
Grant Thornton Anjum

Rahman

1st & 3rd Floor,
Modern Motors House,
Beaumont Road,
Karachi, Pakistan.

T +92 21 35672951-56

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
HOUSE BUILDING FINANCE COMPANY LIMITED**

Report on review of condensed interim financial statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **House Building Finance Company Limited** (the Company) as at **30 June 2022** and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim cash flow statement, and notes to and forming part of the condensed interim financial statements for the half year then ended (herein after referred to as the condensed interim financial statements). Management is responsible for the preparation and presentation of this condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with approved accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

We draw attention to note 6 to these condensed interim financial statements, which states that during the period, the Company has restated certain prior period figures.

Other Matter

The figures for the quarters ended 30 June 2022 and 30 June 2021 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been subject to the review and therefore, we do not express a conclusion thereon.

The engagement partner on the engagement resulting in this independent auditors' review is Khurram Jameel.

**Chartered Accountants****Place:** Karachi**Date:** 29 August 2022**UDIN:** RR202210093wzIDfmoNj

HOUSE BUILDING FINANCE COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

		30 June 2022 (Un-Audited)	31 December 2021 (Restated)	31 December 2020 (Restated)
		Rupees in '000		
ASSETS	Note			
Cash and balances with treasury banks	7	19,843	32,465	34,880
Balances with other banks	8	65,762	28,458	130,492
Lendings to financial institutions	9	600,900	780,000	1,450,000
Investments	10	7,291,613	8,820,213	10,414,228
Advances	11	15,304,995	13,448,929	11,177,470
Fixed assets	12	415,026	395,039	391,630
Intangible assets		57,727	60,393	41,494
Deferred tax asset	13	1,508,339	1,405,091	1,761,435
Other assets	14	659,638	651,825	784,208
		25,923,843	25,622,413	26,185,837
LIABILITIES				
Bills payable		-	-	-
Borrowings	15	2,400,873	2,676,237	2,959,973
Deposits and other accounts		-	-	-
Liabilities against assets subject to finance lease	16	175,136	140,480	114,474
Subordinated debt		-	-	-
Other liabilities		871,181	1,019,071	2,829,960
		3,447,190	3,835,788	5,904,407
NET ASSETS		22,476,653	21,786,625	20,281,430
REPRESENTED BY				
Share capital		19,365,000	19,365,000	19,365,000
Statutory reserves		2,220,311	2,069,755	1,881,805
Deficit on revaluation of investments - available for sale		(204,566)	(141,814)	(8,585)
Accumulated profit / (loss)		1,095,908	493,684	(956,790)
		22,476,653	21,786,625	20,281,430

CONTINGENCIES AND COMMITMENTS

17

The annexed notes 1 to 29 form an integral part of these condensed interim financial statements.


92



President/Chief Executive



Chief Financial Officer



Director



Director

HOUSE BUILDING FINANCE COMPANY LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2022

	Note	Quarter Ended		Period Ended	
		30 June	30 June	30 June	30 June
		2022	2021	2022	2021
Rupees in '000					
Mark-up/return/interest earned	18	817,704	530,956	1,535,703	1,200,187
Mark-up/return/interest expensed	19	(46,013)	(50,857)	(90,265)	(100,077)
Net mark-up/interest income		771,691	480,099	1,445,438	1,100,110
NON MARK-UP/INTEREST INCOME					
Fee and commission income		-	-	-	-
Dividend income		210	818	420	818
Foreign exchange income		-	-	-	-
Income / (loss) from derivatives		-	-	-	-
Gain / (loss) on securities		-	-	-	-
Other income		22,246	17,804	41,927	34,128
Total non-markup / interest income		22,456	18,622	42,347	34,946
Total Income		794,147	498,721	1,487,785	1,135,056
NON MARK-UP/INTEREST EXPENSES					
Operating expenses	20	(391,012)	(321,651)	(734,061)	(716,409)
Sindh Workers' Welfare Fund		(8,328)	(6,344)	(16,399)	(14,158)
Other charges		-	(1,110)	-	(1,110)
Total non-markup / interest expenses		(399,340)	(329,105)	(750,460)	(731,677)
Profit before provisions		394,807	169,616	737,325	403,379
Provisions and write offs - net	21	56,529	146,212	110,590	290,493
Relief package and reprocessing charges		(43,265)	-	(44,373)	(570)
PROFIT BEFORE TAXATION		408,071	315,828	803,542	693,302
Taxation	22	16,468	(27,585)	(50,762)	(138,621)
PROFIT AFTER TAXATION		424,539	288,243	752,780	554,681
Rupees					
Earnings per share - basic & diluted	23	0.22	0.15	0.39	0.29

The annexed notes 1 to 29 form an integral part of these condensed interim financial statements.

97


President/Chief Executive


Chief Financial Officer


Director


Director


Director

HOUSE BUILDING FINANCE COMPANY LIMITED
 CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
 FOR THE PERIOD ENDED 30 JUNE 2022

	Quarter Ended		Period Ended	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	Rupees in '000			
Profit after taxation	424,539	288,243	752,780	554,681
Other comprehensive income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Deficit on revaluation of investments	(44,244)	481	(62,751)	962
Total comprehensive income	380,296	288,724	690,030	555,643

The annexed notes 1 to 29 form an integral part of these condensed interim financial statements.

GTA




President/Chief Executive



Chief Financial Officer


Director


Director


Director

HOUSE BUILDING FINANCE COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2022

	Share capital	Statutory reserve	Surplus/ (deficit) on revaluation of investments	Accumulated Profit / (loss)	Total
			Rupees in '000		
Balance as at 01 January 2020	19,365,000	1,799,382	(7,756)	(1,048,564)	20,108,063
Profit after taxation	-	-	-	371,220	371,220
Other comprehensive income - net of tax	-	-	35,322	-	35,322
Transfer to statutory reserve	-	74,244	-	(74,244)	-
Balance as at 30 June 2020	19,365,000	1,873,626	27,566	(751,588)	20,514,605
Profit after taxation	-	-	-	40,893	40,893
Other comprehensive loss	-	-	(36,151)	(237,917)	(274,068)
Transfer to statutory reserve	-	8,179	-	(8,179)	-
Balance as at 31 December 2020 (restated)	19,365,000	1,881,805	(8,585)	(956,790)	20,281,431
Profit after taxation	-	-	-	554,681	554,681
Other comprehensive income - net of tax	-	-	962	-	962
Transfer to statutory reserve	-	110,936	-	(110,936)	-
Balance as at 30 June 2021 (restated)	19,365,000	1,992,741	(7,623)	(513,045)	20,837,073
Profit after taxation	-	-	-	385,068	385,068
Other comprehensive income / (loss)	-	-	(134,192)	698,675	564,484
Transfer to statutory reserve	-	77,014	-	(77,014)	-
Balance as at 31 December 2021 (restated)	19,365,000	2,069,755	(141,814)	493,684	21,786,625
Profit after taxation	-	-	-	752,780	752,780
Other comprehensive loss	-	-	(62,751)	-	(62,751)
Transfer to statutory reserve	-	150,556	-	(150,556)	-
Balance as at 30 June 2022	19,365,000	2,220,311	(204,566)	1,095,908	22,476,654


The annexed notes 1 to 29 form an integral part of these condensed interim financial statements.


President/Chief Executive


Chief Financial Officer


Director


Director


Director

HOUSE BUILDING FINANCE COMPANY LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2022

	30 June 2022	30 June 2021
Note	Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	803,542	693,302
Less: Dividend income	<u>(420)</u>	<u>(818)</u>
	803,122	692,484
Adjustments:		
Depreciation	52,509	49,394
Amortization	2,676	1,102
Provisions and write offs - net	110,590	(265,858)
Gain on sale of fixed assets - net	-	(33)
Sindh Workers Welfare Fund	16,399	14,158
Mark-up / return / interest expensed	90,265	100,077
Relief package and reprocessing charges	44,373	-
	<u>316,812</u>	<u>(101,160)</u>
	1,119,934	591,324
Decrease / (increase) in operating assets		
Lendings to financial institutions	179,100	829,263
Advances	(1,701,103)	(288,268)
Others assets (excluding advance taxation)	(84,133)	62,130
	<u>(1,606,136)</u>	603,125
Decrease in operating liabilities		
Other liabilities (excluding current taxation)	(551,643)	(667,160)
Income tax paid	(77,689)	(83,598)
Net cash (used in) / generated from operating activities	<u>(1,115,534)</u>	443,691
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments	1,465,848	(204,371)
Dividend received	420	818
Investments in operating fixed assets	(18,571)	(98,375)
Payment of liabilities against right-of-use assets	(32,120)	(27,924)
Proceeds from sale of fixed assets	3	1,477
Net cash generated / (used in) investing activities	<u>1,415,580</u>	<u>(328,375)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of borrowings	(275,364)	(29,954)
Increase in cash and cash equivalents	24,682	85,362
Cash and cash equivalents at beginning of the period	60,923	165,372
Cash and cash equivalents at end of the period	<u>24</u> <u>85,605</u>	<u>250,734</u>

The annexed notes 1 to 29 form an integral part of these condensed interim financial statements.


President/Chief Executive


Chief Financial Officer


Director


Director


Director

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2022

1 STATUS AND NATURE OF BUSINESS

House Building Finance Company Limited (the Company) is an unlisted public limited company incorporated in Pakistan on June 13, 2006 under the Companies Ordinance, 1984 (now the Companies Act 2017). The registered office of the Company is situated at Finance and Trade Centre Building, Sharah-e-Faisal, Karachi, in the province of Sindh. Pursuant to a vesting order SRO.I/2007 dated July 25, 2007 issued by Finance Division - Government of Pakistan (GoP) effective from January 1, 2007, the Company had taken over all assets, running business, contracts, liabilities and proceedings of the House Building Finance Corporation established in 1952 under the House Building Finance Corporation Act, 1952 (XVIII of 1952) by the GoP from closing of the business on December 31, 2006 and has also changed its name from House Building Finance Corporation Limited to House Building Finance Company Limited in 2010.

The Federal Government has directed the State Bank of Pakistan (SBP) to divest its entire shareholding in the Company, which will pave the way for the Company's privatisation.

The Company is designated as a financial institution by the Federal Government and is providing financing facilities for the purchase & construction of houses/apartments including balance transfer facility (BTF) through a network of 51 branches, 7 area offices and 3 regional offices throughout Pakistan including Azad Jammu & Kashmir and Gilgit Baltistan. According to credit rating report dated June 30, 2022 of VIS Credit Rating Company Limited, the long term and short term ratings of the Company are "A" and "A-1" respectively.

2 STATEMENT OF COMPLIANCE

2.1 This condensed interim financial information has been prepared in accordance with approved accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the SBP and the Security and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

The SBP through its BSD Circular no. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' till further instructions. Further, As per the SBP's BPRD Circular no. 3 dated July 05, 2022, IFRS 9 - Financial Instruments has been made applicable to all banks/DFIs/MFBs in Pakistan for accounting periods beginning on or after January 01, 2024. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial information. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

2.2 The disclosures made in this condensed interim financial information have been limited based on the format prescribed by the SBP through BPRD Circular Letter No. 5 dated March 22, 2019 and the requirements of IAS 34, "Interim Financial Reporting". This condensed interim financial information does not include all the disclosures required for annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2021.

2.3 The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarter ended June 30, 2022 and June 30, 2021 and notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the cumulative figures for the six months ended June 30, 2022 and June 30, 2021.

3 BASIS OF MEASUREMENT

3.1 Accounting convention

These condensed interim financial statements have been prepared under the historical cost convention except that investments are measured at fair values and staff retirement benefit schemes that are stated at the present value of the obligation. Right of use-of-assets are discounted using incremental borrowing rate over the lease term and are recorded at present value.

3.2 Functional and presentation currency

These condensed interim financial statements has been presented in Pakistani Rupees, which is the Company's functional and presentation currency.

3.3 Critical accounting estimates and judgements

The basis for accounting estimates adopted in the preparation of these condensed interim financial statements are the same as that applied in the preparation of the annual financial statements for the year ended December 31, 2021.

4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of this condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements of the Company for the year ended December 31, 2021.

5 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Company for the year ended 31 December 2021.

6 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 relating to the above-mentioned error, amounting to Rs 662.891 million. However, there is no material effect on the comparative figures reflected in the condensed interim profit and loss account and condensed interim statement of comprehensive income.

The effect of restatement is as follows:

Impact on statement of financial position As at 31 December 2020	As previously reported	Adjustments	As restated
		Rs in 000	
Income/ mark-up accrued in local currency - net of provision			
Advances	687,459	(616,486)	70,972
Accumulated profit / (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
		Rs in 000	
Income/ mark-up accrued in local currency - net of provision			
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

HOUSE BUILDING FINANCE COMPANY LIMITED
 NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
 FOR THE PERIOD ENDED 30 JUNE 2022

10 INVESTMENTS

30 June 2022 (Un-Audited)				31 December 2021 (Audited)			
Cost / Amortised cost	Provision for diminution	Deficit	Carrying Value	Cost / Amortised cost	Provision for diminution	Deficit	Carrying Value

Rupees in '000

Available-for-sale securities

Market Treasury Bills	1,204,502	-	(4,311)	1,200,191	2,690,215	-	(10,282)	2,679,933
Pakistan Investment Bonds	4,082,607	-	(241,377)	3,841,230	4,071,528	-	(173,928)	3,897,600
Unlisted Ordinary Shares	63,785	(500)	-	63,285	63,785	(500)	-	63,285
Listed Ordinary Shares	9,603	-	(4,444)	5,159	9,603	-	(3,170)	6,433
	5,360,497	(500)	(250,132)	5,109,865	6,835,131	(500)	(187,380)	6,647,251

Held-to-maturity securities

Pakistan Investment Bonds	2,181,748	-	-	2,181,748	2,172,962	-	-	2,172,962
Unlisted Sukuk Bonds	26,240	(26,240)	-	-	26,240	(26,240)	-	-
Certificate of Investments	22,500	(22,500)	-	-	22,500	(22,500)	-	-
	2,230,488	(48,740)	-	2,181,748	2,221,702	(48,740)	-	2,172,962

Total Investments

	7,590,985	(49,240)	(250,132)	7,291,613	9,056,833	(49,240)	(187,380)	8,820,213
--	-----------	----------	-----------	-----------	-----------	----------	-----------	-----------

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2022

11 ADVANCES

Performing		Non Performing		Total	
30 June 2022	31 December 2021	30 June 2022	31 December 2021	30 June 2022	31 December 2021
(Un-Audited)	(Audited)	(Un-Audited)	(Audited)	(Un-Audited)	(Audited)

'Rupees in 000

In Pakistan - local currency

Rental Sharing Schemes	1,441	6,082	1,156,393	1,185,566	1,157,834	1,191,648
Interest Bearing Schemes	-	-	96,692	99,971	96,692	99,971
Ghar Aasan Scheme	346,899	417,425	805,849	838,287	1,152,748	1,255,712
Shandar Ghar Scheme	-	-	76,039	81,172	76,039	81,172
Financing facility for Small Builders	858	858	4,968	4,968	5,826	5,826
Ghar Aasan Flexi Scheme	5,417,189	5,945,258	1,180,962	1,198,601	6,598,151	7,143,859
Bisma & Saima Projects	10,857	11,446	745	760	11,602	12,206
New Small Builders	-	-	5,000	5,000	5,000	5,000
Ghar Pakistan Scheme	2,400,511	2,583,209	73,184	40,581	2,473,695	2,623,790
Ghar Pakistan Plus Scheme	1,256,749	1,369,127	27,620	17,272	1,284,369	1,386,399
HBFC Khas	2,982	3,167	-	-	2,982	3,167
Mera Pakistan Mera Ghar	5,207,819	2,514,944	-	-	5,207,819	2,514,944
	14,645,307	12,851,516	3,427,450	3,472,178	18,072,757	16,323,694

Employee portfolio

Housing finance to employees	489,245	486,326	5,550	5,550	494,795	491,876
Car advance to employees	69,773	68,012	-	-	69,773	68,012
Staff Personal Loan	20,673	17,388	-	-	20,673	17,388
PC advance to employees	-	-	19	19	19	19
	579,691	571,726	5,569	5,569	585,260	577,295
Partners' death claims	(36,714)	(25,161)	-	-	(36,714)	(25,161)
Advances - gross	15,188,284	13,398,081	3,433,019	3,477,747	18,621,303	16,875,828

Provision for non-performing advances

- Specific

Rental Sharing Schemes	1,441	6,082	1,156,393	1,185,566	1,157,834	1,191,648
Interest Bearing Schemes	-	-	96,692	99,971	96,692	99,971
Ghar Aasan Scheme	-	-	745,551	774,852	745,551	774,852
Shandar Ghar Scheme	-	-	76,039	81,172	76,039	81,172
Financing facility for Small Builders	-	-	4,968	4,968	4,968	4,968
Ghar Aasan Flexi Scheme	-	-	939,513	1,015,054	939,513	1,015,054
Bisma & Saima Projects	-	-	186	194	186	194
New Small Builders Scheme	-	-	5,000	5,000	5,000	5,000
Ghar Pakistan Scheme	-	-	21,739	17,359	21,739	17,359
Ghar Pakistan Plus Scheme	-	-	8,289	5,817	8,289	5,817
Mera Pakistan Mera Ghar	-	-	130	-	130	-
Housing finance to employees	-	-	5,550	5,550	5,550	5,550
PC advance to employees	-	-	19	19	19	19
	1,441	6,082	3,060,069	3,195,522	3,061,510	3,201,604
- General	254,798	225,295	-	-	254,798	225,295

- General

Advances - net of provision	14,932,044	13,166,704	372,951	282,225	15,304,995	13,448,929
------------------------------------	-------------------	-------------------	----------------	----------------	-------------------	-------------------

HOUSE BUILDING FINANCE COMPANY LIMITED
 NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
 FOR THE PERIOD ENDED 30 JUNE 2022

- 11.1 Advances include Rs. 3,433 million (31 December 2021: Rs. 3,478 million) which have been placed under non-performing status as detailed below:

Categories of Classification	30 June 2022 (Un-Audited)		31 December 2021 (Audited)	
	Non performing loans	Provision	Non performing loans	Provision
	Rupees in '000			
Domestic				
Other Assets Especially Mentioned	160,308	1,164	85,320	5,185
Substandard	140,272	31,618	142,142	32,810
Doubtful	200,077	94,925	227,053	134,295
Loss	2,932,362	2,932,362	3,023,232	3,023,232
Total	<u>3,433,019</u>	<u>3,060,069</u>	<u>3,477,747</u>	<u>3,195,522</u>

- 11.2 Particulars of provision against advances

	30 June 2022 (Un-Audited)			31 December 2021 (Audited)		
	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
(Reversal) / Charge for the period	(140,094)	29,503	(110,591)	(377,092)	(24,046)	(401,138)
Closing balance	<u>3,061,510</u>	<u>254,798</u>	<u>3,316,308</u>	<u>3,201,604</u>	<u>225,295</u>	<u>3,426,899</u>

12 FIXED ASSETS

	30 June 2022 (Un-Audited)	31 December 2021 (Audited)
Capital work-in-progress (civil works)	12,860	12,860
Property and equipment	271,416	274,494
Right-of-use assets	130,750	107,685
	<u>415,026</u>	<u>395,039</u>

13 DEFERRED TAX

Deductible temporary differences

Provision against advances	1,094,382	993,801
Provision for diminution in the value of investments	97,326	67,701
Provision against other assets	17,759	15,606
Provision against lending to financial institutions	18,375	16,148
Provision against retirement and other service benefits	68,632	136,482
Deficit on revaluation of investments	1,467	920
Unabsorbed losses	246,369	216,506
	<u>1,544,310</u>	<u>1,447,164</u>

Taxable temporary differences

Accelerated tax depreciation and amortisation	(35,971)	(42,073)
	<u>1,508,339</u>	<u>1,405,091</u>

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2022

	30 June 2022 (Un-Audited)	31 December 2021 (Restated) Rupees in '000	31 December 2020 (Restated)
14 OTHER ASSETS			
Income/ mark-up accrued in local currency - net of provision			
- Advances	149,003	67,211	70,972
- Investments	220,692	255,520	336,415
- Lending to financial institutions	3,025	1,628	5,845
Advances, deposits and prepayments	83,289	50,542	55,163
Advance taxation (payments less provisions)	180,222	256,542	280,995
Advance for purchase of land - housing projects	53,815	53,815	53,815
Other receivables against advances - net	23,407	20,382	34,817
Assets acquired from Pakistan Refugees Rehabilitation Finance Corporation (PRRFC)	-	-	-
	<u>713,453</u>	<u>705,640</u>	<u>838,023</u>
Less: Provision held against other assets	<u>(53,815)</u>	<u>(53,815)</u>	<u>(53,815)</u>
	<u>659,638</u>	<u>651,825</u>	<u>784,208</u>
		30 June 2022 (Un-Audited) Rupees in '000	31 December 2021 (Audited)
15 BORROWINGS	Note		
Secured - Local currency			
Pakistan Mortgage Refinance Company Limited	15.1	2,397,885	2,673,855
Refinance from SBP - HBFC Khas		2,988	2,382
		<u>2,400,873</u>	<u>2,676,237</u>
15.1 The borrowing is secured against a charge of Rs. 3.75 billion on mortgage properties of customers and carries markup ranging from 6.00% to 7.00% (31 December 2021: 6.00% - 7.00%) per annum.			
16 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		30 June 2022 (Un-Audited) Rupees in '000	31 December 2021 (Audited)
Opening balance		140,480	114,474
Additions during the period / year		53,569	67,353
Interest expense		10,780	16,759
Payments		(29,693)	(58,106)
Closing balance		<u>175,136</u>	<u>140,480</u>
17 CONTINGENCIES AND COMMITMENTS			
-Commitments	17.1	1,085,533	943,969
-Other contingent liabilities	17.2	47,990	47,990
		<u>1,133,523</u>	<u>991,959</u>
17.1 Commitments			
Loans sanctioned but not disbursed		650,382	508,818
Equity investment to be made in 'Pakistan Mortgage Refinance		193,325	193,325
Land to be purchased for Gwadar Housing Projects		149,725	149,725
Software being developed to replace Loan Management System		37,885	37,885
Other commitments		54,216	54,216
		<u>1,085,533</u>	<u>943,969</u>
17.2 Other contingent liabilities			
Claims not acknowledged as debt			
SMS Courier (Pvt) Limited (SMSCPL)	17.2.1	39,890	39,890
Liaquat National Hospital	17.2.2	8,100	8,100
		<u>47,990</u>	<u>47,990</u>

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2022

17.2.1 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 of loss for 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.

17.2.2 In the year 2008, the Company entered into an agreement with Liaquat National Hospital (LNH) in Karachi for providing medical facilities/treatments to employees of the Company and their dependents. LNH lodged a claim of Rs. 8.1 million against the Company, which include bills of the individuals who were not referred by the Company to LNH, as these were neither the Company's employees nor their dependents. Currently, the case is pending for adjudication in SHC. The legal advisor of the Company is of the opinion that no economic outflow is expected in this respect.

	30 June 2022 (Un-Audited)	30 June 2021 (Un-Audited)
	Rupees in '000	
18 MARK-UP/RETURN/INTEREST EARNED		
a) Loans and advances		
Customers	1,095,281	684,734
Employees	8,442	6,876
b) Investments		
Available-for-sale	301,010	234,432
Held-to-Maturity	82,613	228,274
c) Lendings to financial institutions		
Letters of placement	238	56
Repurchase agreement lending (Reverse repo)	40,178	41,236
d) Balances with banks	7,941	4,579
	<u>1,535,703</u>	<u>1,200,187</u>
19 MARK-UP/RETURN/INTEREST EXPENSED		
Borrowings	79,485	94,005
Finance lease charge	10,780	6,072
	<u>90,265</u>	<u>100,077</u>

HOUSE BUILDING FINANCE COMPANY LIMITED
 NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
 FOR THE PERIOD ENDED 30 JUNE 2022

		30 June 2022 (Un-Audited)	30 June 2021 (Un-Audited)
		Rupees in '000	
20 OPERATING EXPENSES	Note		
Total compensation expense	20.1	536,690	542,647
Property expense			
Rent and taxes		947	866
Insurance		826	353
Utilities cost		12,554	7,027
Security (including guards)		3,482	2,091
Repair and maintenance (including janitorial charges)		30,037	26,293
Depreciation		7,557	7,522
Depreciation on right-of-use assets		30,505	24,670
		85,908	68,822
Information technology expenses			
Hardware maintenance		2,879	146
Depreciation		7,304	10,379
Amortization		2,676	1,102
Network charges		4,888	6,527
		17,747	18,154
Other operating expenses			
Directors' fees and allowances		400	-
Legal and professional charges		15,512	21,945
Consultancy charges		2,867	1,955
Outsourced services costs		23,657	19,746
Travelling and conveyance		4,607	4,064
Depreciation		7,143	6,823
Training and development		5,080	2,043
Postage and courier charges		1,922	1,834
Communication		2,326	332
Stationery and printing		3,510	2,980
Marketing, advertisement and publicity		5,344	5,349
Auditors remuneration		1,950	1,950
Banking service charges		4,308	4,110
Entertainment		1,041	988
Vehicle expense		8,595	6,389
Subscription		1,751	575
Others		3,703	5,703
		93,716	86,786
		734,061	716,409
20.1	This amount includes remuneration, bonuses and other allowances paid to employees.		
		30 June 2022 (Un-Audited)	30 June 2021 (Un-Audited)
		Rupees in '000	
21 PROVISIONS & WRITE OFFS - NET			
Reversal of provision for diminution in value of investments		-	(22,500)
Reversal of provision against loans and advances		(110,590)	(265,858)
Reversal of provision against doubtful receivable insurance premium from partners		-	(2,135)
		(110,590)	(290,493)

HOUSE BUILDING FINANCE COMPANY LIMITED
 NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
 FOR THE PERIOD ENDED 30 JUNE 2022

	30 June 2022 (Un-Audited)	30 June 2021 (Un-Audited)
	Rupees in '000	
22 TAXATION		
Current	154,009	117,933
Deferred tax	<u>(103,247)</u>	<u>20,688</u>
	<u>50,762</u>	<u>138,621</u>
23 EARNING PER SHARE - BASIC & DILUTED		
Profit after taxation for the period (Rupees in 000's)	<u>752,780</u>	<u>554,681</u>
Weighted average number of ordinary shares (in 000's)	<u>1,936,500,006</u>	<u>1,936,500,006</u>
Basic earnings per share (Rupees)	<u>0.39</u>	<u>0.29</u>
24 CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	19,843	30,455
Balances with other banks	<u>65,762</u>	<u>220,279</u>
	<u>85,605</u>	<u>250,734</u>

25 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 Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	30 June 2022 (Un-Audited)			Total
	Level 1	Level 2	Level 3	
	Rupees in '000			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments	-	5,041,421	-	5,041,421
Federal Government Securities	5,159	-	-	5,159
Listed ordinary shares	<u>5,159</u>	<u>5,041,421</u>	<u>-</u>	<u>5,046,580</u>

HOUSE BUILDING FINANCE COMPANY LIMITED
 NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
 FOR THE PERIOD ENDED 30 JUNE 2022

	30 June 2022 (Un-Audited)	31 December 2021 (Restated)
	Rupees in '000	
27 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum Capital Requirement (MCR)		
Paid-up capital (net of losses)	<u>21,468,032</u>	<u>21,425,178</u>
Capital Adequacy Ratio (CAR)		
Eligible Common Equity Tier 1 (CET 1) Capital	<u>22,419,855</u>	<u>21,726,232</u>
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	<u>22,419,855</u>	<u>21,726,232</u>
Eligible Tier 2 Capital	<u>94,576</u>	<u>87,148</u>
Total Eligible Capital (Tier 1 + Tier 2)	<u>22,514,431</u>	<u>21,813,380</u>
Risk Weighted Assets (RWAs):		
Credit Risk	<u>7,566,095</u>	<u>6,971,816</u>
Market Risk	<u>1,199,701</u>	<u>1,218,378</u>
Operational Risk	<u>5,675,093</u>	<u>5,675,093</u>
Total	<u>14,440,889</u>	<u>13,865,287</u>
Common Equity Tier 1 Capital Adequacy Ratio	<u>155.25%</u>	<u>156.70%</u>
Tier 1 Capital Adequacy Ratio	<u>155.25%</u>	<u>156.70%</u>
Total Capital Adequacy Ratio	<u>155.91%</u>	<u>157.32%</u>
Leverage Ratio (LR):		
Eligible Tier-1 Capital	<u>22,419,855</u>	<u>21,726,232</u>
Total Exposure	<u>27,013,346</u>	<u>26,566,381</u>
Leverage Ratio	<u>83.00%</u>	<u>81.78%</u>
Liquidity Coverage Ratio (LCR)		
Total High Quality Liquid Assets	<u>5,045,000</u>	<u>6,589,000</u>
Total Net Cash Outflow	<u>42,000</u>	<u>5,000</u>
Liquidity Coverage Ratio	<u>12012%</u>	<u>131780%</u>
Net Stable Funding Ratio (NSFR)		
Total Available Stable Funding	<u>25,498,000</u>	<u>24,787,000</u>
Total Required Stable Funding	<u>12,467,000</u>	<u>11,287,000</u>
Net Stable Funding Ratio	<u>205%</u>	<u>220%</u>

28 DATE OF AUTHORIZATION

The condensed interim financial statements were authorized for issue on 27 Aug-2022 by the Board of Directors of the Company.

29 GENERAL

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



 President/Chief Executive



 Chief Financial Officer



 Director



 Director



 Director