

# The Punjab Provincial Cooperative Bank Limited

## Condensed interim statement of financial position

As at December 31, 2015

	Note	Un-audited December 31, 2015 Rupees in '000	Audited June 30, 2015 Rupees in '000
<b>Assets</b>			
Cash and balances with treasury banks		1,118,096	866,698
Balances with other banks		1,190,157	1,775,794
Lending to financial institutions		-	-
Investments - net	7	2,218,295	1,934,771
Advances - net	8	9,233,633	9,194,515
Operating fixed assets	9	4,635,967	4,619,964
Deferred tax assets - net	10	-	-
Other assets - net	11	977,992	923,123
<b>Total Assets</b>		<b>19,374,140</b>	<b>19,314,865</b>
<b>Liabilities</b>			
Bills payable		14,841	27,324
Borrowings from financial institutions		-	-
Deposits and other accounts	12	4,395,326	4,567,142
Other liabilities		3,311,443	3,130,519
<b>Total Liabilities</b>		<b>7,721,610</b>	<b>7,724,985</b>
<b>Net assets</b>		<b>11,652,530</b>	<b>11,589,880</b>
<b>Represented by :</b>			
Share capital		1,938,261	1,938,243
Reserves		6,603,803	6,603,774
Accumulated loss		(1,615,397)	(1,678,728)
		<b>6,926,667</b>	<b>6,863,289</b>
Surplus on revaluation of assets		4,350,787	4,350,787
Fair value reserve - investments		375,076	375,804
		<b>11,652,530</b>	<b>11,589,880</b>

### Contingencies and commitments

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The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

**ZAHID MANSOOR**  
CHIEF FINANCIAL OFFICER

**MUHAMMAD AYUB**  
ACTING PRESIDENT / CEO

# The Punjab Provincial Cooperative Bank Limited

## Condensed interim profit and loss account

For the half year ended December 31, 2015 (Un-audited)

	Note	Half year ended December 31,		Quarter ended December 31,	
		2015	2014	2015	2014
		Rupees in '000		Rupees in '000	
<b>Mark-up / return / interest earned</b>		<b>830,599</b>	853,602	<b>512,715</b>	552,952
<b>Mark-up / return / interest expensed</b>		<b>77,440</b>	104,714	<b>38,992</b>	46,518
<b>Net Mark-up / interest income</b>		<b>753,159</b>	748,888	<b>473,723</b>	506,434
<b>Less : provisions</b>					
Against non-performing loans and advances		-	-	-	-
Against bill purchased		-	-	-	-
		-	-	-	-
<b>Net mark-up / interest income after provisions</b>		<b>753,159</b>	748,888	<b>473,723</b>	506,434
<b>Non mark-up / interest income</b>					
Fee, commission and brokerage income		<b>8,311</b>	8,739	<b>4,017</b>	4,150
Dividend income		<b>25,598</b>	12,408	-	-
Other income		<b>40,009</b>	32,743	<b>25,189</b>	19,208
<b>Total non-markup / interest income</b>		<b>73,918</b>	53,890	<b>29,206</b>	23,358
<b>Total Income</b>		<b>827,077</b>	802,778	<b>502,929</b>	529,792
<b>Non mark-up / interest expenses</b>					
Administrative expenses	14	<b>744,726</b>	796,954	<b>433,882</b>	518,029
Other provisions / write - offs		-	-	-	-
<b>Total non-markup / interest expenses</b>		<b>744,726</b>	796,954	<b>433,882</b>	518,029
Extra ordinary / unusual items		-	-	-	-
<b>Profit before taxation</b>		<b>82,351</b>	5,824	<b>69,047</b>	11,763
<b>Taxation</b>					
Current		<b>19,020</b>	14,094	<b>19,020</b>	14,094
Prior years		-	-	-	-
Deferred		-	-	-	-
		<b>19,020</b>	14,094	<b>19,020</b>	14,094
<b>Profit after taxation</b>		<b>63,331</b>	(8,270)	<b>50,027</b>	(2,331)
<b>Basic / diluted earnings per share - Rupees</b>		<b>3.27</b>	(0.63)	<b>2.58</b>	(0.18)

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

ZAHID MANSOOR  
CHIEF FINANCIAL OFFICER

MUHAMMAD AYUB  
ACTING PRESIDENT / CEO

## The Punjab Provincial Cooperative Bank Limited

### Condensed interim statement of comprehensive income For the half year ended December 31, 2015 (Un-audited)

	Half Year ended December 31,		Quarter ended December 31,	
	2015	2014	2015	2014
	Rupees in '000			
<b>Profit after taxation for the period</b>	<b>63,331</b>	<b>(8,270)</b>	<b>50,027</b>	<b>(2,331)</b>
<b>Other comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>	<b>63,331</b>	<b>(8,270)</b>	<b>50,027</b>	<b>(2,331)</b>

Surplus / (deficit) on revaluation of 'available for sale' securities is presented under a separate head below equity as 'surplus / (deficit) on revaluation of assets' in accordance with the requirements specified by the State Bank of Pakistan vide its BSD Circular No. 20 dated August 04, 2000 and BSD Circular No. 10 dated July 13, 2004 respectively and the Companies Ordinance, 1984.

*The annexed notes 1 to 17 form an integral part of this condensed interim financial information.*

**ZAHID MANSOOR**  
CHIEF FINANCIAL OFFICER

**MUHAMMAD AYUB**  
ACTING PRESIDENT / CEO

**The Punjab Provincial Cooperative Bank Limited**

Condensed interim statement of cash flows

For the half year ended December 31, 2015 (Un-audited)

	Half year ended	
	December 31, 2015	December 31, 2014
	Rupees in '000	Rupees in '000
<b>Cash flow from operating activities</b>		
Profit before taxation	82,351	5,824
Less: Dividend income	(25,598)	(12,408)
	<u>56,753</u>	<u>(6,584)</u>
<b>Adjustments for non-cash charges:</b>		
Depreciation	2,910	4,618
Charge for defined benefit plans	181,006	247,376
Provision for the year as per SME Prudential Regulations	194	-
	<u>184,110</u>	<u>251,994</u>
	<u>240,863</u>	<u>245,410</u>
<b>(Increase) / decrease in operating assets</b>		
Advances	(39,118)	(508,277)
Lending to financial institutions	-	500,000
Others assets - net	(68,898)	(144,733)
	<u>(108,016)</u>	<u>(153,010)</u>
	<u>132,847</u>	<u>92,400</u>
<b>Increase/ (decrease) in operating liabilities</b>		
Bills payable	(12,483)	(4,521)
Deposits	(171,816)	573,363
Other liabilities	(82)	9,892
	<u>(184,381)</u>	<u>578,734</u>
	<u>(51,534)</u>	<u>671,134</u>
Income tax paid	(4,991)	(7,624)
<b>Net cash (used in) / generated from operating activities</b>	<u>(56,525)</u>	<u>663,510</u>
<b>Cash flow from investing activities</b>		
Dividend income received	25,598	12,408
Investment in operating fixed assets	(18,913)	(8,490)
Cost incurred on capital work in progress	-	(15,900)
Net investments in of 'held-to-maturity' securities	(284,252)	(138,827)
<b>Net cash used in investing activities</b>	<u>(277,567)</u>	<u>(150,809)</u>
<b>Cash flow from financing activities</b>		
Issue of share capital	18	19
Medical aid to employees from common good fund	(165)	(95)
<b>Net cash used in financing activities</b>	<u>(147)</u>	<u>(76)</u>
<b>(Decrease) / Increase in cash and cash equivalents during the period</b>	<u>(334,239)</u>	<u>512,625</u>
<b>Cash and cash equivalents at beginning of the period</b>	<u>2,642,492</u>	<u>2,020,433</u>
<b>Cash and cash equivalents at end of the period</b>	<u>2,308,253</u>	<u>2,533,058</u>
<b>Cash and cash equivalents are comprised of:</b>		
Cash and balances with treasury banks	1,118,096	922,825
Balances with other banks	1,190,157	1,610,233
	<u>2,308,253</u>	<u>2,533,058</u>

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

**ZAHID MANSOOR**  
CHIEF FINANCIAL OFFICER

**MUHAMMAD AYUB**  
ACTING PRESIDENT / CEO

**The Punjab Provincial Cooperative Bank Limited**

Condensed interim statement of changes in equity

For the half year ended December 31, 2015 (Un-audited)

	Share capital	Reserves					Un-appropriated profit / (loss)	Total
		Statutory reserves	General reserves (Note)	Common good fund (Note)	Other reserve (Note)	Total reserves		
Rupees in '000								
<b>Balance as on July 01, 2014</b>	1,938,210	630,758	-	2,354	5,948,573	6,581,685	(1,656,708)	6,863,187
Issue of share capital	19	-	-	-	-	-	-	19
Medical aid to staff	-	-	-	(95)	-	(95)	-	(95)
Profit for the period	-	-	-	-	-	-	(8,270)	(8,270)
Other comprehensive income for the period	-	-	-	-	-	-	-	-
<b>Balance as on December 31, 2014</b>	1,938,229	630,758	-	2,259	5,948,573	6,581,590	(1,664,978)	6,854,841
Transfer to statutory reserve	14	22,431	-	-	-	22,431	(22,431)	14
Issue of share capital	-	-	-	-	-	-	-	-
Medical aid to staff	-	-	-	(247)	-	(247)	-	(247)
Profit for the period	-	-	-	-	-	-	97,995	97,995
Other comprehensive income for the period	-	-	-	-	-	-	(89,314)	(89,314)
<b>Balance as on June 30, 2015</b>	1,938,243	653,189	-	2,012	5,948,573	6,603,774	(1,678,728)	6,863,289
Provision for the period	-	-	194	-	-	194	-	194
Issue of share capital	18	-	-	-	-	-	-	18
Medical aid to staff	-	-	-	(165)	-	(165)	-	(165)
Profit for the period	-	-	-	-	-	-	63,331	63,331
Other comprehensive income for the period	-	-	-	-	-	-	-	-
<b>Balance as on December 31, 2015</b>	1,938,261	653,189	194	1,847	5,948,573	6,603,803	(1,615,397)	6,926,667

**Other reserve**

The Government of Punjab vide its Finance Department's letter no. FD(W&M)7-4/2014-15 dated February 10, 2016 has approved the conversion of remaining outstanding amount of Rs. 5,948.573 million, that was given during the financial years 2009-10 to 2011-12 and being shown as other reserve, into the equity of the Bank. The share certificates in lieu of this amount shall be issued in due course of time. Accordingly, this amount has not yet been transferred to the share capital account of the Bank.

**Common good fund**

This reserve is created to provide for medical treatment to employees of the Bank with respect to any unforeseen accident / injuries during the duty hours.

**General reserve**

This reserve is created to satisfy the Regulation SE R-7 of SME Prudential Regulations issued by State Bank of Pakistan.

*The annexed notes 1 to 17 form an integral part of this condensed interim financial information.*

**ZAHID MANSOOR**  
CHIEF FINANCIAL OFFICER

**MUHAMMAD AYUB**  
ACTING PRESIDENT / CEO

## Notes to the condensed interim financial information

For the half year ended December 31, 2015 (Un-audited)

### **1 Status and nature of business**

- 1.1** The Punjab Provincial Cooperative Bank Limited (the Bank) was incorporated in Punjab in the year 1924 as a Cooperative Bank under the Cooperative Societies Act, 1912 (repealed) and commenced its operations from 1924. It was given status of a Scheduled Bank by the State Bank of Pakistan (SBP) w.e.f. November 07, 1955. The Bank is operating under the supervision of the Cooperative Department Government of Punjab and the SBP. The objects for which the Bank is established are to carry out the business of agricultural credit and other activities as defined in the Cooperative Societies Act, 1925 and its Rules. The Bank operates through its 151 (June 30, 2015 : 151) branches in the province of Punjab. The Registered Office of the Bank is located at Bank Square, The Mall, Lahore.
- 1.2** State Bank of Pakistan vide its letter No.BPRD/BACPD/629/023472/15 dated October 26, 2015 has revised the Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) for the Bank to Rs.6 billion and 16% respectively on fulfilling certain conditions as mentioned in the said SBP letter. Moreover, SBP has granted exemption from the implementation of Basel III Capital Instructions till June 30, 2016 vide its letter No.BPRD/BA&CPD/629/001346/16 dated January 15, 2016. The Bank is in the process of fulfilling the conditions in the light of SBP's directions.

### **2 Basis of presentation**

This financial information has been prepared in conformity with the format of financial statements prescribed by the SBP vide BSD Circular No. 04 dated February 17, 2006.

### **3 Statement of compliance**

These financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board, the requirements of the Banking Companies Ordinance, 1962, or the directives issued by the SBP, the Cooperative Societies Act, 1925 and the Cooperative Societies Rules, 1927. Wherever, the requirements of the Act, Rules, or the directives issued by the SBP differ with the requirements of IFRS, the requirements of the Act, Rules, or the said directives shall prevail.

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

### **4 Basis of measurement**

This condensed interim financial information has been prepared under the historical cost convention except that certain fixed assets that are stated at revalued amounts and certain investments have been carried at fair value.

This condensed interim financial information is presented in Pak Rupees, which is the Bank's functional and presentation currency.

### **5 Summary of significant accounting policies**

The accounting policies and methods of computation adopted for the preparation of this condensed interim financial information are consistent with those applied in the preparation of the annual published financial statements of the Bank for the year ended June 30, 2015.

The new standards, amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2015, were either considered not to be relevant to the Bank's operations or did not have significant effect on the accounting policies of the Bank.

### **6 Significant accounting estimates and judgments**

The basis for significant accounting estimates and judgments adopted in the preparation of this condensed interim financial information is the same as those applied in the preparation of the annual financial statements of the Bank for the year ended June 30, 2015.

The Bank follows a consistent practice of conducting actuarial valuation annually at each year end. Accordingly, the half yearly provision, based on the annual actual valuation on 30-06-2015, does not have material impact on Bank's Condensed Interim Balance Sheet, Profit and Loss Account and basic & diluted EPS.

**The Punjab Provincial Cooperative Bank Limited**

Notes to the condensed interim financial information

For the half year ended December 31, 2015 (Un-audited)

	Un-audited			Audited		
	December 31, 2015			June 30, 2015		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
----- Rupees in '000 -----						

**7 Investments**

**Investments by types:**

**Available-for-sale securities**

Shares of Listed Companies	7,023	-	7,023	7,023	-	7,023
Shares of Cooperative Institutions	3,551	-	3,551	3,551	-	3,551

**Held to maturity securities**

Treasury Bills	779,351	-	779,351	496,032	-	496,032
Pakistan Investment Bonds	1,054,883	-	1,054,883	1,053,950	-	1,053,950
Investment with NBFIs	88,059	-	88,059	88,059	-	88,059
	<b>1,932,867</b>	<b>-</b>	<b>1,932,867</b>	1,648,615	-	1,648,615

**Less :** Provision for diminution in value of shares of Cooperative Institutions and NBFIs

(89,648)	-	(89,648)	(89,648)	-	(89,648)
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**Investment (net of provisions)**

1,843,219	-	1,843,219	1,558,967	-	1,558,967
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Surplus on revaluation of

'available-for-sale' securities

375,076	-	375,076	375,804	-	375,804
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**Total investments at fair value - net of provisions**

<b>2,218,295</b>	<b>-</b>	<b>2,218,295</b>	1,934,771	-	1,934,771
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	Note	Un-audited	Audited
		December 31, 2015	June 30, 2015
		Rupees in '000	
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**8 Advances**

Loans, cash credits, running finances, etc.

In Pakistan	10,839,526	10,800,408
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Bills discounted and purchased (excluding treasury bills)

Payable in Pakistan	184	184
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**Advances - gross**

10,839,710	10,800,592
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**Less : Provision for non-performing advances**

Specific	(1,602,549)	(1,602,549)
General	(3,528)	(3,528)

<b>(1,606,077)</b>	<b>(1,606,077)</b>
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**Advances - net of provision**

<b>9,233,633</b>	<b>9,194,515</b>
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**8.1** Advances include Rs. 2,223,898 thousand (June 30, 2015 : Rs.2,147,218 thousand) which have been placed under non-performing status as detailed below:-

**The Punjab Provincial Cooperative Bank Limited**

Notes to the condensed interim financial information

For the half year ended December 31, 2015 (Un-audited)

	Un-audited December 31, 2015				
	Classified advances			Provision required	Provision held
	Domestic	Overseas	Total		
	Rupees in '000				
<b>Category of classification</b>					
Other Assets Especially Mentioned	381,835	-	381,835	-	-
Substandard	167,431	-	167,431	1,800	1,800
Doubtful	175,271	-	175,271	10,124	10,124
Loss	1,499,361	-	1,499,361	1,337,967	1,594,153
	<b>2,223,898</b>	<b>-</b>	<b>2,223,898</b>	<b>1,349,891</b>	<b>1,606,077</b>

	Audited June 30, 2015				
	Classified advances			Provision required	Provision held
	Domestic	Overseas	Total		
	Rupees in '000				
<b>Category of classification</b>					
Other Assets Especially Mentioned	269,169	-	269,169	-	-
Substandard	177,635	-	177,635	1,497	1,497
Doubtful	213,430	-	213,430	15,033	15,033
Loss	1,486,984	-	1,486,984	1,465,299	1,589,547
	<b>2,147,218</b>	<b>-</b>	<b>2,147,218</b>	<b>1,481,829</b>	<b>1,606,077</b>

**8.1.1** The Bank has not adjusted its non-performing loans amounting to Rs. 473,980 thousands including mark-up thereon, against properties decreed in favor of Bank due to their pending possession disputes.

**9 Operating fixed assets**

The value of land and buildings include properties under litigation / disputes amounts to Rs. 101.183 million (June 30, 2015: Rs. 101.183 million) for which legal title has been acquired but the physical possession is under dispute.

**10 Deferred tax**

Due to uncertainty of availability of future taxable profits, an amount of Rs. 487,068 thousand (June 30, 2015: Rs. 511,232 thousand) has not been recognized as deferred tax assets.

	Note	Un-audited	Audited
		December 31, 2015	June 30, 2015
		Rupees in '000	

**11 Other assets - net**

Income / markup accrued on loans and advances in local currency	656,226	625,586
Advances, deposits, advance rent and other prepayments	2,279	1,723
Advance taxation (payments less provisions)	9,350	23,379
Sundry debtors	4,815	22,566
Profit receivable from banks	1,000	700
Crop insurance recoverable	198,361	176,482
Live stock insurance recoverable	4,784	364
Branch adjustment account	52,051	40,842
Others	108,806	91,161
<b>Other assets - gross</b>	<b>1,037,672</b>	<b>982,803</b>
Less: Provision held against other assets	(59,680)	(59,680)
<b>Other assets net of provision</b>	<b>977,992</b>	<b>923,123</b>



**The Punjab Provincial Cooperative Bank Limited**

Notes to the condensed interim financial information  
For the half year ended December 31, 2015 (Un-audited)

	Note	Un-audited	Audited
		December 31, 2015	June 30, 2015
		Rupees in '000	
<b>12 Deposits and other accounts</b>			
<b>Customers</b>			
Fixed deposits		402,658	620,297
Savings deposits		2,749,988	2,439,421
Current accounts - non-remunerative		1,171,552	1,124,125
Call deposits		2,132	2,833
Other deposits	12.1	68,996	380,466
		<b>4,395,326</b>	<b>4,567,142</b>

**12.1** Others deposits include staff security deposits and employee's provident fund deposits.

**13 Contingencies and commitments**

**13.1** The Bank has total of 121 (June 30, 2015 : 119) cases under litigation in different courts. The total amount involved in such outstanding cases aggregate to;

**141,361**      124,676

**13.2** The remaining contingencies and commitments are the same as were disclosed in preceding audited annual financial statements of the Bank.

**14 Administrative expenses**

These include expense for post employment benefits (gratuity, pension and leave encashment) amounting to Rs. 181 million (December 31, 2014: Rs. 247 million). These also include a general provision in the sum of Rs. 194 thousands (i.e. @ 1% of the secured SE portfolio) as per the revised prudential regulations implemented by SBP for SME segment.

**15 Related party transactions**

Related parties comprise of key bank executives, provident fund trust, pension fund trust and the Government of Punjab. Transactions with related parties are as follows:

	Note	Un-audited	Un-audited
		December 31, 2015	December 31, 2014
		Rupees in '000	
<b>Transactions with related parties</b>			
Remuneration of key executives		16,069	17,520
Contribution to Pension Fund Trust		19,688	20,449
Contributions to Provident Fund Trust		-	408

	Note	Un-audited	Audited
		December 31, 2015	June 30, 2015
		Rupees in '000	
<b>Amount due from related parties</b>			
Markup recoverable on loan to pension fund trust		3,980	3,980
Loan to Executives			
Loans disbursed during the period / year		5,200	8,590
Repayments during the period / year		5,083	6,068
Mark up earned during the period / year		932	1,210

Notes to the condensed interim financial information  
For the half year ended December 31, 2015 (Un-audited)

**16 Date of authorization**

The un-audited condensed interim financial information was authorised for issue on 25.02.2016 by the Administrator of the Bank.

**17 General**

- 17.1** Figures in the condensed interim financial information have been rounded off to the nearest thousand rupees.
- 17.2** Corresponding figures of profit and loss account, statement of comprehensive income, statement of cash flows and statement of changes in equity have been re-arranged, wherever considered necessary, for the purpose of better presentation of the financial information. However, no significant reclassification has been made.
- 17.3** The figures of condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarter ended 31 December 2015 and 2014 were not subject to limited scope review by the auditors as scope of review cover only the cumulative figures.

**ZAHID MANSOOR**  
CHIEF FINANCIAL OFFICER

**MUHAMMAD AYUB**  
ACTING PRESIDENT / CEO