

**HOUSE BUILDING FINANCE COMPANY LIMITED**  
**STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2020**

|   | (Un-Audited)   | (Audited)         |
|---|----------------|-------------------|
| Note  | March 31, 2020 | December 31, 2019 |
|   | Rupees in '000 |                   |
| <b>ASSETS</b>                                       |                |                   |
| Cash and balances with treasury banks               | 6 34,726       | 42,127            |
| Balances with other banks                           | 7 273,820      | 368,211           |
| Lendings to financial institutions                  | 8 1,355,497    | -                 |
| Investments   | 9 10,142,259   | 10,283,836        |
| Advances  | 10 11,305,708  | 11,668,736        |
| Fixed assets  | 11 391,552     | 381,637           |
| Intangible assets                                   | 12 30,108      | 21,863            |
| Deferred tax assets                                 | 1,817,412      | 1,817,412         |
| Other assets  | 13 535,631     | 618,025           |
|   | 25,886,713     | 25,201,846        |
| <b>LIABILITIES</b>                                  |                |                   |
| Bills payable                                       | -              | -                 |
| Borrowings  | 14 3,000,000   | 2,000,000         |
| Deposits and other accounts                         | -              | -                 |
| Liabilities against assets subject to finance lease | -              | -                 |
| Subordinated debt                                   | -              | -                 |
| Deferred tax liabilities                            | -              | -                 |
| Other liabilities                                   | 15 2,543,188   | 3,093,783         |
|   | 5,543,188      | 5,093,783         |
| <b>NET ASSETS</b>                                   |                |                   |
|   | 20,343,525     | 20,108,063        |
| <b>REPRESENTED BY</b>                               |                |                   |
| Share capital/ Head office capital account - net    | 19,365,000     | 19,365,000        |
| Reserves  | 1,840,369      | 1,799,382         |
| (Deficit) / surplus on revaluation of assets        | 16 22,772      | (7,756)           |
| Accumulated loss                                    | (884,616)      | (1,048,563)       |
|   | 20,343,525     | 20,108,063        |
| <b>CONTINGENCIES AND COMMITMENTS</b>                |                |                   |
|   | 17             |                   |


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

  
 President/Chief Executive

  
 Chief Financial Officer

  
 Director

  
 Director

  
 Director

**HOUSE BUILDING FINANCE COMPANY LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2020**

|                                  | Note | <b>(Un-Audited) (Un-Audited)</b><br><b>Quarter Ended</b> |                                 |
|----------------------------------|------|--|---------------------------------|
|                                  |      | <b>March 31,</b><br><b>2020</b>                          | <b>March 31,</b><br><b>2019</b> |
|                                  |      | Rupees in '000   |                                 |
| Mark-up/Return/Interest Earned   | 18   | 840,366  | 590,222                         |
| Mark-up/Return/Interest Expensed | 19   | (49,171)   | (1,781)                         |
| Net Mark-up / Interest Income    |      | <u>791,196</u>   | <u>588,440</u>                  |

**NON MARK-UP/INTEREST INCOME**

|                                  |    |                |                |
|----------------------------------|----|----------------|----------------|
| Fee and Commission Income        |    | -              | -              |
| Dividend Income                  |    | -              | -              |
| Foreign Exchange Income          |    | -              | -              |
| Income / (loss) from derivatives |    | -              | -              |
| Gain / (loss) on securities      | 20 | -              | (592)          |
| Other Income                     | 21 | 22,476         | 59,446         |
| Total non-markup/interest Income |    | <u>22,476</u>  | <u>58,854</u>  |
| Total Income                     |    | <u>813,672</u> | <u>647,294</u> |

**NON MARK-UP/INTEREST EXPENSES**

|  |    |                  |                  |
|--|----|------------------|------------------|
| Operating expenses                         | 22 | (418,439)        | (345,875)        |
| Workers Welfare Fund                       |    | (5,891)          | (6,006)          |
| Other charges                              |    | (695)            | -                |
| Total non-markup/interest expenses         |    | <u>(425,024)</u> | <u>(351,881)</u> |
| Profit / (Loss) before provisions          |    | 388,648          | 295,413          |
| Reversal of provision and write offs - net | 23 | (99,952)         | 320              |
| Relief package and reprocessing charges    |    | (57)             | (1,417)          |
| Share of profit from associate             |    | -                | -                |

**PROFIT/(LOSS) BEFORE TAXATION**

|          |    |          |           |
|----------|----|----------|-----------|
| Taxation | 25 | (83,706) | (108,519) |
|----------|----|----------|-----------|

**PROFIT/(LOSS) AFTER TAXATION**

|  |                |                |
|--|----------------|----------------|
|  | <u>204,934</u> | <u>185,797</u> |
|--|----------------|----------------|

Rupees


**Earnings per share - basic & diluted**

|  |             |             |
|--|-------------|-------------|
|  | <u>0.11</u> | <u>0.10</u> |
|--|-------------|-------------|

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**HOUSE BUILDING FINANCE COMPANY LIMITED  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED MARCH 31, 2020**

**(Un-Audited) (Un-Audited)  
Quarter Ended**

**March 31,      March 31,  
2020              2019**


------(Rupees in '000)-----

|  |                |                |
|--|----------------|----------------|
| Profit / (Loss) after taxation for the period                                    | 204,934        | 185,797        |
| Other comprehensive income   |                |                |
| Items that may be reclassified to profit and loss account in subsequent periods: |                |                |
| Movement in surplus / (deficit) on revaluation of investments                    | 30,528         | (147)          |
| <b>Total comprehensive income</b>  | <u>235,462</u> | <u>185,650</u> |

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\_\_\_\_\_  
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\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director



**HOUSE BUILDING FINANCE COMPANY LIMITED**  
**STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED MARCH 31, 2020**

|  | Share capital     | Statutory reserve | Surplus/(Deficit) on revaluation<br>Rupees in '000 | Unappropriated losses | Total             |
|--|-------------------|-------------------|--|-----------------------|-------------------|
| <b>Opening Balance as at January 1, 2019</b>       | 19,365,000        | 1,246,973         | (20,844)   | (3,685,905)           | 16,905,224        |
| Profit / (loss) after taxation (March 31 2019)     | -                 | -                 | -  | 185,650               | 185,650           |
| Other comprehensive income - net of tax            | -                 | -                 | -  | -                     | -                 |
| Transfer to statutory reserve *                    | -                 | 37,130            | -  | (37,130)              | -                 |
| <b>Opening Balance as at April 01, 2019</b>        | <b>19,365,000</b> | <b>1,284,103</b>  | <b>(20,844)</b>                                    | <b>(3,537,385)</b>    | <b>17,090,874</b> |
| Profit / (loss) after taxation (December 31, 2019) | -                 | -                 | -  | 2,576,397             | 2,576,397         |
| Other comprehensive income - net of tax            | -                 | -                 | 13,088   | 427,704               | 440,792           |
| Transfer to statutory reserve *                    | -                 | 515,279           | -  | (515,279)             | -                 |
| <b>Opening Balance as at January 1, 2020</b>       | <b>19,365,000</b> | <b>1,799,382</b>  | <b>(7,756)</b>                                     | <b>(1,048,563)</b>    | <b>20,108,063</b> |
| Profit / (loss) after taxation (March 31 2020)     | -                 | -                 | -  | 204,934               | 204,934           |
| Other comprehensive income - net of tax            | -                 | -                 | 30,528   | -                     | 30,528            |
| Transfer to statutory reserve *                    | -                 | 40,987            | -  | (40,987)              | -                 |
| <b>Closing Balance as on March 31, 2020</b>        | <b>19,365,000</b> | <b>1,840,369</b>  | <b>22,772</b>                                      | <b>(884,616)</b>      | <b>20,343,525</b> |

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


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**HOUSE BUILDING FINANCE COMPANY LIMITED**  
**CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31, 2020**

(Un-Audited) (Un-Audited)  
 March 31, March 31, 2019  
 2020  
 Rupees in '000

**CASH FLOW FROM OPERATING ACTIVITIES**

Profit / (loss) before taxation 288,639 294,315

Adjustments:

|   |         |         |
|---|---------|---------|
| Depreciation                                      | 14,267  | 9,550   |
| Amortization                                      | 394     | 147     |
| Reversal of provision / provisions and write-offs | 99,952  | (320)   |
| Gain on sale of fixed assets                      | (139)   | (18)    |
| Reconciliation & GAS incentive adjustments        | (57)    | (1,417) |
| Provision for SWWF                                | 5,891   | 6,006   |
|   | 120,307 | 13,948  |
|   | 408,946 | 308,263 |

(Increase)/ Decrease in operating assets

|  |             |           |
|--|-------------|-----------|
| Lendings to financial institutions         | (1,355,497) | 1,061,704 |
| Advances                                   | 259,986     | 44,206    |
| Others assets (excluding advance taxation) | 198,230     | 105,829   |
|  | (897,281)   | 1,211,739 |

Increase/ (Decrease) in operating liabilities

|  |           |           |
|--|-----------|-----------|
| Borrowings from financial institutions         | 1,000,000 | 2,000,000 |
| Other liabilities (excluding current taxation) | (731,018) | (176,360) |
|  | 268,982   | 1,823,640 |

Income tax paid

Net cash flow generated from / (used in) operating activities (251,483) 3,310,018

**CASH FLOW FROM INVESTING ACTIVITIES**


|   |          |             |
|---|----------|-------------|
| Net investments   | 172,105  | (3,184,618) |
| Investments in operating fixed assets                         | (22,680) | (17,833)    |
| Proceeds from sale of fixed assets                            | 266      | 29          |
| Net cash flow generated from / (used in) investing activities | 149,690  | (3,202,422) |

**Increase / (Decrease) in cash and cash equivalents**

|  |         |         |
|--|---------|---------|
| Cash and cash equivalents at beginning of the period | 410,337 | 446,407 |
| Cash and cash equivalents at end of the period       | 308,544 | 554,003 |

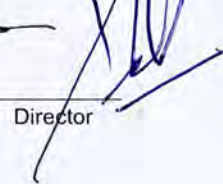
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**HOUSE BUILDING FINANCE COMPANY LIMITED**  
**NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED MARCH 31, 2020**

**1. STATUS AND NATURE OF BUSINESS**

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

The Company is designated as a financial institution by the Federal Government and is providing financing facilities for the purchase, construction and renovation of houses through a network of 51 branch offices, 7 area offices and 3 regional offices throughout Pakistan including Azad Jammu and Kashmir. According to credit rating report dated May 13, 2019 of JCR-VIS Credit Rating Company Limited, the long term and short term ratings of the Company are "A" and "A-1".

**2. BASIS OF PREPARATION**

**2.1 STATEMENT OF COMPLIANCE**

This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards IFRS issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017 provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Act, 2017 and directives issued by the SBP and the Securities and Exchange Commission of Pakistan (SECP). Whenever the requirements of the Banking Companies Ordinance, 1962, Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

**2.2** The condensed interim financial statements do not include all the information and disclosures required in the audited annual financial statements, and should be read in conjunction with the audited annual financial statements for the financial year ended December 31, 2019.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the audited annual financial statements of the Bank/DFI for the year ended December 31, 2019.

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The basis for accounting estimates adopted in the preparation of this condensed interim unconsolidated financial information is the same as that applied in the preparation of the unconsolidated financial statements for the year ended December 31, 2019.

**5. FINANCIAL RISK MANAGEMENT**

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

**6. CASH AND BALANCES WITH TREASURY BANKS**

|  |     | (Un-Audited)<br>March 31,<br>2020 | (Audited)<br>December<br>31, 2019 |
|--|-----|-----------------------------------|-----------------------------------|
| Rupees in '000   |     |                                   |                                   |
| With State Bank of Pakistan in<br>Local currency current account     | 6.1 | 34,670                            | 42,066                            |
| With National Bank of Pakistan in<br>Local currency current accounts | 6.2 | 56                                | 60                                |
|  |     | 34,726                            | 42,127                            |

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

6.2 The bank account carries mark-up at rate 9.50% to 11.25% (2019: 8% to 11%) per annum.

|                |                                  | (Un-Audited)<br>March 31,<br>2020 | (Audited)<br>December<br>31, 2019 |
|----------------|----------------------------------|-----------------------------------|-----------------------------------|
| Rupees in '000 |                                  |                                   |                                   |
| <b>7</b>       | <b>BALANCES WITH OTHER BANKS</b> |                                   |                                   |
|                | In Pakistan                      |                                   |                                   |
|                | In deposit accounts              | 7.1                               | 273,820                           |
|                | In term deposit accounts         |                                   | 168,211                           |
|                |                                  |                                   | 200,000                           |
|                |                                  |                                   | <u>273,820</u>                    |
|                |                                  |                                   | <u>368,211</u>                    |

7.1 These bank accounts carry mark-up at rates ranging from 9% to 12% (2019: 8% to 12%) per annum.

## 8 LENDINGS TO FINANCIAL INSTITUTIONS

|  |  |     |                  |               |
|--|--|-----|------------------|---------------|
|  | Letters of placement   | 8.1 | 235,789          | 55,683        |
|  | Repurchase agreement lending (reverse repo)                    | 8.2 | 1,175,391        | -             |
|  |  |     | <u>1,411,181</u> | <u>55,683</u> |
|  | Less: Provision held against Lending to Financial Institutions |     | (55,683)         | (55,683)      |
|  | Lendings to Financial Institutions - net of provision          |     | <u>1,355,497</u> | <u>-</u>      |

### 8.1 Particulars of letters of placement

In local currency

|  |  |                |               |
|--|--|----------------|---------------|
|  | National Bank of Pakistan (NBP)              | 180,106        | -             |
|  | Trust Investment Bank Limited (TIBL)         | 5,909          | 5,909         |
|  | First Dawood Investment Bank Limited (FDIBL) | 49,774         | 49,774        |
|  |  | <u>235,789</u> | <u>55,683</u> |

### 8.2 Repurchase agreement lendings (Reverse Repo)

In local currency

|  |                                 |                  |          |
|--|---------------------------------|------------------|----------|
|  | National Bank of Pakistan (NBP) | 1,175,391        | -        |
|  |                                 | <u>1,175,391</u> | <u>-</u> |

### 8.3 Category of classification

| (Un-Audited)<br>March 31, 2020 |                | (Audited)<br>December 31, 2019 |                |
|--------------------------------|----------------|--------------------------------|----------------|
| Classified Lending             | Provision held | Classified Lending             | Provision held |
| Rupees in '000                 |                |                                |                |
| 55,683                         | 55,683         | 55,683                         | 55,683         |

Domestic

|            | (Un-Audited)<br>March 31, 2020       |                          |                     |                | (Audited)<br>December 31, 2019 |                          |                     |                |                   |
|------------|--------------------------------------|--------------------------|---------------------|----------------|--------------------------------|--------------------------|---------------------|----------------|-------------------|
|            | Cost / Amortised cost                | Provision for diminution | Surplus / (Deficit) | Carrying Value | Cost / Amortised cost          | Provision for diminution | Surplus / (Deficit) | Carrying Value |                   |
| <b>9</b>   | <b>INVESTMENTS</b>                   |                          |                     |                |                                |                          |                     |                |                   |
| <b>9.1</b> | <b>Investments by type:</b>          |                          |                     |                |                                |                          |                     |                |                   |
|            | Rupees in '000                       |                          |                     |                |                                |                          |                     |                |                   |
|            | <b>Available-for-sale securities</b> |                          |                     |                |                                |                          |                     |                |                   |
|            | Market Treasury Bills                | 6,050,455                | -                   | 19,513         | 6,069,968                      | 6,159,451                | -                   | (10,450)       | 6,149,001         |
|            | Pakistan Investment Bonds            | 500,000                  | -                   | 6,600          | 506,600                        | 500,000                  | -                   | 3,700          | 503,700           |
|            | Unlisted Ordinary Shares             | 63,785                   | (500)               | -              | 63,285                         | 63,785                   | (500)               | -              | 63,285            |
|            | Listed Ordinary Shares               | 9,603                    | -                   | (3,341)        | 6,262                          | 9,603                    | -                   | (1,006)        | 8,597             |
|            |                                      | <u>6,623,843</u>         | <u>(500)</u>        | <u>22,772</u>  | <u>6,646,115</u>               | <u>6,732,839</u>         | <u>(500)</u>        | <u>(7,756)</u> | <u>6,724,584</u>  |
|            | <b>Held-to-maturity securities</b>   |                          |                     |                |                                |                          |                     |                |                   |
|            | Pakistan Investment Bonds            | 3,496,144                | -                   | -              | 3,496,144                      | 3,559,253                | -                   | -              | 3,559,253         |
|            | Unlisted Sukuk Bonds                 | 26,240                   | (26,240)            | -              | -                              | 26,240                   | (26,240)            | -              | -                 |
|            | Certificate of Investments           | 45,000                   | (45,000)            | -              | -                              | 45,000                   | (45,000)            | -              | -                 |
|            |                                      | <u>3,567,384</u>         | <u>(71,240)</u>     | <u>-</u>       | <u>3,496,144</u>               | <u>3,630,493</u>         | <u>(71,240)</u>     | <u>-</u>       | <u>3,559,253</u>  |
|            | <b>Total Investments</b>             | <u>10,191,227</u>        | <u>(71,740)</u>     | <u>22,772</u>  | <u>10,142,259</u>              | <u>10,363,332</u>        | <u>(71,740)</u>     | <u>(7,756)</u> | <u>10,283,836</u> |



|   | (Un-Audited)<br>March 31,<br>2020 | Audied<br>December<br>31, 2019 |
|---|-----------------------------------|--------------------------------|
|   | Rupees in '000                    |                                |
| <b>9.2 Provision for diminution in value of investments</b> |                                   |                                |
| <b>9.2.1</b> Opening balance                                | 71,740                            | 71,740                         |
| Charge / reversals  | -                                 | -                              |
| Charge for the period / year                                | -                                 | -                              |
| Reversals for the period / year                             | -                                 | -                              |
| Reversal on disposals                                       | -                                 | -                              |
| Closing Balance   | 71,740                            | 71,740                         |

### 9.2.2 Particulars of provision against debt securities

| Category of classification | (Un-Audited)<br>March 31, 2020 |           | (Audited)<br>December 31, 2019 |           |
|----------------------------|--------------------------------|-----------|--------------------------------|-----------|
|                            | NPI                            | Provision | NPI                            | Provision |
| <b>Domestic</b>            |                                |           |                                |           |
| Loss                       | 71,240                         | 71,240    | 71,240                         | 71,240    |

### 10 ADVANCES

|  | Performing        |                      | Non Performing    |                      | Total             |                      |
|--|-------------------|----------------------|-------------------|----------------------|-------------------|----------------------|
|  | March 31,<br>2020 | December 31,<br>2019 | March 31,<br>2020 | December<br>31, 2019 | March 31,<br>2020 | December<br>31, 2019 |
|  | Rupees in '000    |                      |                   |                      |                   |                      |
| <b>In Pakistan - local currency</b>          |                   |                      |                   |                      |                   |                      |
| Rental Sharing Schemes                       | 41,756            | 44,330               | 1,265,407         | 1,289,632            | 1,307,163         | 1,333,962            |
| Interest Bearing Schemes                     | -                 | -                    | 99,941            | 99,941               | 99,941            | 99,941               |
| Ghar Aasan Scheme                            | 599,586           | 698,220              | 1,069,904         | 1,049,064            | 1,669,491         | 1,747,284            |
| Shandar Ghar Scheme                          | 3,733             | 2,793                | 117,113           | 127,515              | 120,846           | 130,308              |
| Financing facility for Small Builders        | -                 | -                    | 2,970             | 2,970                | 2,970             | 2,970                |
| Ghar Aasan Flexi Scheme                      | 5,768,050         | 7,833,180            | 2,299,021         | 1,598,764            | 8,067,071         | 9,431,944            |
| Ghar Pakistan Scheme                         | 2,183,671         | 1,413,340            | -                 | -                    | 2,183,671         | 1,413,340            |
| Ghar Pakistan Plus Scheme                    | 880,199           | 460,045              | -                 | -                    | 880,199           | 460,045              |
| Bisma & Saima Projects                       | 5,496             | 7,552                | 10,131            | 10,900               | 15,627            | 18,452               |
| New Small Builders                           | 28,770            | 30,280               | 27,693            | 26,544               | 56,463            | 56,824               |
|  | 9,511,262         | 10,489,739           | 4,892,180         | 4,205,330            | 14,403,441        | 14,695,069           |
| <b>Employee portfolio</b>                    |                   |                      |                   |                      |                   |                      |
| Housing finance to employees                 | 419,252           | 418,125              | 5,550             | 5,550                | 424,802           | 423,675              |
| Car advance to employees                     | 60,201            | 59,426               | -                 | -                    | 60,201            | 59,426               |
| Staff Personal Loan                          | 24,242            | 21,891               | -                 | -                    | 24,242            | 21,891               |
| PC advance to employees                      | -                 | -                    | 19                | 19                   | 19                | 19                   |
|  | 503,695           | 499,442              | 5,569             | 5,569                | 509,265           | 505,012              |
| Partners' death claims                       | 6,897             | 10,610               | -                 | -                    | 6,897             | 10,610               |
| Transitory district bank accounts - net      | (7,319)           | (38,478)             | -                 | -                    | (7,319)           | (38,478)             |
| Advances - gross                             | 10,014,536        | 10,961,314           | 4,897,749         | 4,210,899            | 14,912,284        | 15,172,213           |
| <b>Provision for non-performing advances</b> |                   |                      |                   |                      |                   |                      |
| - Specific                                   |                   |                      |                   |                      |                   |                      |
| Rental Sharing Schemes                       | (25,294)          | (29,151)             | (1,265,407)       | (1,289,171)          | (1,290,701)       | (1,318,322)          |
| Interest Bearing Schemes                     | -                 | -                    | (99,941)          | (99,968)             | (99,941)          | (99,968)             |
| Ghar Aasan Scheme                            | -                 | -                    | (923,425)         | (888,246)            | (923,425)         | (888,246)            |
| Shandar Ghar Scheme                          | (959)             | -                    | (117,113)         | (127,686)            | (118,072)         | (127,686)            |
| Financing facility for Small Builders        | -                 | -                    | (2,970)           | (2,970)              | (2,970)           | (2,970)              |
| Ghar Aasan Flexi Scheme                      | -                 | -                    | (971,033)         | (857,543)            | (971,033)         | (857,543)            |
| Bisma & Saima Projects                       | -                 | -                    | (7,644)           | (5,156)              | (7,644)           | (5,156)              |
| New Small Builders Scheme                    | (3,699)           | (5,311)              | (27,693)          | (26,544)             | (31,392)          | (31,855)             |
| PC Advance to employees                      | -                 | -                    | (19)              | (19)                 | (19)              | (19)                 |
| Finance to employees                         | -                 | -                    | (5,550)           | (5,550)              | (5,550)           | (5,550)              |
|  | (29,951)          | (34,462)             | (3,420,794)       | (3,302,853)          | (3,450,745)       | (3,337,315)          |
| - General                                    | (155,831)         | (166,162)            | -                 | -                    | (155,831)         | (166,162)            |
| Advances - net of provision                  | 9,828,753         | 10,760,690           | 1,476,955         | 908,046              | 11,305,708        | 11,668,736           |



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

| Category of Classification        | (Un-Audited)         |                  | (Audited)            |                  |
|-----------------------------------|----------------------|------------------|----------------------|------------------|
|                                   | March 31, 2020       |                  | December 31, 2019    |                  |
|                                   | Non Performing Loans | Provision        | Non Performing Loans | Provision        |
|                                   | Rupees in '000       |                  |                      |                  |
| <b>Domestic</b>                   |                      |                  |                      |                  |
| Other Assets Especially Mentioned | 977,678              | 7,826            | 188,826              | 1,048            |
| Substandard                       | 273,242              | 18,526           | 274,026              | 16,098           |
| Doubtful                          | 331,777              | 77,752           | 297,337              | 40,887           |
| Loss                              | 3,315,052            | 3,316,690        | 3,450,710            | 3,244,820        |
| <b>Total</b>                      | <b>4,897,749</b>     | <b>3,420,794</b> | <b>4,210,899</b>     | <b>3,302,853</b> |

| 10.2 Particulars of provision against advances | (Un-Audited)   |          |           | (Audited)         |         |           |
|--|----------------|----------|-----------|-------------------|---------|-----------|
|  | March 31, 2020 |          |           | December 31, 2019 |         |           |
|  | Specific       | General  | Total     | Specific          | General | Total     |
|  | Rupees in '000 |          |           |                   |         |           |
| Opening balance                                | 3,337,319      | 166,162  | 3,503,481 | 2,973,924         | 153,482 | 3,127,406 |
| Charge for the period / year                   | 151,017        | -        | 151,017   | 561,311           | 12,680  | 573,991   |
| Reversals                                      | (37,591)       | (10,331) | (47,922)  | (197,916)         | -       | (197,916) |
|  | 113,426        | (10,331) | 103,095   | 363,395           | 12,680  | 376,075   |
| Amounts written off                            |                |          |           |                   |         |           |
| Closing balance                                | 3,450,745      | 155,831  | 3,606,576 | 3,337,319         | 166,162 | 3,503,481 |

**10.3.1** General provision against advances has been determined in accordance with the requirements of Prudential Regulations (HF-9) issued by the State Bank of Pakistan on regular portfolio of consumer financing.

**10.3.2** The SBP vide BSD Circular no. 10 of 2009 dated October 20, 2009 had allowed banks/DFIs to avail benefit of forced sales value of collaterals mortgaged with them while determining provisioning requirement against non-performing financing. Further, SBP vide BSD Circular no.1 of 2011 dated October 21, 2011 made certain amendments in the Prudential Regulations for Consumer Financing with respect to allowing additional benefit of forced sales value (FSV) of mortgage properties held as collateral against housing finances. According to the said circular, the impact on profitability due to availing FSV benefit shall not be available for payment of cash dividend or stock dividend. As at March 31, 2020, had FSV benefit of IH&SMEFD Circular no. 03 of 2017 not been taken, accumulated profit before taxation would have been decreased by Rs. 960.9 million.

| 11 FIXED ASSETS   | (Un-Audited)   | (Audited)         |
|---|----------------|-------------------|
|   | March 31, 2020 | December 31, 2019 |
|   | Rupees in '000 |                   |
| Capital work-in-progress  | 11.1           | 12,860            |
| Property and equipment  |                | 295,367           |
| Right of use-of-assets  |                | 83,326            |
|   |                | <u>391,552</u>    |
|   |                | <u>381,637</u>    |
| <b>11.1 Capital work-in-progress</b>  |                |                   |
| Civil works   |                | 12,860            |
|   |                | <u>12,860</u>     |
|   |                | <u>12,860</u>     |
| <b>12 INTANGIBLE ASSETS</b>   |                |                   |
| Computer Software   |                | 3,180             |
| Capital work-in-progress  |                | 26,928            |
|   |                | <u>30,108</u>     |
|   |                | <u>21,863</u>     |
| <b>13 OTHER ASSETS</b>  |                |                   |
| Income/ mark-up accrued in local currency - net of provision                      |                |                   |
| Advances  |                | 69,102            |
| Investments   |                | 82,276            |
| Advances, deposits, advance rent and other prepayments                            |                | 42,551            |
| Advance taxation (payments less provisions)                                       |                | 335,699           |
| Advance for purchase of land - housing projects                                   |                | 53,815            |
| Other receivables against advances  |                | 6,003             |
| Assets acquired from Pakistan Refugees Rehabilitation Finance Corporation (PRRFC) |                | -                 |
|   |                | <u>589,445</u>    |
|   |                | <u>671,840</u>    |
| Less: Provision held against other assets   |                | (53,815)          |
| Other Assets (Net of Provision)   |                | <u>535,631</u>    |
|   |                | <u>618,025</u>    |
| <b>13.1 Provision held against other assets</b>                                   |                |                   |
| Advance for purchase of land - housing projects                                   |                | 53,815            |
|   |                | <u>53,815</u>     |
|   |                | <u>53,815</u>     |

|                |   | (Un-Audited)<br>March 31,<br>2020 | (Audited)<br>December<br>31, 2019 |
|----------------|---|-----------------------------------|-----------------------------------|
| Rupees in '000 |   |                                   |                                   |
| <b>14</b>      | <b>BORROWINGS</b>   |                                   |                                   |
|                | <i>Secured</i>  |                                   |                                   |
|                | Pakistan Mortgage Refinance Company Limited                   | 3,000,000                         | 2,000,000                         |
|                |   | <u>3,000,000</u>                  | <u>2,000,000</u>                  |
| <b>15</b>      | <b>OTHER LIABILITIES</b>                                      |                                   |                                   |
|                | Markup payable on borrowing                                   | 11,480                            | 123,710                           |
|                | Retirement and other service benefits                         | 2,140,651                         | 2,617,691                         |
|                | Other obligation  | 50,256                            | 45,387                            |
|                | Accrued expenses  | 127,867                           | 108,599                           |
|                | Insurance premium payable                                     | 61,029                            | 52,299                            |
|                | Advance rent received   | -                                 | 6,440                             |
|                | Refundable to customers against advances                      | 11,546                            | 12,915                            |
|                | Lease Liability against Right of Use of Asset                 | 89,334                            | 82,119                            |
|                | Security deposits   | 5,600                             | 5,600                             |
|                | Application fee - Gawadar project                             | 3,872                             | 3,872                             |
|                | Retention money payable                                       | 483                               | 483                               |
|                | Reimbursement of claims by Government of Pakistan             | 579                               | 579                               |
|                | Agents' deposit money   | 185                               | 185                               |
|                | Sindh Workers' Welfare Fund                                   | 30,977                            | 25,086                            |
|                | Others  | 9,330                             | 8,819                             |
|                |   | <u>2,543,188</u>                  | <u>3,093,783</u>                  |
| <b>16</b>      | <b>SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS</b>           |                                   |                                   |
|                | Surplus / (deficit) on revaluation of                         |                                   |                                   |
|                | - Available for sale securities                               | 9.1                               | 22,772 (7,756)                    |
| <b>17</b>      | <b>CONTINGENCIES AND COMMITMENTS</b>                          |                                   |                                   |
|                | -Commitments  | 17.1                              | 716,516 722,342                   |
|                | -Other contingent liabilities                                 | 17.2                              | 47,990 47,990                     |
|                |   |                                   | <u>764,506 770,332</u>            |
| <b>17.1</b>    | <b>Commitments:</b>   |                                   |                                   |
|                | Documentary credits and short-term trade-related transactions |                                   |                                   |
|                | - Loans sanctioned but not disbursed                          |                                   | 276,540 282,366                   |
|                | Equity investment to be made in                               |                                   |                                   |
|                | - Pakistan Mortgage Refinance Company Limited                 |                                   | 193,325 193,325                   |
|                | Land to be purchased for Gwadar Housing Projects              |                                   | 149,725 149,725                   |
|                | Land to be purchased for Gwadar Office                        |                                   | 9,750 9,750                       |
|                | Model Town Lahore Project                                     |                                   | 27,840 27,840                     |
|                | Hyderabad Project   |                                   | 5,305 5,305                       |
|                | Peshawar Office Building Project                              |                                   | 10,485 10,485                     |
|                | Software being developed to replace Loan Management System    |                                   | 42,710 42,710                     |
|                | Other commitments   |                                   | 836 836                           |
|                |   |                                   | <u>716,516 722,342</u>            |
| <b>17.2</b>    | <b>Other contingent liabilities</b>                           |                                   |                                   |
|                | 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 47,990</u>              |



- 17.2.1** In the year 1995, the Company entered into an agreement with SMS Courier (Pvt) Limited (SMSCPL), a courier service company. Subsequently, due to unsatisfactory service, the Company terminated the agreement with SMSCPL. SMSCPL claimed indemnity of loss for Rs. 39.89 million and filed a suit for recovery from the Company which is pending for adjudication in Honorable Sindh High Court. The legal advisor of the Company is of the opinion that no economic outflow is expected in this respect.
- 17.2.2** In the year 2008, the Company entered into an agreement with Liaquat National Hospital (LNH) in Karachi for providing medical facilities/treatments to employees of the Company and their dependents. LNH lodged a claim of Rs. 8.1 million against the Company, which include bills of the individuals who were not referred by the Company to LNH, as these were neither the Company's employees nor their dependents. Currently, the case is pending for adjudication in Honorable Sindh High Court. The legal advisor of the Company is of the opinion that no economic outflow is expected.

|   | (Un-Audited)<br>March 31,<br>2020 | (Audited)<br>March 31,<br>2019 |
|---|-----------------------------------|--------------------------------|
|   | Rupees in '000                    |                                |
| <b>18 MARK-UP/RETURN/INTEREST EARNED</b>              |                                   |                                |
| On:   |                                   |                                |
| a) Loans and advances                                 |                                   |                                |
| Customers   | 501,738                           | 360,025                        |
| Employees   | 2,540                             | 3,231                          |
| b) Investments  |                                   |                                |
| Available-for-sale                                    | 307,814                           | 175,058                        |
| c) Lendings   |                                   |                                |
| Letters of placement                                  | 1,003                             | 3,373                          |
| Repurchase agreement lending (Reverse repo)           | 16,921                            | 41,811                         |
| d) Balances with banks                                | 10,351                            | 6,724                          |
|   | <u>840,366</u>                    | <u>590,222</u>                 |
| <b>19 MARK-UP/RETURN/INTEREST EXPENSED</b>            |                                   |                                |
| On:   |                                   |                                |
| a) Borrowing from Pakistan Mortgage Refinance Company | 49,171                            | 1,781                          |
|   | <u>49,171</u>                     | <u>1,781</u>                   |
| <b>20 GAIN / (LOSS) ON SECURITIES</b>                 |                                   |                                |
| Realised  | -                                 | (592)                          |
| <b>21 OTHER INCOME</b>                                |                                   |                                |
| Profit Commission from insurance company              | 1,088                             | 38,667                         |
| Rent on property                                      | 6,440                             | 9,660                          |
| Gain on sale of fixed assets-net                      | 139                               | 18                             |
| Inspection and application fee                        | 5,352                             | 2,169                          |
| Advance Unit Purchase Charges                         | 6,070                             | 5,709                          |
| Balloon Payment charges of Flexi Scheme               | 11                                | 72                             |
| Storage documentation                                 | 1,341                             | 1,385                          |
| Penalty income on conventional schemes                | 1,653                             | 1,211                          |
| Miscellaneous Income                                  | 381                               | 555                            |
|   | <u>22,476</u>                     | <u>59,446</u>                  |
| <b>22 OPERATING EXPENSES</b>                          |                                   |                                |
| Total compensation expense                            | 350,834                           | 277,717                        |
| <b>Property expense</b>                               |                                   |                                |
| Rent and taxes  | -                                 | 6,269                          |
| Insurance   | 225                               | 211                            |
| Utilities cost  | 2,554                             | 2,087                          |
| Security (including guards)                           | 605                               | 1,152                          |
| Repair and maintenance (including janitorial charges) | 7,087                             | 5,381                          |
| Depreciation  | 7,565                             | 3,726                          |
| Others  | 975                               | 1,019                          |
|   | 19,012                            | 19,845                         |
| <b>Information technology expenses</b>                |                                   |                                |
| Hardware maintenance                                  | 1,128                             | 621                            |
| Depreciation  | 3,701                             | 3,445                          |
| Amortization  | 394                               | 147                            |
| Network charges                                       | 2,395                             | 1,339                          |
|   | 7,617                             | 5,551                          |



**(Un-Audited)      (Audited)**  
**March 31,      March 31,**  
**2020              2019**  
**Rupees in '000**

**Other operating expenses**

|  |                |                |
|--|----------------|----------------|
| Directors' fees and allowances         | 714            | 2,376          |
| Legal and professional charges         | 5,137          | 4,918          |
| Consultancy charges                    | 5,861          | 6,673          |
| Outsourced services costs              | 4,043          | 5,640          |
| Travelling and conveyance              | 4,743          | 3,541          |
| Depreciation                           | 3,001          | 2,380          |
| Training and development               | 821            | 268            |
| Postage and courier charges            | 2,546          | 1,440          |
| Communication                          | 1,822          | 450            |
| Stationery and printing                | 1,558          | 1,207          |
| Marketing, advertisement and publicity | 1,670          | 1,602          |
| Commission against recovery            | -              | 75             |
| Auditors remuneration                  | 830            | 830            |
| Banking service charges                | 136            | 3,897          |
| Entertainment                          | 433            | 728            |
| Vehicle expense                        | 3,298          | 2,601          |
| Subscription                           | 202            | 99             |
| Others                                 | 4,162          | 4,034          |
|  | <u>40,975</u>  | <u>42,762</u>  |
|  | <u>418,439</u> | <u>345,875</u> |

**23 PROVISIONS & WRITE OFFS - NET**

|  |       |               |              |
|--|-------|---------------|--------------|
| Reversal of provision for diminution in value of investments                       | 8.3   | -             | -            |
| Reversal of provision for lendings   | 9.2.1 | -             | -            |
| Reversal of provision against loans and advances                                   | 10.2  | 103,115       | (1,758)      |
| (Reversal) / Provision against doubtful receivable insurance premium from partners |       | (3,162)       | 1,438        |
| Write off against advances   |       | -             | -            |
|  |       | <u>99,952</u> | <u>(320)</u> |

**24 RELIEF PACKAGE AND REPROCESSING CHARGES**

|                                     |  |           |              |
|-------------------------------------|--|-----------|--------------|
| GAS incentive                       |  | -         | 1,360        |
| Reprocessing and closing adjustment |  | 57        | 57           |
|                                     |  | <u>57</u> | <u>1,417</u> |

**25 TAXATION**

|               |  |               |                |
|---------------|--|---------------|----------------|
| Current       |  | 83,706        | 82,408         |
| Prior periods |  | -             | 26,111         |
|               |  | <u>83,706</u> | <u>108,519</u> |

**26 EARNING PER SHARE - BASIC & DILUTED**

|  |  |                      |                      |
|--|--|----------------------|----------------------|
| Profit for the period                      |  | <u>204,934</u>       | <u>185,797</u>       |
| Weighted average number of ordinary shares |  | <u>1,936,500,006</u> | <u>1,936,500,006</u> |
| Basic earnings per share                   |  | <u>0.11</u>          | <u>0.10</u>          |

## 27 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

### 27 Fair value of financial assets

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

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

|  | <b>(Un-Audited)</b><br><b>March 31, 2020</b> |                |                |              |
|--|--|----------------|----------------|--------------|
|  | <b>Level 1</b>                               | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|  | <b>Rupees in '000</b>                        |                |                |              |
| <b>On balance sheet financial instruments</b>    |  |                |                |              |
| <b>Financial assets - measured at fair value</b> |  |                |                |              |
| Investments                                      |  |                |                |              |
| Federal Government Securities                    | -  | 6,576,568      | -              | 6,576,568    |
| Listed Ordinary Shares                           | 8,597  | -              | -              | 8,597        |
|  |  |                |                |              |
|  | <b>(Audited)</b><br><b>December 31, 2019</b> |                |                |              |
|  | <b>Level 1</b>                               | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|  | <b>Rupees in '000</b>                        |                |                |              |
| <b>On balance sheet financial instruments</b>    |  |                |                |              |
| <b>Financial assets - measured at fair value</b> |  |                |                |              |
| Investments                                      |  |                |                |              |
| Federal Government Securities                    | -  | 6,652,701      | -              | 6,652,701    |
| Listed Ordinary Shares                           | 8,597  | -              | -              | 8,597        |

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

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



## 28 RELATED PARTY TRANSACTIONS

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

The Company enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in these financial statements are as follows:

|                                   | March 31, 2020           |            |                       | December 31, 2019        |            |                       |
|-----------------------------------|--------------------------|------------|-----------------------|--------------------------|------------|-----------------------|
|                                   | Key management personnel | Associates | Other related parties | Key management personnel | Associates | Other related parties |
| <b>Advances</b>                   |                          |            |                       |                          |            |                       |
| Opening balance                   | 50,771                   | -          | -                     | 18,587                   | -          | -                     |
| Addition during the period / year | 6,365                    | -          | -                     | 32,032                   | -          | -                     |
| Repaid during the period / year   | (1,165)                  | -          | -                     | (4,557)                  | -          | -                     |
| Transfer in / (out) - net         | (242)                    | -          | -                     | 4,709                    | -          | -                     |
| Closing balance                   | <u>55,729</u>            | <u>-</u>   | <u>-</u>              | <u>50,771</u>            | <u>-</u>   | <u>-</u>              |
| <b>Income</b>                     |                          |            |                       |                          |            |                       |
| Markup / return / interest earned | <u>363</u>               | <u>-</u>   | <u>-</u>              | <u>1,467</u>             | <u>-</u>   | <u>-</u>              |

**(Un-Audited) (Audited)**  
**March 31, December 31,**  
**2020 2019**  
**Rupees in '000**

**29 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS**

**Minimum Capital Requirement (MCR):**

Paid-up capital (net of losses) 20,320,753    20,115,819

**Capital Adequacy Ratio (CAR):**

|   |            |            |
|---|------------|------------|
| Eligible Common Equity Tier 1 (CET 1) Capital | 18,473,232 | 18,284,299 |
| Eligible Additional Tier 1 (ADT 1) Capital    | -          | -          |
| Total Eligible Tier 1 Capital                 | 18,473,232 | 18,284,299 |
| Eligible Tier 2 Capital                       | 107,497    | 80,816     |
| Total Eligible Capital (Tier 1 + Tier 2)      | 18,580,729 | 18,365,115 |

Risk Weighted Assets (RWAs):

|                  |            |            |
|------------------|------------|------------|
| Credit Risk      | 6,777,974  | 6,465,269  |
| Market Risk      | 992,581    | 1,154,230  |
| Operational Risk | 4,700,933  | 4,700,933  |
| Total            | 12,471,488 | 12,320,432 |

|   |         |         |
|---|---------|---------|
| Common Equity Tier 1 Capital Adequacy Ratio | 148.12% | 148.41% |
| Tier 1 Capital Adequacy Ratio               | 148.12% | 148.41% |
| Total Capital Adequacy Ratio                | 148.99% | 149.06% |

**Leverage Ratio (LR):**

|                         |            |            |
|-------------------------|------------|------------|
| Eligible Tier-1 Capital | 18,473,232 | 18,284,299 |
| Total Exposure          | 26,603,231 | 25,924,188 |
| Leverage Ratio          | 69.44%     | 70.53%     |

**Liquidity Coverage Ratio (LCR):**

|                                  |           |           |
|----------------------------------|-----------|-----------|
| Total High Quality Liquid Assets | 6,612,000 | 6,694,827 |
| Total Net Cash Outflow           | 3,000     | 3,530     |
| Liquidity Coverage Ratio         | 220400%   | 189655%   |

**Net Stable Funding Ratio (NSFR):**

|                                |            |            |
|--------------------------------|------------|------------|
| Total Available Stable Funding | 23,788,000 | 21,124,207 |
| Total Required Stable Funding  | 10,489,000 | 10,899,456 |
| Net Stable Funding Ratio       | 227%       | 194%       |

**30 RECLASSIFICATION OF COMPARATIVE FIGURES**

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

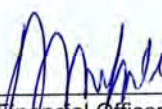
**31 DATE OF AUTHORIZATION**

These financial statements were approved and authorized for issue on May 13, 2020 by the Board of Directors of the

**32 GENERAL**

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

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

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

  
 \_\_\_\_\_  
 Director

\_\_\_\_\_  
 Director

  
 \_\_\_\_\_  
 Director