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Rahman**

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Karachi, Pakistan.

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

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Report on review of condensed interim financial statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **House Building Finance Company Limited** (the Company) as at **30 June 2024** and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim cash flow statement, and notes to and forming part of the condensed interim financial statements for the half year then ended (herein after referred to as the condensed interim financial statements). Management is responsible for the preparation and presentation of this condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

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

Conclusion

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

Other Matter

The figures for the quarters ended 30 June 2024 and 30 June 2023 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been subject to the review and therefore, we do not express a conclusion thereon.

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



Chartered Accountants

Place: Karachi

Date: 19 August 2024

UDIN: RR202410093LHp1wuMgY

HOUSE BUILDING FINANCE COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

	Note	(Unaudited) 30 June 2024	(Audited) 31 December 2023
----- Rupees in '000 -----			
ASSETS			
Cash and balances with treasury banks	6	29,532	16,717
Balances with other banks	7	148,586	86,050
Lendings to financial institutions	8	849,989	-
Investments	9	40,117,300	34,176,904
Advances	10	13,279,745	14,277,058
Property and equipment		304,002	321,503
Right-of-use assets		257,599	285,380
Intangible assets		56,434	63,246
Deferred tax assets		377,068	393,262
Other assets	11	4,816,364	5,613,869
Total Assets		60,236,619	55,233,989
LIABILITIES			
Bills payable		-	-
Borrowings	12	30,233,714	26,278,206
Deposits and other accounts		-	-
Lease liabilities		273,166	320,422
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	13	1,982,387	1,995,478
Total Liabilities		32,489,267	28,594,106
NET ASSETS		27,747,352	26,639,883
REPRESENTED BY			
Share capital		19,365,000	19,365,000
Statutory reserve		3,039,224	2,817,774
Deficit on revaluation of investments		(107,353)	(116,546)
Accumulated profit		5,450,481	4,573,655
		27,747,352	26,639,883
CONTINGENCIES AND COMMITMENTS	14		

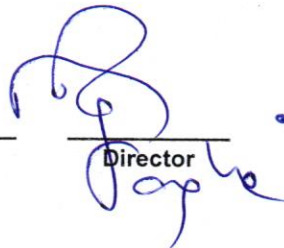
The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.



President / Chief Executive



Chief Financial Officer



Director



Director

Director

HOUSE BUILDING FINANCE COMPANY LIMITED
 CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS ACCOUNT (UN-AUDITED)
 FOR THE PERIOD ENDED 30 JUNE 2024

	Note	Quarter Ended		Half-year Ended	
		30 June 2024	30 June 2023	30 June 2024	30 June 2023
----- Rupees in '000 -----					
Mark-up / return / interest earned	15	2,547,621	2,665,453	4,995,711	4,233,681
Mark-up / return / interest expensed	16	(1,159,290)	(1,522,097)	(2,300,033)	(2,163,995)
Net mark-up / interest income		1,388,331	1,143,356	2,695,678	2,069,686
NON MARK-UP / INTEREST INCOME					
Fee and commission income		-	-	-	-
Dividend income		2,032	1,254	2,032	1,254
Foreign exchange income		-	-	-	-
Income from derivatives		-	-	-	-
Loss on sale of securities		-	-	-	(505)
Other income		24,601	26,144	51,674	49,611
Total non-markup / interest income		26,633	27,398	53,706	50,360
Total income		1,414,964	1,170,754	2,749,384	2,120,046
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	17	(359,378)	(408,412)	(707,946)	(861,324)
Sindh workers welfare fund		(21,253)	(15,893)	(44,159)	(26,660)
Other charges		-	-	-	-
Total non-markup / interest expenses		(380,631)	(424,305)	(752,105)	(887,984)
Profit before credit loss allowance		1,034,333	746,449	1,997,279	1,232,062
Credit loss allowance and write offs against loans and advances		(242,167)	33,913	(89,662)	74,795
Relief package and reprocessing charges		1,956	-	8,885	(518)
PROFIT BEFORE TAXATION		794,122	780,362	1,916,502	1,306,339
Taxation	18	(320,823)	(299,344)	(809,250)	(462,683)
PROFIT AFTER TAXATION		473,299	481,018	1,107,252	843,656
Earnings per share - basic and diluted	19	0.24	0.25	0.57	0.44

The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.


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 President / Chief Executive


 Chief Financial Officer


 Director


 Director


 Director

HOUSE BUILDING FINANCE COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2024

	Quarter Ended		Half-year Ended	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
	----- Rupees in '000 -----			
Profit after taxation	473,299	481,018	1,107,252	843,656
Other comprehensive income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Surplus / (deficit) on revaluation of debt investments through FVOCI - net of tax	15,057	4,855	6,908	(7,474)
Items that will not be reclassified to profit and loss account in subsequent periods:				
Surplus / (deficit) on revaluation of equity investments through FVOCI - net of tax	997	-	2,285	(71)
Total comprehensive income	489,353	485,873	1,116,445	836,111

The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.



 President / Chief Executive



 Chief Financial Officer



 Director



 Director



 Director

HOUSE BUILDING FINANCE COMPANY LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2024

	30 June 2024	30 June 2023
	----- Rupees in '000 -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,916,502	1,306,339
Less: Dividend income	(2,032)	(1,254)
	<u>1,914,470</u>	<u>1,305,085</u>
Adjustments for non-cash items:		
Depreciation	54,906	58,334
Amortization	6,811	2,194
Credit loss allowance and write offs - net	89,662	(74,795)
Gain on disposal of property and equipment	(168)	(261)
Loss on sale of securities	-	505
Relief package and reprocessing charges	(8,885)	518
Finance charges	21,768	24,765
Provision for Sindh Workers Welfare Fund	44,159	26,660
	<u>208,253</u>	<u>37,920</u>
	2,122,723	1,343,005
(Increase) / decrease in operating assets		
Lendings to financial institutions	(849,989)	-
Advances	903,156	974,187
Others assets (excluding advance taxation)	536,373	(1,028,257)
	<u>589,540</u>	<u>(54,070)</u>
Increase / (decrease) in operating liabilities		
Borrowings from financial institutions	3,955,508	18,755,815
Other liabilities	(57,261)	300,804
	<u>3,898,247</u>	<u>19,056,619</u>
Income tax paid	(527,509)	(323,679)
Net cash flow generated from operating activities	<u>6,083,001</u>	<u>20,021,875</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net Investments in securities classified as FVOCI	(5,931,203)	(19,445,903)
Investments in property and equipment	(9,623)	(55,959)
Dividend received	2,032	1,254
Disposal of property and equipment	168	5,688
Net cash flow used in investing activities	<u>(5,938,626)</u>	<u>(19,494,920)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Payments of lease obligations	(69,024)	(36,576)
INCREASE IN CASH AND CASH EQUIVALENTS	<u>75,351</u>	<u>490,379</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	102,767	18,847
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>178,118</u>	<u>509,226</u>

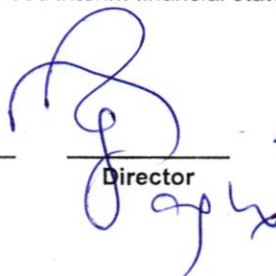
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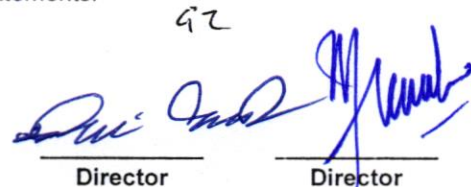
President / Chief Executive



Chief Financial Officer



Director



Director

Director

HOUSE BUILDING FINANCE COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2024


	Share capital	Statutory reserve	Surplus / (deficit) on revaluation of investments	Accumulated profit	Total
	Rupees in '000				
Balance as at 31 December 2022 (Audited)	19,365,000	2,365,417	(199,862)	1,574,341	23,104,896
Profit after taxation	-	-	-	843,656	843,656
Other comprehensive loss - net of tax	-	-	(7,545)	-	(7,545)
Transfer to statutory reserve	-	168,731	-	(168,731)	-
Balance as at 30 June 2023 (Un-Audited)	19,365,000	2,534,148	(207,407)	2,249,266	23,941,007
Profit after taxation	-	-	-	1,418,129	1,418,129
Other comprehensive income - net of tax	-	-	90,861	1,189,886	1,280,747
Transfer to statutory reserve	-	283,626	-	(283,626)	-
Opening Balance as at 31 December 2023 (Audited)	19,365,000	2,817,774	(116,546)	4,573,655	26,639,883
Effect of adoption of IFRS 9 (note 3.5)	-	-	-	(8,976)	(8,976)
Profit after taxation	-	-	-	1,107,252	1,107,252
Other comprehensive income - net of tax	-	-	9,193	-	9,193
Transfer to statutory reserve	-	221,450	-	(221,450)	-
Balance as at 30 June 2024 (Un-Audited)	19,365,000	3,039,224	(107,353)	5,450,481	27,747,352

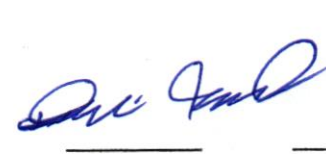
Statutory reserve represents reserve created under BPD circular No. 15 of 2004 which requires the Company to credit to its reserve an amount not less than 20% of its after tax profit till such time the reserve equals the amount of paid-up capital. Thereafter, a sum not less than 5% of its after tax profit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

The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.


President / Chief Executive


Chief Financial Officer


Director


Director


Director

1 STATUS AND NATURE OF BUSINESS

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

The Company is designated as a financial institution by the Federal Government and is providing financing facilities for the purchase & construction of houses / apartments including balance transfer facility (BTF) through a network of 51 branches and 3 regional offices throughout Pakistan including Azad Jammu & Kashmir and Gilgit Baltistan. According to credit rating report dated 04 June 2024 of VIS Credit Rating Company Limited, the long term and short term ratings of the Company are "AAA" and "A-1+" respectively.

Presently, the Company is on active privatisation list in the current privatisation program of the GoP. Invitation for expression of interest was published by the Privatisation Commission, Ministry of Privatisation on 26 December 2021. It is expected that transaction will be concluded by September 2024.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

These condensed interim financial statements have been prepared in accordance with approved accounting and reporting 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 provisions of and directives issued under the Banking Companies Ordinance (BCO), 1962, the Companies Act, 2017 and directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP). Whenever the requirements of the BCO, 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 These condensed interim financial statements have been prepared in conformity with the format of interim financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular Letter No. 2 dated 09 February 2023.

2.3 These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the audited annual financial statements for the year ended 31 December 2023.

3 MATERIAL ACCOUNTING POLICIES

The 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 annual financial statements of the Company for the year ended 31 December 2023, except for implementation of IFRS 9, Financial Instruments, as directed by SBP via BPRD Circular letter no. 7 of 2023. The Company has applied IFRS 9 as follows:

3.1 Financial assets

a) Initial recognition

All financial assets are recognised initially at fair value and transaction cost, if any (except for financial assets at FVTPL, in which case, transaction cost it is charged to profit or loss).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

b) Subsequent measurement

Financial assets at amortized cost

The Company measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in Statement of profit and loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through other comprehensive income (FVTOCI)

The Company measures financial assets at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and sell at the time of favourable conditions; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at FVTOCI are subsequently carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of comprehensive income. Gains and losses on disposal of equity securities classified as FVOCI are not recycled through the profit and loss account. The classification decision for equity securities is made on a case by case basis at the time of purchase, that is irrevocable.

Financial assets at fair value through profit or loss (FVTPL)

The Company measures financial assets at fair value through profit or loss if:

- the financial assets are acquired for the purpose of selling or repurchasing in the near term; or
- the contractual terms of the financial asset does not give rise to cash flows that are solely payments of principal and interest irrespective of the business model.

Financial assets at fair value through profit or loss are subsequently carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

c) Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

d) Impairment

The Company recognises an credit loss allowance for all debt instruments not held at fair value through profit or loss. credit loss allowance are recognised in accordance with the requirements of guidelines issues by the SBP and IFRS 9, based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The Company applies a general approach in calculating credit loss allowance adjusted for forward-looking factors specific to the third parties and the economic environment.

The Company considers a financial asset in default when contractual payments are past due over 180 days. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3.2 Financial liabilities

a) Classification and measurement

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

b) Derecognition

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

3.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.4 Effect of IFRS 9

As permitted by the transitional provisions of IFRS 9, the Company has opted for modified retrospective approach and has not restated comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings at the beginning of the current year without restating the comparative figures.

Reconciliation of statement of financial position balances from existing local regulations to IFRS 9 as of 31 December 2023:

	Carrying amount as per accounting policy as at 31 December 2023	At FVOCI - with recycling	At FVOCI - without recycling	At Amortized Cost	Remeasurement impact under IFRS 9	IFRS 9 carrying amount as at 31 December 2023
----- Rupees in '000 -----						
Balances with other banks	16,717	-	-	-	(12)	16,705
Investments - Available for sale	34,176,904	34,169,665	7,239	-	-	34,176,904
Advances	14,277,058	-	-	-	(13,380)	14,263,678
Deferred tax asset	393,262	-	-	-	4,415	397,677
	<u>48,863,941</u>	<u>34,169,665</u>	<u>7,239</u>	<u>-</u>	<u>(8,976)</u>	<u>48,854,965</u>

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2024

The following explains how applying the new classification requirements of IFRS 9 led to changes in classification of certain financial assets held by the company as shown in the table above:

a) Designation of equity instruments at FVOCI

The Company has elected to irrevocably designate strategic investments of Rs. 91.9 million in equity securities as permitted under IFRS 9. These securities were previously classified as available for sale. The changes in fair value of such securities will no longer be reclassified to profit or loss when they are disposed off.

b) Reclassification from retired categories with no change in measurement

In addition to the above, the following debt instruments have been reclassified to new categories under IFRS 9, as their previous categories under existing local regulations were 'retired', with no changes to their measurement basis:

- i) Those previously classified as available for sale and now classified as measured at FVOCI; and
- ii) Those previously classified as held to maturity and now classified as measured at amortised cost.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of this condensed interim financial information is the same as that applied in the preparation of the financial statements for the year ended 31 December 2023.

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 31 December 2023.

6 CASH AND BALANCES WITH TREASURY BANKS

With State Bank of Pakistan in
Local currency current account

(Un-Audited) (Audited)
30 June 31 December
2024 2023

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

29,509 16,694

With National Bank of Pakistan in
Local currency current accounts

23 23

29,532 16,717

7 BALANCES WITH OTHER BANKS

In Pakistan
In deposit accounts
Less: Credit loss allowance

148,606 86,050
(20) -

148,586 86,050

8 LENDINGS TO FINANCIAL INSTITUTIONS

Letters of placement
- Trust Investment Bank Limited
- First Dawood Investment Bank Limited

5,909 5,909
49,774 49,774
55,683 55,683

Repurchase agreement lendings (Reverse Repo)
- Bank Al Falah Limited

849,989 -
905,672 55,683

Less: Credit loss allowance

(55,683) (55,683)
849,989 -

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2024

		(Un-audited)		(Audited)	
		30 June 2024		31 December 2023	
		Lending	Credit loss allowance held	Lending	Credit loss allowance held
----- Rupees in '000 -----					
8.1	Lending to financial institutions - Particulars of credit loss allowance				
	Domestic				
	Performing	Stage 1	849,989	-	-
	Under performing	Stage 2	-	-	-
	Non-performing	Stage 3	-	-	-
	Substandard		-	-	-
	Doubtful		-	-	-
	Loss		55,683	55,683	55,683
	Total		905,672	55,683	55,683

		30 June 2024 (Unaudited)				31 December 2023 (Audited)			
		Cost / Amortised cost	Credit loss allowance	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Credit loss allowance	Surplus / (Deficit)	Carrying Value
----- Rupees in '000 -----									
9	INVESTMENTS								
9.1	Investments by type:								
	FVOCI								
	Federal Government securities	40,210,716	-	(185,374)	40,025,342	34,260,257	-	(173,026)	34,087,231
	Shares	73,388	(500)	19,070	91,958	73,388	(500)	16,785	89,673
		40,284,104	(500)	(166,304)	40,117,300	34,333,645	(500)	(156,241)	34,176,904
	Amortised Cost								
	Non Government debt securities	48,740	(48,740)	-	-	48,740	(48,740)	-	-
	Total Investments	40,332,844	(49,240)	(166,304)	40,117,300	34,382,385	(49,240)	(156,241)	34,176,904

		(Un-Audited)	(Audited)
		30 June 2024	
----- Rupees in '000 -----			
9.1.1	Investments given as collateral		
	Federal Government securities	28,478,500	24,500,000

9.2 Credit loss allowance for diminution in value of investments

		(Un-audited)		(Audited)	
		30 June 2024		31 December 2023	
		Outstanding amount	Credit loss allowance Held	Outstanding amount	Credit loss allowance Held
----- Rupees in '000 -----					
9.3	Particulars of credit loss allowance against debt securities				
	Domestic				
	Performing	Stage 1	-	-	-
	Underperforming	Stage 2	-	-	-
	Non-performing	Stage 3	-	-	-
	- Substandard		-	-	-
	- Doubtful		-	-	-
	- Loss		48,740	48,740	48,740
	Total		48,740	48,740	48,740

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2024

	Performing		Non Performing		Total	
	(Un-audited)	(Audited)	(Un-audited)	(Audited)	(Audited)	(Audited)
	30 June 2024	31 December 2023	30 June 2024	31 December 2023	31 December 2023	31 December 2023
----- Rupees in '000 -----						
10 ADVANCES						
Customer advances	12,594,683	13,571,330	2,806,342	2,747,388	15,401,025	16,318,718
Employee advances	799,071	774,996	5,569	5,569	804,640	780,565
Partners' death claims	(2,681)	(2,028)	-	-	(2,681)	(2,028)
Advances - gross	13,391,073	14,344,298	2,811,911	2,752,957	16,202,984	17,097,255
Credit loss allowance against advances:						
- Stage 1	34,992	-	-	-	34,992	-
- Stage 2	165,889	-	-	-	165,889	-
- Stage 3	-	-	2,722,358	-	2,722,358	-
Specific	-	-	-	2,584,744	-	2,584,744
General	-	235,453	-	-	-	235,453
	200,881	235,453	2,722,358	2,584,744	2,923,239	2,820,197
Advances - net of credit loss allowance	13,190,192	14,108,845	89,553	168,213	13,279,745	14,277,058

	(Un-audited)	(Audited)
	30 June 2024	31 December 2023
----- Rupees in '000 -----		
10.1 Particulars of advances (gross)		
In local currency	16,202,984	17,097,255

10.2 Advances include Rs. 2,812 million (31 December 2023: Rs. 2,753 million) which have been placed under non-performing / Stage 3 status as detailed below:-

Category of Classification	(Un-audited)		(Audited)	
	30 June 2024	Credit loss allowance	31 December 2023	Credit loss allowance
----- Rupees in '000 -----				
Domestic				
Other Assets Especially Mentioned (OAEM)	132,728	43,175	59,684	1,191
Substandard	134,660	134,660	75,216	20,683
Doubtful	132,169	132,169	117,499	62,312
Loss	2,412,354	2,412,354	2,500,558	2,500,558
Total	2,811,911	2,722,358	2,752,957	2,584,744

10.3 Particulars of credit loss	30 June 2024 (Un-audited)				31 December 2023 (Audited)		
	Stage 3	Stage 2	Stage 1	Total	Specific	General	Total
----- Rupees in '000 -----							
Allowance against advances							
Opening balance	2,678,399	123,692	31,486	2,833,577	2,868,120	278,897	3,147,017
Charge for the period / year	43,959	42,197	3,506	89,662	17,093	-	17,093
Reversals	-	-	-	-	(300,469)	(43,444)	(343,913)
	43,959	42,197	3,506	89,662	(283,376)	(43,444)	(326,820)
Amounts written off	-	-	-	-	-	-	-
Closing balance	2,722,358	165,889	34,992	2,923,239	2,584,744	235,453	2,820,197

10.3.1 Details of credit loss allowance of stage 1 and 2 are as follows:

	30 June 2024	
	Stage 1	Stage 2
----- Rupees in '000 -----		
Customer advances	29,389	165,889
Employee advances	5,603	-
	34,992	165,889

10.3.2 The SBP vide BSD Circular No. 10 of 2009 dated 20 October 2009 had allowed banks / DFIs to avail benefit of Forced Sales Value (FSV) of collaterals mortgaged with them while determining provisioning requirement against non-performing financing. Further, SBP vide BSD Circular No.1 of 2011 dated 21 October 2011 made certain amendments in the Prudential Regulations for Consumer Financing with respect to allowing additional benefit of FSV of mortgage properties held as collateral against housing finances. According to the said circular, the impact on profitability due to availing FSV benefit shall not be available for payment of cash dividend or stock dividend. As at 30 June 2024, the Company has not taken FSV benefit as allowed under IH&SMEFD Circular No. 03 of 2017.

	30 June 2024 (Un-audited)		
	Stage 1	Stage 2	Stage 3
	----- Rupees in '000 -----		
10.4 Advances - Particulars of credit loss allowance			
10.4.1 Opening balance	31,486	123,692	2,678,399
New advances	334,573	-	-
Advances derecognised or repaid	(335,748)	(6,015)	(48,671)
Transfer to stage 1	17,919	(22,394)	-
Transfer to stage 2	(11,607)	116,017	(23,378)
Transfer to stage 3	(1,631)	(45,411)	116,008
	3,506	42,197	43,959
Closing balance	<u>34,992</u>	<u>165,889</u>	<u>2,722,358</u>

		30 June 2024 (Un-audited)	
		Outstanding	Credit loss
		----- Rupees in '000 -----	
10.4.2 Advances - Category of classification			
Domestic			
Performing	Stage 1	12,748,526	34,992
Underperforming	Stage 2	642,547	165,889
		13,391,073	200,881
Non-Performing			
OAEM		132,728	43,175
Substandard		134,660	134,660
Doubtful	Stage 3	132,169	132,169
Loss		2,412,354	2,412,354
		2,811,911	2,722,358
Total		<u>16,202,984</u>	<u>2,923,239</u>

	(Unaudited)	(Audited)
	30 June 2024	31 December 2023
	----- Rupees in '000 -----	
11 OTHER ASSETS		
Income / Mark-up accrued in local currency		
- Advances	348,618	1,039,638
- Investments	1,271,727	1,258,966
- Lending to financial institutions	489	-
	1,620,834	2,298,604
Receivable from Pension Fund	2,805,412	2,645,286
Advances, deposits, advance rent and other prepayments	65,148	85,255
Advance taxation	216,061	477,193
Advance for purchase of land - housing projects	53,815	53,815
Other receivables against advances - net	108,909	107,531
	4,870,179	5,667,684
Less: Credit loss allowance	(53,815)	(53,815)
	<u>4,816,364</u>	<u>5,613,869</u>
11.1 Credit loss allowance held against other assets		
Advances, deposits, advance rent & other prepayments	-	-
Other receivables against advances - net	53,815	53,815
	<u>53,815</u>	<u>53,815</u>

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO AND FORMING PART OF THE CONSENDED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2024

	(Unaudited) 30 June 2024	(Audited) 31 December 2023
	----- Rupees in '000 -----	
12 BORROWINGS		
Secured		
Borrowings from State Bank of Pakistan - Under refinance scheme	90,522	80,160
Repurchase agreement borrowings	28,457,290	24,462,347
Borrowings from Pakistan Mortgage Refinance Company Limited	1,685,902	1,735,699
	<u>30,233,714</u>	<u>26,278,206</u>
13 OTHER LIABILITIES		
Mark-up/ Return/ Interest payable in local currency	133,631	191,192
Accrued expenses	225,870	197,810
Advance payments from customers	268,199	307,003
Payable to defined benefit plan	1,011,610	991,481
Charity fund balance	12,029	10,939
Insurance premium payable	130,183	164,594
Advance rent received	37,473	9,341
Workers welfare fund	150,530	106,371
Others	12,862	16,747
	<u>1,982,387</u>	<u>1,995,478</u>
14 CONTINGENCIES AND COMMITMENTS		
14.1 These has been no significant change in the status of contingencies as disclosed in the annual financial statements of the Company for the year ended 31 December 2023.		
	(Unaudited)	(Audited)
	30 June	31 December
	2024	2023
	----- Rupees in '000 -----	
14.2 Commitments:		
Loans sanctioned but not disbursed	89,642	91,606
Commitments for acquisition of:		
- Property and equipment	149,725	149,725
- Intangible assets	25,796	25,796
Equity investment in Pakistan Mortgage Refinance Company Limited	193,325	193,325
Other commitments	9,750	9,750
	<u>468,238</u>	<u>470,202</u>

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2024

		(Un-Audited) 30 June 2024	(Un-Audited) 30 June 2023
		----- Rupees in '000 -----	
15	MARK-UP / RETURN / INTEREST EARNED		
	Loans and advances	1,647,064	1,568,948
	Investments	3,323,179	2,539,767
	Lending to financial institutions	18,298	119,053
	Balances with banks	7,170	5,913
		<u>4,995,711</u>	<u>4,233,681</u>
16	MARK-UP / RETURN / INTEREST EXPENSED		
	Borrowings	2,278,265	2,139,230
	Lease liabilities	21,768	24,765
		<u>2,300,033</u>	<u>2,163,995</u>
17	OPERATING EXPENSES		
	Total compensation expense	461,912	596,399
	Property expense		
	Rent & taxes	966	10,245
	Insurance	936	845
	Utilities cost	15,904	12,578
	Security (including guards)	5,484	5,154
	Repair & maintenance (including janitorial charges)	34,292	51,616
	Depreciation	7,646	7,751
	Depreciation on right-of-use assets	27,781	32,080
		93,009	120,269
	Information technology expenses		
	Hardware maintenance	12,610	10,682
	Depreciation	6,908	7,657
	Amortization	6,811	2,194
	Network charges	4,417	3,983
		30,746	24,516
	Other operating expenses		
	Directors' fees and allowances	5,950	350
	Legal & professional charges	9,150	12,485
	Consultancy charges	7,242	11,890
	Outsourced services costs	32,403	23,173
	Travelling & conveyance	6,014	7,009
	Depreciation	12,571	10,846
	Training & development	383	1,624
	Postage & courier charges	2,807	2,542
	Communication	2,889	2,443
	Stationery & printing	2,973	3,782
	Marketing, advertisement & publicity	7,672	13,250
	Commission against recovery	1,209	-
	Auditors remuneration	1,470	1,950
	Banking service charges	4,910	5,279
	Entertainment	1,618	1,353
	Vehicle expense	14,441	15,270
	Subscription	2,062	1,907
	Others	6,515	4,987
		<u>122,279</u>	<u>120,140</u>
		<u>707,946</u>	<u>861,324</u>

17.1 This amount includes remuneration, bonuses and other allowances paid to employees.

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2024

	(Un-Audited) 30 June 2024	(Un-Audited) 30 June 2023
	----- Rupees in '000 -----	
18 TAXATION		
Current	777,922	421,832
Deferred	31,328	40,851
	<u>809,250</u>	<u>462,683</u>
19 BASIC AND DILUTED EARNINGS PER SHARE		
Profit for the period	<u>1,107,252</u>	<u>843,656</u>
Weighted average number of ordinary shares	<u>1,936,500,000</u>	<u>1,936,500,000</u>
Basic and diluted earnings per share	<u>0.57</u>	<u>0.44</u>

20 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified under held to collect model, is based on quoted market price. Quoted securities classified under held to collect model are carried at amortized 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.

20.1 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:

	30 June 2024 (Un-audited)			
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Federal Government Securities	-	40,025,342	-	40,025,342
Shares	9,524	-	-	9,524
Financial assets - disclosed but not measured at fair value				
Shares	-	-	82,434	82,434
	31 December 2023 (Audited)			
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Federal Government securities	-	34,087,231	-	34,087,231
Shares	7,239	-	-	7,239
Financial assets - disclosed but not measured at fair value				
Shares	-	-	82,434	82,434

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 30 JUNE 2024

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

Item	Valuation approach and input used
Federal Government securities	The fair value of Federal Government securities is determined using the prices / rates available on Mutual Funds Association of Pakistan (MUFAP) i.e. PKRV rates.

21 RELATED PARTY TRANSACTIONS

Related parties comprise of associates, directors and key management personnel of the Company. There were no transactions with the key management personnel other than those under the terms of their employment. Key management personnel includes Chief Executive Officer, Group Head Internal Auditor, Group Head Treasury, Chief Financial Officer, Company Secretary, Group Head Compliance, Group Head Risk Management, Group Head Human Resource, Group Head Recovery and Chief Information Officer. Details of transactions with the related parties other than those which have been disclosed elsewhere in these financial statements, are as follows:

	(Unaudited) 30 June 2024	(Audited) 31 December 2023
	----- Rupees in '000 -----	
Advances		
Opening balance	54,406	48,487
Addition during the period / year	2,364	22,809
Repaid during the period / year	(3,270)	(14,746)
Transfer in / (out) - net	-	(2,144)
Closing balance	<u>53,500</u>	<u>54,406</u>
Income		
Mark-up / return / interest earned	<u>1,548</u>	<u>1,973</u>

22 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)	<u>19,365,000</u>	<u>19,365,000</u>
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Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	27,073,836	25,971,834
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	27,073,836	25,971,834
Eligible Tier 2 Capital	128,569	142,799
Total Eligible Capital (Tier 1 + Tier 2)	<u>27,202,405</u>	<u>26,114,633</u>

Risk Weighted Assets (RWAs):

Credit risk	10,285,512	11,423,934
Market risk	256,966	-
Operational risk	10,228,404	10,228,404
Total	<u>20,770,882</u>	<u>21,652,338</u>

Common Equity Tier 1 Capital Adequacy Ratio	<u>130%</u>	<u>120%</u>
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Tier 1 Capital Adequacy Ratio	<u>130%</u>	<u>120%</u>
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Total Capital Adequacy Ratio	<u>131%</u>	<u>121%</u>
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HOUSE BUILDING FINANCE COMPANY LIMITED
 NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
 FOR THE PERIOD ENDED 30 JUNE 2024

	(Unaudited) 30 June 2024	(Audited) 31 December 2023
	----- Rupees in '000 -----	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	27,073,836	25,971,834
Total Exposure	60,648,424	55,640,945
Leverage Ratio	45%	47%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	11,598,000	9,642,000
Total Net Cash Outflow	1,120	1,150
Liquidity Coverage Ratio	1035536%	838435%
Net Stable Funding Ratio (NSFR):		
Total available stable funding	44,259,000	41,192,000
Total required stable funding	17,301,000	17,703,000
Net Stable Funding Ratio	256%	233%



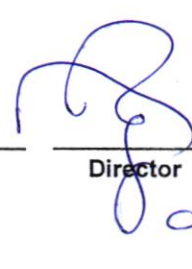
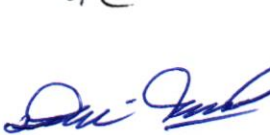

23 DATE OF AUTHORISATION FOR ISSUE

These financial statements were approved and authorized for issue on August 09, 2024 by the Board of Directors of the institution.

24 GENERAL

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

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 _____ President / Chief Executive	 _____ Chief Financial Officer	 _____ Director	 _____ Director	 _____ Director
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