
**Grant Thornton Anjum
Rahman**

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

INDEPENDENT AUDITOR'S REPORT

T +9221 35672951-56

To the members of House Building Finance Company Limited

Report on the audit of financial statements

Opinion

We have audited the annexed financial statements of **House Building Finance Company Limited** (the Company), which comprise the statement of financial position as at 31 December 2024 and profit and loss account, the statement of comprehensive income, the statement of changes in equity, cash flow statement for the year ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information; and we state that we have obtained all the information and explanation which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, the statement of comprehensive income, the statement of changes in equity and cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2024 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and auditor's report thereon

Management is responsible for the other information. Other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and board of directors for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and the State-Owned Enterprises (Governance and Operations) Act, 2023 (SOE Act, 2023) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on

the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguard.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, profit and loss account, the statement of comprehensive income, the statement of changes in equity and cash flow statement together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and the SOE Act, 2023 are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is **Khurram Jameel**.



Chartered Accountants
Karachi.

Date: 04 March 2025

UDIN: AR202410093Sb0AudsKa

HOUSE BUILDING FINANCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024


	Note	2024 ----- Rupees in '000 -----	2023
ASSETS			
Cash and balances with treasury banks	5	28,596	16,717
Balances with other banks	6	95,527	86,050
Lendings to financial institutions	7	-	-
Investments	8	53,389,545	34,176,904
Advances	9	12,650,944	14,277,058
Property and equipment	10	279,415	321,503
Right-of-use assets	11	486,093	285,380
Intangible assets	12	50,247	63,246
Deferred tax assets		-	393,262
Other assets	13	6,639,554	5,506,337
		73,619,921	55,126,457
LIABILITIES			
Borrowings	14	40,853,667	26,278,206
Deposits and other accounts		-	-
Lease liabilities	15	553,661	320,422
Subordinated debt		-	-
Deferred tax liability	16	209,711	-
Other liabilities	17	1,821,838	1,887,946
		43,438,877	28,486,574
NET ASSETS		30,181,044	26,639,883
REPRESENTED BY			
Share capital	18	19,365,000	19,365,000
Reserves		3,268,420	2,817,774
Surplus / (deficit) on revaluation of assets		38,035	(116,546)
Accumulated profit		7,509,589	4,573,655
		30,181,044	26,639,883
CONTINGENCIES AND COMMITMENTS			
	19		

The annexed notes 1 to 35 form an integral part of these financial statements.

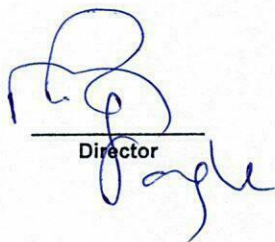
GTA



President / Chief
Executive Officer



Chief Financial
Officer



Director



Director



Director

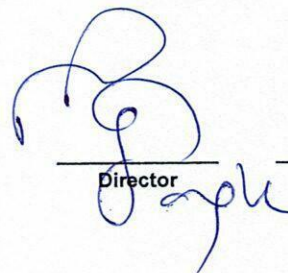
HOUSE BUILDING FINANCE COMPANY LIMITED
 PROFIT AND LOSS ACCOUNT
 FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 ----- Rupees in '000 -----	2023
Mark-up / return / interest earned	20	10,564,450	9,701,178
Mark-up / return / interest expensed	21	(5,263,427)	(4,925,662)
Net mark-up / return / interest income		5,301,023	4,775,516
Non mark-up / interest income			
Dividend income		2,409	1,884
Foreign exchange income		-	-
Income from derivatives		-	-
Gain on securities		231	5,579
Net gains / (losses) on derecognition of financial assets at amortized cost		-	-
Other income	22	136,534	108,506
		139,174	115,969
TOTAL INCOME		5,440,197	4,891,485
Non mark-up / interest expenses			
Operating expenses	23	(1,610,339)	(1,815,317)
Workers' Welfare Fund		(77,529)	(67,995)
		(1,687,868)	(1,883,312)
PROFIT BEFORE CREDIT LOSS ALLOWANCE		3,752,329	3,008,173
Reversal of credit loss allowance		34,126	326,820
Relief package and reprocessing charges		12,446	(3,763)
PROFIT BEFORE INCOME TAXES		3,798,901	3,331,230
Income taxes			
Current		(1,482,447)	(608,091)
Deferred		(63,221)	(461,354)
		(1,545,668)	(1,069,445)
PROFIT AFTER TAXATION		2,253,233	2,261,785
-----Rupees-----			
Earnings per share - basic and diluted	24	1.16	1.17

The annexed notes 1 to 35 form an integral part of these financial statements.


 President / Chief
 Executive Officer


 Chief Financial
 Officer


 Director


 Director


 Director

**HOUSE BUILDING FINANCE COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024**

	2024	2023
	----- Rupees in '000 -----	
Profit after taxation	2,253,233	2,261,785
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Surplus on revaluation of investments at FVOCI - net of tax	154,582	83,316
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain on defined benefit obligations - net of tax	1,142,323	1,189,886
Total comprehensive income for the year	<u><u>3,550,138</u></u>	<u><u>3,534,987</u></u>

The annexed notes 1 to 35 form an integral part of these financial statements.

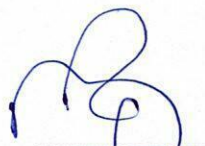
92



President / Chief Executive Officer



Chief Financial Officer



Director



Director



Director

HOUSE BUILDING FINANCE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024

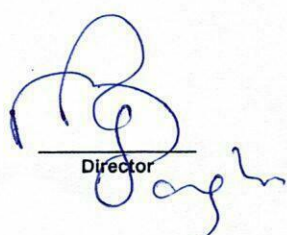
Note	Share capital	Statutory reserve	Surplus / (deficit) on revaluation of investments	Accumulated profit	Total
	Rupees in '000				
Balance as at 01 January 2023	19,365,000	2,365,417	(199,862)	1,574,341	23,104,896
Profit after taxation	-	-	-	2,261,785	2,261,785
Other comprehensive income	-	-	83,316	1,189,886	1,273,202
Transfer to statutory reserve	-	452,357	-	(452,357)	-
Balance as at 31 December 2023	19,365,000	2,817,774	(116,546)	4,573,655	26,639,883
Effect of adoption of IFRS 09 - ECL	4.1.2.3	-	-	(8,976)	(8,976)
Profit after taxation	-	-	-	2,253,233	2,253,233
Other comprehensive income	-	-	154,581	1,142,323	1,296,904
Transfer to statutory reserve	-	450,646	-	(450,646)	-
Balance as at 31 December 2024	19,365,000	3,268,420	38,035	7,509,589	30,181,044

The annexed notes 1 to 35 form an integral part of these financial statements.

92


President / Chief Executive Officer


Chief Financial Officer


Director


Director


Director

HOUSE BUILDING FINANCE COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 ----- Rupees in '000 -----	2023 ----- Rupees in '000 -----
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before levies and income taxes		3,798,901	3,326,556
Dividend income		(2,409)	(1,884)
		<u>3,796,492</u>	<u>3,324,672</u>
Adjustments for non-cash items			
Net mark-up / interest income		(5,301,023)	(4,775,516)
Depreciation		119,238	121,789
Amortization		12,999	4,386
Reversal of credit loss allowance	24	(34,126)	(326,820)
Gain on sale of property and equipment		(2,176)	(1,326)
Provision for Sindh Workers Welfare Fund		77,529	67,995
Reversal / charge for defined benefit plan		(170,365)	69,346
		<u>(5,297,924)</u>	<u>(4,840,146)</u>
Decrease / (Increase) in operating assets			
Advances		1,626,114	2,156,152
Other assets (excluding advance taxation)		(13,334)	(1,544,965)
		<u>1,612,780</u>	<u>611,187</u>
Decrease / (Increase) in operating liabilities			
Contribution to defined benefit plan		-	(6,607)
Borrowings from financial institutions		14,575,461	13,444,277
Other liabilities (excluding current taxation)		13,585	34,805
		<u>14,589,046</u>	<u>13,472,475</u>
Interest received		10,883,300	7,964,966
Interest paid		(5,247,023)	(4,186,813)
Income tax paid		(1,293,124)	(857,919)
Net cash generated from operating activities		<u>19,043,546</u>	<u>15,488,422</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments		(18,915,054)	(15,021,002)
Dividends received		2,409	1,884
Investments in property and equipment		(13,347)	(99,912)
Proceeds from disposal of property and equipment		4,099	7,569
Net cash used in from investing activities		<u>(18,921,893)</u>	<u>(15,111,461)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Payments of lease obligations against right-of-use assets		(100,297)	(124,589)
Borrowings payments		-	(168,452)
Net cash outflow from financing activities		<u>(100,297)</u>	<u>(293,041)</u>
INCREASE IN CASH AND CASH EQUIVALENTS			
		21,356	83,921
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR			
		102,767	18,847
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
		<u>124,123</u>	<u>102,767</u>

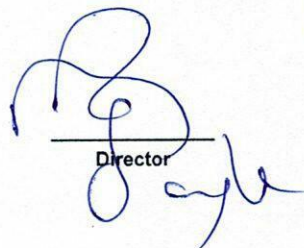
The annexed notes 1 to 35 form an integral part of these financial statements.



President / Chief
Executive Officer



Chief Financial
Officer



Director



Director



Director

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

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 GoP and is providing financing facilities for the purchase and 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 June 2025.

2 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with the requirements of the annual financial statements issued by State Bank of Pakistan (SBP) through Banking Policy Regulations Department (BPRD) Circular No. 02 dated 09 February 2023 with further addition made vide BPRD Circular Letter No. 13 of 2024, dated 01 July 2024 and accounting and financial reporting standards as applicable in Pakistan.

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017;
- Requirements of the State-Owned Enterprises (Governance and Operations) Act, 2023; and
- Directives issued by the SBP and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance 1962, the Companies Act, 2017, State-Owned Enterprises (Governance and Operations) Act, 2023 or the directives issued by the SBP and the SECP differ with the requirements of IFRS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017, State-Owned Enterprises (Governance and Operations) Act, 2023 and the said directives shall prevail.

The SBP through its BSD Circular no. 10 of 2002 has deferred the applicability of International Accounting Standard (IAS) 40, 'Investment Property' till further instructions. Further, according to the notification of the SECP dated 28 April 2008, IFRS-7, 'Financial Instruments: Disclosures' has not been made applicable for companies engaged in housing finance services. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements.

As per BPRD Circular Letter No. 16 of 2024, unlisted equity securities are currently carried at the lower of cost or breakup value as per the exemption granted by SBP. Effective from 01 January 2025, as per the requirement of IFRS 9, these will be measured at fair value under IFRS 13. Further, the Company obtained an extension from SBP up to 31 December 2025 for application of Effective Interest Rate (EIR) in general for all financial assets and liabilities. However as financial assets other than advances and financial liabilities were already effectively carried at EIR before the implementation of IFRS 9 hence, said extension has only been applied on advances.

2.2 New accounting standards

2.2.1 Accounting standards effective for the year

As per BPRD Circular Letter No. 7 of 2023, IFRS 9, is effective in Pakistan for period beginning on or after 01 January 2024. In addition, due to the application of IFRS 9, SBP vide BPRD Circular No. 02 of 2023, has also amended the format of the annual financial statements. Details regarding the aforementioned adoption and amendment, including the impact thereof, are discussed in more detail in note 4.1 to these financial statements.

Except for the above, there are certain new standards and amendments that are mandatory for the Company's accounting period beginning on 1 January 2024, but are considered either to be not relevant or to not have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

2.2.2 Accounting standards not yet effective

There are certain new standards and amendments to the approved accounting standards that will be mandatory for the Company's accounting periods beginning on / after 1 January 2025. However, the Company expects that these standards will not have any material impact on the future financial statements of the Company.

2.2.3 Critical accounting estimates and judgments

The preparation of these financial statements in conformity with accounting standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. It also requires management to exercise judgment in application of its accounting policies. The estimates and associated assumptions are continually evaluated and are based on historical experience and various other factors including expectation of future events that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates. Revisions to accounting estimates, if any, are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The significant accounting areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in the application of accounting policies are as follows:

- i) classification and provisioning against investments (note 8)
- ii) classification and provisioning against advances (note 9)
- iii) provision for current / deferred taxation (note 16)
- iv) accounting for defined benefit plans (note 27)
- v) valuation of right-of-use assets and their related lease liability (note 11 and 15)

3 BASIS OF MEASUREMENT

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except as otherwise stated in the respective notes to the financial statements.

4 MATERIAL ACCOUNTING POLICIES

The material accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the financial statements for the year ended 31 December 2023, except as disclosed in note 4.1 below.

4.1 Changes in accounting policies

4.1.1 Revised format of financial statements

The SBP vide BPRD Circular No. 2 of 2023 has amended the format of annual financial statements. The Company is required to prepare their annual financial statements on the revised format effective from accounting year starting from 01 January 2024. Accordingly, the Company has prepared these financial statements on the new format prescribed by SBP. The adoption of the new format contains additional disclosures and certain changes in the financial statements' presentation, primarily due to the implementation of IFRS 9 as applicable in Pakistan. However, the corresponding figures continue to be classified and disclosed in accordance with the previous financial accounting and reporting framework.

4.1.2 IFRS 9 - Financial Instruments

4.1.2.1 Financial assets

Initial recognition

Financial assets are initially recognized at fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. When the transaction price of the instrument differs from the fair value at origination, the Company recognises the difference between the transaction price and fair value in profit and loss account.

Classification and subsequent measurement of financial assets

Financial assets are classified into following categories for measurement subsequent to initial recognition:

- a) at amortized cost
- b) at fair value through other comprehensive income (FVOCI)
- c) at fair value through profit or loss (FVTPL)

a) Financial assets at amortized cost

The Company classifies its financial assets at amortized cost only 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
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

b) Financial assets at FVOCI

Debt instruments

The Company classifies its financial assets at FVOCI only if both of the following conditions are met:

- The financial asset is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset give rise to cash flows that are solely SPPI.

Debt instruments at FVOCI 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 are reclassified from OCI to profit and loss account when the asset is derecognized, modified or impaired.

Equity instruments

Upon initial recognition, the Company elects to classify its equity investments at FVOCI which are not held for trading. Such classification is determined on an instrument-by-instrument basis that is irrevocable.

Equity instruments at FVOCI 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.

c) Financial assets at FVTPL

The Company classifies its financial assets at FVTPL only if:

- these are acquired for the purpose of trading in the near term; or
- the contractual terms do not give rise to cash flows that are SPPI 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 profit and loss account.

Derecognition of financial assets

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.

Impairment

Overview of the ECL principles

The Company recognises an credit loss allowance (ECL) for all financial assets not held at FVTPL. Credit loss allowance is 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 EIR. 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.

Based on this approach, the Company categorizes its financial assets into the following three stages:

Stage 1: Upon initial recognition of financial assets, the Company recognizes an allowance based on the 12-month ECL, that represents the portion of lifetime ECL that correspond to expected credit losses arising from default events that are possible within 12 months after the reporting date.

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

Stage 2: When a financial asset has exhibited a significant increase in credit risk since origination, the Company records an allowance for the lifetime ECL that is determined based on the credit losses expected to arise over the life of the financial asset.

Stage 3: Financial assets classified as credit-impaired. The Company records the Lifetime ECL, with the Probability of Default set at 100%. As per the State Company of Pakistan's directives, until the implementation of International Financial Reporting Standard 9 has stabilized, the Stage 3 allowance is determined as the higher of the Expected Credit Loss under International Financial Reporting Standard 9 or the provision calculated under the Prudential Regulations.

4.1.2.2 Financial liabilities

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.

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.

4.1.2.3 Reconciliation of statement of financial position balances from existing local regulations to IFRS 9:

The following table reconciles the carrying amount of financial assets from their previous measurement category in accordance with existing local regulations to their new measurement categories upon transition to IFRS 9 on 01 January 2024.

	Previous classification	Classification under IFRS 9	Carrying amount as of 31 December 2023	Impact of IFRS 9 (ECL)	Impact of deferred tax	Carrying amount as of 01 January 2024
----- Rupees in '000 -----						
Cash and balances with treasury Companies	Cost	Amortised cost	16,717	-	-	16,717
Balances with other Companies	Cost	Amortised cost	86,050	(12)	-	86,038
Investments						
- Federal Government debt securities	Available for sale	FVOCI - with recycling	-	-	-	-
- Equity instruments	Available for sale	FVOCI - without recycling	-	-	-	-
Advances	Cost	Amortised cost	14,277,058	(13,380)	4,415	14,268,093
Other assets						
- Accrued markup on advances	Cost	Amortised cost	564,339	-	-	564,339
- Accrued markup on investment	Cost	Amortised cost	1,117,828	-	-	1,117,828
- Receivable from pension fund	Fair value	FVTPL	4,555,796	-	-	4,555,796
Total Financial Assets			20,617,788	(13,392)	4,415	20,608,811
Borrowings	Cost	Amortised cost	26,278,206	-	-	26,278,206
Other liabilities	Cost	Amortised cost	1,995,478	-	-	1,995,478
Total Financial Liabilities			28,273,684	-	-	28,273,684
Net Financial Assets			(7,655,896)	(13,392)	4,415	(7,664,873)
Net Non Financial Assets			34,512,868	-	-	34,512,868
Total Net Assets			26,856,972	(13,392)	4,415	26,847,996

Impact on equity on adoption of IFRS 9

The total adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Company's equity as at 01 January 2024 is reduction in unappropriated profits of Rs. 8,977,000/-.

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:

Designation of equity instruments at FVOCI

The Company has elected to irrevocably designate equity investments of Rs. 63,785 in unquoted securities as permitted under IFRS 9. These securities were previously classified as available for sale. Upon disposal, the surplus or deficit of such securities previously recognized in Other Comprehensive Income is reclassified from equity to Unappropriated Profit and is never recycled to Profit and Loss account.

4.3 Advances

Advances are stated net of the higher amount between general and specific provisions calculated in accordance with the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and Expected Credit Loss (ECL) allowances determined under IFRS 9. The ECL allowance is reviewed and adjusted at each reporting date, reflecting changes in credit risk and economic conditions, and is charged to the profit and loss account. Non-performing advances are written off only when all possible courses of action to achieve recovery have proved unsuccessful. The Company determines write-offs in accordance with the criteria prescribed by the SBP.

4.4 Lendings to / borrowings from financial institutions

The Company enters into transactions of borrowings (repos) from and lending (reverse repos) to financial institutions at contracted rates for a specified period of time. These are recorded as under:

Sale under resale obligations

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) are measured in accordance with IAS 39 for investment securities. The counterparty liability for amounts received under these agreements is included in borrowings from financial institutions. The difference between the sale and repurchase price is treated as mark-up/return/interest income/expense and is recognised over the term of the related repo agreement.

Purchase under repurchase obligations

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognized in the statement of financial position, as the Company does not obtain control over the securities. However, amounts paid under these agreements are included in lendings to financial institutions. The difference between the purchase and resale price is treated as mark-up/return/interest income/expense and is recognised over the term of the related reverse repo agreement.

Lending to financial institutions

These are stated net of provision. Mark-up on such lendings is charged to profit and loss account on time proportion basis using effective interest rate method except for mark-up on impaired/delinquent lendings, which are recognized on receipt basis.

Other borrowings

These are recorded at the proceeds received. Mark-up on such borrowings is charged to the profit and loss account on time proportion basis using effective interest method.

4.5 Property and equipment

These are stated at cost less accumulated depreciation and impairment losses (if any). Cost of property and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable costs of bringing the asset to working condition. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Depreciation on property and equipment is charged to income using the straight line method over the useful life of the assets. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date. Depreciation charge commences from the day when the asset is available for use and continues till the day the asset is discontinued either through disposal or retirement.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account when incurred.

Any gain or loss on disposal of the assets is included in the profit and loss account in the year of disposal.

4.6 Right-of-Use (RoU) assets

The Company recognizes RoU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). RoU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of RoU assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. These are depreciated on a straight-line basis over the lease term.

4.7 Intangibles

Intangible assets having finite useful life are stated at cost less accumulated amortization and impairment losses, if any. Intangible assets comprise of cost of computer software and patents, which are amortized using the 'Straight Line Method' over their useful lives. Amortization is charged from the month of acquisition and up to the month of deletion. The useful lives and amortization method are reviewed and adjusted, if appropriate, at each reporting date.

Costs associated with maintaining computer software are recognized as expense when incurred.

4.8 Impairment of non-financial assets

The Company assesses at each reporting date whether there is any indication that the property and equipment and intangibles may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment charge is recognized in the profit or loss account.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

4.9 Lease liabilities

The Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

4.10 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

4.11 Staff retirement benefits

a) **Defined benefit plans**

Pension Fund

The Company operates an approved funded pension scheme for all its employees who have been in full time employment for at least 10 years. The scheme provides pension based on the employees' last drawn pensionable salary. Contributions are made to the scheme on the basis of actuarial recommendation. The latest actuarial valuation was carried out as of 31 December 2024. Amounts arising as a result of remeasurements, representing the actuarial gains and losses and the difference between the actual investment returns and the return implied by the net interest cost are recognized in the statement of financial position immediately, with a charge or credit to other comprehensive income in the year in which they occur.

Post retirement medical benefits

The Company provides post retirement medical facility to an employee in the following events:

- Retirement
- Early retirement from service
- Death / disability during or after service

The Company's post retirement medical benefits' structure is as follows:

Executives / officers their spouse and dependent children

Entitlement

- | | |
|---|---|
| <ul style="list-style-type: none"> - for hospitalization - for consultation / pathological test - for cost of medicine | One gross pension
One gross pension
One gross pension |
|---|---|

Clerical staff

- | | |
|---|---|
| <ul style="list-style-type: none"> - for hospitalization - for consultation / pathological test - for cost of medicine | One gross pension
One gross pension
Two gross pension |
|---|---|

Non-clerical staff

- | | |
|---|---|
| <ul style="list-style-type: none"> - for hospitalization - for consultation / pathological test - for cost of medicine | One and half gross pension
One and half gross pension
Three gross pension |
|---|---|

Contributions in respect of medical benefits are made on the basis of actuarial recommendation. The latest actuarial valuation was carried out as of 31 December 2024.

The Company operates an approved gratuity fund covering all of its employees who have completed the qualifying period under the scheme. The fund is administered by the trustees and the contributions there in are made by the Company at the rate of 50% of the basic salary of employees each year.

Defined contribution plan

The Company operates an approved provident fund. Equal monthly contributions are made both by the Company and respective employees to the fund at the rate of 12% of the basic salary in accordance with the terms of the scheme.

Employees' compensated absences

The Company accounts for the liability in respect of employees compensated absences in the year in which they are earned. The Company provides for employees compensated absences on the basis of actuarial recommendation. Latest actuarial valuation was carried out as of 31 December 2024.

4.12 Taxation

Current

The charge for current taxation is based on taxable income at the current rates in accordance with Income Tax Ordinance, 2001

Pursuant to the release of circular 7/2024 by the Institute of Chartered Accountants of Pakistan, the Company has elected to change the method of accounting for minimum taxes and final taxes.

Minimum tax

The Company has elected to designate the amount calculated on taxable income using the enacted tax rate as an income tax within the scope of IAS 12 'Income Taxes' and recognize it as current income tax expense. Any excess over the amount designated as income tax, will then be recognized as a levy falling under the scope of IFRIC 21 / IAS 37.

Final tax

As computation of final taxes under provisions of ITO, 2001 is not based on taxable income, therefore, final taxes fall under levy within the scope of IFRIC 21/IAS 37 and not income tax in the statement of profit or loss.

The numerical reconciliation is not provided as the tax charge of the Company comprise of minimum and final tax under the relevant sections of Income Tax Ordinance, 2001.

Deferred

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which these can be utilized. The carrying amount of deferred tax assets is reviewed at each statement of financial position date and adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantially enacted by the statement of financial position date.

4.13 Revenue recognition

Revenue is recognised to the extent that the economic benefits associated with a transaction will flow to the Company and the revenue can be reliably measured.

Income on performing advances and debt securities is recognised on a time proportion basis as per the terms of the contract. Where debt securities are purchased at a premium or discount, such premium / discount is amortised through the profit and loss account over the remaining maturity of the debt security or the next repricing date using the effective yield method. Gain / loss on disposal of investments is recognized in the profit and loss account.

Income recoverable on classified advances and investments is recognised on a receipt basis. Income on rescheduled / restructured advances and investments is recognised as permitted by the SBP regulations.

Dividend income is recognized when the right to receive the dividend is established.

4.14 Earnings per share

The Company presents basic and diluted Earnings Per Share (EPS). Basic EPS is calculated by dividing the profit or loss, as the case may be, attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024	2023
		----- Rupees in '000 -----	
5 CASH AND BALANCES WITH TREASURY BANKS			
With State Bank of Pakistan in Local currency current account	5.1	28,565	16,694
With National Bank of Pakistan in Local currency deposit account	5.2	31	23
		<u>28,596</u>	<u>16,717</u>

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

5.2 These carry mark-up at the rate of 11.5% (2023: 14.50%) per annum.

	Note	2024	2023
		----- Rupees in '000 -----	
6 BALANCES WITH OTHER BANKS			
In Pakistan			
In deposit accounts	6.1	96,049	86,050
Less: Credit loss allowance		(522)	-
		<u>95,527</u>	<u>86,050</u>

6.1 These carry mark-up rates at 11.5% (2023: 15%) per annum.

7 LENDINGS TO FINANCIAL INSTITUTIONS

Letters of placement - In local currency
Trust Investment Bank Limited
First Dawood Investment Bank Limited

Less: Credit loss allowance

	5,909	5,909
	49,774	49,774
	55,683	55,683
	(55,683)	(55,683)
	<u>-</u>	<u>-</u>

7.1 Lending to Financial Institutions - Particulars of credit loss allowance

Domestic
Non-performing - loss (stage 3)

	2024		2023	
	Lending	Credit loss allowance held	Lending	Credit loss allowance held
	----- Rupees in '000 -----			
	55,683	55,683	55,683	55,683

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

8 INVESTMENTS

8.1 Investments by type	2024				2023			
	Cost / Amortised cost	Credit loss allowance	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Credit loss allowance	Surplus / (Deficit)	Carrying Value
	Rupees in '000							
- Debt Instruments								
<i>At amortised cost</i>								
Non Government debt securities	26,240	(26,240)	-	-	-	-	-	-
<i>At FVOCI</i>								
Federal Government securities	53,264,335	-	61,925	53,326,260	-	-	-	-
- Equity Instruments								
<i>At FVOCI</i>								
Shares	63,785	(500)	-	63,285	-	-	-	-
	53,354,360	(26,740)	61,925	53,389,545	-	-	-	-
Available-for-sale securities								
Federal Government securities	-	-	-	-	34,260,257	-	(173,026)	34,087,231
Shares	-	-	-	-	73,388	(500)	16,784	89,672
Held-to-maturity securities								
Non Government debt securities	-	-	-	-	48,740	(48,740)	-	-
	-	-	-	-	34,382,385	(49,240)	(156,242)	34,176,903
Total	53,354,360	(26,740)	61,925	53,389,545	34,382,385	(49,240)	(156,242)	34,176,903

8.2 Investments by segments:	Note	2024				2023			
		Cost / Amortised cost	Credit loss allowance	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Credit loss allowance	Surplus / (Deficit)	Carrying Value
		Rupees in '000							
Non Government debt securities:									
Unlisted Sukuk Bonds	8.2.1	26,240	(26,240)	-	-	26,240	(26,240)	-	-
Certificate of Investments		-	-	-	-	22,500	(22,500)	-	-
		26,240	(26,240)	-	-	48,740	(48,740)	-	-
Federal Government debt securities:									
Market Treasury Bills		6,245,481	-	(3,492)	6,241,989	-	-	-	-
Pakistan Investment Bonds	8.2.2	47,018,854	-	65,417	47,084,271	34,260,257	-	(173,026)	34,087,231
		53,264,335	-	61,925	53,326,260	34,260,257	-	(173,026)	34,087,231
Shares:									
Listed companies		-	-	-	-	9,603	-	(2,365)	7,238
Unlisted companies		63,785	(500)	-	63,285	63,785	(500)	19,149	82,434
		63,785	(500)	-	63,285	73,388	(500)	16,784	89,672
Total		53,354,360	(26,740)	61,925	53,389,545	34,382,385	(49,240)	(156,242)	34,176,903

8.2.1 This represents the outstanding amount in Sukuk Bonds issued by Eden Housing Limited (EHL). In 2014, EHL defaulted the repayments and the related claims were placed before the Lahore High Court by the Company for recovery. However, the Company on prudent basis has maintained 100% provision against outstanding principal amount.

8.2.2 These carry mark-up at rates ranging from 8.95% to 21.04% (2023: 9.50% to 21.83%) per annum.

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

8.2.3 Investments given as collateral

Market Treasury Bills
Pakistan Investment Bonds

2024	2023
----- Rupees in '000 -----	
6,700,000	-
33,682,000	24,500,000
<u>40,382,000</u>	<u>24,500,000</u>

8.3 Particulars of credit loss allowance against debt securities

Domestic

Non-performing - loss (stage 3)

2024		2023	
Outstanding amount	Credit loss allowance held	Outstanding amount	Credit loss allowance held
----- Rupees in '000 -----			
26,240	26,240	48,740	48,740

8.4 Quality of available for sale securities - domestic

Federal Government Securities - Government guaranteed

Market Treasury Bills
Pakistan Investment Bonds

2024	2023
Cost	
----- Rupees in '000 -----	
6,245,481	-
47,018,854	34,260,257
<u>53,264,335</u>	<u>34,260,257</u>

Unlisted Companies

Resource and Engineering Management Corporation Limited
Pakistan Mortgage Refinance Company Limited
Salaam Takaful Limited

2024		2023	
Cost	Break-up value *	Cost	Breakup value *
----- Rupees in '000 -----			
500	-	500	-
6,675	20,163	6,675	14,817
56,610	43,122	56,610	67,617
<u>63,785</u>	<u>63,285</u>	<u>63,785</u>	<u>82,434</u>

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

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

9	ADVANCES	Note	Performing		Non Performing		Total	
			2024	2023	2024	2023	2024	2023
----- Rupees in '000 -----								
Customer loans								
	Rental Sharing Schemes		-	-	1,059,705	1,082,015	1,059,705	1,082,015
	Ghar Aasan Scheme	9.1	147,347	242,239	578,379	623,648	725,726	865,887
	Ghar Aasan Flexi Scheme	9.2	3,448,091	3,902,446	784,108	837,488	4,232,199	4,739,934
	Ghar Pakistan Scheme	9.3	1,715,228	2,059,211	42,883	32,709	1,758,111	2,091,920
	Ghar Pakistan Plus Scheme	9.4	1,050,094	1,229,123	9,920	15,174	1,060,014	1,244,297
	Mera Pakistan Mera Ghar	9.5	5,557,550	6,037,960	-	-	5,557,550	6,037,960
	Other schemes		95,176	100,351	146,239	154,326	241,415	254,677
			12,013,486	13,571,330	2,621,234	2,745,360	14,634,720	16,316,690
	Employee loans		832,108	774,996	5,569	5,569	837,677	780,565
	Advances - gross		12,845,594	14,346,326	2,626,803	2,750,929	15,472,397	17,097,255
Credit loss allowance								
	Stage 1		35,416	-	-	-	35,416	-
	Stage 2		181,127	-	-	-	181,127	-
	Stage 3		-	-	2,604,910	-	2,604,910	-
	Specific	9.6	-	-	-	2,584,744	-	2,584,744
	General		-	235,453	-	-	-	235,453
			(216,543)	(235,453)	(2,604,910)	(2,584,744)	(2,821,453)	(2,820,197)
	Advances - net of credit loss allowance		12,629,051	14,110,873	21,893	166,185	12,650,944	14,277,058

- 9.1 This scheme was based on diminishing musharaka for construction, purchase of houses and replacement of existing housing advances obtained by applicants from another financial institutions (balance transfer facility) having maximum financing limit of Rs. 7.5 million. New disbursement under this scheme has been discontinued from 11 February 2009. During 2017, the Company introduced Ghar Aasaan Incentive Scheme and the customers who opted the facility settled/regularized their advances after payment of due amounts based on revised terms. The scheme was initially offered till 30 September 2017, which was extended up to 31 December 2020. The scheme carries mark-up at the rate of one year KIBOR with a spread of 3.00% - 3.5% per annum.
- 9.2 This scheme is based on diminishing musharaka for construction, renovation and purchase of house and replacement of existing housing facility (balance transfer facilities) having maximum financing of Rs. 25 million. The facility is repayable in 36 to 240 monthly installments and carries mark-up at the rate of one year KIBOR with a spread of 3.25% - 3.50% or five year PKRV with a spread of 4% per annum.
- 9.3 The Company introduced Ghar Pakistan Scheme in 2020 for purchase and construction of individual houses and apartments with maximum financing limit of Rs. 2.5 million. The tenure of financing is between 3 to 20 years and mark-up is calculated on the basis of one year KIBOR with a spread of 2.00% subject to floor rate of 7.00% and ceiling of 12.00% per annum. New disbursement under the scheme has been discontinued since October 24, 2022.
- 9.4 The Company introduced Ghar Pakistan Scheme Plus for purchase and construction of individual houses and apartments with maximum financing limit of Rs. 8.8 million. The tenure of financing is between 3 to 20 years and mark up is calculated on the basis of one year KIBOR with a spread of 2.50% subject to floor rate of 8.00% and ceiling of 13.00% per annum. New disbursement under the scheme has been discontinued since October 24, 2022.
- 9.5 The Company introduced Mera Pakistan Mera Ghar Scheme for all Pakistani nationals holding valid CNIC. The tenure of financing is between 10 to 20 years. Markup is charged to customer at a fixed rate of 5% - 7% per annum for first five years, 7% - 9% for next five years, whereas the Company receives the differential of 1 year KIBOR + 4% per annum from Government of Pakistan through State Bank of Pakistan. After 10 years, markup will be charged at KIBOR + 2% per annum to customers.
- 9.6 General provision against advances has been determined in accordance with the requirements of Prudential Regulations (HF-9) issued by the SBP on regular portfolio of consumer financing.

9.7	Advances to women	2024	2023
		----- Rs. "000" -----	
	Women	116,349	111,705

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

9.8 Particulars of credit loss allowance - local currency

9.8.1 Advances - Exposure

	2024			
	Stage 1	Stage 2	Stage 3	Total
	----- Rupees in '000-----			
Opening balance	14,007,585	411,413	2,678,257	17,097,255
New advances	726,488	-	-	726,488
Advances repaid / derecognized	(2,114,419)	(81,228)	(155,699)	(2,351,346)
Transfer to stage 1	117,977	(104,726)	(13,251)	-
Transfer to stage 2	(440,572)	475,111	(34,539)	-
Transfer to stage 3	(51,059)	(100,976)	152,035	-
	(1,761,585)	188,181	(51,454)	(1,624,858)
Closing balance	12,246,000	599,594	2,626,803	15,472,397

9.8.2 Advances - Credit loss allowance

	2024			
	Stage 1	Stage 2	Stage 3	Total
	----- Rupees in '000-----			
Opening balance	18,106	123,692	2,678,399	2,820,197
Impact of adoption of IFRS 9	12,642	-	-	12,642
Balance as at 01 January after adopting IFRS 9	30,748	123,692	2,678,399	2,832,839
Additional charge	9,777	101,033	-	110,810
Reversal	(43,174)	(9,359)	(69,663)	(122,196)
Transfer to stage 1	47,346	(34,095)	(13,251)	-
Transfer to stage 2	(7,512)	42,052	(34,540)	-
Transfer to stage 3	(1,769)	(42,196)	43,965	-
	4,668	57,435	(73,489)	(11,386)
Closing balance	35,416	181,127	2,604,910	2,821,453

9.9 Advances - Category of classification

		2024		2023	
		Outstanding amount	Credit loss allowance held	Outstanding amount	Credit loss allowance held
		----- Rupees in '000 -----		----- Rupees in '000 -----	
Performing	Stage 1	12,245,999	35,416	13,932,884	30,748
Under performing	Stage 2	599,595	181,127	411,412	123,692
Non-performing					
OAEM	Stage 3	65,729	43,836	59,684	1,191
Substandard	Stage 3	76,353	76,353	75,216	20,683
Doubtful	Stage 3	142,659	142,659	117,501	62,312
Loss	Stage 3	2,342,063	2,342,064	2,500,558	2,500,558
General		-	-	-	81,013
Total		15,472,399	2,821,456	17,097,255	2,820,197

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

9.10 Advances include Rs. 2,627 million (2023: Rs. 2,753 million) which have been placed under non-performing stage 3 status as detailed below:

2024		2023	
Non Performing Loans	Provision	Non Performing Loans	Provision

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

Category of Classification in stage 3

	2024	2023	2024	2023
Domestic				
Other Assets Especially Mentioned (OAEM)	65,729	43,836	59,684	1,191
Substandard	76,353	76,353	73,188	20,683
Doubtful	142,657	142,657	117,499	62,312
Loss	2,342,064	2,342,064	2,500,558	2,500,558
Total	2,626,803	2,604,910	2,750,929	2,584,744

2024				2023		
Stage 3	Stage 2	Stage 1	Total	Specific	General	Total

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

9.11 Particulars of credit loss

Opening balance	2,678,399	123,692	30,748	2,832,839	2,868,120	278,897	3,147,017
Charge for the year	43,965	143,085	57,123	244,173	17,093	-	17,093
(Reversals)	(117,454)	(85,650)	(52,455)	(255,559)	(300,469)	(43,444)	(343,913)
(Reversal) / charge for the year	(73,489)	57,435	4,668	(11,386)	(283,376)	(43,444)	(326,820)
Amounts written off	-	-	-	-	-	-	-
Closing balance	2,604,910	181,127	35,416	2,821,453	2,584,744	235,453	2,820,197

9.12 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 31 December 2024, the Company has not taken FSV benefit as allowed under IH&SMEFD Circular No. 03 of 2017.

10 PROPERTY AND EQUIPMENT

2024						
Freehold land	Leasehold land	Buildings on lease holdland	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total

At 1 January 2024

Cost	6,075	5,673	364,660	150,951	343,073	93,423	963,855
Accumulated depreciation	-	-	(205,045)	(88,871)	(283,409)	(65,029)	(642,352)
Net book value	6,075	5,673	159,615	62,080	59,664	28,394	321,503

Year ended 31 December 2024

Opening net book value	6,075	5,673	159,615	62,080	59,664	28,394	321,503
Additions	-	-	-	4,746	4,829	3,772	13,347
Disposals							
Cost	-	-	-	(4,238)	(10,422)	(9,259)	(23,919)
Accumulated depreciation	-	-	-	4,237	10,419	7,340	21,996
	-	-	-	(1)	(3)	(1,919)	(1,923)
Depreciation charge	-	-	(15,366)	(7,510)	(22,000)	(8,636)	(53,512)
Closing net book value	6,075	5,673	144,249	59,315	42,490	21,611	279,415

At 31 December 2024

Cost	6,075	5,673	364,660	151,459	337,480	87,936	953,283
Accumulated depreciation	-	-	(220,411)	(92,144)	(294,990)	(66,325)	(673,868)
Net book value	6,075	5,673	144,249	59,315	42,490	21,611	279,415

Rate of depreciation (percentage)	-	-	5%	10%	10%-33%	20%
-----------------------------------	---	---	----	-----	---------	-----

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

	2023						Total
	Freehold land	Leasehold land	Buildings on lease holdland	Furniture and fixture	Electrical, office and computer equipment	Vehicles	
At 1 January 2023	Rupees '000						
Cost	6,075	5,673	364,660	106,886	320,320	85,072	888,586
Accumulated depreciation	-	-	(189,670)	(84,600)	(267,492)	(60,281)	(602,043)
Net book value	6,075	5,673	174,990	22,286	52,828	24,791	286,643
Year ended 31 December 2023							
Opening net book value	6,075	5,673	174,990	22,286	52,828	24,791	286,643
Additions	-	-	-	45,168	29,825	19,054	94,047
Disposals							
Cost	-	-	-	(1,103)	(7,072)	(10,703)	(18,878)
Accumulated depreciation	-	-	-	876	7,070	4,689	12,635
	-	-	-	(227)	(2)	(6,014)	(6,243)
Depreciation charge	-	-	(15,375)	(5,147)	(22,987)	(9,435)	(52,944)
Closing net book value	6,075	5,673	159,615	62,080	59,664	28,396	321,503
At 31 December 2023							
Cost	6,075	5,673	364,660	150,951	343,073	93,423	963,855
Accumulated depreciation	-	-	(205,045)	(88,871)	(283,409)	(65,027)	(642,352)
Net book value	6,075	5,673	159,615	62,080	59,664	28,396	321,503
Rate of depreciation (percentage)	-	-	5%	10%	10%-33%	20%	

	Building on Leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
Cost of fully depreciated assets still in use:	Rupees in '000				
2024	59,479	74,794	241,084	49,859	425,216
2023	57,129	78,775	231,854	44,720	412,478

	2024	2023
	----- Rupees in '000 -----	
11 RIGHT-OF-USE ASSETS - buildings		
At 01 January		
Cost	437,984	427,371
Accumulated Depreciation	(152,604)	(83,760)
Net Carrying amount	285,380	343,611
Additions during the year	266,439	10,613
Depreciation Charge for the year	(65,726)	(68,844)
Net Carrying amount	486,093	285,380
12 INTANGIBLE ASSETS - Computer software		
Opening net book value	63,246	20,849
Additions during the year	-	46,783
Amortization charge during the year	(12,999)	(4,386)
Closing net book value	50,247	63,246
Cost	87,143	87,143
Accumulated amortization	(36,896)	(23,897)
Net book value	50,247	63,246
Rate of amortisation (percentage)	10% - 33%	10% - 33%

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

		2024	2023
		----- Rupees in '000 -----	
13	OTHER ASSETS		
	Income / mark-up accrued in local currency		
	Advances	564,339	1,039,638
	Investments	1,117,828	1,258,966
		<u>1,682,167</u>	<u>2,298,604</u>
	Retirement and other service benefits	4,555,796	2,645,286
	Advances, deposits and prepayments	98,589	85,255
	Advance taxation	303,002	477,192
	Advance for purchase of land - housing projects	53,815	53,815
		<u>6,693,369</u>	<u>5,560,152</u>
	Credit loss allowance held against other assets	(53,815)	(53,815)
		<u>6,639,554</u>	<u>5,506,337</u>

13.1 This represents 25% advance payment made in 2007 for the purchase of two pieces of land measuring 163 acres situated in Gwadar. The Company intends to construct low cost houses on this land to promote affordable housing facilities to low income groups of the residents of Gwadar. The management on prudent basis, has made full provision against this amount.

		2024	2023
		----- Rupees in '000 -----	
14	BORROWINGS - secured		
	Pakistan Mortgage Refinance Company Limited	1,631,635	1,735,699
	Repurchase agreement borrowings	39,137,442	24,462,347
	Refinance from State Bank of Pakistan	84,590	80,160
		<u>40,853,667</u>	<u>26,278,206</u>

14.1 These are secured against advances of customers and carries mark-up rates ranging from 10% - 11% per annum.

14.2 These are secured against investments in PIBs and market treasury bills amounting Rs. 40,382 million (2023: Rs. 24,500 million) and carry mark-up rates ranging from 13.04% - 13.90% (2023: 22.04% - 23%) per annum.

		2024	2023
		----- Rupees in '000 -----	
15	LEASE LIABILITIES		
	Opening balance	320,422	388,967
	Additions during the year	-	10,613
	Remeasurement during the year	266,439	-
	Interest expense	67,097	45,431
	Payments	(100,297)	(124,589)
	Closing balance	<u>553,661</u>	<u>320,422</u>

15.1 Lease liabilities are payable as follows:

Not later than one year	32,111	40,466
Later than one year and upto five years	310,495	102,350
Over five years	211,055	177,606
	<u>553,661</u>	<u>320,422</u>

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

16 DEFERRED TAX LIABILITY / (ASSET)

At 01 January 2024	Recognised in profit and loss	Recognised in other comprehensive income	At 31 December 2024
--------------------------	-------------------------------------	---	---------------------------

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

Taxable temporary differences on:

Accelerated tax depreciation and amortisation	29,741	(15,076)	-	14,665
Provision against retirement benefits	479,603	78,730	465,459	1,023,792
	<u>509,344</u>	<u>63,654</u>	<u>465,459</u>	<u>1,038,457</u>

Deductible temporary differences on:

Credit loss allowances on:

investments	(14,280)	6,525	-	(7,755)
lending to financial institutions	(16,148)	-	-	(16,148)
advances	(811,263)	(6,958)	-	(818,221)
other assets	(15,606)	-	-	(15,606)
Deficit on revaluation of investments	(45,310)	-	74,294	28,984
	<u>(902,607)</u>	<u>(433)</u>	<u>74,294</u>	<u>(828,746)</u>
	<u>(393,263)</u>	<u>63,221</u>	<u>539,753</u>	<u>209,711</u>

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

		2024	2023
		----- Rupees in '000 -----	
17	OTHER LIABILITIES		
	Accrued mark up on borrowings	140,499	191,192
	Retirement and other service benefits	1,025,478	991,481
	Accrued expenses	192,598	197,810
	Advance payments from customers	202,464	307,003
	Insurance premium payable	75,154	57,063
	Workers' Welfare Fund	149,052	106,371
	Others	36,593	37,026
		<u>1,821,838</u>	<u>1,887,946</u>
17.1	Workers' Welfare Fund		
	Opening balance	106,371	58,231
	Charge for the year	77,529	67,995
	Payment made	(34,848)	(19,855)
	Closing balance	<u>149,052</u>	<u>106,371</u>
18	SHARE CAPITAL		
18.1	Authorized Capital		
		2024	2023
		<u>Number of shares</u>	
		<u>2,000,000,000</u>	<u>2,000,000,000</u>
		<u>20,000,000</u>	<u>20,000,000</u>
18.2	Issued, subscribed and paid-up		
		2024	2023
		<u>Number of shares</u>	
		100,000	100,000
		1,936,400,000	1,936,400,000
		<u>1,936,500,006</u>	<u>1,936,500,006</u>
		<u>Ordinary shares of Rs. 10 each</u>	
	Fully paid in cash	1,000	1,000
	Issued for consideration other than cash	19,364,000	19,364,000
		<u>19,365,000</u>	<u>19,365,000</u>
		<u>Pattern of shareholding</u>	
		187,562,506	187,562,506
		1,748,937,500	1,748,937,500
		<u>1,936,500,006</u>	<u>1,936,500,006</u>
		Federal Government	1,875,625
		State Bank of Pakistan	17,489,375
			<u>19,365,000</u>
			<u>18,755,000</u>
19	CONTINGENCIES AND COMMITMENTS		
	Commitments	475,352	470,202
	Other contingent liabilities	58,993	58,993
		<u>534,345</u>	<u>529,195</u>
19.1	Commitments		
	Loans sanctioned but not disbursed	96,756	91,606
	Equity investment to be made in 'Pakistan Mortgage Refinance Company Limited	193,325	193,325
	Commitments for acquisition of:		
	Intangible assets	25,796	25,796
	Property and equipment	149,725	149,725
	Other commitments	9,750	9,750
		<u>475,352</u>	<u>470,202</u>

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024	2023
		----- Rupees in '000 -----	
19.2 Other contingent liabilities			
Claims not acknowledged as debt		<u>58,993</u>	<u>58,993</u>
20 MARK-UP / RETURN / INTEREST EARNED			
Loans and advances			
Customers		3,027,746	3,284,595
Employees		29,122	25,864
Investments			
FVOCI		7,435,268	5,928,580
Amortised cost		-	103,434
Lendings to financial institutions			
Letter of placements		-	838
Repurchase agreement lending (Reverse Repo)		57,911	344,618
Balances with banks - deposit accounts		<u>14,403</u>	<u>13,249</u>
		<u>10,564,450</u>	<u>9,701,178</u>
21 MARK-UP / RETURN / INTEREST EXPENSED			
Borrowings		5,220,549	4,880,231
Lease liabilities		42,878	45,431
		<u>5,263,427</u>	<u>4,925,662</u>
22 OTHER INCOME			
Rent on property		57,390	53,075
Early termination charge and penalty income		41,092	35,295
Gain on sale of fixed assets		2,176	1,326
Inspection fee and application fee		34,525	14,648
Gain on termination of lease liability		-	3,246
Miscellaneous income		1,351	916
		<u>136,534</u>	<u>108,506</u>
23 OPERATING EXPENSES			
Total compensation expense	23.1	1,050,727	1,185,997
Property expense			
Rent and taxes		3,900	15,228
Insurance		936	845
Utilities		39,472	34,008
Security (including guards)		13,763	12,170
Repair and maintenance (including janitorial charges)		86,900	127,426
Depreciation		75,056	84,346
		220,027	274,023
Information technology expenses			
Hardware maintenance		23,206	24,192
Depreciation		12,941	14,500
Amortization	12	12,998	4,386
Network charges		20,942	26,549
		70,087	69,627
Total carried forward		<u>1,340,841</u>	<u>1,529,647</u>

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 ----- Rupees in '000 -----	2023
Total brought forward		1,340,841	1,529,647
Other operating expenses			
Directors' fees and allowances		13,100	350
Legal and professional charges		16,763	17,446
Consultancy charges		23,827	34,035
Outsourced services costs		76,757	53,910
Travelling and conveyance		12,525	16,517
Depreciation		25,205	23,308
Training and development		4,679	7,320
Postage and courier charges		5,738	5,010
Communication		6,375	6,160
Stationery and printing		6,130	8,302
Marketing, advertisement and publicity		12,269	39,522
Commission against recovery		1,209	4,540
Auditors remuneration	23.2	5,672	4,427
Banking service charges		8,713	10,933
Vehicle expense		33,342	30,409
Others		17,194	23,481
		<u>269,498</u>	<u>285,670</u>
		<u>1,610,339</u>	<u>1,815,317</u>
23.1 Total compensation expense			
Managerial Remuneration:			
i) Fixed		663,300	550,168
ii) Variable - Performance awards		60,000	55,000
iii) Hardship allowance		-	27,488
Retirement and other service benefits	27.7.1	(170,365)	69,346
Contribution to EOBI		11,560	8,750
Contribution to Benevolent Fund		7,141	5,384
Rent and house maintenance		235,002	240,983
Utilities		41,151	40,424
Medical		9,815	10,620
Conveyance		185,293	166,482
Group Life Insurance		1,807	1,833
Hajj		5,655	8,783
Overtime to staff		368	736
		<u>1,050,727</u>	<u>1,185,997</u>
23.2 Auditors' remuneration			
Audit fee		3,026	2,700
Half yearly review		676	600
Other certifications		1,970	1,127
		<u>5,672</u>	<u>4,427</u>

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

		2024	2023
		----- Rupees in '000 -----	
24 EARNINGS PER SHARE - BASIC AND DILUTED			
Profit for the year		<u>2,253,233</u>	<u>2,261,785</u>
		----- (No. of Shares) -----	
Weighted average number of ordinary shares		<u>1,936,500,006</u>	<u>1,936,500,006</u>
		----- Rupees -----	
Earnings per share - basic and diluted		<u>1.16</u>	<u>1.17</u>
25 CASH AND CASH EQUIVALENTS	Note	----- Rupees in '000 -----	
Cash and balances with treasury banks	6	<u>28,596</u>	16,717
Balance with other banks	7	<u>95,527</u>	<u>86,050</u>
		<u>124,123</u>	<u>102,767</u>
		----- (Number) -----	
26 STAFF STRENGTH			
Permanent		<u>357</u>	<u>393</u>
Contractual employees		<u>67</u>	<u>87</u>
Company's own staff strength		<u>424</u>	<u>480</u>
Outsourced		<u>129</u>	<u>114</u>
		<u>553</u>	<u>594</u>
27 DEFINED BENEFIT PLAN			
27.1 Number of employees under the schemes			
The number of employees covered under the following defined benefit schemes are:			
		2024	2023
		----- (Number) -----	
- Pension fund		642	652
- Post retirement medical benefits		642	652
- Employees compensated absences		247	277

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

27.2 Principal actuarial assumptions

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

	2024	2023
	----- Per annum -----	
Discount rate	12.25%	15.25%
Expected rate of return on plan assets	12.25%	15.25%
Expected rate of salary increase	12.25%	15.25%
Expected rate of increase in pension	11.25%	14.25%
Expected rate of increase in medical benefit	4.50%	7.50%
Expected rate of increase in compensated absences	12.25%	15.25%

27.3 Reconciliation of (receivable from) / payable to defined benefit plans

	Note	2024			2023		
		Pension fund	Medical benefits	Compensated absences	Pension fund	Medical benefits	Compensated absences
----- Rupees in '000 -----							
Present value of obligations	27.4	8,134,398	773,439	252,039	7,900,131	752,073	237,909
Fair value of plan assets	27.5	(12,690,194)	-	-	(10,545,417)	-	-
(Receivable) / Payable		(4,555,796)	773,439	252,039	(2,645,286)	752,073	237,909

27.4 Movement in defined benefit obligations

Obligations at the beginning of the year	7,900,131	752,073	237,909	7,958,590	739,942	282,902
Current service cost	83,513	12,030	18,197	83,348	11,559	17,792
Interest cost	1,157,765	108,248	35,676	1,042,768	95,572	37,713
Benefits paid by the Fund	(616,465)	-	-	(468,760)	-	-
Benefits paid by the Company	-	(84,499)	(7,941)	-	(63,998)	(7,138)
Re-measurement loss / (gain)	(390,546)	(14,413)	(31,802)	(715,815)	(31,002)	(93,532)
Obligations at the end of the year	8,134,398	773,439	252,039	7,900,131	752,073	237,737

27.5 Movement in fair value of plan assets

Fair value at the beginning of the year	10,545,417	-	-	8,909,000	-	-
Interest income on plan assets	1,561,171	-	-	1,171,391	-	-
Benefits paid by Fund	(616,465)	-	-	(468,760)	-	-
Contribution by the Company - net	-	-	-	4,707	-	-
Re-measurements: Net return on plan assets over interest income	1,200,071	-	-	929,079	-	-
Fair value at the end of the year	12,690,194	-	-	10,545,417	-	-

27.6 Movement in (receivable) / payable under defined benefit schemes

Opening balance	(2,645,286)	752,073	237,909	(950,410)	739,942	282,902
(Reversal) / charge for the year	(319,893)	120,278	53,873	(45,275)	107,131	(38,027)
Contribution by the Company - net	-	-	-	(4,707)	-	-
Re-measurement (gain) / loss recognized in OCI during the year	(1,590,617)	(14,413)	(31,802)	(1,644,894)	(31,002)	-
Benefits paid by the Company	-	(84,499)	(7,941)	-	(63,998)	(7,138)
Closing balance	(4,555,796)	773,439	252,039	(2,645,286)	752,073	237,737

27.7 Charge for defined benefit plans

27.7.1 Cost recognized in profit and loss account

Current service cost	83,513	12,030	18,197	83,348	11,559	17,792
Net interest on defined benefit asset / liability	(403,406)	108,248	3,874	(128,623)	95,572	37,713
	(319,893)	120,278	22,071	(45,275)	107,131	(38,027)

27.7.2 Re-measurements recognized in OCI during the year

Loss / (gain) on obligation						
Financial assumptions	(5,985)	(20,720)	-	(21,186)	11,841	-
Experience adjustment	(384,561)	6,307	-	(694,629)	(42,843)	-
Return on plan assets over interest income	(1,200,071)	-	-	(929,079)	-	-
Total re-measurements recognized in OCI	(1,590,617)	(14,413)	-	(1,644,894)	(31,002)	-

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

2024	2023
----- Rupees in '000 -----	

27.8 Components of plan assets - Pension Fund

Bank balances	147,589	3,292,560
Government Securities	<u>12,542,605</u>	<u>7,252,857</u>
	<u>12,690,194</u>	<u>10,545,417</u>

27.8.1 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the reporting date. Expected return on equity investments reflect long-term real rates of return experienced in the market.

27.9 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:

	2024			
	Change in assumption	Pension fund	Post retirement medical benefit	Compensated absences
----- Rupees in '000 -----				
1% increase in discount rate	1%	7,337,522	706,564	237,595
1% decrease in discount rate	1%	9,092,685	852,495	268,184
1% increase in expected rate of salary increase	1%	8,296,775	-	267,927
1% decrease in expected rate of salary increase	1%	7,987,505	-	237,570
1% increase in expected rate of pension increase	1%	8,904,002	-	-
1% decrease in expected rate of pension increase	1%	7,471,615	-	-
1% increase in expected rate of medical benefit increase	1%	-	832,240	-
1% decrease in expected rate of medical benefit increase	1%	-	722,048	-
 27.10 Expected charge for the next financial year		 (470,009)	 103,551	 -

27.11 Maturity profile

The weighted average duration of the obligation is 11 years.

27.12 Risks associated with defined benefit plans

Investment risks	The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.
Longevity risks	The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.
Salary increase risks	The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.
Withdrawal risks	The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

28 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

28.1 Total compensation expense

Items	2024			
	Directors		President / CEO	Key Management Personnel
	Chairman	Non-Executives		
	----- Rupees in '000 -----			
Directors fees	2,322	10,778	-	-
Managerial remuneration:				
i) Fixed	-	-	10,164	45,593
ii) Total variable of which				
a) Cash bonus / awards	-	-	-	13,337
b) Bonus and awards in shares	-	-	-	-
Rent and house maintenance	-	-	4,574	27,359
Utilities	-	-	2,304	8,253
Medical	-	-	63	930
Conveyance	-	-	-	2,795
Mobile charges	-	-	-	69
Others	-	-	-	17,135
Total	2,322	10,778	17,105	115,471
Number of persons	1	4	1	10

Items	2023			
	Directors		President / CEO	Key Management Personnel
	Chairman	Non-Executives		
	----- Rupees in '000 -----			
Directors fees	-	350	-	-
Managerial remuneration:				
i) Fixed	-	-	-	-
ii) Total variable of which				
a) Cash bonus / awards	-	-	-	6,529
b) Bonus and awards in shares	-	-	-	-
Rent and house maintenance	-	-	4,449	25,550
Utilities	-	-	1,326	7,774
Medical	-	-	-	724
Conveyance	-	-	-	2,193
Mobile charges	-	-	-	61
Others	-	-	-	12,066
Total	-	350	16,156	96,448
Number of persons	-	1	1	11

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

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

S.No.	Name of Director	2024					Total
		Meeting Fees and Allowances Paid					
		For Board Meetings	For Board Committees				
			Audit Committee	HR Committee	RM Committee	ITSC	
----- Rs. in '000' -----							
1	Mr. Qasim Nawaz	1,288	-	770	-	264	2,322
2	Mr. Mahfuz-ur-Rehman Pasha	1,090	578	220	380	-	2,268
3	Mr. Muneeb Zia	1,090	490	820	446	-	2,846
4	Mr. Abdul Qayum Malik	1,112	-	952	380	220	2,664
5	5.Rana Obaidullah Anwar	1,090	490	820	380	220	3,000
	Total Amount Paid	5,670	1,558	3,582	1,586	704	13,100

S.No.	Name of Director	2023					Total
		Meeting Fees and Allowances Paid					
		For Board Meetings	For Board Committees				
			Audit Committee	HR Committee	RM Committee	ITSC	
----- Rs. in '000' -----							
1	Mr. Shehzad Naqvi	-	-	-	-	-	-
2	Mr. Adnan Asdar Ali	-	-	-	-	-	-
3	Ms. Faiza Kapadia Raffay	100	50	150	50	-	350
	Total Amount Paid	100	50	150	50	-	350

29 FAIR VALUE MEASUREMENTS

The fair value of traded investments other than those classified as held to maturity is based on quoted market price. Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available financial statements. Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The management is of the view that the fair values of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of customer advances are frequently repriced.

29.1 Fair value of financial assets

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

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

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

	2024			
	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	-	53,326,260	-	53,326,260
Listed Ordinary Shares	-	-	-	-
	-	53,326,260	-	53,326,260

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

2023				
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	-	34,087,231	-	34,087,231
Listed Ordinary Shares	7,238	-	-	7,238
	<u>7,238</u>	<u>34,087,231</u>	<u>-</u>	<u>34,094,469</u>

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

Item	Input used PKRV Rates
Federal Government Securities	

30 RELATED PARTY TRANSACTIONS

Related parties comprise of associates, directors and key management personnel of the Company. There were no transactions with the key management personnel other than those under the terms of their employment. Key management personnel includes chief executive officer, group head internal auditor, group head treasury, chief financial officer, company secretary, group head compliance and risk management, group head recovery and head of information technology. Details of transactions with the related parties other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2024 Key management personnel	2023 Key management personnel
	----- Rupees in '000 -----	
Advances		
Opening balance	54,406	48,487
Addition during the year	4,517	22,809
Repaid during the year	(17,738)	(14,746)
Transfer (out) / in - net	1,283	(2,144)
Closing balance	<u>42,468</u>	<u>54,406</u>
Income		
Mark-up/return/interest earned	<u>2,533</u>	<u>1,973</u>

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

31 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Minimum Capital Requirement (MCR):

	2024	2023
	----- Rupees in '000 -----	
Paid-up capital (net of losses)	19,365,000	19,365,000
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	27,586,236	25,971,834
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	27,586,236	25,971,834
Eligible Tier 2 Capital	138,780	142,799
Total Eligible Capital (Tier 1 + Tier 2)	27,725,016	26,114,633
Risk Weighted Assets (RWAs):		
Credit risk	7,390,858	11,423,934
Market risk	1,519,074	-
Operational risk	15,306,953	10,228,404
Total	24,216,885	21,652,338
Common Equity Tier 1 Capital Adequacy ratio	113.91%	119.95%
Tier 1 Capital Adequacy Ratio	113.91%	119.95%
Total Capital Adequacy Ratio	114.49%	120.61%

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

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

S.No.	Ratio	2018	2019	2020	2021	2022	2023	2024
1	CET-1	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
2	ADT-1	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
3	TIER-1	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
4	Total Capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
5	CCB	2.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
6	Total Capital Plus CCB	12.50%	11.50%	11.50%	11.50%	11.50%	11.50%	11.50%

Leverage Ratio (LR):

	2024	2023
	----- Rupees in '000 -----	
Eligible Tier-1 Capital	27,586,236	25,971,834
Total exposures	74,083,048	55,640,945
Leverage ratio	37.24%	46.68%

Liquidity Coverage Ratio (LCR):

	2024	2023
Total high quality liquid assets	14,217,000	9,642,000
Total net cash outflow	1,252	1,150
Liquidity coverage ratio	1135543%	838435%

2024	2023
----- Rupees in '000 -----	

Net Stable Funding Ratio (NSFR):

Total available stable funding	50,032,000	41,192,000
Total required stable funding	16,574,000	17,703,000
Net stable funding ratio	<u>302%</u>	<u>233%</u>

- 31.1 Full disclosures of Capital Adequacy Ratio, Liquidity Coverage Ratio & Net Stable Funding Ratio will be available at <http://hbfc.com.pk> under the tab of Regulatory Disclosures.

32 RISK MANAGEMENT

Financial institutions are exposed to various risks in pursuit of their business objectives. The nature and complexity of these risks has rapidly changed over time. The failure to adequately manage these risks not only results in business losses but also places hurdles in achieving strategic objectives. Consequently, a solid and vigorous risk management framework in the organization is required.

The Company's risk management policy is in line with the Risk Management Guidelines of the SBP and Basel III Accord. The risk management policy is approved by the Board of Directors.

The risk management policies and procedures cover all activities of the Company including credit evaluation, treasury and investment operations. The basic principles employed in formulation of the above policies and procedures involves identification, measurement, monitoring and controlling risks to ensure that:

- The Company's risk exposure is within the limits established by the Board of Directors.
- Risk taking decisions are in line with the business strategy and objectives of the Company.
- The expected payoffs compensate the risks taken by the Company.

Risk profile of the Company

The key risks are credit risk, liquidity risk, market risk and operational risk.

Risk Structures and Responsibilities

Organizational framework for Risk Management includes the following:

The Board of Directors is responsible for overall supervision of the risk management process. A Board Risk Management Committee has been formed to regularly review risk related activities of the company. The Board Risk Management Committee is responsible to establish and implement risk management framework of the Company. Individual risks are reviewed and controlled by various committees at management level like Assets and Liabilities Committee and Credit Committee.

Risk Management Department is responsible for coordinating and implementing all the risk management activities of the Company. It ensures that risks remain within the boundaries as defined by the Board, comply with the risk parameters and prudential limits and work out remedial measures. The core function is to identify, measure, monitor and report key risks to which company may be exposed. It works in close coordination with all the functions and business units that are involved in risk taking.

Risk Management department undertakes the following activities on regular basis utilizing the overall risk framework:

- Formulate policies and guidelines for managing all risk categories.
- Develop systems and procedures. These systems and procedures should be capable of accurate measurement of the risks to identify deviation from approved risk parameters.
- Facilitate introduction and implementation of prudent practices for risk management.
- Facilitate management in business decisions by providing analytical risk reviews.
- Communicate and liaise with other functions and business units in carrying out risk reviews, analysis and mitigation activities.

32.1 Credit Risk

Credit risk is the risk that a customer or counterparty may not settle an obligation for full value, either when due or at any time thereafter. This risk arises from the potential that a customer or counterparty's willingness to meet an obligation or its ability to meet such an obligation is impaired, resulting in an economic loss to the Company.

Housing Finance is the core function of the Company and credit risk is the major risk faced by the Company. Credit risk is incurred mainly in the following two areas of its operations: -

- In its credit operations, where it provides housing finance to retail or wholesale clients; and
- In treasury operations where credit risk is incurred with counterparties in its investments in financial markets and instruments.

Overall credit risk is monitored by Credit Committee at Head Office, which reviews and recommends improvements in credit policies and monitors portfolio behavior. To further strengthen credit risk management and credit setup, proper delegation of credit decisions at committee level with appropriate approving limits has been made.

Following measures have been applied to govern credit policy of the Company:-

- Lending process and decision is based on a full appreciation of the risks inherent in the transaction.

Management monitors credit portfolio through MIS reports.

- Stress testing for individual credits and the overall credit portfolio under adverse changes in the conditions / environment in which the borrowers operate.
- The Company has instituted an effective system for monitoring servicing of its performing credit portfolio and collection of non performing portfolio.
- The Company creates loan loss provisions against non-performing advances in accordance with Prudential Regulations issued by SBP.

Credit Risk Mitigation

It is the Company's policy to reduce or mitigate credit risk on credit facilities or exposures, by securing these with collaterals. To correctly assess the extent to which the collateral mitigates the credit risk the collateral must be valued according to a specified valuation method, documented and monitored.

In this regard following steps have been taken: -

- Outsourcing of property title verification.
- Outsourcing of borrower income verification.
- Outsourcing of property valuation.

Credit Risk is also mitigated through a set up of sub credit committee at Zonal and Regional level for credit approvals depending upon the level of risk assumed. Overall credit risk is monitored by central credit committee which reviews and recommends improvements in credit policies and monitors portfolio behavior.

To strengthen credit risk management and to fulfill SBP requirements, the company is working to develop and implement internal credit risk rating system for its entire credit portfolio.

Collateral & Security

Collateral is an important mitigate of credit risk. All the residential mortgages are collateralized. Valuation of the collateral is taken within agreed parameters. The legal mechanism by which collaterals is pledged and the company's procedures ensure that the Company has clear rights over the collaterals and may liquidate, retain or take legal possession of it in a timely manner in the event of default.

HOUSE BUILDING FINANCE COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2024

Insurance Cover

- Every borrower and guarantor is insured for life and disability for repayment of the balance amount of the loans.
- Every property taken as collateral is insured.

Credit Concentration Risk

Concentration of credit risk is the risk related to the degree of diversification in the credit portfolio, i.e. the risk inherent in doing business with large customers or not being equally exposed across borrower types and geographical regions. The concentration risk can arise in loan book as well as investment book.

32.2 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2024	2023	2024	2023	2024	2023
	----- Rupees in '000 -----					
Public / Government	-	-	-	-	-	-
Private	55,683	55,683	55,683	55,683	55,683	55,683
	<u>55,683</u>	<u>55,683</u>	<u>55,683</u>	<u>55,683</u>	<u>55,683</u>	<u>55,683</u>

32.2.1 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2024	2023	2024	2023	2024	2023
	----- Rupees in '000 -----					
Construction	26,240	26,240	26,240	26,240	26,240	26,240

	Gross investments		Non-performing investments		Provision held	
	2024	2023	2024	2023	2024	2023
	----- Rupees in '000 -----					
Public / Government	53,326,260	34,087,231	-	-	-	-
Private	26,240	26,240	26,240	26,240	26,240	26,240
	<u>53,352,500</u>	<u>34,113,471</u>	<u>26,240</u>	<u>26,240</u>	<u>26,240</u>	<u>26,240</u>

Credit risk by public / private sector

32.3 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2024	2023	2024	2023	2024	2023
	----- Rupees in '000 -----					
Individuals	15,472,397	17,097,255	2,626,803	2,752,957	2,436,639	2,584,744

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2024	2023	2024	2023	2024	2023
	----- Rupees in '000 -----					
Public / Government	641	1,103	641	1,103	641	1,103
Private	15,471,756	17,096,152	2,626,162	2,751,854	2,435,998	2,583,641
	<u>15,472,397</u>	<u>17,097,255</u>	<u>2,626,803</u>	<u>2,752,957</u>	<u>2,436,639</u>	<u>2,584,744</u>

2024 2023
----- Rupees in '000 -----

32.3.1 Contingencies and commitments

Credit risk by industry sector

Individuals	96,756	91,606
Others	<u>437,589</u>	<u>437,589</u>
	<u>534,345</u>	<u>529,195</u>

32.3.2 Advances - Province / Region-wise Disbursement and Utilization

Province / Region	2024					
	Utilization					
Disbursement	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit - Baltistan
	----- Rupees in '000 -----					
Punjab	464,250	464,250	-	-	-	-
Sindh	63,118	-	63,118	-	-	-
KPK including FATA	78,351	-	-	78,351	-	-
Balochistan	-	-	-	-	-	-
Islamabad	80,076	-	-	-	80,076	-
AJK including Gilgit - Baltistan	40,694	-	-	-	-	40,694
Total	<u>726,489</u>	<u>464,250</u>	<u>63,118</u>	<u>78,351</u>	<u>80,076</u>	<u>40,694</u>

Province / Region	2023					
	Utilization					
Disbursement	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit - Baltistan
	----- Rupees in '000 -----					
Punjab	345,520	345,520	-	-	-	-
Sindh	113,885	-	113,885	-	-	-
KPK including FATA	53,235	-	-	53,235	-	-
Balochistan	1,552	-	-	-	1,552	-
Islamabad	37,716	-	-	-	37,716	-
AJK including Gilgit - Baltistan	85,477	-	-	-	-	85,477
Total	<u>637,385</u>	<u>345,520</u>	<u>113,885</u>	<u>53,235</u>	<u>37,716</u>	<u>85,477</u>

HOUSE BUILDING FINANCE COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2024

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

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

32.4.1 Mismatch of Interest Rate Sensitive Assets and Liabilities

Effective Yield / Interest rate	Total	2024									Non-Interest bearing financial instruments	
		Exposed to Yield / Interest risk										
		Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
Rupees in '000												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	11.50%	28,596	28,596	-	-	-	-	-	-	-	-	-
Balances with other banks	11.50%	95,527	95,527	-	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-
Investments	12.52% - 21.04%	53,389,545	53,389,545	-	-	-	-	-	-	-	-	-
Advances	15% - 25%	12,650,945	192,821	23,039	26,895	112,960	327,308	266,313	1,044,141	3,451,233	7,206,235	-
Deferred tax	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	6,639,554	-	-	-	-	-	-	-	-	-	6,639,554
		72,804,167	53,706,489	23,039	26,895	112,960	327,308	266,313	1,044,141	3,451,233	7,206,235	6,639,554
Liabilities												
Bills payable	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	5% - 13.9%	40,853,667	39,137,442	29,270	30,081	64,427	146,910	174,370	452,499	818,669	-	-
Deposits and other accounts	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	553,661	14,315	28,629	42,944	71,573	122,358	122,358	85,890	65,595	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	1,821,838	-	-	-	-	-	-	-	-	-	1,821,838
		43,229,166	39,151,757	57,899	73,025	136,000	269,268	296,728	538,389	884,264	-	1,821,838
On-balance sheet gap		29,575,001	14,554,732	(34,860)	(46,130)	(23,040)	58,040	(30,415)	505,752	2,566,969	7,206,235	4,817,716
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions												
Commitments in respect of:												
- forward government securities transactions	-	-	-	-	-	-	-	-	-	-	-	-
- forward lending	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap		14,554,732	(34,860)	(46,130)	(23,040)	58,040	(30,415)	505,752	2,566,969	7,206,235	4,817,716	
Cumulative Yield/Interest Risk Sensitivity Gap		14,554,732	14,519,873	14,473,743	14,450,702	14,508,742	14,478,328	14,984,080	17,551,049	24,757,285	29,575,001	

HOUSE BUILDING FINANCE COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2024

Effective Yield / Interest rate	Total	2023									Non-interest bearing financial instruments
		Exposed to Yield / Interest risk									
		Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	

Rupees in '000

On-balance sheet financial instruments

Assets

Cash and balances with treasury banks		16,717	16,717	-	-	-	-	-	-	-	-	-
Balances with other banks	8.25%-14.50%	86,050	86,050	-	-	-	-	-	-	-	-	-
Lending to financial institutions		-	-	-	-	-	-	-	-	-	-	-
Investments	8.25%-14.51%	34,176,904	32,481,873	-	-	1,605,358	-	-	-	-	-	89,673
Advances	7.42%-16.70%	14,277,058	98,062	23,349	27,216	94,369	308,253	413,459	1,025,511	3,750,744	8,536,095	-
Deferred tax		393,262	-	-	-	-	-	-	-	-	-	393,262
Other assets		5,613,869	-	-	-	-	-	-	-	-	-	5,613,869
		<u>54,563,860</u>	<u>32,682,702</u>	<u>23,349</u>	<u>27,216</u>	<u>1,699,727</u>	<u>308,253</u>	<u>413,459</u>	<u>1,025,511</u>	<u>3,750,744</u>	<u>8,536,095</u>	<u>6,096,804</u>

Liabilities

Bills payable		-	-	-	-	-	-	-	-	-	-	-
Borrowings		26,278,206	24,462,347	-	-	-	-	1,735,699	76,928	-	3,232	-
Deposits and other accounts	6.00%-16.50%	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease		320,422	20,046	20,046	20,046	100,229	60,137	60,137	39,781	-	-	-
Subordinated debt		-	-	-	-	-	-	-	-	-	-	-
Other liabilities		1,995,478	-	-	-	-	-	-	-	-	-	1,995,478
		<u>28,594,106</u>	<u>24,482,393</u>	<u>20,046</u>	<u>20,046</u>	<u>100,229</u>	<u>60,137</u>	<u>1,795,836</u>	<u>116,709</u>	<u>-</u>	<u>3,232</u>	<u>1,995,478</u>
On-balance sheet gap		<u>25,969,754</u>	<u>8,200,309</u>	<u>3,303</u>	<u>7,170</u>	<u>1,599,498</u>	<u>248,116</u>	<u>(1,382,377)</u>	<u>908,802</u>	<u>3,750,744</u>	<u>8,532,863</u>	<u>4,101,326</u>

Off-balance sheet financial instruments

Commitments in respect of:

- forward government securities transactions

- forward lending

Off-balance sheet gap

		-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap			<u>8,200,309</u>	<u>3,303</u>	<u>7,170</u>	<u>1,599,498</u>	<u>248,116</u>	<u>(1,382,377)</u>	<u>908,802</u>	<u>3,750,744</u>	<u>8,532,863</u>	<u>4,101,326</u>
Cumulative Yield/Interest Risk Sensitivity Gap			<u>8,200,309</u>	<u>8,203,612</u>	<u>8,210,782</u>	<u>9,810,280</u>	<u>10,058,396</u>	<u>8,676,018</u>	<u>9,584,820</u>	<u>13,335,565</u>	<u>21,868,428</u>	<u>25,969,754</u>

HOUSE BUILDING FINANCE COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2024

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

	31 December 2024	31 December 2023
	----- (Rupees in '000) -----	
Total financial assets	72,804,166	54,563,860
Operating fixed assets and intangibles assets	815,754	670,129
Total assets	<u>73,619,920</u>	<u>55,233,989</u>
Total financial liabilities	<u>43,229,166</u>	<u>28,594,106</u>

Yield Risk is the risk of decline in earnings due to adverse movement of the yield curve. Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

32.5 Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events

The Company has strengthened its risk management framework by developing policies, guidelines and manuals. Operational and other risk assessment tool e.g. Risk Control and Self Assessment (RCSA) is being effectively used to assess, mitigate and monitor possible risk that may arise in any of the Company's financial product or department. Operational Loss Database (OLD) records all the internal / external potential operational losses which helps the management understand the causes and impact of these risks.

32.6 Liquidity Risk

Liquidity risk is the risk caused, among others by the inability of the Company to settle liabilities at due date. Objectives of our liquidity management is to ensure that the Company is able to honor all its financial commitments on an ongoing basis without (i) effecting the Company's cost of funds (ii) adversely effecting ability to raise funds and (iii) resorting to sale of assets.

The Company has Asset and Liability Committee (ALCO), Treasury, Finance Division and Risk Management Department each of them plays their role in management of liquidity risk.

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

	2023									
	Total	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	16,717	16,717	-	-	-	-	-	-	-	-
Balances with other banks	86,050	86,050	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	34,176,904	4,049,949	-	-	8,179,078	21,375,593	-	489,850	-	82,434
Advances	14,277,058	98,062	23,349	27,216	94,369	308,253	413,459	1,025,511	3,750,744	8,536,095
Intangible assets	606,883	32,698	46,873	48,052	50,897	115,144	117,017	148,934	47,267	-
Property and equipment & ROUA	63,246	1,327	1,292	1,615	48,352	5,330	5,330	-	-	-
Deferred tax assets	393,262	-	-	-	80,263	80,263	80,263	152,474	-	-
Other assets	5,613,869	2,502,313	202,227	332,604	490,519	549,849	396,793	793,586	345,979	-
	55,233,989	6,787,116	273,741	409,487	8,943,478	22,434,432	1,012,862	2,610,355	4,143,990	8,618,529
Liabilities										
Bills payable	-	-	-	-	-	-	-	-	-	-
Borrowings	26,278,206	24,474,377	25,893	27,928	58,026	132,283	155,358	396,762	1,007,574	4
Deposits and other accounts	-	-	-	-	-	-	-	-	-	-
Lease liabilities	320,422	20,046	20,046	20,046	100,229	60,137	60,137	39,781	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,995,478	675,668	219,105	150,342	218,987	133,045	149,044	298,088	151,199	-
	28,594,106	25,170,091	265,044	198,316	377,242	325,465	364,539	734,631	1,158,773	4
Net assets	26,639,883	(18,382,975)	8,697	211,171	8,566,236	22,108,967	648,323	1,875,724	2,985,217	8,618,525
Share capital	19,365,000									
Reserves	2,817,774									
Accumulated loss	4,573,655									
Surplus on revaluation of assets	(116,546)									
	<u>26,639,883</u>									

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

HOUSE BUILDING FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

34 GENERAL

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

35 DATE OF AUTHORIZATION

These financial statements were approved and authorized for issue on February 28, 2025 by the Board of Directors of the Company.

92



President / Chief
Executive Officer




Chief Financial
Officer



Director



Director



Director