

HOUSE BUILDING FINANCE COMPANY LIMITED
 CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
 AS AT SEPTEMBER 30, 2020

		September 30, 2020 (Un-Audited)	December 31, 2019 (Audited)
	Note	Rupees in '000	
ASSETS			
Cash and balances with treasury banks	6	111,897	42,126
Balances with other banks	7	251,455	368,211
Lendings to financial institutions	8	1,850,000	-
Investments	9	9,926,150	10,283,836
Advances	10	11,104,230	11,668,736
Fixed assets	11	404,938	381,636
Intangible assets	12	38,783	21,863
Deferred tax assets		1,817,412	1,817,412
Other assets	13	1,037,831	618,025
		26,542,697	25,201,846
LIABILITIES			
Bills payable		-	-
Borrowings	14	2,974,019	2,000,000
Deposits and other accounts		-	-
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	15	2,796,325	3,093,783
		5,770,344	5,093,783
NET ASSETS		20,772,354	20,108,063
REPRESENTED BY			
Share capital		19,365,000	19,365,000
Reserves		1,932,224	1,799,383
Deficit on revaluation of investments	16	(7,671)	(7,756)
Accumulated losses		(517,199)	(1,048,564)
		20,772,354	20,108,063
CONTINGENCIES AND COMMITMENTS	17		

The annexed notes 1 to 32 form an integral part of this condensed interim financial information.


 President/Chief Executive


 Chief Financial Officer


 Director


 Director


 Director

HOUSE BUILDING FINANCE COMPANY LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2020

	Note	Quarter Ended		Period Ended	
		September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Rupees in '000					
Mark-up/return/interest earned	18	937,793	781,983	2,451,206	2,138,596
Mark-up/return/interest expensed	19	(38,449)	(45,640)	(144,938)	(90,879)
Net mark-up/interest income		899,344	736,343	2,306,268	2,047,717
NON MARK-UP/INTEREST INCOME					
Fee and commission income		-	-	-	-
Dividend income		179	167	357	503
Foreign exchange income		-	-	-	-
Income / (loss) from derivatives		-	-	-	-
Loss on securities	20	-	-	-	(2,899)
Other income	21	13,236	22,402	94,724	102,982
Total non-markup / interest income		13,415	22,569	95,081	100,586
Total Income		912,759	758,912	2,401,349	2,148,303
NON MARK-UP/INTEREST EXPENSES					
Operating expenses	22	(382,673)	(407,105)	(1,176,585)	(1,160,960)
Workers Welfare Fund		(8,422)	(6,963)	(19,092)	(20,196)
Other charges		(30)	-	(30)	-
Total non-markup / interest expenses		(391,124)	(414,068)	(1,195,706)	(1,181,156)
Profit before provisions		521,635	344,844	1,205,643	967,147
(Provision) / Reversal of provision and write offs - net	23	(117,278)	12,584	(269,992)	49,376
Relief package and reprocessing charges	24	8,298	(14,431)	(149)	(26,913)
PROFIT BEFORE TAXATION		412,654	342,998	935,501	989,610
Taxation	25	(119,669)	(169,050)	(271,296)	(303,202)
PROFIT AFTER TAXATION		292,986	173,948	664,206	686,408
Rupees					
Earnings per share - basic & diluted	26	0.15	0.09	0.34	0.35

The annexed notes 1 to 32 form an integral part of this condensed interim financial information.


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 SEPTEMBER 30, 2020

	Quarter Ended		Period Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	----- (Rupees in '000) -----			
Profit after taxation for the period	292,986	173,948	664,206	686,408
Items that may be reclassified to profit and loss account in subsequent periods:				
Movement in surplus / (deficit) on revaluation of investments	(35,237)	9,579	85	14,193
Total comprehensive income	257,749	183,526	664,291	700,601

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

 _____ President/Chief Executive	 _____ Chief Financial Officer	 _____ Director	 _____ Director	 _____ Director
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HOUSE BUILDING FINANCE COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2020

	Share capital	Statutory reserve	Surplus/(Defi cit) on revaluation of Investments	Accumulated losses	Total
	-----Rupees in '000-----				
Balance as at January 1, 2019	19,365,000	1,246,974	(20,845)	(3,685,905)	16,905,224
Profit after taxation for the period ended September 30, 2019	-	-	-	686,408	686,408
Other comprehensive income - net of tax	-	-	14,193	-	14,193
Transfer to statutory reserve	-	137,282	-	(137,282)	-
Balance as at September 30, 2019	19,365,000	1,384,256	(6,652)	(3,136,779)	17,605,825
Profit after taxation for the quarter ended December 31, 2019	-	-	-	2,503,342	2,503,342
Other comprehensive income - net of tax	-	-	(1,104)	-	(1,104)
Transfer to statutory reserve	-	415,127	-	(415,127)	-
Balance as at December 31, 2019	19,365,000	1,799,383	(7,756)	(1,048,564)	20,108,063
Profit after taxation for the period ended September 30, 2020	-	-	-	664,206	664,206
Other comprehensive income - net of tax	-	-	85	-	85
Transfer to statutory reserve	-	132,841	-	(132,841)	-
Balance as at September 30, 2020	19,365,000	1,932,224	(7,671)	(517,199)	20,772,354

The annexed notes 1 to 32 form an integral part of this condensed interim financial information.

* 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 reserves 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.


 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 SEPTEMBER 30, 2020


	September 30, 2020	September 30, 2019
Note	-----Rupees in '000-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	935,501	989,610
Adjustments:		
Depreciation	28,313	30,734
Depreciation on right-of-use assets	11,286	22,268
Amortization	1,055	665
Reversal of provision and write-offs	269,992	(49,376)
Gain on sale of fixed assets	(163)	(18)
Reconciliation & GAS incentive adjustments	149	26,913
	<u>310,634</u>	<u>31,185</u>
	1,246,135	1,020,795
Decrease / (increase) in operating assets		
Lendings to financial institutions	(1,850,000)	4,206,892
Advances	315,656	(123,184)
Others assets (excluding advance taxation)	(505,048)	(100,702)
	<u>(2,039,392)</u>	<u>3,983,006</u>
Decrease in operating liabilities		
Other liabilities (excluding current taxation)	(306,476)	(266,515)
Income tax refundable / (paid)	(186,054)	(215,127)
Net cash flow generated from / (used in) operating activities	<u>(1,285,787)</u>	<u>4,522,158</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments	357,771	(5,924,033)
Investments in operating fixed assets	(81,810)	(112,035)
Proceeds from sale of fixed assets	1,097	29
Net cash flow (used in) / generated from investing activities	<u>277,058</u>	<u>(6,036,039)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Borrowings from financial institutions	974,019	2,000,000
Net cash flow used in financing activities	<u>974,019</u>	<u>2,000,000</u>
Increase / (decrease) in cash and cash equivalents	<u>(34,710)</u>	<u>486,119</u>
Cash and cash equivalents at beginning of the period	410,337	446,407
Cash and cash equivalents at end of the period	<u>375,627</u>	<u>932,526</u>

The annexed notes 1 to 32 form an integral part of this condensed interim financial information.


President/Chief Executive


Chief Financial Officer


Director


Director


Director

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 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 Act 2017 (previously Companies Ordinance 1984). 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 branches, 7 area offices and 3 regional offices throughout Pakistan including Azad Jammu & Kashmir. According to credit rating report dated June 12, 2020 of JCR-VIS Credit Rating Company Limited, the long term and short term ratings of the Company are "A" and "A-1".

The federal Government has initiated to divest its entire shareholding in the Company including the investment of State Bank of Pakistan (SBP) which will pave the way for the Company's privatization. The said privatization process is expected to be completed by June 30, 2021.

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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 State Bank of Pakistan (SBP) and the Security and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of the IAS 34 or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

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 International Accounting Standard 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 for the year ended December 31, 2019.

2.3 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are effective in the current period

2.3.1 The SBP through BPRD Circular Letter No. 5 dated March 22, 2019 prescribed a new format for condensed interim financial information of banks which are applicable for quarterly / half yearly periods beginning on or after January 1, 2019. Accordingly, this condensed interim financial information is prepared in accordance with the new format. The changes impacting (other than certain presentation changes) this condensed interim financial information include:

- Inclusion of surplus / deficit on revaluation of investments as part of equity (previously shown below equity).
- Other reversal of provisions / write offs have now been combined under provisions & write off - net (note 23).

2.3.2 There are certain other new standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 01, 2019 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore not detailed in these condensed interim financial information.

2.4 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are not yet effective

Certain standards are effective for the accounting periods beginning on January 01, 2020, but are considered not to be relevant or to have any significant effect on Company's operations and are therefore, not detailed in this condensed interim financial information.

2.5 Standards not yet effective

IASB issued IFRS 9 to replace the current the current standard IAS 39 Financial Instruments: Recognition and Measurement with effect from January 01, 2018. The standard includes requirements for recognition, classification and measurement, impairment and de-recognition of financial instruments. The SECP has notified IFRS 9 for application in Pakistan for accounting periods beginning on or after July 01, 2019. However, SBP has clarified that implementation of IFRS 9 shall not be applicable on financial statements for the period ended December 31, 2020 for all banks/DFIs/MFBs vide circular no. 4 of 2019. The effective date for the implementation of standard is January 01, 2021.

3. BASIS OF MEASUREMENT

3.1 Accounting convention

This condensed interim financial information has been prepared under the historical cost convention, except that certain investments, foreign currency balances and commitments in respect of certain foreign exchange contracts have been marked to market and carried at fair value.

3.2 Functional and presentation currency

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

3.3 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.

4. SUMMARY OF 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 Company 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 financial statements for the year ended December 31, 2019.

	Note	September 30, 2020 (Un-Audited)	December 31, 2019 (Audited)
Rupees in '000			
6. CASH AND BALANCES WITH TREASURY BANKS			
With State Bank of Pakistan in			
- local currency current accounts	6.1	111,838	42,066
With National Bank of Pakistan in			
- local currency current accounts	6.2	59	60
		<u>111,897</u>	<u>42,126</u>

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 5.5% (2019: 8% to 11%) per annum.

September 30, 2020 (Un-Audited)	December 31, 2019 (Audited)
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Rupees in '000

7. BALANCES WITH OTHER BANKS

In Pakistan

In deposit accounts	7.1	189,800	168,211
In term deposit accounts		-	200,000
Transitory district bank accounts - net		61,655	(38,478)
		<u>251,455</u>	<u>329,733</u>

7.1 These balances carry mark-up at rate of 5.5% (2019: 8% to 12%) per annum.

September 30, 2020 (Un-Audited)	December 31, 2019 (Audited)
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Rupees in '000

8. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	September 30, 2020 (Un-Audited)	December 31, 2019 (Audited)
Letters of placement	8.1	55,683	55,683
Repurchase agreement lending (reverse repo)	8.2	1,850,000	-
		<u>1,905,683</u>	<u>55,683</u>
Less: Provision held against Lending to Financial Institutions		<u>(55,683)</u>	<u>(55,683)</u>
Lendings to Financial Institutions - net of provision		<u>1,850,000</u>	<u>-</u>

September
30, 2020
(Un-Audited)
December
31, 2019
(Audited)
Rupees in '000

8.1 Particulars of letters of placement

In local currency

Trust Investment Bank Limited (TIBL)	5,909	5,909
First Dawood Investment Bank Limited (FDIBL)	49,774	49,774
	<u>55,683</u>	<u>55,683</u>

8.2 Repurchase agreement lendings (Reverse Repo)

In local currency

Saudi Pak Ind & Agr Inv Co.	1,000,000	-
Pak Libya Holding Co. Ltd.	500,000	-
Silk Bank Ltd.	350,000	-
	<u>1,850,000</u>	<u>-</u>

8.3 Category of classification

September 30, 2020 (Un-Audited)		December 31, 2019 (Audited)	
Classified Lending	Provision held	Classified Lending	Provision held

Rupees in '000

Domestic	55,683	55,683	55,683	55,683
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9. INVESTMENTS

9.1 Investments by type:

September 30, 2020 (Un-Audited)				December 31, 2019 (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	5,790,165	-	(2,459)	5,787,706	6,159,451	-	(10,450)	6,149,001
Pakistan Investment Bonds	500,000	-	(2,900)	497,100	500,000	-	3,700	503,700
Unlisted Ordinary Shares	63,785	(500)	-	63,285	63,785	(500)	-	63,285
Listed Ordinary Shares	9,603	-	(2,312)	7,292	9,603	-	(1,006)	8,597
	<u>6,363,554</u>	<u>(500)</u>	<u>(7,671)</u>	<u>6,355,383</u>	<u>6,732,839</u>	<u>(500)</u>	<u>(7,756)</u>	<u>6,724,583</u>
Held-to-maturity securities								
Pakistan Investment Bonds	3,570,768	-	-	3,570,768	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>3,642,008</u>	<u>(71,240)</u>	<u>-</u>	<u>3,570,768</u>	<u>3,630,493</u>	<u>(71,240)</u>	<u>-</u>	<u>3,559,253</u>
Total Investments	<u>10,005,561</u>	<u>(71,740)</u>	<u>(7,671)</u>	<u>9,926,150</u>	<u>10,363,332</u>	<u>(71,740)</u>	<u>(7,756)</u>	<u>10,283,836</u>

9.2 Provision for diminution in value of investments

September
30, 2020
(Un-Audited)
December
31, 2019
(Audited)
Rupees in '000

9.2.1 Opening balance	71,740	71,740
Charge / reversals		
Charge for the period / year	-	-
Reversals for the period / year	-	-
Reversal on disposals	-	-
Closing balance	<u>71,740</u>	<u>71,740</u>

9.2.2 Particulars of provision against debt securities

Category of classification	September 30, 2020		December 31, 2019	
	(Un-Audited)		(Audited)	
	NPI	Provision	NPI	Provision
	----- Rupees in '000 -----			
Domestic Loss	71,740	71,740	71,740	71,740

9.3 The market value of securities classified as held to maturity amounted to 3,570 million (2019: 3,559 million).

10. ADVANCES

Note	Performing		Non Performing		Total	
	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
	(Un-Audited)	(Audited)	(Un-Audited)	(Audited)	(Un-Audited)	(Audited)
	----- Rupees in '000 -----					
In Pakistan - local currency						
Rental Sharing Schemes	19,778	44,330	1,259,215	1,289,632	1,278,993	1,333,962
Interest Bearing Schemes	-	-	99,941	99,941	99,941	99,941
Ghar Aasan Scheme	490,389	698,220	1,067,885	1,049,064	1,558,274	1,747,284
Shandar Ghar Scheme	8,685	2,793	106,413	127,515	115,098	130,308
Financing facility for Small Builders	858	-	4,968	2,970	5,826	2,970
Ghar Aasan Flexi Scheme	5,602,907	7,833,180	2,143,668	1,598,764	7,746,575	9,431,944
Ghar Pakistan Scheme	2,312,807	1,413,340	151,486	-	2,464,293	1,413,340
Ghar Pakistan Scheme Plus	934,220	480,045	115,305	-	1,049,525	480,045
Bisma & Saima Projects	9,379	7,552	9,648	10,900	19,027	18,452
New Small Builders	17,083	30,280	30,237	26,544	47,320	56,824
	9,396,105	10,489,740	4,988,766	4,205,330	14,384,871	14,695,070
Employee portfolio						
Housing finance to employees	452,601	418,125	5,550	5,550	458,151	423,675
Car advance to employees	58,386	59,426	-	-	58,386	59,426
Staff Personal Loan	17,053	21,891	-	-	17,053	21,891
PC advance to employees	-	-	19	19	19	19
	528,041	499,442	5,569	5,569	533,610	506,011
Partners' death claims	(23,596)	10,610	-	-	(23,596)	10,610
Advances - gross	9,900,550	10,999,792	4,994,335	4,210,899	14,894,885	15,210,691
Provision for non-performing advances						
- Specific						
Rental Sharing Schemes	2,698	29,151	1,259,214	1,289,171	1,261,912	1,318,322
Interest Bearing Schemes	-	-	99,941	99,968	99,941	99,968
Ghar Aasan Scheme	-	-	891,215	888,246	891,215	886,246
Shandar Ghar Scheme	-	-	106,470	127,686	106,470	127,686
Financing facility for Small Builders	-	-	2,970	2,970	2,970	2,970
Ghar Aasan Flexi Scheme	-	-	1,204,432	857,543	1,204,432	857,543
Ghar Pakistan Scheme	-	-	15,404	-	15,404	-
Ghar Pakistan Scheme Plus	-	-	1,858	-	1,858	-
Bisma & Saima Projects	-	-	8,392	5,156	8,392	5,156
New Small Builders Scheme	-	5,311	28,333	26,544	28,333	31,855
Finance to employees	-	-	5,550	5,550	5,550	5,550
PC advance to employees	-	-	19	19	19	19
	2,698	34,462	3,623,798	3,302,853	3,626,496	3,337,319
- General	164,159	166,162	-	-	164,159	166,162
Advances - net of provision	9,733,693	10,799,168	1,370,537	908,046	11,104,230	11,707,213

10.1 Advances include Rs. 4,994 million (December 31, 2019: Rs. 4,211 million) which have been placed under non-performing status as detailed below:-

Category of Classification	September 30, 2020		December 31, 2019	
	(Un-Audited)		(Audited)	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	----- Rupees in '000 -----			
Domestic				
Other Assets Especially Mentioned	662,228	2,316	188,826	1,048
Substandard	660,248	146,883	274,026	16,098
Doubtful	336,602	154,482	297,337	40,887
Loss	3,335,257	3,320,117	3,450,710	3,244,820
Total	4,994,335	3,623,798	4,210,899	3,302,853

10.2 Particulars of provision against advances

Note	September 30, 2020 (Un-Audited)			December 31, 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
Opening balance	3,337,319	166,162	3,503,481	2,973,924	163,482	3,127,406
Charge for the period / year	383,579	-	383,579	561,311	12,680	573,991
Reversals	(94,402)	(2,003)	(96,406)	(197,916)	-	(197,916)
Amounts written off	289,177	(2,003)	287,173	363,395	12,680	376,075
Closing balance	3,626,496	164,159	3,790,654	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 September 30, 2020, had FSV benefit of IH&SMEFD Circular no. 03 of 2017 not been taken, profit before taxation would have been decreased by Rs. 27 million.

	Note	September 30, 2020 (Un-Audited)	December 31, 2019 (Audited)
Rupees in '000			
11. FIXED ASSETS			
Capital work-in-progress	11.1	12,860	12,860
Property and equipment		288,406	295,720
Right-of-use assets		103,672	73,056
		<u>404,938</u>	<u>381,636</u>
11.1 Capital work-in-progress			
Civil works		<u>12,860</u>	<u>12,860</u>
12. INTANGIBLE ASSETS			
Computer Software & patent		2,519	3,573
Capital work-in-progress		36,264	18,920
		<u>38,783</u>	<u>21,863</u>
13. OTHER ASSETS			
Income/ mark-up accrued in local currency			
Advances		392,413	37,419
Investments		207,326	137,228
Advances, deposits, advance rent and other prepayments		108,709	49,441
Advance taxation (payments less provisions)		301,068	386,310
Advance for purchase of land - housing projects		53,815	53,815
Other receivables against advances		28,315	7,627
Assets acquired from Pakistan Refugees Rehabilitation Finance Corporation (PRRFC)	13.2	-	-
		<u>1,091,646</u>	<u>671,840</u>
Less: Provision held against other assets		<u>(53,815)</u>	<u>(53,815)</u>
Other Assets (Net of Provision)		<u>1,037,831</u>	<u>618,025</u>
13.1 Provision held against other assets			
Advance for purchase of land - housing projects		<u>53,815</u>	<u>53,815</u>
		<u>53,815</u>	<u>53,815</u>
13.2			
As directed vide SRO 499(1)/80 dated May 13, 1980 by Finance Division - Government of Pakistan, the Company (formerly HBFC) took over assets and liabilities of PRRFC. The Company does not have any control over these assets and liabilities. Accordingly, these are not recorded in the books of account.			
14. BORROWINGS			
Secured			
Pakistan Mortgage Refinance Company Limited	14.1	<u>2,974,019</u>	<u>2,000,000</u>
14.1			
The borrowing is secured against a charge of 125% on mortgage properties of customers and carries markup @ 6% to 7% per annum (2019: 8.15% per annum).			

		September 30, 2020 (Un-Audited)	December 31, 2019 (Audited)
Rupees in '000			
15. OTHER LIABILITIES			
Markup payable on borrowing		16,635	123,710
Retirement and other service benefits		2,009,376	2,617,691
Other obligation		22,056	45,387
Accrued expenses		158,783	133,685
Advance payments from customers		319,497	-
Insurance premium payable		61,609	52,298
Advance rent received		62,951	6,440
Refundable to customers against advances		11,812	12,915
Lease liability against right-of-use-assets		99,357	82,119
Reconciliation in migration		14,693	-
Security deposits		5,600	5,600
Application fee - Gawadar project		3,872	3,872
Retention money payable		809	483
Reimbursement of claims by Government of Pakistan		579	579
Agents' deposit money		185	185
Others		8,511	8,819
		<u>2,796,325</u>	<u>3,093,783</u>
		September 30, 2020 (Un-Audited)	December 31, 2019 (Audited)
		Rupees in '000	
16. DEFICIT ON REVALUATION OF INVESTMENTS	Note		
Deficit on revaluation of			
- Available for sale securities	9.1	<u>(7,671)</u>	<u>(7,756)</u>
17. CONTINGENCIES AND COMMITMENTS			
-Commitments	17.1	683,912	722,342
-Other contingent liabilities	17.2	47,990	47,990
		<u>731,902</u>	<u>770,332</u>
17.1 Commitments:			
Documentary credits and short-term trade-related transactions			
- Loans sanctioned but not disbursed		247,176	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		39,470	42,710
Other commitments		836	836
		<u>683,912</u>	<u>722,342</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>
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.		

	September 30, 2020 (Un-Audited)	September 30, 2019 (Un-Audited)
	Rupees in '000	
18. MARK-UP/RETURN/INTEREST EARNED		
On:		
a) Loans and advances		
Customers	1,500,785	1,261,471
Employees	8,309	12,146
b) Investments		
Available-for-sale	552,829	541,615
Held-to-Maturity	314,733	177,393
c) Lendings to financial institutions		
Letters of placement	2,917	10,721
Repurchase agreement lending (Reverse repo)	52,957	110,267
d) Balances with banks	18,677	24,983
	<u>2,451,206</u>	<u>2,138,596</u>
19. MARK-UP/RETURN/INTEREST EXPENSED		
Borrowing from Pakistan Mortgage Refinance Company	140,184	83,281
Finance charge on lease liability	4,754	7,598
	<u>144,938</u>	<u>90,879</u>
20. LOSS ON SECURITIES		
Realised - Treasury Bills	-	(2,899)
21. OTHER INCOME		
Excess premium refund from insurance company	39,713	38,667
Rent on property	32,361	28,980
Gain on sale of fixed assets-net	163	18
Inspection and application fee	6,488	6,899
Advance Unit Purchase Charges	10,124	19,554
Balloon Payment charges of Flexi Scheme	12	67
Storage documentation	2,979	4,076
Penalty income on conventional schemes	2,571	2,274
Miscellaneous Income	315	2,446
	<u>94,724</u>	<u>102,982</u>

	Note	September 30, 2020 (Un-Audited) Rupees in '000	September 30, 2019 (Un-Audited)
22. OPERATING EXPENSES			
Total compensation expense	22.1	991,995	945,467
Property expense			
Rent and taxes		2,116	533
Insurance		-	1,163
Utilities cost		8,953	8,486
Security (including guards)		5,501	5,184
Repair and maintenance (including janitorial charges)		22,771	19,028
Depreciation		10,113	11,310
Depreciation on right-of-use assets		11,286	22,268
Others		2,584	3,587
		63,323	71,559
Information technology expenses			
Hardware maintenance		608	1,776
Depreciation		10,447	10,436
Amortization		1,055	665
Network charges		7,225	5,051
		19,336	17,927
Other operating expenses			
Directors' fees and allowances		2,300	5,720
Legal and professional charges		19,625	13,484
Consultancy charges		4,469	14,442
Outsourced services costs		24,485	17,397
Travelling and conveyance		8,976	11,165
Depreciation		7,754	8,988
Training and development		2,205	4,328
Postage and courier charges		4,576	5,421
Communication		341	985
Stationery and printing		4,440	3,656
Marketing, advertisement and publicity		-	8,591
Commission against recovery		1,121	2,162
Auditors remuneration		3,250	2,490
Banking service charges		4,614	8,768
Entertainment		1,528	2,216
Vehicle expense		6,212	9,456
Subscription		548	790
Others		5,488	5,945
		101,931	126,006
		1,176,585	1,160,960
22.1 This amount includes remuneration, bonuses and other allowances paid to employees.			
23. PROVISIONS & WRITE OFFS - NET			
Provision / (reversal) of provision against loans and advances		287,174	(46,691)
Reversal of provision against investments		-	-
Provision / (reversal) against doubtful receivable insurance premium from partners		(17,182)	(2,685)
		269,992	(49,376)
24. RELIEF PACKAGE AND REPROCESSING CHARGES			
Ghar Aasan Scheme incentive		-	16,023
Reprocessing and closing adjustment		149	947
Relief package and settlement schemes		-	9,942
		149	26,913

	September 30, 2020 (Un-Audited)	September 30, 2019 (Un-Audited)
	Rupees in '000	
25. TAXATION		
Current	271,296	277,091
Prior	-	26,111
	<u>271,296</u>	<u>303,202</u>
26. EARNING PER SHARE - BASIC & DILUTED		
Profit after taxation for the period	<u>664,206</u>	<u>686,408</u>
Weighted average number of ordinary shares	<u>1,936,500,006</u>	<u>1,936,500,006</u>
Basic earnings per share	<u>0.34</u>	<u>0.35</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.

27.1 Fair value of financial assets

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

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

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

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

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

	September 30, 2020 (Un-Audited)			
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	6,284,806	-	6,284,806
Listed ordinary shares	7,292	-	-	7,292
	<u>7,292</u>	<u>6,284,806</u>	<u>-</u>	<u>6,292,098</u>
	December 31, 2019 (Audited)			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	6,652,701	-	6,652,701
Listed ordinary shares	8,597	-	-	8,597
	<u>8,597</u>	<u>6,652,701</u>	<u>-</u>	<u>6,661,298</u>

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

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

28. RELATED PARTY TRANSACTIONS

The Company has related party transactions with (parent, subsidiaries, associates, joint ventures, employee benefit plans and) its directors and Key Management Personnel.

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:

	September 30, 2020 (Un-Audited)			December 31, 2019 (Audited)		
	Key management personnel	Associates	Other related parties	Key management personnel	Associates	Other related parties
Rupees in '000						
Advances						
Opening balance	50,771	-	-	18,587	-	-
Addition during the period / year	12,483	-	-	32,032	-	-
Repaid during the period / year	(3,592)	-	-	(4,557)	-	-
Transfer in / (out) - net	(242)	-	-	4,709	-	-
Closing balance	<u>59,420</u>	-	-	<u>50,771</u>	-	-
Income						
Markup / return / interest earned	<u>1,481</u>	-	-	<u>1,467</u>	-	-

	September 30, 2020 (Un-Audited)	December 31, 2019 (Audited)
	-----Rupees in '000-----	
29. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>20,780,025</u>	<u>20,115,819</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	<u>18,931,501</u>	18,284,299
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	18,931,501	18,284,299
Eligible Tier 2 Capital	<u>91,119</u>	<u>80,816</u>
Total Eligible Capital (Tier 1 + Tier 2)	19,022,620	18,365,115
Risk Weighted Assets (RWAs):		
Credit Risk	<u>7,289,541</u>	6,465,269
Market Risk	944,287	1,154,230
Operational Risk	<u>4,700,933</u>	<u>4,700,933</u>
Total	<u>12,934,761</u>	<u>12,320,432</u>
Common Equity Tier 1 Capital Adequacy Ratio	<u>146.36%</u>	<u>148.41%</u>
Tier 1 Capital Adequacy Ratio	<u>146.36%</u>	<u>148.41%</u>
Total Capital Adequacy Ratio	<u>147.07%</u>	<u>149.06%</u>
Leverage Ratio (LR):		
Eligible Tier-1 Capital	18,931,501	18,284,299
Total Exposure	<u>27,211,912</u>	<u>25,924,188</u>
Leverage Ratio	<u>69.57%</u>	<u>70.53%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	6,396,703	6,694,827
Total Net Cash Outflow	<u>3,090</u>	<u>3,530</u>
Liquidity Coverage Ratio	<u>207013%</u>	<u>189655%</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	24,478,616	21,124,207
Total Required Stable Funding	<u>11,015,407</u>	<u>10,899,456</u>
Net Stable Funding Ratio	<u>222%</u>	<u>194%</u>

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 OCTOBER 14, 2020 by the Board of Directors of the Company.

32. GENERAL

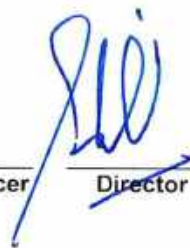
Figures have been rounded-off to the nearest thousand rupees except stated otherwise.



President/Chief Executive



Chief Financial Officer



Director



Director



Director