interest cost		777,804	89,955	38,060	683,768	71,799	34,290
Benefits paid by the Company		(563,674)	(37,824)	(9,201)	(356,160)	(88,677)	(6,874)
Re-measurement loss / (gain)		466,228	(77,083)	(79,536)	(64,695)	13,978	(69,086)
Obligations at the end of the year		7,958,590	739,942	282,902	7,195,649	753,240	315,294
32.5 Movement in fair value of plan assets							
Fair value at the beginning of the year		7,795,635	-	-	5,746,882	-	-
Interest income on plan assets		877,009	-	-	615,000	-	-
Benefits paid by Company		(563,674)	-	-	(356,160)	-	-
Contribution by the Company - net		563,674	-	-	856,160	-	-
Re-measurements: Net return on plan assets over interest income gain	31.7.2	236,356	-	-	933,753	-	-
Fair value at the end of the year		8,909,000	-	-	7,795,635	-	-
32.6 Movement in payable under defined benefit schemes							
Opening balance		(599,986)	753,240	315,294	1,102,108	744,821	337,970
Charge for the year		(16,622)	101,609	(23,191)	152,514	83,118	(15,802)
Contribution by the Company - net		-	-	-	(500,000)	-	-
Re-measurement (loss) / gain recognized in OCI during the year	31.7.2	229,872	(77,083)	-	(998,448)	13,978	-
Benefits paid by the Company		(563,674)	(37,824)	(9,201)	(356,160)	(88,677)	(6,874)
Closing balance		(950,410)	739,942	282,902	(599,986)	753,240	315,294

32.7 Charge for defined benefit plans

32.7.1 Cost recognized in profit and loss account

	2022 Pension fund	2022 Medical benefits	2022 Compensated absences	2021 Pension fund	2021 Medical benefits	2021 Compensated absences
Current service cost	82,583	11,654	18,285	83,746	11,319	18,993
Net interest on defined benefit asset	(99,205)	89,955	(79,536)	68,768	71,799	34,290
Losses arising on PVDBO	-	-	38,060	-	-	(69,085)
	(16,622)	101,609	(23,191)	152,514	83,118	(15,802)

31.7.2 Re-measurements recognized in other comprehensive income

	2022 Pension fund	2022 Medical benefits	2022 Compensated absences	2021 Pension fund	2021 Medical benefits	2021 Compensated absences
loss / (Gain) on obligation						
- Financial assumptions	(29,948)	7,858	-	(58,910)	14,053	-
- Experience adjustment	496,176	(84,941)	-	(5,785)	(75)	-
Return on plan assets over interest income	(236,356)	-	-	(933,753)	-	-
Total re-measurements recognized in OCI	229,872	(77,083)	-	(998,448)	13,978	-

	2022 Pension fund	2021 Pension fund
	--------Rupees in '000-------	
32.8 Components of plan assets		
Bank balances	-	142
Government Securities	8,909,000	7,795,493
	8,909,000	7,795,635

32.8.1 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.

32.9 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:

	2022			
	Change in assumption	Pension fund	Post retirement medical benefit	Compensated absences
		---------Rupees in '000------		
1% increase in discount rate	1%	7,143,294	676,694	270,324
1% decrease in discount rate	1%	8,942,365	814,739	296,925
1% increase in expected rate of salary increase	1%	8,091,840	-	296,703
1% decrease in expected rate of salary increase	1%	7,837,190	-	270,304
1% increase in expected rate of pension increase	1%	8,765,114	-	-
1% decrease in expected rate of pension increase	1%	7,268,300	-	-
1% increase in expected rate of medical benefit increase	1%	-	800,687	-
1% decrease in expected rate of medical benefit increase	1%	-	686,913	-
32.10 Expected charge for the next financial year		(83,005)	108,898	-

32.11 Maturity profile

The weighted average duration of the obligation is 11 years.

32.12 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.

33 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

33.1 Total Compensation Expense

Items	2022			
	Directors		President / CEO	Key Management Personnel
	Chairman	Non-Executives		
	Rupees in '000			
Directors Fees	-	1,100	-	-
Managerial Remuneration			9,792	27,516
i) Fixed	-	-	-	-
ii) Total variable of which			-	
a) Cash bonus / awards	-	-	-	5,845
b) Bonus and awards in shares	-	-	-	-
Rent and house maintenance	-	-	4,000	17,089
Utilities	-	-	1,021	5,034
Medical	-	-	-	652
Conveyance	-	-	-	1,197
Mobile Charges	-	-	-	55
Others	-	-	-	10,073
Total	-	1,100	14,813	67,461
Number of Persons	-	1	1	12

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 & Awards in shares	-	-	-	-
Rent & 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

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

2022

Sr. No.	Name of Director	Meeting Fees and Allowances Paid					
		For Board Meetings	For Board Committees				
			Audit Committee	HR Committee	RM Committee	ITSC	Total
		Rs. in '000'					
1	Mr. Shehzad Naqvi	-	-	-	-	-	-
2	Ms. Yasmeen Lari	-	-	-	-	-	-
3	Mr. Adnan Asdar Ali	-	-	-	-	-	-
4	Ms. Faiza Kapadia Raffay	350	250	300	150	50	1,100
	Total Amount Paid	350	250	300	150	50	1,100

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

34 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.

34.1 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:

	2022			
	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	-	15,753,002	-	15,753,002
Listed Ordinary Shares	4,873	-	-	4,873
	4,873	15,753,002	-	15,757,875

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

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

35 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:

	2022	2021
	Key management personnel	Key management personnel
	Rupees in '000	
Advances		
Opening balance	**55,439**	58,357
Addition during the year	**24,705**	9,871
Repaid during the year	**(22,425)**	(16,288)
Transfer (out) / in - net	**(9,232)**	3,499
Closing balance	**48,487**	55,439
Income		
Mark-up/return/interest earned	**1,681**	1,997

	2022	Restated 2021
	..........Rupees in '000	

36 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Minimum Capital Requirement (MCR):

	2022	Restated 2021
Paid-up capital (net of losses)	21,530,554	21,292,940

Capital Adequacy Ratio (CAR):

	2022	Restated 2021
Eligible Common Equity Tier 1 (CET 1) Capital	22,192,045	21,726,232
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	22,192,045	21,726,232
Eligible Tier 2 Capital	97,868	87,148
Total Eligible Capital (Tier 1 + Tier 2)	22,289,913	21,813,380
Risk Weighted Assets (RWAs):		
Credit risk	7,829,406	6,971,816
Market risk	2,108,625	1,218,378
Operational risk	6,332,458	5,800,132
Total	16,270,489	13,990,326
Common Equity Tier 1 Capital Adequacy ratio	136.39%	155.29%
Tier 1 Capital Adequacy Ratio	136.39%	155.29%
Total Capital Adequacy Ratio	137.00%	155.92%

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

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

S.No.	Ratio	2016	2017	2018	2019	2020	2021	2022
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	1.28%	1.90%	2.50%	1.50%	1.50%	1.50%	1.50%
6	Total Capital Plus CCB	11.28%	11.90%	12.50%	11.50%	11.50%	11.50%	11.50%

Leverage Ratio (LR):

	2022	2021
	Rupees in '000	
Eligible Tier-1 Capital	22,192,045	21,726,232
Total exposures	38,074,202	26,566,381
Leverage ratio	58.29%	81.78%

Liquidity Coverage Ratio (LCR):

	2022	2021
Total high quality liquid assets	5,173,000	6,589,000
Total net cash outflow	4,000	5,000
Liquidity coverage ratio	129325%	131780%

	2022	2021
	.... Rupees in '000	
Net Stable Funding Ratio (NSFR):		
Total available stable funding	**24,468,000**	24,787,000
Total required stable funding	**15,668,000**	11,847,000
Net stable funding ratio	**156%**	209%

36.1 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.

37 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.

37.1 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.

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.

37.1.1 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2022	2021	**2022**	2021	**2022**	2021
	---------- Rupees in '000 ----------					
Public / Government	-	780,000	-	-	-	-
Private	**55,683**	55,683	**55,683**	55,683	**55,683**	55,683
	55,683	835,683	**55,683**	55,683	55,683	55,683

37.1.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2022	2021	**2022**	2021	**2022**	2021
	---------- 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	
	2022	2021	**2022**	2021	**2022**	2021
	---------- Rupees in '000 ----------					
Public / Government	**15,753,002**	6,577,533	-	-	-	-
Private	**26,240**	26,240	**26,240**	26,240	**26,240**	26,240
	15,779,242	6,603,773	**26,240**	26,240	**26,240**	26,240

37.1.3 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2022	2021	**2022**	2021	**2022**	2021
	---------- Rs in '000 ----------					
Others	**19,253,407**	16,875,828	**3,086,802**	3,477,747	**2,868,120**	3,201,604

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2022	2021	**2022**	2021	**2022**	2021
	Rupees in '000					
Public / Government	**5,826**	5,826	**4,968**	4,968	**4,968**	4,968
Private	**19,247,581**	16,870,002	**3,081,834**	3,472,779	**2,863,152**	3,196,636
	19,253,407	16,875,828	**3,086,802**	3,477,747	**2,868,120**	3,201,604

37.1.4 Contingencies and Commitments

Credit risk by industry sector

	2022	2021
	Rupees in '000	
Individuals	**339,178**	508,818
Others	**476,869**	483,141
	816,047	991,959

37.1.5 Advances - Province / Region-wise Disbursement & Utilization

	2022						
		Utilization					
Province / Region	**Disbursement**	**Punjab**	**Sindh**	**KPK including FATA**	**Balochistan**	**Islamabad**	**AJK including Gilgit-Baltistan**
	Rupees in '000						
Punjab	**2,795,358**	**2,795,358**	-	-	-	-	-
Sindh	**981,505**	-	**981,505**	-	-	-	-
KPK including FATA	**652,130**	-	-	**652,130**	-	-	-
Balochistan	**29,394**	-	-	-	**29,394**	-	-
Islamabad	**218,427**	-	-	-	-	**218,427**	-
AJK including Gilgit-Baltistan	**426,272**	-	-	-	-	-	**426,272**
Total	**5,103,084**	**2,795,358**	**981,505**	**652,130**	**29,394**	**218,427**	**426,272**

	2021						
		Utilization					
Province / Region	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

37.2 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

Yield / interest rate risk is the risk that the value of the financial instruments will fluctuate due to changes in the market yield / interest rates. Sensitivity to yield / interest rate risk arises from mismatches of financial assets and financial liabilities that mature or reprice in a given period. The Company manages these mismatches through matching the repricing of assets and liabilities and off-balance sheet instruments. The Company is exposed to yield / interest risk in respect of the following:

37.2.1 Mismatch of Interest Rate Sensitive Assets and Liabilities

			2022									
			Exposed to Yield / Interest risk									
	Effective Yield / Interest rate	Total	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	Non-interest bearing financial instruments
		Rupees in '000										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	8.25%-14.50%	15,005	15,005	-	-	-	-	-	-	-	-	-
Balances with other banks	8.25%-14.51%	3,842	3,842	-	-	-	-	-	-	-	-	-
Lending to financial institutions		-	-	-	-	-	-	-	-	-	-	-
Investments	7.42%-16.70%	18,008,675	4,873	1,492,780	-	9,038,652	6,913,800	-	-	498,450	60,120	-
Advances		16,106,390	98,147	17,057	23,335	78,065	242,615	456,325	1,143,053	4,232,579	9,815,215	-
Deferred tax		1,389,432	-	-	-	-	-	-	-	-	-	1,389,432
Other assets		1,090,779	-	-	-	-	-	-	-	-	-	1,090,779
		36,614,123	121,867	1,509,837	23,335	9,116,717	7,156,415	456,325	1,143,053	4,731,029	9,875,335	2,480,211
Liabilities												
Bills payable		-	-	-	-	-	-	-	-	-	-	-
Borrowings	6.00%-16.50%	12,833,929	1,416,356	9,470,890	162,748	45,925	104,482	124,195	322,064	1,187,270	-	-
Deposits and other accounts		-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease		388,967	19,448	19,448	19,448	97,242	58,345	58,345	116,690	-	-	-
Subordinated debt		-	-	-	-	-	-	-	-	-	-	-
Other liabilities		978,353	-	-	-	-	-	-	-	-	-	978,353
		14,201,249	1,435,804	9,490,338	182,196	143,167	162,827	182,540	438,754	1,187,270	-	978,353
On-balance sheet gap		22,412,874	(1,313,937)	(7,980,501)	(158,862)	8,973,549	6,993,588	273,785	704,300	3,543,759	9,875,335	1,501,858
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions												
Commitments in respect of:												
- forward government securities transactions		-	-	-	-	-	-	-	-	-	-	-
- forward lending		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap			(1,313,937)	(7,980,501)	(158,862)	8,973,549	6,993,588	273,785	704,300	3,543,759	9,875,335	1,501,858
Cumulative Yield/Interest Risk Sensitivity Gap			(1,313,937)	(9,294,438)	(9,453,299)	(479,750)	6,513,838	6,787,623	7,491,923	11,035,682	20,911,017	22,412,875

	Effective Yield / Interest rate	Total	2021 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	Non-interest bearing financial instruments
		Rupees in '000										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		32,465	32,465	-	-	-	-	-	-	-	-	-
Balances with other banks	5.50%-7.25%	28,458	28,458	-	-	-	-	-	-	-	-	-
Lending to financial institutions	5.50%-8.00%	780,000	780,000	-	-	-	-	-	-	-	-	-
Investments		8,820,213	680,603	2,005,763	-	-	4,065,230	1,508,682	-	496,650	63,286	-
Advances	7.09%-12.45%	13,448,929	527,423	569,883	1,067,352	1,037,655	2,068,503	3,946,000	3,822,104	164,024	245,984	-
Deferred tax		1,405,092	-	-	-	-	-	-	-	-	-	1,405,091
Other assets		651,825	-	-	-	-	-	-	-	-	-	651,825
		25,166,982	2,048,949	2,575,646	1,067,352	1,037,655	6,133,733	5,454,682	3,822,104	660,674	309,270	2,056,916
Liabilities												
Bills payable		-	-	-	-	-	-	-	-	-	-	-
Borrowings		2,676,237	117,980	17,648	140,500	296,878	365,764	104,403	271,312	1,265,524	96,229	-
Deposits and other accounts	6.0% - 7.0%	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease		140,480	7,024	7,024	7,024	35,120	21,072	21,072	42,144	-	-	-
Subordinated debt		-	-	-	-	-	-	-	-	-	-	-
Other liabilities		1,019,071	-	-	-	-	-	-	-	-	-	1,019,071
		3,835,788	125,004	24,672	147,524	331,998	386,836	125,475	313,456	1,265,524	96,229	1,019,071
On-balance sheet gap		21,331,194	1,923,945	2,550,975	919,829	705,657	5,746,897	5,329,207	3,508,648	(604,850)	213,041	1,037,845
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			1,923,945	2,550,975	919,829	705,657	5,746,897	5,329,207	3,508,648	(604,850)	213,041	1,037,845
Cumulative Yield/Interest Risk Sensitivity Gap			1,923,945	4,474,920	5,394,749	6,100,406	11,847,303	17,176,510	20,685,158	20,080,308	20,293,349	21,331,194

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

	31 December 2022	31 December 2021
	------ (Rupees in '000) ------	
Total financial assets	22,412,874	21,331,194
Operating fixed assets and intangibles assets	692,022	455,432
Total assets	23,104,896	21,786,626
Total financial liabilities	14,201,249	3,835,788

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.

37.3 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 polices, 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.

37.4 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.

38 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Company

		2022								
	Total	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	15,005	15,005	-	-	-	-	-	-	-	-
Balances with other banks	3,842	3,842	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	18,008,675	4,873	1,492,780	-	9,038,652	6,913,800	-	-	498,450	60,120
Advances	16,106,390	98,147	17,057	23,335	78,065	242,615	456,325	1,143,053	4,232,579	9,815,215
Fixed assets	630,254	31,445	46,720	47,761	49,982	111,129	111,819	142,759	59,393	29,246
Intangible assets	61,768	1,588	1,640	2,050	42,959	6,765	6,765	-	-	-
Deferred tax assets	1,389,432	-	-	-	277,886	277,886	277,886	555,773	-	-
Other assets	1,090,779	764,398	42,278	66,532	144,776	72,795	-	-	-	-
	37,306,145	919,299	1,600,475	139,677	9,632,320	7,624,991	852,796	1,841,585	4,790,422	9,904,581
Liabilities										
Bills payable	-	-	-	-	-	-	-	-	-	-
Borrowings	12,833,929	1,416,356	9,470,890	162,748	45,925	104,482	124,195	322,064	1,187,270	-
Deposits and other accounts	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	388,967	19,448	19,448	19,448	97,242	58,345	58,345	116,690	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	978,353	634,186	84,079	68,409	112,639	34,666	11,093	22,186	11,093	-
	14,201,249	2,069,991	9,574,417	250,606	255,806	197,493	193,633	460,940	1,198,363	-
Net assets	23,104,896	(1,150,692)	(7,973,941)	(110,928)	9,376,513	7,427,498	659,163	1,380,645	3,592,059	9,904,581
Share capital	19,365,000									
Reserves	2,365,417									
Accumulated loss	1,574,341									
Deficit on revaluation of assets	(199,862)									
	23,104,896									

		2021								
	Total	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	245,983
Intangible assets	395,039	18,965	21,760	22,730	72,420	25,850	60,980	81,300	60,671	30,363
Operating Fixed assets	60,393	1,881	2,031	2,539	2,539	43,025	8,378	-	-	-
Deferred tax assets	1,405,091	-	-	-	348,033	348,033	348,033	360,992	-	-
Other assets	651,825	339,305	32,666	59,482	140,288	80,083	-	-	-	-
	25,622,413	2,409,101	2,632,104	1,152,103	1,600,936	6,630,724	5,872,073	4,264,396	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	96,229
Deposits and other accounts	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	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	111,893
	3,835,788	331,933	81,652	227,494	441,661	504,793	237,368	425,349	1,377,417	208,122
Net assets	21,786,625	2,077,168	2,550,452	924,610	1,159,275	6,125,931	5,634,705	3,839,047	(656,072)	131,509
Share capital	19,365,000									
Reserves	2,069,755									
Accumulated loss	493,684									
Surplus on revaluation of assets	(141,814)									
	21,786,625									

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

39 CORRESPONDING FIGURES

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

40 DATE OF AUTHORIZATION

These financial statements were approved and authorized for issue on 07-03-2023 by the Board of Directors of the Company.

41 GENERAL

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

President / Chief Executive	Chief Financial Officer	Director	Director	Director