



KPMG Taseer Hadi & Co.  
Chartered Accountants

**Pakistan Mortgage Refinance Company  
Limited**

Condensed Interim Financial  
Statements  
For the half year ended  
30 June 2019



KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2, Beaumont Road  
Karachi 75530 Pakistan  
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**Independent auditors' review report to the members of Pakistan  
Mortgage Refinance Company Limited**

**Introduction**

We have reviewed the accompanying condensed interim statement of financial position of Pakistan Mortgage Refinance Company Limited ("the Company") as at 30 June 2019 and the related condensed interim profit and loss account, the statement of comprehensive income, interim statement of changes in equity, condensed interim cash flow statement and notes to the condensed interim financial statements for the six-months period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

**Scope of Review**

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

**Conclusion**

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

**Other Matter**

The figures for the quarter ended 30 June 2019 and 30 June 2018 in the condensed interim profit and loss account and statement of comprehensive income have not been reviewed and we do not express a conclusion on them.



KPMG Taseer Hadi & Co.

The engagement partner on the engagement resulting in this independent auditor's review report is Muhammad Taufiq.

Date: 28 AUG 2019

Karachi

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KPMG Taseer Hadi &  
Co.  
Chartered Accountants

# Pakistan Mortgage Refinance Company Limited

## Statement of Financial Position

As at June 30, 2019

	(Un-Audited) June 30, 2019	(Audited) December 31, 2018
	(Rupees in '000)	
<b>ASSETS</b>		
Cash and balances with treasury banks	62,952	653
Balances with other banks	7,042,976	504,566
Lendings to financial institutions	360,000	912,000
Investments	1,978,850	1,009,632
Advances	7,171,195	1,200,000
Fixed assets	80,765	45,067
Intangible assets	9,982	11,112
Deferred tax assets	-	-
Other assets	168,063	66,648
	<b>16,874,783</b>	<b>3,749,678</b>
<b>LIABILITIES</b>		
Bills payable	-	-
Borrowings	5,646,292	-
Deposits and other accounts	-	-
Liabilities against assets subject to finance lease	-	-
Subordinated debt	7,050,716	-
Deferred tax liabilities	-	-
Other liabilities	209,455	36,588
	<b>12,906,463</b>	<b>36,588</b>
	<b>3,968,320</b>	<b>3,713,090</b>
<b>NET ASSETS</b>		
<b>REPRESENTED BY</b>		
Share capital	3,658,506	3,658,506
Reserves	62,380	11,007
Surplus / (Deficit) on revaluation of assets	(1,638)	-
Unappropriated profit	249,072	43,577
	<b>3,968,320</b>	<b>3,713,090</b>
<b>CONTINGENCIES AND COMMITMENTS</b>		

The annexed notes 1 to 31 form an integral part of these condensed interim financial statements.

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Chief Executive Officer

  
Chief Financial Officer

  
Director

  
Director

  
Director

Pakistan Mortgage Refinance Company Limited

Profit and Loss Account (Un-Audited)

For the six months ended June 30, 2019

Note	Quarter ended		Six months ended		
	April - June 2019	April - June 2018	January - June 2019	January - June 2018	
(Rupees in '000)					
Mark-up / return / interest / profit earned	20	309,157	53,394	479,504	75,633
Mark-up / return / interest expensed	21	61,430	-	83,451	-
Net Mark-up / interest income		247,727	53,394	396,053	75,633
<b>Non mark-up / interest income</b>					
Fee and commission income		-	-	-	-
Dividend income		-	-	-	-
Foreign exchange income		-	-	-	-
Income / (loss) from derivatives		-	-	-	-
Gain on securities	22	6	-	6	-
Other income		-	-	-	-
Total non-markup / interest income		6	-	6	-
Total Income		247,733	53,394	396,059	75,633
<b>Non mark-up / interest expense</b>					
Operating expenses	23	82,305	39,531	132,790	64,843
Workers Welfare Fund		6,401	-	6,401	-
Other charges		-	-	-	-
Total non-markup / interest expenses		88,706	39,531	139,191	64,843
Profit before provisions		159,027	13,863	256,868	10,790
Provisions and write offs - net		-	-	-	-
Profit before taxation		159,027	13,863	256,868	10,790
Taxation	24	-	(2,757)	-	(1,721)
Profit after taxation		159,027	11,106	256,868	9,069
(Rupees)					
Basic and diluted earnings per share	25	0.43	0.08	0.70	0.07

The annexed notes 1 to 31 form an integral part of these condensed interim financial statements.

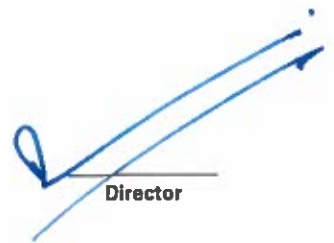
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Chief Executive Officer

  
Chief Financial Officer

  
Director

  
Director

  
Director

Pakistan Mortgage Refinance Company Limited  
 Statement of Comprehensive Income (Un-Audited)  
 For the six months ended June 30, 2019

	Quarter ended		Six months ended	
	April - June 2019	April - June 2018	January - June 2019	January - June 2018
----- (Rupees in '000) -----				
<b>Profit after taxation for the period</b>	159,027	11,106	256,868	9,069
<b>Other comprehensive income</b>				
<b>Items that may be reclassified to the profit and loss account in subsequent periods</b>				
Movement in surplus / (deficit) on revaluation of investments - net of tax	(1,638)	-	(1,638)	-
<b>Items that will not be reclassified to the profit and loss account in subsequent periods</b>				
Remeasurement gain / (loss) on defined benefit obligations - net of tax	-	-	-	-
<b>Total comprehensive income</b>	<u>157,389</u>	<u>11,106</u>	<u>255,230</u>	<u>9,069</u>

The annexed notes 1 to 31 form an integral part of these condensed interim financial statements.

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Chief Executive Officer



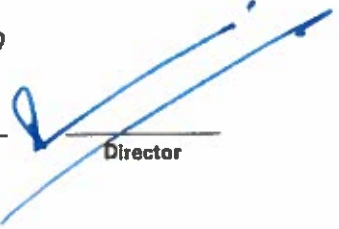
Chief Financial Officer



Director



Director



Director

Pakistan Mortgage Refinance Company Limited  
Statement of Changes in Equity (Un-Audited)  
For the six months ended June 30, 2019


	Share capital	Statutory reserve	Surplus / (deficit) on revaluation of		Unappropriated profit	Total
			Investments	Fixed / non banking assets		
(Rupees in '000)						
<b>Balance as at December 31, 2017</b>	150,001	-	-	-	343	150,344
Profit after taxation for the six months ended June 30, 2018	-	-	-	-	9,069	9,069
Other comprehensive income - net of tax	-	-	-	-	-	-
Transfer to statutory reserve	-	1,814	-	-	(1,814)	-
<b>Transactions with owners, recorded directly in equity</b>						
- Issue of share capital	3,508,505	-	-	-	-	3,508,505
Surplus / (deficit) on revaluation of investments	-	-	-	-	-	-
<b>Balance as at June 30, 2018</b>	<b>3,658,506</b>	<b>1,814</b>	<b>-</b>	<b>-</b>	<b>7,598</b>	<b>3,667,918</b>
Profit after taxation for the six months ended December 31, 2018	-	-	-	-	45,968	45,968
Other comprehensive income - net of tax	-	-	-	-	(796)	(796)
Transfer to statutory reserve	-	9,193	-	-	(9,193)	-
<b>Transactions with owners, recorded directly in equity</b>						
- Issue of share capital	-	-	-	-	-	-
Surplus / (deficit) on revaluation of investments	-	-	-	-	-	-
<b>Balance as at December 31, 2018</b>	<b>3,658,506</b>	<b>11,007</b>	<b>-</b>	<b>-</b>	<b>43,577</b>	<b>3,713,090</b>
Profit after taxation for the six months ended June 30, 2019	-	-	-	-	256,868	256,868
Other comprehensive income - net of tax	-	-	-	-	-	-
Transfer to statutory reserve	-	51,373	-	-	(51,373)	-
<b>Transactions with owners, recorded directly in equity</b>						
- Issue of share capital	-	-	-	-	-	-
Surplus / (deficit) on revaluation of investments	-	-	(1,638)	-	-	(1,638)
<b>Balance as at June 30, 2019</b>	<b>3,658,506</b>	<b>62,380</b>	<b>(1,638)</b>	<b>-</b>	<b>249,072</b>	<b>3,968,320</b>

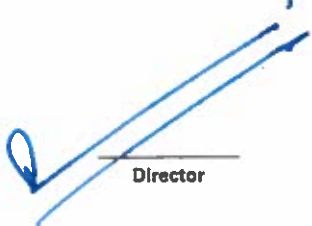
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km  
  
Chief Executive Officer

  
Chief Financial Officer

  
Director

  
Director

  
Director

# Pakistan Mortgage Refinance Company Limited

## Cash Flow Statement (Un-Audited)

For the six months ended June 30, 2019

	June 30, 2019	June 30, 2018
	(Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	256,868	10,790
<b>Adjustments:</b>		
Depreciation	11,270	2,755
Amortization	1,207	-
Gain on sale of securities	(6)	-
Interest expense - lease liability against right-of-use assets	2,197	-
	<u>14,668</u>	<u>2,755</u>
	<b>271,536</b>	<b>13,545</b>
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	552,000	(1,050,000)
Advances	(5,971,195)	-
Others assets (excluding advance taxation)	(101,492)	(16,077)
	<u>(5,520,687)</u>	<u>(1,066,077)</u>
<b>Increase / (decrease) in operating liabilities</b>		
Borrowings from financial institutions	5,646,292	-
Other liabilities (excluding current taxation)	170,670	(2,504)
	<u>5,816,962</u>	<u>(2,504)</u>
Income tax paid	-	(5,493)
<b>Net cash flow generated from / (used in) operating activities</b>	<u>567,811</u>	<u>(1,060,529)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	(1,980,488)	-
Net investments in held-to-maturity securities	1,009,638	-
Investments in operating fixed assets	(47,078)	(7,142)
Proceeds from sale of fixed assets	110	-
<b>Net cash flow used in investing activities</b>	<u>(1,017,818)</u>	<u>(7,142)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Receipts of subordinated debt	7,050,716	-
Issue of share capital	-	2,348,600
<b>Net cash flow from financing activities</b>	<u>7,050,716</u>	<u>2,348,600</u>
Increase in cash and cash equivalents	<b>6,600,709</b>	<b>1,280,929</b>
Cash and cash equivalents at beginning of the period	<b>505,219</b>	<b>1,254,658</b>
Cash and cash equivalents at end of the period	<u><b>7,105,928</b></u>	<u><b>2,535,587</b></u>

The annexed notes 1 to 31 form an integral part of these condensed interim financial statements.

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Chief Executive Officer



Chief Financial Officer



Director



Director



Director



**Pakistan Mortgage Refinance Company Limited**  
**Notes to the Condensed Interim Financial Statements (Un-Audited)**  
*For the six months ended June 30, 2019*

**1. STATUS AND NATURE OF BUSINESS**

Pakistan Mortgage Refinance Company Limited (PMRC), "the Company" is an unlisted public limited company incorporated in Pakistan on May 14, 2015 under repealed Companies Ordinance, 1984. The Company has been notified as a Development Financial Institution (DFI) by the Finance Division - Government of Pakistan on October 27, 2017. The State Bank of Pakistan (SBP) issued Certificate of Business Commencement on June 12, 2018.

The Company is engaged in promoting, developing and improving the housing finance market of Pakistan, to provide refinance facilities to banks and financial institutions against their existing conventional and Islamic housing finance portfolios and to develop and promote the capital market in Pakistan. Its registered office and principal office is situated at Bahria Complex I, MT Khan Road, Karachi.

The SBP has allowed the Company to operate with an Initial Paid Up Capital (net of losses) - Minimum Capital Requirement (MCR) level of at least Rs. 3.5 billion subject to MCR compliance with applicable paid up capital requirement within a period of five years from the commencement of its operations / business. Furthermore, during the forbearance period of five years, the Company will not be allowed to declare and make any cash dividend payment to its shareholders.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

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

The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 'Financial Instruments: Disclosures' through its notification S.R.O. 411(II) / 2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

- 2.2** These condensed interim financial statements of the Company have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular Letter No. 05, dated March 22, 2019, International Accounting Standard (IAS) 34, 'Interim Financial Reporting', and do not include all the information required in the annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2018.

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### 2.3 Amendments to approved accounting standards that are effective in the current period

IFRS 16, the accounting standard for leases, became effective for annual reporting periods commencing on or after January 01, 2019. The impact of the adoption of IFRS 16 on the Company's condensed interim financial statements is disclosed in note 3.2.

In addition, there are certain other new standards and interpretations of and amendments to existing accounting standards that have become applicable to the Company for accounting periods beginning on or after January 01, 2019. These are considered either not to be relevant or not to have any significant impact on the Company's financial statements.

### 2.4 Standards, interpretations of and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations of accounting and reporting standards as applicable in Pakistan will be effective for accounting periods beginning on or after January 01, 2019:

	<b>Effective date (annual periods beginning on or after)</b>
- IFRS 3: Business Combinations (Amendments)	January 01, 2020
- IAS 1: Presentation of Financial Statements (Amendments)	January 01, 2020
- IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 01, 2020
	<b>Effective date (annual periods ending on or after)</b>
- IFRS 9: Financial Instruments	June 30, 2019

IFRS 9, Financial Instruments, addresses the recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of an impairment charge based on an 'Expected Credit Losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. The ECL approach has an immaterial impact on all assets of the Company which are exposed to credit risk. The Company is in the process of assessing the full impact of this standard.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the audited annual financial statements of the Company for the year ended December 31, 2018 except as disclosed in Note 3.2.

### 3.1 Change in Accounting Policies

The SBP, vide BPRD Circular Letter No. 05, dated March 22, 2019 has amended the format of condensed interim financial statements of banks / DFIs in order to align it with the annual financial statements, issued vide BPRD Circular No. 02 of 2018. All banks / DFIs have been directed to prepare their condensed interim financial statements on the revised format effective from the accounting year beginning on January 01, 2019. Accordingly, the Company has prepared these condensed interim financial statements on the new format prescribed by the SBP.

3.2 During the period, IFRS 16 - Leases became applicable. IFRS 16 replaces existing guidance on accounting for leases, including IAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases - Incentive, and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces an on-balance sheet lease accounting model for leases entered by the lessee. A lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases.

The Company has adopted IFRS 16 from January 01, 2019, and has not restated comparatives for the reporting period of 2018, as permitted under the specific transitional provisions in the standard.

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On adoption of IFRS 16, the Company has recognised liabilities in respect of leases which had previously been classified as operating leases under IAS 17. These liabilities were initially measured as the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate of 11.68% per annum as of January 01, 2019. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

	As at June 30, 2019 (Rupees in '000)	As at January 01, 2019
Total lease liability	<u>39,332</u>	<u>45,240</u>

On adoption of IFRS 16, the associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the statement of financial position immediately before the date of initial application.

The right-of-use assets recognised subsequent to the adoption are measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date. The right-of-use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

The recognised right-of-use assets relate to the following type of asset:

	As at June 30, 2019 (Rupees in '000)	As at January 01, 2019
Property	<u>38,454</u>	<u>45,240</u>

The effect of change in accounting policy is as follows:

**Impact on Statement of Financial Position:**

Increase in fixed assets - right-of-use assets	38,454	45,240
Decrease in other assets - advances, deposits, advance rent and other prepayments	(4,312)	(4,312)
Increase in total assets	34,142	40,928
Increase in other liabilities - lease liability against right-of-use assets	(39,332)	(45,240)
Decrease in net assets	<u>(878)</u>	<u>-</u>

**Impact on Profit and Loss account**

	For the six months ended June 30, 2019 (Rupees in '000)
Increase in mark-up expense - lease liability against right-of-use assets	(2,197)
(Increase) / decrease in administrative expenses:	
- Depreciation on right-of-use assets	(6,786)
- Rent expense	7,272
Decrease in profit before / after tax	<u>(1,711)</u>

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#### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements of the Company for the year ended December 31, 2018.

#### 5. FINANCIAL RISK MANAGEMENT

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

	(Un-Audited) June 30, 2019	(Audited) December 31, 2018
	(Rupees in '000)	
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>		
With State Bank of Pakistan in Local currency current account	62,347	500
With National Bank of Pakistan in Local currency current accounts Local currency deposit accounts	27 578 605	- 153 153
	<u>62,952</u>	<u>653</u>

#### 7. BALANCES WITH OTHER BANKS

	177	179
In Pakistan		
In current accounts	7,042,799	504,387
In deposit accounts	<u>7,042,976</u>	<u>504,566</u>

#### 8. LENDINGS TO FINANCIAL INSTITUTIONS

	360,000	12,000
Clean money lendings	-	900,000
Certificate of Investments	<u>360,000</u>	<u>912,000</u>
Less: Provision held against Lending to Financial Institutions	-	-
Lendings to Financial Institutions - net of provision	<u>360,000</u>	<u>912,000</u>

#### 9. INVESTMENTS

##### 9.1 Investments by type:

	(Un-Audited) June 30, 2019				(Audited) December 31, 2018			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	(Rupees in '000)							
<b>Available-for-sale securities</b>								
Federal Government Securities	1,980,488	-	(1,638)	1,978,850	-	-	-	-
	1,980,488	-	(1,638)	1,978,850	-	-	-	-
<b>Held-to-maturity securities</b>								
Federal Government Securities	-	-	-	-	1,009,632	-	-	1,009,632
	-	-	-	-	1,009,632	-	-	1,009,632
<b>Total Investments</b>	<u>1,980,488</u>	<u>-</u>	<u>(1,638)</u>	<u>1,978,850</u>	<u>1,009,632</u>	<u>-</u>	<u>-</u>	<u>1,009,632</u>

9.2 The market value of securities classified as held-to-maturity as at June 30, 2019 amounted to Rs. nil (December 31, 2018: Rs. 1.016 billion).

#### 10. ADVANCES

	(Un-Audited)		(Audited)		(Un-Audited)		(Audited)	
	Performing		Non-Performing		Total			
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
	(Rupees in '000)							
Loans, cash credits, running finances, etc.	6,171,195	1,200,000	-	-	6,171,195	1,200,000		
Islamic financing and related assets	1,000,000	-	-	-	1,000,000	-		
Advances - gross	<u>7,171,195</u>	<u>1,200,000</u>	<u>-</u>	<u>-</u>	<u>7,171,195</u>	<u>1,200,000</u>		
Provision against advances								
- Specific	-	-	-	-	-	-		
- General	-	-	-	-	-	-		
Advances - net of provision	<u>7,171,195</u>	<u>1,200,000</u>	<u>-</u>	<u>-</u>	<u>7,171,195</u>	<u>1,200,000</u>		

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	(Un-Audited) June 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
<b>10.1 Particulars of advances (Gross)</b>		
In local currency	<u>7,171,195</u>	<u>1,200,000</u>

## 11. FIXED ASSETS

Property and equipment	11.1 <u>80,765</u>	<u>45,067</u>
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**11.1** This includes right-of-use asset amounting to Rs. 38.4 million (December 31, 2018: nil) due to adoption of IFRS 16 as detailed in note 3.2.

### 11.2 Additions to fixed assets

The following additions have been made to fixed assets during the period:

	(Un-Audited) June 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
<b>Property and equipment</b>		
Furniture and fixture	978	-
Electrical office and computer equipment	924	10,753
Vehicles	-	8,270
	<u>1,902</u>	<u>19,023</u>
Total	<u>1,902</u>	<u>19,023</u>

### 11.3 Disposal of fixed assets

The net book value of fixed assets disposed off during the period is as follows:

	(Un-Audited) June 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
Electrical office and computer equipment	<u>110</u>	<u>104</u>

## 12. INTANGIBLE ASSETS

Computer Software	<u>9,982</u>	<u>11,112</u>
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## 13. OTHER ASSETS

Income / mark-up / profit accrued in local currency - net of provision	131,516	26,661
Advances, deposits, advance rent and other prepayments	5,843	11,672
Advance taxation (payments less provisions)	<u>30,704</u>	<u>28,315</u>
	<u>168,063</u>	<u>66,648</u>
Less: Provision held against other assets	-	-
Other assets - net of provision	<u>168,063</u>	<u>66,648</u>

## 14. CONTINGENT ASSETS

There are no contingent assets as at June 30, 2019 (December 31, 2018: nil).

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		(Un-Audited) June 30, 2019	(Audited) December 31, 2018
(Rupees in '000)			
<b>15. BORROWINGS</b>			
<i>Unsecured</i>			
Others	15.1	<u>5,646,292</u>	<u>-</u>
<b>Total</b>		<u><b>5,646,292</b></u>	<u><b>-</b></u>
		<u><b>5,646,292</b></u>	<u><b>-</b></u>

**15.1** On June 17, 2019, the Government of Pakistan lend Rs. 5.64 billion under World Bank - Housing Finance Project for 30 years at fixed rate of 3% per annum. This has been disbursed in one tranche as a loan against project based lending.

**16. SUBORDINATED DEBT**

On February 22, 2019, the Government of Pakistan lend Rs. 7.051 billion under World Bank - Housing Finance Project for 30 years at fixed rate of 3% per annum. This has been disbursed in one tranche as a Sub-ordinated Loan, and if needed, can be converted into non-participatory Additional Tier 1 Capital.

	(Un-Audited) June 30, 2019	(Audited) December 31, 2018
(Rupees in '000)		
Issue amount	7,050,716	-
Issue date	February 22, 2019	-
Maturity date	February 21, 2049	-
Rating	N/A	-
Security	Unsecured	-
Profit payment frequency	Semi Annual	-
Redemption	N/A	-
Mark-up	3%	-

**17. OTHER LIABILITIES**

Mark-up / return / interest payable in local currency	81,254	-
Accrued expenses	23,150	14,297
Provision of government levies	6,401	-
Lease liability against right-of-use assets	39,332	-
Payable to defined benefit plan	9,050	4,937
Payable against purchase of fixed assets	3,564	5,551
Payable to defined contribution plan	13,785	9,778
Provision for employees' benefit	32,919	2,025
	<u><b>209,455</b></u>	<u><b>36,588</b></u>

**18. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS**

Surplus / (deficit) on revaluation of - Available for sale securities	9.1	<u><b>(1,638)</b></u>	<u><b>-</b></u>
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**19. CONTINGENCIES AND COMMITMENTS**

There are no contingencies and commitments as at June 30, 2019 (December 31, 2018: nil).

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		(Un-Audited)	
		Six months ended	
		June 30, 2019	June 30, 2018
		(Rupees in '000)	
<b>20.</b>	<b>MARK-UP / RETURN / INTEREST / PROFIT EARNED</b>		
	On:		
	Loans and advances	204,797	-
	Investment	92,238	-
	Lendings to financial institutions	20,644	-
	Balances with banks	161,825	75,633
		<u>479,504</u>	<u>75,633</u>
<b>21.</b>	<b>MARK-UP / RETURN / INTEREST EXPENSED</b>		
	On:		
	Borrowings	6,497	-
	Subordinated debt	74,757	-
	Lease liability against right-of-use assets	2,197	-
		<u>83,451</u>	<u>-</u>
<b>22.</b>	<b>GAIN ON SECURITIES</b>		
	Realised gain on Federal Government Securities - Market Treasury Bills	6	-
<b>23.</b>	<b>OPERATING EXPENSES</b>		
	Total compensation expense	92,460	36,913
	<b>Property expense</b>		
	Rent & taxes	-	6,536
	Insurance	432	207
	Utilities cost	440	494
	Security (including guards)	282	264
	Repair & maintenance (including janitorial charges)	879	560
	Depreciation on right-of-use assets	6,786	-
		<u>8,819</u>	<u>8,061</u>
	<b>Information technology expenses</b>		
	Software maintenance	291	-
	Hardware maintenance	68	50
	Depreciation	1,599	740
	Amortisation	1,130	-
	Network charges	625	574
		<u>3,713</u>	<u>1,364</u>
	<b>Other operating expenses</b>		
	Directors' fees and allowances	2,135	1,317
	Legal & professional charges	16,791	11,222
	Outsourced services costs	1,446	1,079
	Travelling & conveyance	2,371	1,088
	Depreciation	2,885	2,016
	Training & development	65	8
	Postage & courier charges	381	24
	Communication	249	157
	Stationery & printing	211	193
	Marketing, advertisement & publicity	-	12
	Auditors' remuneration	231	369
	Insurance	408	769
	Vehicle repair & maintenance	129	-
	Others	496	251
		<u>27,798</u>	<u>18,505</u>
		<u>132,790</u>	<u>64,843</u>

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23.1

	(Un-Audited)	
	Six months ended	
	June 30, 2019	June 30, 2018
<b>23.1 Auditors' remuneration</b>	(Rupees in '000)	
Audit fee	191	189
Special certifications and sundry advisory services	-	150
Out-of-pocket expenses	40	30
	<u>231</u>	<u>369</u>

## 24. TAXATION

The Company has been exempted from Income Tax through Finance Act, 2018.

	(Un-Audited)	
	Six months ended	
	June 30, 2019	June 30, 2018
<b>25. BASIC AND DILUTED EARNINGS PER SHARE</b>	(Rupees in '000)	
Profit for the six months ended	<u>256,868</u>	<u>9,069</u>
	(Number)	
Weighted average number of ordinary shares	<u>365,850,600</u>	<u>131,950,267</u>
	(Rupees)	
Basic and diluted earnings per share	<u>0.70</u>	<u>0.07</u>

## 26. FAIR VALUE MEASUREMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Fair value of financial instruments is based on:

Federal Government Securities	PKRV rates (Reuters page)
Non Government Debt Securities	Market prices

Fair value of fixed term advances of over one year cannot be calculated with sufficient reliability due to non-availability of relevant active market for similar assets and liabilities.

### 26.1 Fair value of financial assets

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

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

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

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

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

	(Un-Audited)			
	June 30, 2019			
	Level 1	Level 2	Level 3	Total
<b>On balance sheet financial instruments</b>	(Rupees in '000)			
<b>Financial assets - measured at fair value</b>				
Investments				
Federal Government Securities	-	1,978,850	-	1,978,850
	(Audited)			
	December 31, 2018			
	Level 1	Level 2	Level 3	Total
<b>On balance sheet financial instruments</b>	(Rupees in '000)			
<b>Financial assets - disclosed but not measured at fair value</b>				
Investments				
Federal Government Securities	-	1,009,632	-	1,009,632

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## 27. RELATED PARTY TRANSACTIONS

Related parties of the Company comprise of major shareholders, directors, retirement benefit funds and key management personnel and their close family members.

Transactions with related parties of the Company are carried out on contractual basis in terms of the policy as approved by the Board of Directors. The transactions with employees of the Company are carried out in accordance with the terms of their employment.

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

	(Un-Audited)			(Audited)		
	June 30, 2019			December 31, 2018		
	Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties
----- (Rupees in '000) -----						
<b>Balances with banks</b>						
In current accounts	-	-	204	-	-	179
In deposit accounts	-	-	3,108,430	-	-	4,540
	-	-	3,108,634	-	-	4,719
<b>Advances</b>						
Opening balance	-	-	1,200,000	-	-	-
Addition during the period *	-	-	1,000,000	-	-	1,200,000
Repaid during the period	-	-	(16,190)	-	-	-
Closing balance	-	-	2,183,810	-	-	1,200,000
<b>Other Assets</b>						
Interest / mark-up accrued	-	-	39,444	-	-	10,578
<b>Other Liabilities</b>						
Payable to staff retirement fund	-	-	22,835	-	-	14,715

\* In addition, Rs. 300 million sanctioned during the period to a related party, disbursed in July 2019.

	(Un-Audited)			Audited		
	June 30, 2019			June 30, 2018		
	Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties
----- (Rupees in '000) -----						
<b>Income</b>						
Mark-up / return / interest earned	-	-	95,148	-	-	44,708
Issue to right shares	-	-	-	-	-	3,459,735
<b>Expense</b>						
Operating expenses	2,135	32,099	7,754	255	32,039	-

The Company has sub-ordinated loan and borrowings amounting to Rs. 7.05 billion and Rs. 5.64 billion respectively from ministry of finance.

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	(Un-Audited) June 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
<b>28. CAPITAL ADEQUACY, LEVERAGE RATIO &amp; LIQUIDITY REQUIREMENTS</b>		
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	<u>3,658,506</u>	<u>3,658,506</u>
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	<u>3,958,338</u>	<u>3,701,981</u>
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	<u>3,958,338</u>	<u>3,701,981</u>
Eligible Tier 2 Capital	-	-
Total Eligible Capital (Tier 1 + Tier 2)	<u>3,958,338</u>	<u>3,701,981</u>
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	<u>2,300,895</u>	<u>462,937</u>
Market Risk	-	-
Operational Risk	<u>220,106</u>	<u>220,106</u>
Total	<u>2,521,001</u>	<u>683,043</u>
Common Equity Tier 1 Capital Adequacy Ratio	<u>157.01%</u>	<u>541.98%</u>
Tier 1 Capital Adequacy Ratio (%)	<u>157.01%</u>	<u>541.98%</u>
Total Capital Adequacy Ratio (%)	<u>157.01%</u>	<u>541.98%</u>
<b>Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	<u>3,958,338</u>	<u>3,701,981</u>
Total Exposure	<u>12,973,061</u>	<u>3,728,972</u>
Leverage Ratio (%)	<u>30.51%</u>	<u>99.28%</u>
<b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	<u>2,041,802</u>	<u>653</u>
Total Net Cash Outflow	<u>1,839</u>	<u>463</u>
Liquidity Coverage Ratio (%)	<u>111014.56%</u>	<u>141.04%</u>
<b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	<u>16,655,347</u>	<u>3,701,981</u>
Total Required Stable Funding	<u>8,870,069</u>	<u>1,689,582</u>
Net Stable Funding Ratio (%)	<u>187.77%</u>	<u>219.11%</u>

**29. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

There were no non-adjusting events after balance sheet date.

**30. DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statements were authorised on August 28, 2019 by the Board of Directors of the Company.

**31. GENERAL**

These condensed interim financial statements have been prepared in accordance with the revised format for financial statements issued by the SBP through BPRD Circular Letter No. 05 dated March 22, 2019 and related clarifications / modifications.

*Both*



Chief Executive Officer



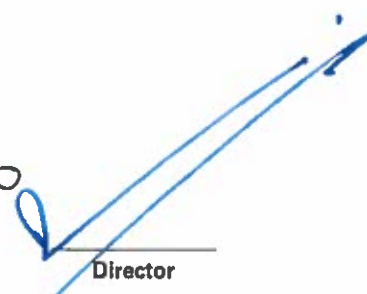
Chief Financial Officer



Director



Director



Director