

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2019

	Note	2019	2018
Rupees in '000			
ASSETS			
Cash and balances with treasury banks	5	742,268	1,218,756
Balances with other banks	6	959,517	805,565
Lendings to financial institutions		-	-
Investments	7	2,876,398	2,911,628
Advances	8	9,861,768	10,207,775
Fixed assets	9	7,179,735	7,176,161
Intangible assets	10	1,778	3,935
Deferred tax assets	11	-	-
Other assets	12	833,784	857,475
		22,455,248	23,181,295
LIABILITIES			
Bills payable	13	52,635	55,502
Borrowings		-	-
Deposits and other accounts	14	4,579,982	5,324,183
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	15	3,624,550	3,569,088
		8,257,167	8,948,773
NET ASSETS		14,198,081	14,232,522
REPRESENTED BY			
Share capital/ Head office capital account - net	16	7,885,490	7,885,556
Reserves		809,147	742,108
Surplus on revaluation of assets	17	7,266,202	7,385,478
Unappropriated (loss)		(1,762,758)	(1,780,620)
		14,198,081	14,232,522

CONTINGENCIES AND COMMITMENTS

18

The annexed notes 1 to 41 form an integral part of these financial statements.


President/CEO


Chief Financial Officer

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
Rupees in '000			
Mark-up/Return/Interest Earned	19	1,910,233	1,845,307
Mark-up/Return/Interest Expensed	20	(207,511)	(150,119)
Net Mark-up/ Interest Income		<u>1,702,722</u>	<u>1,695,188</u>
NON MARK-UP/INTEREST INCOME			
Fee and Commission Income	21	19,645	18,295
Dividend Income		38,801	34,130
Foreign Exchange Income		-	-
Income / (loss) from derivatives		-	-
Gain / (Loss) on securities		-	-
Other Income	22	102,279	103,239
Total Non-Markup/Interest Income		<u>160,725</u>	<u>155,664</u>
Total Income		<u>1,863,447</u>	<u>1,850,852</u>
NON MARK-UP/INTEREST EXPENSES			
Operating expenses	23	(1,432,082)	(1,565,416)
Workers Welfare Fund		-	-
Other charges	24	(651)	(13)
Total non-markup/interest expenses		<u>(1,432,733)</u>	<u>(1,565,429)</u>
Profit Before Provisions		<u>430,714</u>	<u>285,423</u>
Provisions and write offs - net	25	(100,000)	(120,000)
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		<u>330,714</u>	<u>165,423</u>
Taxation	26	(68,358)	(45,570)
PROFIT AFTER TAXATION		<u>262,356</u>	<u>119,853</u>
Rupees			
Basic Earnings per share	27	<u>3.33</u>	<u>1.52</u>
Diluted Earnings per share		<u>-</u>	<u>-</u>

The annexed notes 1 to 41 form an integral part of these financial statements.


President/CEO


Chief Financial Officer

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
	Rupees in '000	
Profit after taxation for the year	262,356	119,853

Other comprehensive income

Items that may be reclassified to profit and loss account in subsequent periods:

Effect of translation of net investment in foreign branches	-	-
Movement in surplus / (deficit) on revaluation of investments - net of tax	-	-
Others	-	-

Items that will not be reclassified to profit and loss account in subsequent periods:

Remeasurement (loss) on defined benefit obligations - net of tax	(176,907)	(412,114)
Movement in surplus on revaluation of operating fixed assets - net of tax	-	-
Movement in surplus on revaluation of non-banking assets - net of tax	-	-
Others	-	-
Total comprehensive income / (loss)	85,449	(292,261)

The annexed notes 1 to 41 form an integral part of these financial statements.


 President/CEO



 Chief Financial Officer

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2019

	Share capital / Head office capital account	Statutory reserve	Sur plus/(Deficit) on revaluation of			Common good fund	Unappropriated loss	Total
			Investments	Fixed / Non Banking Assets				
Opening Balance July 1, 2017	7,885,482	707,659	617,762	6,868,774	5,214	(1,486,922)	14,597,969	
Profit after taxation for the prior year	-	-	-	-	-	119,853	119,853	
Other comprehensive income - net of tax	-	-	-	-	-	(412,114)	(412,114)	
Transfer to statutory reserve	-	29,963	-	-	-	(29,963)	-	
Deficit on revaluation of assets	-	-	(101,058)	-	-	-	(101,058)	
Reissuance of shares	74	-	-	-	-	-	74	
Adjustment of defined benefit plan	-	-	-	-	-	28,526	28,526	
Medical aid to staff	-	-	-	-	(728)	-	(728)	
Opening Balance July 1, 2018	7,885,556	737,622	516,704	6,868,774	4,486	(1,780,620)	14,237,522	
Profit after taxation for the current year	-	-	-	-	-	262,356	262,356	
Other comprehensive income/(Loss) - net of tax	-	-	-	-	-	(176,907)	(176,907)	
Adjustment of Defined benefit plan	-	-	-	-	-	-	-	
Transfer to statutory reserve	-	65,589	-	-	-	(65,589)	-	
Transfer to common good fund	-	-	-	-	2,000	(2,000)	-	
Medical aid to staff	-	-	-	-	(550)	-	(550)	
Deficit on revaluation of assets	-	-	(119,276)	-	-	-	(119,276)	
Refund of shares	(66)	-	-	-	-	-	(66)	
Closing Balance June 30, 2019	7,885,490	803,211	397,428	6,868,774	5,936	(1,762,760)	14,198,079	

The annexed notes 1 to 41 form an integral part of these financial statements.


 President/CEO


 Chief Financial Officer

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
Rupees in '000			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		330,714	165,423
Less: Dividend income		(38,801)	(34,130)
		<u>291,913</u>	<u>131,293</u>
Adjustments:			
Depreciation		20,116	18,442
Amortization		2,157	2,157
Provision for employees retirement benefits	23.1	242,121	451,393
Loss/ (Gain) on sale of fixed assets		-	(2,506)
		<u>264,394</u>	<u>469,486</u>
		<u>556,307</u>	<u>600,779</u>
(Increase)/ Decrease in operating assets			
Advances		346,007	(529,377)
Others assets (excluding advance taxation)		23,691	(37,408)
		<u>369,698</u>	<u>(566,785)</u>
Increase/ (Decrease) in operating liabilities			
Bills Payable		(2,867)	2,918
Deposits		(744,201)	266,193
Other liabilities (excluding current taxation)		137,525	(82,792)
		<u>(609,543)</u>	<u>186,319</u>
Income tax paid		(23,588)	(21,085)
Contribution to pension fund		(540,027)	(417,668)
Medical aid to employees from common good fund		(550)	(728)
<i>Net cash flow (used in) operating activities</i>		<u>(247,703)</u>	<u>(219,168)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in held-to-maturity securities		(84,046)	(379,274)
Dividends received		38,801	34,130
Investments in operating fixed assets		(29,522)	(25,575)
Proceeds from sale of fixed assets		-	3,597
Effect of translation of net investment in foreign branches		-	-
<i>Net cash flow (used in) investing activities</i>		<u>(74,767)</u>	<u>(367,122)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
(Refund) / Reissue of share capital		(66)	74
<i>Net cash flow (used in) / from financing activities</i>		<u>(66)</u>	<u>74</u>
Effects of exchange rate changes on cash and cash equivalents		-	-
(Decrease) in cash and cash equivalents		<u>(322,536)</u>	<u>(586,216)</u>
Cash and cash equivalents at beginning of the year	28	<u>2,024,321</u>	<u>2,610,537</u>
Cash and cash equivalents at end of the year	28	<u>1,701,785</u>	<u>2,024,321</u>

The annexed notes 1 to 41 form an integral part of these financial statements.


President/CEO


Chief Financial Officer

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

1. STATUS AND NATURE OF BUSINESS

The Punjab Provincial Cooperative Bank Limited (the Bank) was incorporated in 1924 as a Cooperative Bank under the Cooperative Societies Act, 1912 (repealed) (now the Cooperative Societies Act, 1925). It was given the status of a scheduled bank by the State Bank of Pakistan (SBP) with effect from November 07, 1955. The Bank is operating under the supervision of the Cooperative Department, Government of Punjab and the State Bank of Pakistan (SBP). The objects for which the Bank is established are to carry out the business of agriculture credit and other activities as defined in the Cooperative Societies Act, 1925 and its Rules. The Bank operates through its 151 (2018: 151) branches in the whole province of Punjab. The registered office of the Bank is located at the Bank Square, The Mall, Lahore, Pakistan.

2. BASIS OF PRESENTATION

These financial statements have been prepared in conformity with the format of financial statements prescribed by the SBP vide BPRD Circular No. 2 dated January 25, 2018.

2.1 STATEMENT OF COMPLIANCE

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

-International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;

-Provisions of and directives issued under the Banking Companies Ordinance, 1962 ("the Ordinance"), the Cooperative Societies Act, 1925 ("the Act"), and the Cooperative Societies Rules, 1927 ("the Rules"), the Companies Act, 2017 and;

-Directives issued by the SBP.

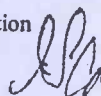
Whenever the requirements of the Ordinance, the Act, the Rules, and the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS, requirements of the Ordinance, the Act, the Rules, and the Companies Act, 2017 and the said directives shall prevail.

The SBP, vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39 'Financial Instruments: Recognition and Measurement' (IAS 39) and International Accounting Standard 40 'Investment Property' (IAS 40) for banking companies till further instructions. Further, according to a notification of Securities and Exchange Commission of Pakistan (SECP) dated April 28, 2008, International Financial Reporting Standard 7 'Financial Instruments Disclosure' (IFRS 7), has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and disclosed in accordance with the requirements prescribed by SBP through various circulars.

2.2 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year.

The Bank has adopted the following revised standards, amendments in accounting standards and interpretations of IFRS which became effective for the current year:

IAS 28	Investments in Associates and Joint Ventures – Annual Improvements to IFRS 2014–2016 Cycle
IAS 40	Investment Property – Transfers of Investment Property (Amendments) 2
IFRS 2	Share-based Payment – Classification and Measurement of Share-based Payments Transactions (Amendments)
IFRS 4	Insurance Contracts – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)
IFRS 15	Revenue from Contracts with Customers
IFRIC 22	Foreign Currency Transactions and Advance Consideration



THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

Impact of IFRS 15

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures. The management reviewed and assessed the Bank's existing contracts with the customers in accordance with the guidance included in IFRS 15 and concluded that there is no material impact on the revenue recognition of the Bank.

The adoption of the above standards, amendments, improvements to accounting standards and interpretations did not have any effect on the financial statements.

State Bank of Pakistan prescribed a new format for financial statements of banks effective from the year ended December 31, 2018. Accordingly, these financial statements are prepared in accordance with the new format. The changes impacting (other than certain presentation changes) these financial statements include:

- Inclusion of surplus on revaluation of assets as part of equity (previously shown below equity). (Note 17)
- Intangible assets are now being shown separately on the statement of financial position (previously shown as part of the operating fixed assets). (Note 10)
- Other provisions / write offs have now been combined under provisions and write offs - net (Note 25)

In addition, the Companies Act, 2017 also became effective for the financial statements for the year ended December 31, 2017. As the Bank's financial statements are prepared in accordance with the format prescribed by SBP, it did not have a direct impact on the financial statements.

2.3 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective.

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan become effective during current year:

Standards, amendments or interpretation	Effective date (annual periods beginning on or after)
IAS 1 Presentation of Financial Statements Amendments	01 January 2020
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors Amendments	01 January 2020
IAS 12 Income Taxes – Annual Improvements to IFRS Standards 2015–2017 Cycle	01 January 2019
IAS 19 Employee Benefits – Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS 23 Borrowing Costs – Annual Improvements to IFRS Standards 2015–2017 Cycle	01 January 2019
IAS 28 Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures	01 January 2019
IFRS 3 Business Combinations – Annual Improvements to IFRS Standards 2015–2017 Cycle	01 January 2019
IFRS 3 Business Combinations Amendments	01 January 2020
IFRS 9 Financial Instruments – Prepayment Features with Negative Compensation (Amendments)	01 January 2019
IFRS 16 Leases	01 January 2019
IFRS 11 Joint Arrangements – Annual Improvements to IFRS Standards 2015–2017 Cycle	01 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	01 January 2019
Conceptual Framework for Financial Reporting	01 January 2020

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS - 1 First - Adoption of International Financial Reporting Standards	
IFRS - 14 Regulatory Deferral Accounts	01 January 2016
IFRS - 17 Insurance Contracts	01 January 2021

IFRS - 9 - Financial Instruments - The Bank is currently awaiting instructions from the SBP as applicability of IFRS - 9 was deferred by the SBP till further instructions.

The Bank expects that the adoption of the above standards will have no significant material effect on the Bank's financial statements, in the period of initial application.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amount of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates is recognized prospectively in the period in which the estimate is revised and in any future periods affected.

The areas involving a higher degree of judgment or complexity, or areas where assumption and estimates are significant to the financial statements are as follows:-

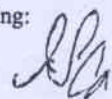
- i) Classification and provisioning against investment
- ii) Impairment of 'available for sale' equity investments
- iii) Income taxes
- iv) Classification and provisioning against advances
- v) Depreciation, amortization and revaluation of operating fixed assets
- vi) Obligation under defined benefit plan
- vii) Fair value of derivatives
- viii) Fair value hierarchy of assets and liabilities

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except that free hold land and securities (available for sale) have been recognized in these financial statements at revalued amounts. In addition, obligation in respect of staff retirement benefits is carried at present value.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unconsolidated financial statements have been applied consistently to all periods presented in these unconsolidated financial statements of the Bank, except for the following:



THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

4.1 Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with treasury banks and balances with other banks in current and deposit accounts.

4.2 Deposits

Deposits are recorded at the proceeds received. The cost of borrowings / deposits is recognized as an expense in the period in which it is incurred.

4.3 Investments

The Bank classifies its investments as follows:

Held-to-maturity securities

These are securities with fixed or determinable payments and fixed maturity in respect of which the Bank has the positive intent and ability to hold to maturity.

Available-for-sale securities

These are investments, other than those in subsidiaries and associates, that do not fall under the 'held for trading' or 'held to maturity' categories.

Investments are initially recognized at cost which in case of investments other than 'held for trading' include transaction costs associated with the investment.

Investments in quoted securities other than held to maturity are valued at market prices prevailing at the terminal date except investments in government securities, and the difference between the carrying value and the revalued amount of available for sale is recognized in the surplus / (deficit). Gain or loss on disposal is charged to current year's profit and loss account.

Investments in unquoted securities are carried out at lower of cost and breakup value less impairment loss, if any.

In accordance with the requirements of the State Bank of Pakistan, quoted securities, other than those classified as 'held to maturity', investments in subsidiaries and investments in associates are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is taken to a separate account which is shown in the balance sheet below equity.

Impairment loss in respect of investments classified as available for sale (except for quoted securities) and held to maturity is recognized based on management's assessment of objective evidence of significant and prolonged decline in the estimated future cash flows of such securities, and charged to profit and loss account. Surplus / (deficit) arising on revaluation of quoted securities which are classified as available for sale is taken to a separate account which is shown in the statement of financial position below equity.

4.4 Advances

Advances are stated net of general and specific provisions. Specific provision is determined in accordance with the requirements of the Prudential Regulations and other directives issued by SBP and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses includes general provision against Consumer and Small Enterprise (SEs) loans made in accordance with the requirements of the Prudential Regulations issued by SBP and provision based on historical loss experience on advances. Advances are written off when there are no realistic prospect of recovery.

4.5 Fixed assets and depreciation

a) Tangible assets

Property and equipment owned by the Bank, other than land which is not depreciated, are stated at cost or revalued amount less accumulated depreciation and impairment losses, if any. Land is carried at revalued amount.

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

Depreciation is carried over the estimated useful lives of the related fixed assets at the rates specified in note 9.2 on monthly diminishing balance method, except vehicles which are being depreciated on straight line method. Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed.

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditures connected with specific assets incurred during installation and construction period are carried under this head. These are transferred to relevant asset as and when assets become available for use.

Surplus on revaluation of land and buildings is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of the assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of land and buildings is transferred directly to unappropriated profit.

Gain / losses on sale of property and equipment are credited / charged to the profit and loss account currently, except that the related surplus on revaluation of land and buildings (net of deferred taxation) is transferred directly to unappropriated profit.

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

b) Intangible assets

Intangible assets are carried at cost less any accumulated amortization and impairment losses, if any. The cost of intangible assets is amortized over their estimated useful lives, using the straight line method. Amortization is charged from the month the assets are available for use at the rate stated in note 10. The useful lives are reviewed and adjusted, if appropriate, at each reporting date.

4.6 Crop insurance and Live Stock insurance recoverable

Crop insurance and Live Stock insurance recoverable are receivables from State Bank of Pakistan (SBP) which are paid after verification of documentation by SBP. The Bank recognizes its receivables on the basis of claims lodged by the Bank with SBP.

4.7 Taxation

a) Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the profits for the year.

b) Prior

The taxation charge for prior years represents adjustments to the tax charge relating to prior years, arising from assessments/changes in laws and changes in estimates made during the current year.

c) Deferred

Deferred tax is recognized using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. In addition, the Bank also records deferred tax asset on available tax losses.

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

Deferred tax is calculated using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

The carrying amount of the deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

The Bank also recognizes deferred tax asset / liability on deficit / surplus on revaluation of securities / fixed assets which is adjusted against the related deficit / surplus in accordance with the requirements of IAS 12 'Income Taxes'.

Deferred tax liability is not recognized in respect of taxable temporary differences associated with exchange translation reserves of foreign operations, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

4.8 Revenue recognition and other items

Mark-up income / interest on advances and returns on investments are recognized on a time proportion basis except that mark-up income / interest / returns on non-performing advances and investments are recognized on receipt basis in accordance with the requirements of the Prudential Regulations issued by the SBP. Interest / returns / mark-up on rescheduled / restructured advances and investments are recognized as permitted by the SBP, except where, in the opinion of the management, it would not be prudent to do so.

Fees, commission, brokerage, and other income are recognized on receipt basis, whereas mark up on advances, rental income, markup on deposits & on investment in government securities, mark up on customer's deposits are recognized on accrual basis.

Dividend income from investments is recognized when the Bank's right to receive the dividend is established.

Gain / loss on sale of investments is credited / charged to profit and loss account currently.

4.9 Staff retirement benefits

The Bank operates the following staff retirement benefit schemes for its eligible employees:

Defined benefit plans

The Bank operates an approved funded pension scheme, an un-funded gratuity scheme and an un-funded employee compensated absences for its eligible employees. An actuarial valuation of all defined benefit schemes is conducted every year. The valuation is based on the Projected Unit Credit method. Remeasurements of the net defined benefit liability / assets which comprise actuarial gains and losses, return on plan assets (excluding interest) and the effect of asset ceiling (if any, excluding interest) are recognized immediately in other comprehensive income. Past-service costs (if any) are recognized immediately in profit and loss account when the plan amendment occurs.

Defined contribution plan

The Bank operates an approved provident fund scheme for its regular permanent employees, administered by the Trustees.

Gratuity opted employees

Equal monthly contributions are made by both employees and the Bank to the fund at the rate of 10% of the basic salary in accordance with the terms of the scheme.



THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

Pension opted employees

Monthly contribution is made by the Bank to the fund at the rate of 15% of the basic salary in accordance with the terms of the scheme.

4.10 Impairment of assets

The carrying amount of the Bank's assets are reviewed at each date of statement of financial position for impairment. If such indication exists, and whenever events or changes in circumstances indicate that the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to profit and loss account except for impairment loss on revalued assets which is adjusted against the revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of assets.

4.11 Financial instruments

4.11.1 Financial assets and financial liabilities

Financial assets and financial liabilities are recognized at the time when the Bank becomes a party to the contractual provision of the instrument. Financial assets are de-recognized when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognized when obligation specific in the contract is extinguished. Any gain or loss on de-recognition of the financial asset and liability is recognized in the profit and loss assets and financial liabilities are disclosed in the individual policy statements associated with them.

4.11.2 Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the balance sheet when there is legally enforceable right to set off the recognized amounts and the Bank intends to either settle on net basis or to realize the assets and settle the liability simultaneously.

4.11.3 Regular way purchases and sales of financial assets

'Regular way' purchases and sales of financial assets are those contracts which require delivery of assets within the time frame generally established by the regulation or convention in the market. 'Regular way' purchases and sales of financial assets are recognized and derecognized on trade dates.

4.12 Provision

A provision is recognized in the balance sheet when the Bank has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

4.13 Contingencies & commitments

Capital commitments and contingencies, unless those are actual liabilities, are not incorporated in the accounts.

Contingent liabilities are disclosed when:

There is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events wholly within the control of the Bank.

There is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.



THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

4.14 Business Segment reporting

A segment is a distinguishable component of the Bank that is subject to risks and rewards that are different from those of other segments. A business segment is one that is engaged either in providing certain products or services, whereas a geographical segment is one engaged in providing certain products or services within a particular economic environment. Segment information is presented as per the Bank's functional and management reporting structure. The Bank's primary segment reporting is based on following business segments:

a. Retail financing


Retail financing deals with the retail customers. It mainly includes services of savings and current accounts to the retail customers.

b. Commercial banking

Commercial banking provides services to commercial customers including agriculture sector. It includes loans, deposits and other transactions with commercial customers.

4.15 Geographical segment reporting

Geographically, the Bank operates only in the province of Punjab, Pakistan.



THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
Rupees in '000			
5 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		294,797	790,952
With State Bank of Pakistan in			
Local currency current account	5.1	302,599	340,681
With National Bank of Pakistan in			
Local currency current account		72,419	66,132
Local currency deposit account (NIDA)	5.2	72,453	20,991
		144,872	87,123
		<u>742,268</u>	<u>1,218,756</u>

5.1 Deposits with SBP are maintained to comply with the statutory requirements issued from time to time.

5.2 Rate of profit on NIDA account is at 10.25% per annum (2018 : 3.75% per annum).

6 BALANCES WITH OTHER BANKS

In Pakistan			
In current account		7,321	8,529
In deposit account	6.1	952,196	797,036
		<u>959,517</u>	<u>805,565</u>

6.1 These accounts carry profit rates ranging from 8.75% to 10.25% per annum (2018 : 2.75% to 5.9%) per annum.

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
 NOTES TO THE ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2019

7 INVESTMENTS

7.1 Investments by type:

Available-for-sale securities
 Shares - Listed companies
 Shares - Cooperative Institutions

Held-to-maturity securities
 Market Treasury Bills
 Pakistan Investment Bonds
 Non-Banking Finance Company

2019		2018					
Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
7,023	-	397,428	404,451	7,023	-	516,704	523,727
3,551	(1,589)	-	1,962	3,551	(1,589)	-	1,962
10,574	(1,589)	397,428	406,413	10,574	(1,589)	516,704	525,689
2,469,985	-	-	2,469,985	2,385,939	-	-	2,385,939
-	-	-	-	88,059	(88,059)	-	-
2,558,044	(88,059)	-	2,469,985	2,473,998	(88,059)	-	2,385,939
2,568,618	(89,648)	397,428	2,876,398	2,484,572	(89,648)	516,704	2,911,628

Total Investments

7.2 Investments by segments:

Federal Government Securities:
 Market Treasury Bills

Investment with other financial institutions
 Non-Banking Finance Company

Shares:

Listed Companies
 Cooperative institutions

2019		2018					
Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost /Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
2,469,985	-	-	2,469,985	2,385,939	-	-	2,385,939
88,059	(88,059)	-	-	88,059	(88,059)	-	-
7,023	-	397,428	404,451	7,023	-	516,704	523,727
3,551	(1,589)	-	1,962	3,551	(1,589)	-	1,962
10,574	(1,589)	397,428	406,413	10,574	(1,589)	516,704	525,689
2,568,618	(89,648)	397,428	2,876,398	2,484,572	(89,648)	516,704	2,911,628

Total Investments

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

7.3 Provision for diminution in value of investments

2019 2018
Rupees in '000

7.3.1 Opening balance	89,648	89,648
Exchange adjustments	-	-
Charge / reversals	-	-
Closing Balance	<u>89,648</u>	<u>89,648</u>

7.3.2 Particulars of provision against debt securities
Category of classification

	2019		2018	
	NPI	Provision	NPI	Provision
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	<u>1,589</u>	<u>1,589</u>	<u>1,589</u>	<u>1,589</u>
	1,589	1,589	1,589	1,589
Overseas				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
	-	-	-	-
Total	<u>1,589</u>	<u>1,589</u>	<u>1,589</u>	<u>1,589</u>

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

7.4 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows

	2019	2018
	Cost	
	Rupees in '000	
Shares		
Listed Companies		
Paper Manufacturing	6,708	6,708
Textile	315	315
	7,023	7,023

	2019		2018	
	Cost	Breakup value	Cost	Breakup value
	Rupees in '000			
Unlisted Companies				
Coop: Insurance Society of Pakistan	1,919	10	1,919	10
National Coop. Supply Corporation	43	100	43	100
Coop: Investment & Management Agency	341	100	341	100
Oberoi Coop: Society Sialkot	71	1,000	71	1,000
Shahdara Pioneer Coop: M.P. Society	300	100	300	100
Lahore Central Coop: Store	536	100	536	100
Jhelum Distt. Coop: Society	1	100	1	100
All Pakistan Coop: Multi Purpose Society	11	1,000	11	1,000
Punjab Prov. Coop: Cotton Corp.	65	500	65	500
Pakistan Product Coop: Marketing	-	100	-	100
Anjuman Imdad-e-Bahami M.P. Society	12	100	12	100
Pioneer Coop: Leather & Rubber Society	30	1,000	30	1,000
Punjab Prov. Coop: Marketing	2	500	2	500
West Pakistan Coop: Consumer Society	1	100	1	100
Sargodha Distt. Coop: Society	18	500	18	500
Sialkot Central Coop: Multi Purpose Society	-	100	-	100
Multan Distt. Coop: Multi Purpose Society	8	50	8	50
Lyalpur Distt. Coop: Multi Purpose Society	10	100	10	100
Lyalpur Distt. Coop: Store	1	100	1	100
Montgomery Coop: Society	102	100	102	100
Bahawalpur Coop: Society	25	100	25	100
Arifwala Mills Society	45	100	45	100
Jhang Coop: Supervising	-	10	-	10
Rawalpindi Multi Purpose Union	10	50	10	50
	3,551		3,551	

7.4.1 These securities have a maturity period of six months with yield ranging from 11.16% to 12.66% (2018 : 5.60% to 6.00%) per annum.

7.4.2 The Bank has filed a petition against TIBL in Honorable Lahore High Court, Lahore for recovery of Rs. 88.059 million plus markup (not incorporated in accounts being doubtful of recovery) as on September 15, 2015. However, based on financial health of TIBL, a provision for diminution of Rs. 88.059 million has already been made in the financial statements.

7.5 Particulars relating to held to maturity securities are as follows:

Federal Government Securities - Government guaranteed
Market Treasury Bills

2019	2018
Cost	
Rupees in '000	
2,469,985	2,385,939

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
 NOTES TO THE ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2019

8 ADVANCES

	Performing		Non Performing		Total	
	2019	2018	2019	2018	2019	2018
	----- Rupees in '000 -----					
Loans, cash credits, running finances, etc.	9,089,123	9,524,894	2,378,732	2,288,968	11,467,855	11,813,862
Islamic financing and related assets	-	-	-	-	-	-
Bills discounted and purchased	-	-	184	184	184	184
Advances - gross	9,089,123	9,524,894	2,378,916	2,289,152	11,468,039	11,814,046
Provision against advances						
- Specific	-	-	1,605,893	1,605,893	1,605,893	1,605,893
- General	-	-	378	378	378	378
Advances - net of provision	9,089,123	9,524,894	772,645	682,881	9,861,768	10,207,775

8.1 Particulars of advances (Gross)	2019	2018
	Rupees in '000	
In local currency	11,468,039	11,814,046
In foreign currencies	-	-
	<u>11,468,039</u>	<u>11,814,046</u>

8.2 Advances include Rs.2,378,732 thousands (2018: Rs.2,288,968 thousands) which have been placed under non-performing status as detailed below:-

Category of Classification	2019		2018	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	----- Rupees in '000 -----			
Domestic				
Other Assets Especially Mentioned	391,316	92	389,235	124
Substandard	304,444	4,070	229,901	2,604
Doubtful	168,928	14,330	173,751	14,803
Loss	1,514,044	1,473,235	1,496,081	1,447,417
	<u>2,378,732</u>	<u>1,491,727</u>	<u>2,288,968</u>	<u>1,464,948</u>
Overseas				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
Total	<u>2,378,732</u>	<u>1,491,727</u>	<u>2,288,968</u>	<u>1,464,948</u>

8.3 Particulars of provision against advances

	2019			2018		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
Opening balance	1,605,893	378	1,606,271	1,605,893	378	1,606,271
Exchange adjustments	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-
Reversals	-	-	-	-	-	-
	<u>1,605,893</u>	<u>378</u>	<u>1,606,271</u>	<u>1,605,893</u>	<u>378</u>	<u>1,606,271</u>
Amounts written off	-	-	-	-	-	-
Amounts charged off - agriculture financing	-	-	-	-	-	-
Closing balance	1,605,893	378	1,606,271	1,605,893	378	1,606,271

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

8.3.1 Particulars of provision against advances

	2019			2018		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
In local currency	1,605,893	378	1,606,271	1,605,893	378	1,606,271
In foreign currencies	-	-	-	-	-	-
	1,605,893	378	1,606,271	1,605,893	378	1,606,271

8.4 The bank has not adjusted its non-performing loans amounting to Rs. 678.680/- million (2018: 673.468/- million including mark-up thereon, against properties decreed in favor of Bank due to pending possession disputes.

9 FIXED ASSETS		2019	2018
		Rupees in '000	
Capital work-in-progress	9.1	37,351	33,984
Property and equipment	9.2	7,142,384	7,142,177
Intangible assets	10	1,778	3,935
		7,181,513	7,180,096

9.1 Capital work-in-progress

Civil works	23,762	23,762
Equipment	-	-
Advances to suppliers intangible assets)	13,589	10,222
Others (ATM Machines)	-	-
	37,351	33,984

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
 NOTES TO THE ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2019

9.2 Property and Equipment

	2019								Total	
	Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Telephone exchange & conference system		Arms & ammunitions
At July 1, 2018	----- Rupees '000 -----									
Cost / Revalued amount	6,402,535	576,719	151,344	5,336	49,499	69,493	71,271	1,197	275	7,327,669
Accumulated depreciation	-	-	(56,101)	(2,401)	(33,940)	(38,324)	(53,472)	(1,032)	(222)	(185,492)
Net book value	6,402,535	576,719	95,243	2,935	15,559	31,169	17,799	165	53	7,142,177
Year ended June 2019										
Opening net book value	6,402,535	576,719	95,243	2,935	15,559	31,169	17,799	165	53	7,142,177
Additions	-	-	3,257	188	3,136	6,284	7,432	24	2	20,323
Disposals	-	-	-	-	-	-	-	-	-	-
Depreciation charge	-	-	(2,457)	(78)	(5,199)	(6,182)	(6,143)	(47)	(10)	(20,116)
Closing net book value	6,402,535	576,719	96,043	3,045	13,496	31,271	19,088	142	45	7,142,384
At June 30, 2019										
Cost / Revalued amount	6,402,535	576,719	154,601	5,524	52,635	75,777	78,703	1,221	277	7,347,992
Accumulated depreciation	-	-	(58,558)	(2,479)	(39,139)	(44,506)	(59,615)	(1,079)	(232)	(205,608)
Net book value	6,402,535	576,719	96,043	3,045	13,496	31,271	19,088	142	45	7,142,384
Rate of depreciation (percentage)	-	-	2.5%	2.5%	20%	20%	20%	20%	20%	20%

[Handwritten Signature]

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
 NOTES TO THE ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2019

		2018											
		Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Telephone exchange & conference system	Arms & ammunitions	Total		
		Rupees '000											
At July 1, 2017		6,402,535	576,719	142,971	4,286	43,423	60,666	72,909	1,108	270	7,304,887		
Cost / Revalued amount		-	-	(53,902)	(2,325)	(30,974)	(31,967)	(51,982)	(1,008)	(209)	(172,367)		
Accumulated depreciation		6,402,535	576,719	196,873	6,611	74,397	92,633	124,891	2,116	479	7,477,254		
Net book value													
Year ended June 2018													
Opening net book value		6,402,535	576,719	89,069	1,961	12,449	28,699	20,927	100	61	7,132,520		
Additions		-	-	9,701	1,050	6,076	8,827	3,442	89	5	29,190		
Disposals		-	-	(1,328)	-	-	-	(5,080)	-	-	(6,408)		
Depreciation charge		-	-	(2,436)	(76)	(2,966)	(6,357)	(6,570)	(24)	(13)	(18,442)		
Other adjustments / transfers		-	-	237	-	-	-	5,080	-	-	5,317		
Closing net book value		6,402,535	576,719	95,243	2,935	15,559	31,169	17,799	165	53	7,142,177		
At June 30, 2018													
Cost / Revalued amount		6,402,535	576,719	151,344	5,336	49,499	69,493	71,271	1,197	275	7,327,669		
Accumulated depreciation		-	-	(56,101)	(2,401)	(33,940)	(38,324)	(53,472)	(1,032)	(222)	(185,492)		
Net book value		6,402,535	576,719	95,243	2,935	15,559	31,169	17,799	165	53	7,142,177		
Rate of depreciation (percentage)		-	-	2.5%	2.5%	20%	20%	20%	20%	20%	20%		

9.2.1 Included in cost of property and equipment are fully depreciated assets that are still in use of the Bank. Moreover, the Bank has policy to report fully depreciated asset at nominal value for identification purposes.

9.2.2 Freehold land was revalued on Feb 10, 2017 by Star Tech Consultants, an independent professional valuer firm, on the basis of fair market value. This revaluation resulted in surplus of Rs. 1,941,268 thousand in respect of freehold land. However, without the effect of revaluation, the carrying amount of the land would have been Rs.110.479 million (2018: Rs.110.479 million). Fair value has been assessed under 'fair value hierarchy: level 3'.

9.2.3 Leasehold land was revalued on Feb 10, 2017 by Star Tech Consultants, an independent professional valuer firm, on the basis of fair market value. This revaluation resulted in surplus of Rs. 576,719 thousand in respect of leasehold land. However, without the effect of revaluation, the carrying amount of the land would have been Rs. Nil (2018:Rs. Nil). Fair value has been assessed under 'fair value hierarchy: level 3'.

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

9.2.4 The value of land and buildings include properties under litigation / disputes amounts to Rs. 175.687 million (2018: Rs. 101.183 million) for which legal title has been acquired but the physical possession is under dispute. The ultimate outcome of disputes cannot be determined properly and management is of the view that no impairment is required to be recognised in these financial statements.

9.2.5 Fair value of property and equipment excluding land and buildings is not expected to be materially different from their carrying amount.

10 INTANGIBLE ASSETS'

	2019	2018
	Computer software	
	Rupees in '000	
At July 01, 2018		
Cost	10,787	10,787
Accumulated amortisation	(6,852)	(4,695)
Net book value	<u>3,935</u>	<u>6,092</u>
Year ended June 2019		
Opening net book value	3,935	6,092
Additions	-	-
Impairment loss recognised in the profit and loss account - net	-	-
Disposals	-	-
Amortisation charge	(2,157)	(2,157)
Closing net book value	<u>1,778</u>	<u>3,935</u>
At June 30, 2019		
Cost	10,787	10,787
Accumulated amortisation and impairment	(9,009)	(6,852)
Net book value	<u>1,778</u>	<u>3,935</u>
Rate of amortisation (percentage)	<u>20%</u>	<u>20%</u>

10.1 The balance of the intangible assets solely relates to the Bank Smart Software system used by the Bank.

11 DEFERRED TAX ASSETS

	2019	2018
	Rupees in '000	
Deductible Temporary Differences on		
- Provision for gratuity	80,392	89,161
- Provision for compensated leave absence	189,975	245,946
- Provision for employees pension fund	2,693,863	2,755,956
- Provision for other assets	66,479	66,479
- Provision for salary payable	264,285	44,285
- Provision against non-performing advances	1,606,271	1,606,271
	<u>4,901,265</u>	<u>4,808,098</u>
Taxable Temporary Differences on		
- Operating fixed assets	612,912	40,191
- Investment	395,839	427,056
- Accelerated tax depreciation	-	-
	<u>1,008,751</u>	<u>467,247</u>
Temporary differences for which no deferred tax is recognized	<u>3,892,514</u>	<u>4,340,851</u>

In the absence of future taxable profit projections due to unanticipated circumstances, amount of Rs. 1,362,380 thousands (2018: 1,519,298 thousands) has not been recognized as deferred tax asset.

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
12 OTHER ASSETS		Rupees in '000	
Income/ Mark-up accrued in local currency - net of provision		650,743	681,018
Advances, deposits, advance rent and other prepayments		3,326	14,953
Sundry debtors		2,361	2,440
Profit recoverable from banks		5,673	4,658
Crop insurance recoverable		139,003	107,338
Live stock insurance recoverable		12,732	20,429
Others		86,425	93,118
		<u>900,263</u>	<u>923,954</u>
Less: Provision held against other assets	12.1	<u>(66,479)</u>	<u>(66,479)</u>
Other Assets (Net of Provision)		<u>833,784</u>	<u>857,475</u>
Other Assets - total		<u><u>833,784</u></u>	<u><u>857,475</u></u>
12.1 Provision held against other assets			
Advances, deposits, advance rent & other prepayments		-	-
Non banking assets acquired in satisfaction of claims		-	-
Others		(66,479)	(66,479)
		<u>(66,479)</u>	<u>(66,479)</u>
		2019	2018
12.1.1 Movement in provision held against other assets		Rupees in '000	
Opening balance		(66,479)	(66,479)
Charge for the year		-	-
Reversals		-	-
Amount Written off		-	-
Closing balance		<u>(66,479)</u>	<u>(66,479)</u>
13 BILLS PAYABLE		<u><u>52,635</u></u>	<u><u>55,502</u></u>

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

14 DEPOSITS AND OTHER ACCOUNTS

	2019			2018		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
----- Rupees in '000 -----						
Customers						
Fixed deposits	246,447	-	246,447	773,606	-	773,606
Savings deposits	3,043,218	-	3,043,218	3,124,543	-	3,124,543
Current accounts - non remunerative	1,232,982	-	1,232,982	1,364,272	-	1,364,272
Call deposits	3,339	-	3,339	10,010	-	10,010
Other deposits	53,996	-	53,996	51,752	-	51,752
	4,579,982	-	4,579,982	5,324,183	-	5,324,183
Financial Institutions						
Fixed deposits	-	-	-	-	-	-
Savings deposits	-	-	-	-	-	-
Current accounts - non remunerative	-	-	-	-	-	-
Call deposits	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-
	4,579,982	-	4,579,982	5,324,183	-	5,324,183

14.1 Others deposits include staff security deposits and employees' provident fund deposits.

14.2 Composition of deposits

	2019	2018
	Rupees in '000	
- Individuals	4,191,363	4,890,682
- Government (Federal and Provincial)	2,404	1,274
- Private Sector	386,215	432,161
	4,579,982	5,324,117

The above deposits includes eligible deposits amounting to Rs. 4,452.396 million (2018: Rs. 5,041.880 million) vide DPC Circular No. 04 of 2018 dated 22 June 2018.

15 OTHER LIABILITIES

	2019	2018
	Rupees in '000	
Mark-up/ Return/ Interest payable in local currency	58,329	45,490
Accrued expenses	8,745	6,593
Provision for salary payable / VSS Package	264,285	164,285
Sundry creditors	15.1 66,357	66,845
Advance taxation (payments less provisions)	88,587	43,817
Dissolved bank payable	37,427	37,427
Provision for employees' gratuity	80,392	89,161
Provision for employees' pension fund	2,693,886	2,755,956
Provision for employees' compensated absences	189,952	245,946
Withholding tax payable	10,456	10,710
Branch adjustment	102,322	17,895
Others	23,812	84,963
	3,624,550	3,569,088

15.1 This includes amounts of Rs. 6,274 thousands payable on account of Rahwali Sugar Mills and Bid Money of Rs. 12,300 thousand for sale of land at Thokar Niaz Baig. The bid money was forfeited by the Bank as per settled agreement with respect to auction of the land in 1999 on failure of the purchaser to deposit the remaining purchase money. However, the purchaser has filed a suit in the court against the Bank for recovery of the above said amounts that is pending for adjudication.

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

16 SHARE CAPITAL

16.1 Authorized Capital

The authorized share capital consist of an unlimited number of shares of the value of one hundred rupees, as per Section 4 of the Punjab Provincial Cooperative Bank Limited Bye-laws 2010.

16.2 Issued, subscribed and paid up Capital

2019		2018			
Number of Shares				2019	2018
				Rupees in '000	
Ordinary shares of Rs. 100 each					
78,492,691	78,492,691	Fully paid in cash		7,849,269	7,849,269
375,730	375,730	Issued as bonus shares		37,573	37,573
-	-	Issued for consideration other than cash		-	-
<u>78,868,421</u>	<u>78,868,421</u>			<u>7,886,842</u>	<u>7,886,842</u>
(13,519)	(12,859)	Shares refunded	16.2.1	(1,352)	(1,286)
<u>78,854,902</u>	<u>78,855,562</u>			<u>7,885,490</u>	<u>7,885,556</u>

16.2.1 Shares Refunded

12,859	13,604	As at July, 1		1,286	1,360
1,442	-	Refunded during the year		144	-
(781)	(745)	Reissued during the year		(78)	(74)
<u>13,520</u>	<u>12,859</u>	As at June, 30		<u>1,352</u>	<u>1,286</u>

This represents the amount against shares refunded to societies in the event of cessation of membership of a member society as per bye-law 13 of the Punjab Provincial Cooperative Bank Limited Bye-Laws 2010.

16.3 State Bank of Pakistan (SBP) vide letter No. BPRD/BACPD/629/023472/15 dated October 26, 2015 relaxed the Minimum Capital Requirement (MCR) for the Bank to Rs. 6 Billion (net of losses) subject to the conditions given below:

- 1 - Increase the bank's paid up capital (net of losses) to Rs. 6 billion by December 31, 2015.
- 2 - Appointment of bank's full time / regular president and constitution of its Board of Directors in line with the SBP's Fit and Proper Test (FPT) criteria and other applicable laws, rules and regulations by November 30, 2015.
- 3 - The bank will submit a strategic plan to function in a self sustainable manner duly meeting applicable regulatory requirements in the areas of risk management, capital, corporate governance etc. The strategic plan should further outline bank business model, proposed commercial banking products / practices and competitive policies, duly supporting the future viability of PPCBL. The plan should be submitted by December 31, 2015.
- 4 - With the exception of expenses towards banks, sovereigns and PSEs, per party exposure limits for all other customers will be 50% of the PRs limit.

The bank due to circumstances beyond its control could not fully comply with the requirements at serial # 2 regarding constitution of Board and serial #3 regarding strategic plan due to non-existence of Board within the prescribed date, whereas serial # 4 is not applicable to the bank. However management of the bank is in process to comply with these conditions fully when the circumstances would allow.

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

2019 2018
Rupees in '000

17 SURPLUS ON REVALUATION OF ASSETS

Surplus on revaluation of

- Available for sale securities
- Fixed Assets

7.1	397,428	516,704
17.1	6,868,774	6,868,774
	7,266,202	7,385,478

17.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets as at July 1
Recognised during the year

- Realised on disposal during the year - net of deferred tax
- Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax
- Related deferred tax liability on incremental depreciation charged during the year
- Related deferred tax liability on surplus realised on disposal
- Surplus on revaluation of fixed assets as at June 30

6,868,774	6,868,774
-	-
-	-
-	-
-	-
-	-
6,868,774	6,868,774

18 CONTINGENCIES AND COMMITMENTS

- Commitments
- Contingencies

18.1	10,464	10,896
18.2	259,043	248,971
	<u>269,507</u>	<u>259,867</u>

18.1 Commitments:

- Civil work
- Intangible assets

3,530	3,530
6,934	7,366
<u>10,464</u>	<u>10,896</u>

18.2 Contingencies

The Bank has total of 120 (2018: 119) cases under litigation in different courts.

<u>259,043</u>	<u>248,971</u>
----------------	----------------

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

18.2.1 Show cause notice by sales tax-under appeal

The sales tax department had issued a show cause notice dated: 14-07-2003 to the bank stating as to why the sales tax amounting to Rs. 5.041 million had not been paid to the Government in regard to sale of machinery valuing Rs. 33.600 million of Rahwali Sugar Mills to M/s Ali Industrial and Engineering Works, Karachi without charging and depositing sales tax leviable thereon. Further the sales tax department reported that M/s Ali Industrial and Engineering Works filed written statement before Deputy Collector Audit-I, that they had paid sales tax on purchase of such machinery. The bank filed petition against the above show cause notice on the ground that bank had sold debris, scrap and non-operative machinery which were not sales tax leviable items, on which Lahore High Court has suspended the show cause notice vide order dated: 06-08-2003. The case has been remanded to Sales tax department by the Lahore High Court on 18-06-2010, now pending adjudication

18.2.2 Income tax status / exposure:

The Income Tax Returns up to the tax year 2018 has been filed under Self Assessment Scheme with the Income Tax Department of Federal Board of Revenue (FBR) which are "deemed assessment orders" unless selected for Audit or revised under respective sections of Income Tax Ordinance by the FBR Authorities.

18.2.3 Further, tax return for the year 2008 was selected for total audit under section 177(4) of Income Tax Ordinance, 2001 and Department of Income Tax raised a demand of 435.226 million vide order dated September 29, 2009. CIR (Appeals) vide its order dated January 20, 2010 annulled such assessed amount. Later on, Department went into appeal against the order of CIR (Appeals). ITAT has remanded back the case to Department. The management of the Bank as well as its tax advisor is of the view that the Bank has fair chance to get the decision of these appeals in its favor.

18.2.4 The Bank is in litigation with the Income Tax Department where by appeals and cross appeals for the assessment years 1999-2000 to 2002-2003 on account of orders passed under Section 62 of the Income Tax Ordinance, 1979 (Repealed Ordinance), for tax years 2003 to 2007 on account of 122(1)/ 122(5A) of the Income Tax Ordinance, 2001, for tax year 2010 on account of Section 161/ 205/ 221(1) of the Income Tax Ordinance, 2001 where PPCBL and FBR, both are in crossed appeal before Appellate Tribunal Inland Revenue with the involvement of Rs.29 thousand and 1,597 thousand respectively, as well as for years 2008 and 2010 and months of June-July 2013 on account of Section 34 of the Federal Excise Act, were pending adjudication before the Appellate Tribunal Inland Revenue, however in case of Tax Year 2003,2008 & 2010 in a combined appeal, Appellate Tribunal has passed an order dated 25.04.2018 wherein Tribunal disallowed the expenses of Rs.63 million and Rs. 22 million in Tax Year 2003 and 2010 respectively whereas PPCBL has filed appeal before LHC in terms of Tax Year 2003 & 2010 and in case of 2008 ATIR has remanded back it to the ACIR. The management of the Bank as well as its tax advisor is of the view that the Bank has fair chance to get the decision of these appeals in its favor.

18.2.5 CIR raised demand under section 161/205 of Income Tax Ordinance, 2001, for the tax year 2011, to the sum of Rs. 32 million vide order dated October 31, 2014. Appellate Tribunal Inland Revenue vide its order dated February 10, 2015 granted stay order on advance payment of 4.831 million. Later on Commissioner (Appeals) vide its order dated 21.06.2017 has deleted all the demand except 0.194 million. Bank has filled appeal before the appellate Tribunal against major demand of Rs.0.194

18.2.6 The bank is contingently liable to super tax demand for the tax years 2015 and 2016 in the sum of Rs. 4,423 thousand and 7,740 thousand respectively, as also claimed by the department for the tax year 2015. However management of the bank and its tax advisor are of the view that since the bank is registered under the Cooperative Societies Act, 1925 therefore the provisions of section 4B of Income Tax Ordinance, 2001 are not applicable to it. Accordingly the provision for super tax for these tax years have not been recorded in the financial statements.

18.2.7 In case of Assessment Years 2012, 2013 and 2014, Additional CIR passed an order u/s 122(5A) dated 30.05.2018 and created liability of Rs.544,285/-, 16,854,582/- and 724,551 respectively. Appeal has been filed before CIR and stay order has been obtained against the notice u/s 138(2) in all respective years.

18.2.8 In case of Tax Year 2014, an appeal against an order passed by CIR u/s 182(1) amounting Rs.463,120/- on account of filing of late return of Tax Year 2014, PPCBL has filed appeal before Appellate Tribunal Inland Revenue. Further, another appeal has been filed before Appellate Tribunal Inland Revenue against an order passed by CIR (Appeal) u/s 129(1)(b) dated 08.01.2018 against order passed by ACIR u/s 161/205, revenue involve in this case is Rs. 3,190,709/-.

18.2.9 In case of Assessment Years 2016, Additional CIR passed an order u/s 122(5A) dated 30.11.2017 and created liability of Rs.17,121,660/- Appeal has been filed before CIR(Appeal) and stay order has been obtained against the notice u/s 138(2).

18.2.10 PRA had conducted the audit of PST, resultantly liability of Rs.684,682/- was created and Bank filed appeal before Punjab Revenue Appellate Authority, but not heard. In parallel PPCBL has obtained stay order against recovery of the said amount from Honorable Lahore High Court Lahore till the decision of the case.

18.2.11 In cases of Assessment Years 2016 & 2017, ACIR-FBR raised demand u/s 161/205 of Income Tax Ordinance 2001, for Rs.8,165,051/- and Rs.8,563,736/- respectively. DCIR-FBR has rectified the demand for the Tax Year 2017 to Rs.3,957,862/- on 30.04.2019. Appeals have been filed before CIR (Appeals-I) against both the order passed by ACIR/DCIR. Further, stay has been granted by Lahore High Court, Lahore against both the demand raised by ACIR/DCIR.

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
 NOTES TO THE ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2019

		2019	2018
		Rupees in '000	
19	MARK-UP/RETURN/INTEREST EARNED		
	On:		
	a) Loans and advances	1,589,896	1,650,043
	b) Investments	209,547	136,981
	c) Balances with banks	110,790	58,283
		<u>1,910,233</u>	<u>1,845,307</u>
20	MARK-UP/RETURN/INTEREST EXPENSED		
	Deposits	<u>207,511</u>	<u>150,119</u>
21	FEE & COMMISSION INCOME		
	Branch banking customer fees	6	-
	Commission on utility bills	10,729	10,807
	Commission on guarantees	706	-
	Commission on remittances including home remittances	3,860	2,789
	Commission received on deposit category	1,624	-
	Commission received on cheque book issuance	-	2,065
	Others	2,720	2,634
		<u>19,645</u>	<u>18,295</u>
22	OTHER INCOME		
	Rent on property	60,195	52,567
	Profit on Books for Sale.	7,327	8,187
	Gain on sale of fixed assets-net	-	2,506
	Bank and service charges	3,165	8,147
	Loan processing fee	30,562	30,787
	Rent on lockers	1,030	1,045
		<u>102,279</u>	<u>103,239</u>
23	OPERATING EXPENSES		
	Total compensation expense	23.1 1,210,309	1,366,375
	Property expense		
	Rent & taxes	40,104	33,433
	Insurance	8,543	2,145
	Utilities cost	27,882	24,777
	Security (including guards)	24	17
	Repair & maintenance (including janitorial charges)	4,316	5,738
	Depreciation	2,535	2,512
		83,404	68,622
	Information technology expenses		
	Amortisation	2,157	2,157
	Other operating expenses		
	Legal & professional charges	8,017	6,419
	Depreciation	17,581	15,930
	Postage & courier charges	5,574	6,093
	Communication	16,779	16,829
	Stationery & printing	3,911	4,008
	Marketing, advertisement & publicity	1,481	3,691
	Donations	-	6
	Auditors Remuneration	4,710	4,045
	Others	78,159	71,241
		<u>136,212</u>	<u>128,262</u>
		<u>1,432,082</u>	<u>1,565,416</u>

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

2019 2018
Rupees in '000

23.1 Total compensation expense

Salary & Allowances	939,118	889,081
Fees and Allowances etc	1,585	2,414
Charge for defined benefit plan	242,121	451,393
Conveyance	26,867	21,365
Others	618	2,122
Grand Total	1,210,309	1,366,375

23.2 Auditors' remuneration

	Rupees in '000								Total	
	Ilyas Saeed & Co	M/s Hasnain Ali & Co.	M/s Akbar & Co.	M/s Kamran & Co.	M/s Fatch & Co.	M/s Abdul Wahheed & Co.	M/s S. Mubeen & Co.	M/s S Suleman Arshad & Co.		M/s IECNET SKSSS & Co.
Audit fee	645	540	510	510	510	450	540	540	420	3,950
Half yearly review fee	45	-	-	-	-	-	-	-	-	45
Fee for other statutory certifications	-	-	-	-	-	-	-	-	-	95
Fee for audit of employee funds	-	-	-	-	-	-	-	-	-	-
Special certifications and sundry advisory services	-	-	-	-	-	-	-	-	-	-
Tax services	-	-	-	-	-	-	-	-	-	-
Out-of-pocket expenses	-	-	-	-	-	-	-	-	-	-
	690	540	510	510	510	450	540	540	420	4,710
Total										4,045

24

OTHER CHARGES

Penalties imposed by State Bank of Pakistan

651 13

25

PROVISIONS & WRITE OFFS - NET

Provisions against lending to financial institutions
Provisions for diminution in value of investments
Provisions against loans & advances
Provisions for salary payable
Bad debts written off directly
Recovery of written off / charged off bad debts

7.31
8.3
100,000 120,000
100,000 120,000

[Signature]

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
 NOTES TO THE ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
	Rupees in '000	
26 TAXATION		
Current	68,358	45,570
Prior years	-	-
Deferred	-	-
	<u>68,358</u>	<u>45,570</u>
26.1 Relationship between tax expense and accounting profit		
Total revenue for the year	<u>1,863,447</u>	<u>1,850,852</u>
Tax on turnover @ 35% (2018: 35%)	41,109	22,052
Tax on separate block of income	27,249	23,518
Tax for prior years	-	-
	<u>68,358</u>	<u>45,570</u>
27 BASIC EARNINGS PER SHARE		
Profit for the year	<u>262,356</u>	<u>119,854</u>
Weighted average number of ordinary shares	<u>78,854,902</u>	<u>78,855,562</u>
Basic earnings per share	<u>3.33</u>	<u>1.52</u>
There is no dilutive effect on basic earnings per share during the year.		
28 CASH AND CASH EQUIVALENTS		
Cash and Balance with Treasury Banks	742,268	1,218,756
Balance with other banks	959,517	805,565
	<u>1,701,785</u>	<u>2,024,321</u>
29 STAFF STRENGTH	2019	2018
	(Number)	
Permanent	1,038	1,024
On Bank contract	631	606
Others (Daily wages)	158	156
Bank's own staff strength at the end of the year	<u>1,827</u>	<u>1,786</u>

30 DEFINED BENEFIT PLAN

30.1 General description

The Bank operates an unfunded gratuity scheme, a defined benefit plan, for all its employees who have completed the minimum qualifying service period. Under the scheme, the bank pays a lump-sum benefit equal to last drawn monthly gross salary for each year of service to scheme members whereas the members of the scheme are not required to make any contributions to the scheme. The scheme is administered by the management of the bank under the supervision and directions of the administrator of the bank. The amount recognized on statement of financial position represents present value of defined benefit obligation.

30.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2019	2018
	(Number)	
- Pension fund	1,108	1,086
- Gratuity fund	266	217
- Leave encashment scheme	751	806

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

30.3 Principal actuarial assumptions

The actuarial valuations were carried out for June 30, 2019 based on the Projected Unit Credit Method, using the following significant assumptions:

	Pension Fund		Gratuity Fund		Compensated Absence	
	2019	2018	2019	2018	2019	2018
Discount rate	14.50%	9.00%	14.25%	9.00%	14.25%	9.00%
Short term salary increase rate	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Long term salary increase rate	12.50%	8.25%	12.25%	8.25%	12.25%	8.25%
Pension indexation rate	6.75%	1.25%	-	-	-	-
Expected return on plan asset	3.00%	9.00%	-	-	-	-

The expected return on plan assets is based on the market expectations and depends on the asset portfolio of the Bank, at the beginning of the period, for returns over the entire life of the related obligation.

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

	Pension Fund		Gratuity Fund		Compensated Absence	
	2019	2018	2019	2018	2019	2018
	-----Rupees in '000-----					
Present value of obligations	4,407,072	3,956,273	80,393	89,161	189,975	245,946
Fair value of plan assets (Receivable) / payable	(1,713,209)	(1,200,317)	-	-	-	-
Net payable / (receivable) at the year end	<u>2,693,863</u>	<u>2,755,956</u>	<u>80,393</u>	<u>89,161</u>	<u>189,975</u>	<u>245,946</u>

30.5 Movement in defined benefit obligations

	Pension Fund		Gratuity Fund		Compensated Absence	
	2019	2018	2019	2018	2019	2018
	-----Rupees in '000-----					
Obligations at the beginning of the year	3,956,273	3,295,662	89,161	67,085	245,946	234,510
Current service cost	60,611	71,266	3,210	4,467	496	351
Interest cost	346,940	297,657	8,091	6,137	22,025	21,676
Benefits paid by the Bank	(202,776)	(155,491)	(3,388)	(19,474)	(2,446)	(8,017)
Re-measurement loss / (gain)	246,024	315,159	(16,681)	12,955	(76,046)	(10,231)
Impact of Pension increase/past payments	-	132,020	-	17,991	-	7,657
Obligations at the end of the year	<u>4,407,072</u>	<u>3,956,273</u>	<u>80,393</u>	<u>89,161</u>	<u>189,975</u>	<u>245,946</u>

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

	Pension Fund		Gratuity Fund		Compensated Absence	
	2019	2018	2019	2018	2019	2018
	-----Rupees in '000-----					
Present value of defined benefit obligation as at July 01	2,755,956	2,372,155	89,161	67,085	245,946	234,510
Charge for the year	284,346	403,345	11,300	28,595	(53,525)	19,453
Contributions paid	(540,027)	(418,703)	-	-	-	-
Benefits paid	-	-	(3,388)	(19,474)	(2,446)	(8,017)
Other comprehensive (income) / loss	193,588	399,159	(16,681)	12,955	-	-
Present value as at June 30	<u>2,693,863</u>	<u>2,755,956</u>	<u>80,392</u>	<u>89,161</u>	<u>189,975</u>	<u>245,946</u>

JPB

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
 NOTES TO THE ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2019

30.7 Movement in fair value of plan assets

	Pension Fund		Gratuity Fund		Compensated Absence	
	2019	2018	2019	2018	2019	2018
	-----Rupees in '000-----					
Fair value at the beginning of the year	1,200,317	923,507	-	-	-	-
Interest income on plan assets	123,205	97,598	-	-	-	-
Contribution by the Bank - net	540,027	418,703	-	-	-	-
Benefit payments from plan	(202,776)	(155,491)	-	-	-	-
Re-measurements: Net return on plan assets (excluding interest income)	52,437	(84,000)	-	-	-	-
Fair value at the end of the year	1,713,209	1,200,317	-	-	-	-

30.8 Charge for defined benefit plans

30.8.1 Cost recognised in profit and loss

	Pension Fund		Gratuity Fund		Compensated Absence	
	2019	2018	2019	2018	2019	2018
	-----Rupees in '000-----					
Current service cost	60,611	71,266	3,210	4,467	496	351
Net interest on defined benefit asset / liability	223,735	200,059	8,091	6,137	22,025	21,676
Contributions - employees	-	-	-	-	-	-
Past service cost	-	-	-	17,991	-	7,657
Amount transferred	-	132,020	-	-	-	-
Actuarial (gain) / loss	-	-	-	-	(76,046)	(10,231)
	284,346	403,345	11,301	28,595	(53,525)	19,453

30.8.2 Re-measurements recognised in OCI during the year

Loss / (gain) on obligation						
- Experience adjustment	246,024	315,159	(16,681)	12,955	-	-
Return on plan assets over interest income	(52,437)	84,000	-	-	-	-
Total re-measurements recognised in OCI	193,588	399,159	(16,681)	12,955	-	-

30.9 Components of plan assets

	2019 Pension fund Rupees in '000
Cash and cash equivalents - net	66,299
Government Securities	1,646,910
	1,713,209

30.9.1 Investment in Government securities are subject to credit risk and interest rate risks. These risks are regularly monitored by Trustees of the employee funds.

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

30.10 Sensitivity analysis

Sensitivity analysis should be disclosed 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 should be summarised as illustrated below:

	2019		
	Pension fund	Gratuity fund	Compensated absence
	----- Rupees in '000 -----		
Defined benefit obligation	4,407,072	80,392	189,975
1% increase in discount rate	3,992,351	74,656	178,438
1% decrease in discount rate	4,899,570	87,162	202,648
1 % increase in expected rate of salary increase	4,584,920	87,426	202,863
1 % decrease in expected rate of salary increase	4,242,157	74,311	178,052
1% increase in expected rate of pension increase	4,761,170	-	-
1% decrease in expected rate of pension increase	4,102,436	-	-
1% increase in expected rate of mortality set back	4,463,922	-	-
1% decrease in expected rate of mortality set forward	4,349,307	-	-

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied when calculating the defined benefit obligation recognized within the statement of financial position.

30.11 Expected contributions to be paid to the funds in the next financial year

The Bank contributes to the pension and gratuity funds as per actuarial expected charge for the next financial year. Based on actuarial advice, management estimates that the charge / (reversal) in respect of defined benefit plans for the year ending June 30, 2020 would be as follows:

	2020		
	Pension fund	Gratuity fund	Compensated absence
	----- Rupees in '000 -----		
Expected charge/(reversal for the year)	458,542	15,059	27,638

30.12 Maturity profile

	Year 1	Year 2	Year 3	Year 4	Year 5
	----- Rupees in '000 -----				
Pension fund	195,867	224,283	306,738	350,656	410,492
Gratuity fund	2,273	2,259	2,260	2,148	7,656

30.13 Funding Policy

The Bank endeavours to ensure that liabilities under the various employee benefit schemes are covered by the Fund on any valuation date having regards to the various actuarial assumptions such as projected future salary increase, expected future contributions to the fund, projected increase in liability associated with future service and the projected investment income of the Fund.

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
 NOTES TO THE ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2019

30.14 Risks associated with defined benefit plans

The defined benefit plans may expose the bank to actuarial risks such as longevity risk, investment risk, salary increase risk and withdrawal rate risk as described below;

Longevity Risk

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.

Investment Risk

The risk arises when the actual performance level of investment levels is lower than expectation and thus creating a shortfall in the funding objectives.

Salary Increase Risk

The most common type of retirement benefit is one where the final benefit is linked with final salary. The risk arises when the actual increases are higher than expectations and impact the liability accordingly.

Withdrawal Rate

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.

31 DEFINED CONTRIBUTION PLAN

The Bank operates a contributory provident fund scheme for 266 (2018: 217) employees who opted Gratuity. The employer and employee each contribute 10.00% of the basic salary to the scheme every month.

32 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

32.1 Total Compensation Expense

Items	2019						
	Chairman	Directors Executives (other than CEO)	Non- Executives	Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
Fees and Allowances etc.	-	-	-	-	3,289	16,707	-
Managerial Remuneration	-	-	-	-	-	-	-
i) Fixed	-	-	-	-	-	-	-
ii) Total Variable	-	-	-	-	-	-	-
of which	-	-	-	-	-	-	-
a) Cash Bonus / Awards	-	-	-	-	-	-	-
b) Bonus & Awards in Shares	-	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	-	-	-
Contribution to defined contribution pl	-	-	-	-	-	-	-
Rent & house maintenance	-	-	-	-	-	-	-
Utilities	-	-	-	-	352	2,994	-
Medical	-	-	-	-	18	269	-
Conveyance	-	-	-	-	137	1,375	-
Others	-	-	-	-	-	94	-
Total	-	-	-	-	2,528	9,856	-
					6,324	31,295	-
Number of Persons	-	-	-	-	-	1	17

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

32.2 During the year, the former President of the Bank retired and new President took charge on November 7, 2018.

Items	2018						
	Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Executives (other than CEO)	Non- Executives				
Fees and Allowances etc.	-	-	-	-	4,355	12,452	-
Managerial Remuneration							
i) Fixed	-	-	-	-	-	-	-
ii) Total Variable	-	-	-	-	-	-	-
of which							
a) Cash Bonus / Awards	-	-	-	-	-	-	-
b) Bonus & Awards in Shares	-	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	-	-	-
Rent & house maintenance	-	-	-	-	485	2,900	-
Utilities	-	-	-	-	24	370	-
Medical	-	-	-	-	138	1,279	-
Conveyance	-	-	-	-	-	-	-
Others	-	-	-	-	4,680	8,112	-
Total	-	-	-	-	9,682	25,113	-
Number of Persons	-	-	-	-	1	11	-

33 FAIR VALUE MEASUREMENTS

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

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

33.1 Fair value of financial assets

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

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

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

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

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

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:

	June 30, 2019										
	Carrying Value				Fair Value						
	Held to maturity	Held for trading	Available for sale	Financing and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Rupees in '000											
On balance sheet financial instruments			406,413	-	-	-	406,413	404,451	1,962	-	406,413
Financial assets - measured at fair value											
Investments											
Shares											
Financial assets - disclosed but not measured at fair value											
Cash and balances with treasury banks					742,268		742,268				
Balances with other banks					959,517		959,517				
Investments in Treasury bills and NBFCs	2,469,985						2,469,985				
Advances				9,861,768			9,861,768				
Other Assets					833,784		833,784				
Financial liabilities - measured at fair value											
Financial liabilities - disclosed but not measured at fair value											
Bills payable											
Deposits and other accounts						52,635	52,635				
Other liabilities						4,579,982	4,579,982				
Off-balance sheet financial instruments - measured at fair value						3,624,550	3,624,550				
Forward purchase of foreign exchange											
Forward sale of foreign exchange											
Forward agreements for lending											
Forward agreements for borrowing											
Derivatives purchases											
Derivatives sales											

Signature

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
 NOTES TO THE ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2018										
	Carrying Value			Fair Value							
	Held to maturity	Held for trading	Available for sale	Financing and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments											
Financial assets - measured at fair value											
Investments	-	-	525,689	-	-	-	525,689	523,727	1,962	-	525,689
Shares	-	-	-	-	-	-	-	-	-	-	-
Financial assets - disclosed but not measured at fair value											
Cash and balances with treasury banks	-	-	-	-	1,218,756	-	1,218,756	-	-	-	1,218,756
Balances with other banks	-	-	-	-	805,565	-	805,565	-	-	-	805,565
Investments in Treasury bills and NBFCs	2,385,939	-	-	-	-	-	2,385,939	-	-	-	2,385,939
Advances	-	-	-	10,207,775	-	-	10,207,775	-	-	-	10,207,775
Other Assets	-	-	-	-	857,475	-	857,475	-	-	-	857,475
Financial liabilities - measured at fair value											
Financial liabilities - disclosed but not measured at fair value											
Bills payable	-	-	-	-	-	55,502	55,502	-	-	-	55,502
Deposits and other accounts	-	-	-	-	-	5,324,183	5,324,183	-	-	-	5,324,183
Other liabilities	-	-	-	-	-	3,569,088	3,569,088	-	-	-	3,569,088
Off-balance sheet financial instruments - measured at fair value											
Forward purchase of foreign exchange	-	-	-	-	-	-	-	-	-	-	-
Forward sale of foreign exchange	-	-	-	-	-	-	-	-	-	-	-
Forward agreements for lending	-	-	-	-	-	-	-	-	-	-	-
Forward agreements for borrowing	-	-	-	-	-	-	-	-	-	-	-
Derivatives purchases	-	-	-	-	-	-	-	-	-	-	-
Derivatives sales	-	-	-	-	-	-	-	-	-	-	-

33.2 Fair valuation of financial instrument within level 2 is determined on the basis of market value as at the reporting date.

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
 NOTES TO THE ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2019

34 SEGMENT INFORMATION

34.1 Segment Details with respect to Business Activities

	2019		
	Retail financing	Commercial banking	Total
	----- Rupees in '000 -----		
Profit & Loss			
Net mark-up/return/profit	1,589,896	481,062	2,070,958
Inter segment revenue - net	-	-	-
Non mark-up / return / interest income	-	-	-
Total Income	1,589,896	481,062	2,070,958
Segment direct expenses	1,432,733	207,511	1,640,244
Inter segment expense allocation	-	-	-
Total expenses	1,432,733	207,511	1,640,244
Provisions	-	-	-
Profit before tax	-	-	-
	Retail financing	Commercial banking	Total
	----- Rupees in '000 -----		
Balance Sheet			
Cash & Bank balances	-	1,701,785	1,701,785
Investments	-	2,876,398	2,876,398
Net inter segment lending	-	-	-
Lendings to financial institutions	-	-	-
Advances - performing	9,089,123	-	9,089,123
Advances - non-performing	772,645	-	772,645
Others	8,009,624	5,673	8,015,297
Total Assets	17,871,392	4,583,856	22,455,248
Bills payable	52,635	-	52,635
Deposits & other accounts	4,579,982	-	4,579,982
Net inter segment borrowing	-	-	-
Others	3,566,221	58,329	3,624,550
Total liabilities	8,198,838	58,329	8,257,167
Equity	14,198,081	-	14,198,081
Total Equity & liabilities	22,396,919	58,329	22,455,248

Contingencies & Commitments

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

	2018		
	Retail financing	Commercial banking	Total
	----- Rupees in '000 -----		
Profit & Loss			
Net mark-up/return/profit	1,650,043	350,928	2,000,971.00
Inter segment revenue - net	-	-	-
Non mark-up / return / interest income	-	-	-
Total Income	1,650,043.00	350,928.00	2,000,971.00
Segment direct expenses	1,565,429	150,119	1,715,548.00
Inter segment expense allocation	-	-	-
Total expenses	1,565,429.00	150,119.00	1,715,548.00
Provisions	-	-	-
Profit before tax	3,215,472.00	501,047.00	3,716,519.00

	2018		
	Retail financing	Commercial banking	Total
	----- Rupees in '000 -----		
Balance Sheet			
Cash & Bank balances	-	2,024,321	2,024,321
Investments	-	2,911,628	2,911,628
Net inter segment lending	-	-	-
Lendings to financial institutions	-	-	-
Advances - performing	9,524,894	-	9,524,894
Advances - non-performing	772,645	-	772,645
Others	8,010,639	4,658	8,015,297
Total Assets	18,308,178	4,940,607	23,248,785
Bills payable	55,502	-	55,502
Deposits & other accounts	5,324,183	-	5,324,183
Net inter segment borrowing	-	-	-
Others	3,523,598	45,490	3,569,088
Total liabilities	8,903,283	45,490	8,948,773
Equity	14,232,522	-	17,897,546
Total Equity & liabilities	23,135,805	45,490	26,846,319

Contingencies & Commitments

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
 NOTES TO THE ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2019

35 RELATED PARTY TRANSACTIONS

Related parties comprise of key bank executives, President of the Bank, provident fund trust, pension fund trust, member societies, Registrar Co-operative Societies and the Government of Punjab.

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

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

	2019		2018	
	Key management personnel	Provident fund trust	Pension fund trust	Pension fund trust
	----- (Rupees in '000) -----			
Advances				
Opening balance	7,059	-	-	-
Addition during the year	6,734	-	-	-
Recovered during the year	(7,699)	-	-	-
Transfer in / (out) - net	-	-	-	-
Closing balance	6,094	-	-	7,059
Other Liabilities				
Payable to staff retirement fund	-	-	2,693,886	-
	-	-	2,693,886	-
Income				
Mark-up / return / interest earned	1,096	-	-	834
	1,096	-	-	834
Expense				
Short term employees benefits	37,211	-	-	-
Contribution for the year	-	11,519	540,027	12,123
	37,211	11,519	540,027	12,123
				34,794
				34,794
				417,668
				417,668

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
 NOTES TO THE ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
	Rupees in '000	
36 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>6,000,000</u>	<u>6,000,000</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	<u>6,931,879</u>	<u>7,471,406</u>
Eligible Additional Tier 1 (ADT 1) Capital	<u>2,966,008</u>	<u>3,094,998</u>
Total Eligible Tier 1 Capital	<u>3,965,871</u>	<u>4,376,408</u>
Eligible Tier 2 Capital	<u>1,440,325</u>	<u>1,659,280</u>
Total Eligible Capital (Tier 1 + Tier 2)	<u>5,406,196</u>	<u>6,035,688</u>
Risk Weighted Assets (RWAs):		
Credit Risk	<u>16,540,725</u>	<u>16,849,870</u>
Market Risk	<u>808,902</u>	<u>1,047,454</u>
Operational Risk	<u>3,014,004</u>	<u>2,846,708</u>
Total	<u>20,363,631</u>	<u>20,744,032</u>
Common Equity Tier 1 Capital Adequacy ratio	<u>19.48</u>	<u>21.10</u>
Tier 1 Capital Adequacy Ratio	<u>7.07</u>	<u>8.00</u>
Total Capital Adequacy Ratio	<u>26.55</u>	<u>29.10</u>
36.1 State Bank of Pakistan (SBP) vide Letter No. BPRD/BACPD/629/023472/15 dated 26.10.2015 required from Bank to have a minimum paid up capital (net of losses) of Rs. 6 billion. Further, the bank is required to maintain a Capital Adequacy Ratio of 16% at all times. As of June 30, 2019, the paid up capital of the Bank net of losses amounts to Rs. 6,931,879 thousands which is in agreement with regulatory requirements (refer to note 16.3). The management is in the process of implementation of Basel III and in the meanwhile have applied for obtaining further extension in this regard. For the time being CAR is being reported under Basel I as per instructions issued under circular No. 12 of 2004 as allowed by SBP.		
Standardized Approach is used for calculating the Credit and Market risk, whereas, Basic Indicator Approach is used for Operational Risk in the Capital Adequacy Calculation.		
Leverage Ratio (LR):		
Eligible Tier-I Capital	<u>4,043,603</u>	<u>4,829,314</u>
Total Exposures	<u>22,402,490</u>	<u>23,173,493</u>
Leverage Ratio	<u>18.05</u>	<u>20.84</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	<u>3,384,442</u>	<u>3,849,656</u>
Total Net Cash Outflow	<u>484,583</u>	<u>539,490</u>
Liquidity Coverage Ratio	<u>6.98</u>	<u>7.14</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	<u>12,488,584</u>	<u>13,081,487</u>
Total Required Stable Funding	<u>6,589,914</u>	<u>6,857,727</u>
Net Stable Funding Ratio	<u>1.90</u>	<u>1.91</u>

37 RISK MANAGEMENT

The principal risks associated with the banking business are credit risk, market risk, liquidity risk and operational risk. The banks/DFIs should have comprehensive risk management framework in place for managing these risks which is constantly evolving as the business activities change in response to credit, market, product and other developments. The risk management should be guided by number of factors and principles including the formal definition of risk management, governance, risk appetite, independent risk management and assessment and measurement by tools like Earning at Risk (EaR), Value-at-Risk (VaR) methodologies with stress testing under different economic scenarios and with diversification of risks.

All banks/DFIs are required to disclose all the steps taken to ensure identification of risks and compliance with guiding factors and principles mentioned above. For this, the banks/DFIs are also required to refer to the instructions given to them by SBP from time to time.

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
 NOTES TO THE ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2019

37.1 Credit Risk

37.1.1 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2019	2018	2019	2018	2019	2018
	----- Rupees in '000 -----					
Agriculture, Forestry, Hunting and Fishing	11,102,742	11,440,587	2,268,272	2,179,133	1,509,762	1,509,762
Mining and Quarrying	-	-	-	-	-	-
Textile	-	-	-	-	-	-
Chemical and Pharmaceuticals	-	-	-	-	-	-
Cement	-	-	-	-	-	-
Sugar	-	-	-	-	-	-
Footwear and Leather garments	-	-	-	-	-	-
Automobile and transportation equipment	-	-	-	-	-	-
Electronics and electrical appliances	-	-	-	-	-	-
Construction	-	-	-	-	-	-
Power (electricity), Gas, Water, Sanitary	-	-	-	-	-	-
Wholesale and Retail Trade	-	-	-	-	-	-
Exports/Imports	-	-	-	-	-	-
Transport, Storage and Communication	-	-	-	-	-	-
Financial	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Services	-	-	-	-	-	-
Individuals	266,243	262,996	18,607	18,759	20,685	20,685
Others	99,054	110,463	91,853	91,076	75,446	75,446
	11,468,039	11,814,046	2,378,732	2,288,968	1,605,893	1,605,893

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2019	2018	2019	2018	2019	2018
Public/ Government	1,000,000	1,000,000	-	-	-	-
Private	10,468,039	10,814,046	2,378,732	2,288,968	1,605,893	1,605,893
	11,468,039	11,814,046	2,378,732	2,288,968	1,605,893	1,605,893

37.1.2 Contingencies and Commitments

Credit risk by industry sector

	2019	2018
	Rupees in '000	
Agriculture, Forestry, Hunting and Fishing	-	-
Mining and Quarrying	-	-
Textile	-	-
Chemical and Pharmaceuticals	-	-
Cement	-	-
Sugar	-	-
Footwear and Leather garments	-	-
Automobile and transportation equipment	-	-
Electronics and electrical appliances	-	-
Construction	-	-
Power (electricity), Gas, Water, Sanitary	-	-
Wholesale and Retail Trade	-	-
Exports/Imports	-	-
Transport, Storage and Communication	-	-
Financial	-	-
Insurance	-	-
Services	-	-
Individuals	-	-
Others	-	-
	259,043	248,971
	259,043	248,971

Credit risk by public / private sector

Public/ Government	-	-
Private	259,043	248,971
	259,043	248,971

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

37.1.3 Advances - Province/Region-wise Disbursement & Utilization

		2019				
Province/Region	Disbursements	Utilization				
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad
----- Rupees in '000 -----						
Punjab	11,468,039	11,468,039	-	-	-	-
Sindh	-	-	-	-	-	-
KPK including FATA	-	-	-	-	-	-
Balochistan	-	-	-	-	-	-
Islamabad	-	-	-	-	-	-
AJK including Gilgit-Baltista	-	-	-	-	-	-
Total	11,468,039	11,468,039	-	-	-	-

		2018				
Province/Region	Disbursements	Utilization				
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad
----- Rupees in '000 -----						
Punjab	11,814,046	11,814,046	-	-	-	-
Sindh	-	-	-	-	-	-
KPK including FATA	-	-	-	-	-	-
Balochistan	-	-	-	-	-	-
Islamabad	-	-	-	-	-	-
AJK including Gilgit-Baltista	-	-	-	-	-	-
Total	11,814,046	11,814,046	-	-	-	-

37.2 Market Risk

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions.

37.2.1 Foreign Exchange Risk

Foreign exchange is the risk that the earnings and share capital will fluctuate due to changes in foreign exchange rates. The Bank only deals in Pakistan Rupees and does not deal in foreign currency, therefore the Bank does not have any exposure which is liable to foreign exchange risk.

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

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

Yield / Interest rate risk is the risk of decline in earnings due to adverse movement of yield curve. It arises from the possibility that changes in yield / interest rates will affect the value of financial instruments. The bank is exposed to yield / interest rate risk as a result of mismatch or gaps in the amounts of assets and liabilities that mature or re-price in a given period. Sensitivity of the bank's financial assets and financial liabilities to yield / interest rate can be evaluated from the following:

Impact of 1% change in interest rates on	2019		2018	
	Banking book	Trading book	Banking book	Trading book
- Profit and loss account	-	-	-	-
+1% change	17,027	-	16,952	-
-1% change	(17,027)	-	(16,952)	-
- Other comprehensive income	-	-	-	-
+1% change	-	-	-	-
-1% change	-	-	-	-

37.2.3 Mismatch of Interest Rate Sensitive Assets and Liabilities

	Effective Yield/ Interest rate	2019										Total
		Exposed to Yield/ Interest risk										
		Upto 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	Non-interest bearing financial instruments	
Assets												
Cash and balances with treasury banks	10.25%	742,268	-	-	-	-	-	-	-	-	669,815	
Balances with other banks	8.75% to 11.25%	959,517	954,450	-	-	-	-	-	-	-	5,067	
Lending to financial institutions		-	-	-	-	-	-	-	-	-	-	
Investments	11.16% to 12.66%	-	406,413	2,469,985	-	-	-	-	-	-	-	
Advances	9% to 18%	-	466,524	91,922	1,426,114	2,936,741	3,198,418	672,031	305,379	654,290	110,349	
Other assets		833,784	-	-	-	-	-	-	-	-	833,784	
Liabilities												
Bills payable		15,273,735	1,899,840	2,561,907	1,426,114	2,936,741	3,198,418	672,031	305,379	654,290	1,508,666	
Borrowings		52,635	-	-	-	-	-	-	-	-	52,635	
Deposits and other accounts	4.50% to 8.00%	-	-	-	-	-	-	-	-	-	-	
Liabilities against assets subject to finance lease		4,579,982	2,108,107	171,808	163,468	428,691	109,713	15,796	279,668	20,002	49,747	
Subordinated debt		-	-	-	-	-	-	-	-	-	-	
Other liabilities		3,624,550	-	-	-	-	-	-	-	-	3,624,550	
On-balance sheet gap		8,257,167	2,108,107	171,808	163,468	428,691	109,713	15,796	279,668	20,002	49,747	
		7,016,568	(208,267)	2,390,099	1,262,646	2,508,050	3,088,705	656,235	25,711	634,288	60,602	
											(3,401,501)	

[Handwritten signature]

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

Off-balance sheet financial instruments
Documentary credits and short-term trade-related transactions
Commitments in respect of:
- forward foreign exchange contracts
- forward government securities transactions
- derivatives
- forward lending
Other commitments (to be specified)
Off-balance sheet gap

	2018	2017	2016	2015	2014	2013
Total Yield/Interest Risk Sensitivity Gap	7,016,568	(208,267)	2,390,099	1,262,646	2,508,050	3,088,705
Cumulative Yield/Interest Risk Sensitivity Gap	7,016,568	(208,267)	2,181,832	3,444,478	5,952,528	9,041,233
					656,235	25,711
					634,288	60,602
					10,357,467	10,418,069
						7,016,568

Effective Yield/Interest rate

On-balance sheet financial instruments

Assets

Cash and balances with treasury banks 3.75%
Balances with other banks 3.5% to 5.65%
Lending to financial institutions
Investments 6.20% to 11.25%
Advances 9% to 18%
Other assets

Liabilities

Bills payable
Borrowings
Deposits and other accounts 3.50% to 5.25%
Liabilities against assets subject to finance lease
Subordinated debt
Other liabilities

On-balance sheet gap

Total	2018								Non-interest bearing financial instruments	
	Exposed to Yield/ Interest risk									
	Upto 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
1,218,756	17,784	-	-	-	-	-	-	-	-	1,200,972
805,565	797,036	-	-	-	-	-	-	-	-	8,529
2,911,628	515,138	2,385,939	-	-	-	-	-	-	-	-
10,207,775	614,560	1,352,191	2,623,440	4,029,884	648,300	159,543	543,886	110,944	-	-
857,475	-	-	-	-	-	-	-	-	-	857,475
16,001,199	1,944,518	2,510,966	1,352,191	2,623,440	4,029,884	658,851	159,543	543,886	110,944	2,066,976
55,502	-	-	-	-	-	-	-	-	-	55,502
5,324,183	1,865,822	178,898	812,606	271,196	75,342	682,603	12,627	54,091	-	1,364,272
3,624,530	-	-	-	-	-	-	-	-	-	-
9,004,235	1,865,822	178,898	812,606	271,196	75,342	682,603	12,627	54,091	5,044,324	
6,996,964	78,696	2,332,068	559,585	2,352,244	3,954,542	652,125	531,259	56,853	(2,977,348)	

Handwritten signature

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

Off-balance sheet financial instruments

Commitments in respect of:	-	-	-	-	-	-
- forward foreign exchange contracts	-	-	-	-	-	-
- forward government securities transactions	-	-	-	-	-	-
- derivatives	-	-	-	-	-	-
- forward lending	-	-	-	-	-	-
Other commitments (to be specified)	-	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-	-

Total Yield/Interest Risk Sensitivity Gap

6,996,964	78,696	2,332,068	539,585	2,352,244	3,954,542	652,125	(523,060)	531,259	56,853	(2,977,348)
6,996,964	78,696	2,410,764	2,950,349	5,302,593	9,257,135	9,909,260	9,386,200	9,917,459	9,974,312	6,996,964

Cumulative Yield/Interest Risk Sensitivity Gap

	June 30, 2019		June 30, 2018		Reconciliation of total liabilities		June 30, 2019		June 30, 2018	
	Rupees in '000		Rupees in '000		Rupees in '000		Rupees in '000		Rupees in '000	
Reconciliation of total assets										
Balance as per balance sheet	22,455,248		23,177,360		Balance as per balance sheet		8,139,044		8,948,773	
Less: Non-financial assets					Less: Non-financial liabilities					
Fixed assets	7,179,735		7,176,161		Other liabilities		3,506,427		3,569,088	
Other assets	833,784		857,475							
	8,013,519		8,033,636							
Total financial assets	14,441,729		15,143,724		Total financial liabilities		4,632,617		5,379,685	

37.3 Operational Risk

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

The Bank, like all financial institutions, is exposed to many types of operational risks, including the potential losses arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and the execution of legal, fiduciary and agency responsibilities.

In accordance with the senior management's approved Operational Risk Policy, Bank maintains a system of internal controls designed to keep operational risk at appropriate levels, in view of the bank's financial strength and the characteristics of the activities and market in which it operates. These internal controls are periodically updated to conform to industry best practice.

Further, detailed data of operational losses is being maintained, in conformance with regulatory guidelines. Major Operational Risk events are also analysed from the control breaches perspective and mitigating controls are assessed on design and operating effectiveness. Quarterly updates on Operational Risk events are presented to senior management.

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

37.4 Liquidity Risk

Liquidity risk is the risk that the Bank will encounter difficulties in raising funds to meet the commitments associated with financial instruments. To safeguard this risk, the Bank has diversified its funding sources and managed its assets with liquidity in mind thereby maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile of assets and liabilities is monitored on regular basis to ensure that the adequate liquidity is maintained. The maturity profile of the Bank's assets and liabilities is summarized below:

37.4.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank

	2019												
	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
Rupees in '000													
Assets													
Cash and balances with treasury banks	742,268	-	-	742,268	-	-	-	-	-	-	-	-	-
Balances with other banks	959,517	-	-	959,517	-	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	-	-	-	406,413	2,469,985	-	-	-	-	-	-	-	-
Advances	2,876,398	-	-	543,416	86,730	1,681,979	1,325,997	2,724,438	1,018,440	812,867	826,532	768,081	-
Fixed assets	9,861,768	-	-	10,002	6,640	387	945	145	39,356	92	23,891	7,092,244	-
Intangible assets	7,179,735	4,649	-	-	-	-	-	-	-	-	-	1,778	-
Deferred tax assets	1,778	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	833,784	-	-	60,379	83,776	2,541	200,514	401,028	2,842	9,628	21,867	44,662	-
Liabilities													
Bills payable	22,455,248	4,649	-	2,721,995	163,704	2,559,643	1,689,910	1,527,456	3,125,611	1,060,638	822,587	874,068	7,904,987
Borrowings	52,635	21,664	-	5,340	25,339	-	-	-	-	-	-	-	-
Deposits and other accounts	4,579,982	1,066,983	15,390	1,741,119	35,630	181,696	89,217	569,861	419,947	130,608	11,122	211,666	69,551
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	3,624,550	11,128	2,016	179,896	22,341	4,034	197	-	-	-	-	-	-
Net assets	8,257,167	1,099,775	38,516	1,926,355	83,310	185,730	89,414	569,861	433,181	132,853	230,093	213,076	3,237,647
	14,198,081	(1,095,126)	(38,516)	(17,406)	80,394	2,373,913	1,600,496	957,595	2,692,430	927,785	592,494	661,042	4,667,340
Share capital/ Head office capital account													
Reserves	7,885,490	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated/ Unremitted profit	809,147	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) on revaluation of assets	(1,762,758)	-	-	-	-	-	-	-	-	-	-	-	-
	7,266,202	-	-	-	-	-	-	-	-	-	-	-	-
	14,198,081	-	-	-	-	-	-	-	-	-	-	-	-

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

	2018											
	Total	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
Assets												
Cash and balances with treasury banks	1,218,756	368,394	100,384	349,299	400,679	-	-	-	-	-	-	-
Balances with other banks	805,565	211,768	88,093	10,810	494,894	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-
Investments	2,911,628	-	-	-	515,138	-	-	-	-	-	-	-
Advances	10,207,775	-	18,547	-	474,240	-	-	-	-	-	-	-
Fixed assets	7,176,161	2,299	1,174	-	10,120	-	-	-	-	-	-	-
Intangible assets	3,935	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	857,475	17,431	13,686	19,533	92,490	23,937	626,139	4,269	23,404	21,617	1,113	9,059
	23,181,295	599,892	221,884	379,642	1,987,561	92,895	3,128,416	1,779,061	1,029,014	2,812,896	1,875,416	797,394
Liabilities												
Bills payable	55,502	4,204	91	-	1,790	49,417	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	5,324,183	1,320,178	81,677	82,011	1,746,126	176,318	6,331	700,589	21,446	367,094	150,360	2,523
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	3,569,088	25,447	7,547	4,790	134,707	62,849	46,204	197	631	-	-	-
	8,948,773	1,349,829	89,315	86,801	1,882,623	288,584	52,535	700,786	22,077	367,094	150,698	167,655
	14,232,522	(749,937)	132,569	292,841	104,938	(195,689)	3,075,881	1,078,275	1,006,937	2,445,802	1,724,718	629,739
Net assets												
Share capital/ Head office capital account	7,885,556	-	-	-	-	-	-	-	-	-	-	-
Reserves	742,108	-	-	-	-	-	-	-	-	-	-	-
Unappropriated/ Unremitted profit	(1,780,620)	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) on revaluation of assets	7,385,478	-	-	-	-	-	-	-	-	-	-	-
	14,232,522	-	-	-	-	-	-	-	-	-	-	-

Signature

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

37.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

	2019									
	Total	Upto 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
Assets										
Cash and balances with treasury banks	742,268	742,268	-	-	-	-	-	-	-	-
Balances with other banks	959,517	959,517	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	2,876,398	406,413	2,469,985	-	-	-	-	-	-	-
Advances	9,861,768	466,524	91,972	1,426,114	2,936,741	3,198,418	672,031	305,379	654,290	110,349
Fixed assets	7,179,735	52,117	15,772	1,383	1,335	2,505	402	28,033	1,854	7,076,334
Intangible assets	1,778	-	-	-	-	-	-	-	1,778	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	833,784	122,338	2,541	6,547	668,021	2,842	9,628	21,315	322	230
Liabilities										
Bills payable	22,455,248	2,749,177	2,580,220	1,434,044	3,606,097	3,203,765	682,061	354,727	658,244	7,186,913
Borrowings	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	4,579,982	3,341,089	171,808	163,468	428,691	109,713	15,796	279,668	20,002	49,747
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	3,624,550	264,648	4,034	197	596	1,232	167,175	1,359	1,685	3,183,624
Net assets										
Share capital/ Head office capital account	8,257,167	3,658,372	175,842	163,665	429,287	110,945	182,971	281,027	21,687	3,233,371
Reserves	14,198,081	(909,195)	2,404,378	1,270,379	3,176,810	3,092,820	499,090	73,700	636,557	3,953,542
Unappropriated/ Unremitted profit	7,885,490	809,147	-	-	-	-	-	-	-	-
Surplus/(Deficit) on revaluation of assets	(1,762,758)	7,266,202	-	-	-	-	-	-	-	-
	14,198,081									

[Handwritten signature]

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

2018

Upto 1 Over 1 to 3 Over 3 to 6 Over 6 Over 1 to 2 Over 2 to 3 Over 3 to 5 Over 5 to 10 Above 10
Month Months Months Months to 1 Years Years Years Years Years

Rupees in '000

	Upto 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
Assets									
Cash and balances with treasury banks	1,218,756	1,218,756	-	-	-	-	-	-	-
Balances with other banks	805,565	805,565	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-
Investments	2,911,628	515,138	2,396,490	-	-	-	-	-	-
Advances	10,207,775	614,560	125,027	1,352,191	2,623,440	4,029,884	648,300	159,543	543,886
Fixed assets	7,176,161	57,256	456	1,612	953	1,764	248	40,779	1,373
Intangible assets	3,935	-	-	-	-	-	-	-	3,935
Deferred tax assets	-	-	-	-	-	-	-	-	-
Other assets	857,475	105,864	675,681	5,097	40,867	3,437	9,058	16,919	322
Liabilities	23,181,295	3,317,139	3,197,654	1,358,900	2,665,260	4,035,085	657,606	217,241	549,516
Bills payable	55,502	55,502	-	-	-	-	-	-	-
Borrowings	5,324,183	3,230,094	178,898	812,606	271,196	75,342	6,726	682,603	12,627
Deposits and other accounts	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
Other liabilities	3,569,088	235,340	46,204	197	631	338	165,132	2,925	714
Net assets	8,948,773	3,520,936	225,102	812,803	271,827	75,680	171,858	685,528	13,341
Share capital/ Head office capital account	14,232,522	(203,797)	2,972,552	546,097	2,393,433	3,959,405	485,748	(468,287)	536,175
Reserves	7,885,556	742,108	-	-	-	-	-	-	-
Unappropriated/ Unremitted profit	(1,780,620)	-	-	-	-	-	-	-	-
Surplus/(Deficit) on revaluation of assets	7,385,478	-	-	-	-	-	-	-	-
	14,232,522	-	-	-	-	-	-	-	-

37.4.3 Some assets / liabilities of the bank do not have a contractual maturity date. The period in which these assets / liabilities are assumed to mature is taken as the expected date on which the assets / liabilities be realized / settled. The above maturity analysis is based on the remaining period at the balance sheet date to the contractual maturity date.

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019**

38 EVENTS AFTER THE REPORTING DATE

There are no significant events after the reporting period that may require adjustment of and/or disclosure in these financial statements.

39 CORRESPONDING FIGURES

The corresponding figures have been rearranged wherever necessary to facilitate comparison. Changes made in corresponding figures to conform to current year presentation are mentioned in Note 2.2 to these financial statements.

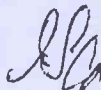
40 DATE OF AUTHORIZATION FOR ISSUE

18 OCT 2019

These financial statements were authorized for issue on _____ by the Administrator of the Bank.

41 GENERAL

Figures in the financial statements have been rounded-off to the nearest Rupees in thousands except where stated otherwise.



President/CEO



Chief Financial Officer