

INDEPENDENT AUDITOR'S REPORT
To the Administrator of The Punjab Provincial Cooperative Bank Limited
Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the annexed financial statements of The Punjab Provincial Cooperative Bank Limited (the Bank), which comprise the statement of financial position as at June 30, 2022, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, along with unaudited certified returns received from the branches except for audited certified returns received from the branches' component auditors and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that, except for the matters described in paragraph a) to f) of Basis of Adverse Opinion section below, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and the explanations given to us, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof do not conform with the accounting and reporting standards as applicable in Pakistan, and, do not give the information as required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017), in the manner so required and respectively do not give a true and fair view of the state of the Bank's affairs as at June 30, 2022, and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Adverse Opinion

- a) The Bank has not charged off loans and advances outstanding for more than three years, which are 100% provided for and already classified as "Loss", as per the requirement of Prudential Regulations for Agriculture Financing, R-11, Annexure II. In the absence of relevant information, resultant adjustments and consequential quantification effects thereof, if any, on the financial statements remains unascertained.
- b) The Bank has recognised deficit on revaluation of available for sale investments amounting to Rs. 122.525 million directly in Statement of changes in equity rather showing its movement through statement of comprehensive income. This is in contravention to the Bank's policy as disclosed in note 6 to the financial statements and Prudential Regulations issued by the State Bank of Pakistan. Had the Bank recognised surplus through statement of comprehensive income and restated its financial statements for the prior years, the other comprehensive income for the current and comparative year would have been lower by Rs. 122.525 million and higher by Rs. 12.82 million respectively.
- c) During the year, the Bank has implemented the requirements of IFRS 16 as at July 01,

2021 instead of July 01, 2019 which was the date of initial application. The Bank has not restated balances as per IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors" on the financial statements for the transitional years i.e., (Financial year ended June 2019 and 2020). In the absence of relevant adjustments and information, resultant adjustments and consequential quantification effects thereof, if any, on the financial statements remains unascertained.

- d) The Bank has not recognised deferred tax asset in the financial statements to the extent of available taxable profits in accordance with requirements of IAS 12. The Bank has taxable profits amounting to Rs. 115.678 million and Rs. 46.76 million for the year ended June 30, 2022, and 2021 respectively as per the confirmations received from tax consultant of the Bank. Had the Bank recognised deferred tax asset the profit after tax would have been higher by the effect of deferred tax asset. In the absence of relevant workings and management' expectations for the availability of future taxable profits and tax planning opportunities, resultant adjustments and consequential quantification effects thereof, if any, on the financial statements remains unascertained.
- e) Other assets as disclosed in note 12 to the financial statements include a provision of Rs. 66.48 million, which remains unsubstantiated. In the absence of reasonable explanation and assumptions used by the management, resultant adjustments and consequential impact thereof, if any, on the financial statements remains unascertained.
- f) Advances as disclosed in note 7 to the financial statements include advances amounting to Rs. 54.67 million and markup on these advances amounting to Rs. 34.27 million included in "Other assets" as disclosed in note 12, and balance of Rs. 37.43 million (June 30, 2021: 37.43 million) included in "Other liabilities", remain unverified. These balances have been inherited from Central Bank at the time of its dissolution in 1976. For the purpose of this audit engagement, we were unable to determine the plausibility of these figures due to lack of information on the balances. The Bank intends to seek Board's consultation and approval (once the Board is reconstituted) on whether these balances should be removed from Bank's statement of financial position.

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

Emphasis of Matters

Without further qualifying our report, we draw attention to the following matters:

- a) As referred in note 7.4 to the financial statements, the Bank has not adjusted its non-performing loans amounting to Rs. 706.475 million (2021: Rs. 704.975 million) including mark-

up thereon against properties decreed in favor of the Bank due to pending possession disputes.

- b) As referred in note 8.1.4 to the financial statements, the ultimate outcome of disputed properties amounting to Rs. 175.69 million (2021: Rs. 175.69 million) cannot be presently determined, and hence no impairment in this context has been made in these financial statements.
- c) As referred in note 38.1 to the financial statements regarding compliance status of CAR reporting under BASEL I for the time being with parallel compliance to some of the requirements of BASEL III.
- d) As referred in note 18.3 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 as fully disclosed in the referred note.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Key audit matter	How the matter was addressed in our audit
<p>Refer to Bye Law 32 of the Punjab Provincial Cooperative Bank Limited Bye Laws 2010:</p> <p>“The BOD shall consist of:</p> <ul style="list-style-type: none"> a) Registrar, who shall be its Chairman; b) President; c) Two non-official professionals nominated by the Registrar under Bye-law 6(b); and d) Three elected members, who are qualified to be elected as Director under the election rules.” <p>Whereas, the Bank has no BOD since 2005. In view of the difficulties being faced from time to time in the performance of day to day affairs, we consider this a key audit matter.</p> 	<p>We reviewed and understood the requirements of the Punjab Provincial Cooperative Bank Limited Bye-Laws 2010. Our audit procedures included the following:</p> <ul style="list-style-type: none"> • considered the management’s response over the absence of BOD; • obtained relevant underlying supports for appointment of the Administrator and the President by the Govt. of Punjab and ensured their appropriateness for the sufficient audit evidence; • determined the powers and duties of the Administrator and ensured appropriateness of the requirements as to the management of the Bank; • substantiated the appropriateness of the disclosures provided regarding the formation of BOD in the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. Because of the significance of the matters discussed in Basis of Adverse Opinion section of our report, we have concluded that other information is materially misstated for the same reasons.

Responsibilities of Management and the Administrator for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Administrator is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and

obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

- a) because of the significance of the matters described in Basis for Adverse Opinion section

of our report, proper books of account have not been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;

- b) because of the significance of the matters described in Basis for Adverse Opinion section of our report, the statement of financial position, the profit and loss account and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows (together with the notes thereon have not been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017), however, are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
- d) No zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We confirm that for the purpose of our audit, we have covered more than sixty per cent of the total Loans and Advances of the Bank.

Other Matters

- a) The annual financial statements of the Bank for the year ended June 30, 2021 were audited by another firm of chartered accountants whose audit report dated February 04, 2022 expressed an adverse opinion.
- b) The audit of financial statements for the year ended June 30, 2022 comprising 151 branches had been allotted by the Registrar, Co-operative Societies, Punjab, to Two different component auditors. Thus, for purpose of consolidation, the audited certified financial statements furnished by the component auditors have been relied upon.

The engagement partner on the audit resulting in this independent auditor's report is Arqum Naveed.

Muniff Ziauddin & Co
Chartered Accountants

Place: Lahore

Date:

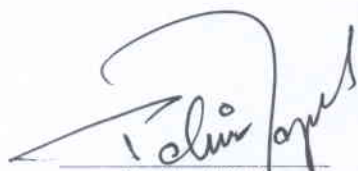
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THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022

	Note	2022	2021
		Rupees in '000'	
ASSETS			
Cash and balances with treasury banks	4	841,158	682,512
Balances with other banks	5	1,750,165	894,125
Investments	6	4,128,609	3,540,871
Advances	7	8,159,485	8,885,150
Fixed assets	8	15,442,990	7,155,960
Intangible assets	9	8,755	11,420
Right-of-use assets	10	78,534	-
Deferred tax assets	11	-	-
Other assets	12	888,531	939,897
		<u>31,298,227</u>	<u>22,109,935</u>
LIABILITIES			
Bills payable	14	30,605	21,537
Deposits and other accounts	15	5,015,374	4,154,591
Lease liabilities	16	74,984	-
Other liabilities	17	2,739,104	3,230,923
		<u>7,860,067</u>	<u>7,407,051</u>
NET ASSETS		<u><u>23,438,160</u></u>	<u><u>14,702,884</u></u>
REPRESENTED BY			
Share capital	18	7,885,488	7,885,471
Reserves		1,012,675	922,701
Surplus on revaluation of assets	19	15,630,838	7,486,456
Accumulated loss		(1,090,841)	(1,591,744)
		<u><u>23,438,160</u></u>	<u><u>14,702,884</u></u>
CONTINGENCIES AND COMMITMENTS	20		

The annexed notes 1 to 42 form an integral part of these financial statements.

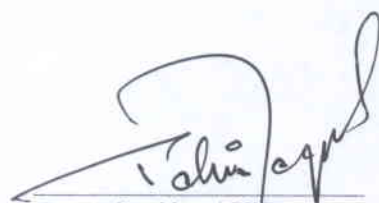

 President/CEO


 Chief Financial Officer

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2022

	Note	2022	2021
		Rupees in '000'	
Mark-up / return / interest earned	21	2,000,823	1,875,090
Mark-up / return / interest expensed	22	211,008	235,704
Net mark-up / interest income		<u>1,789,815</u>	<u>1,639,386</u>
NON MARK-UP / INTEREST INCOME			
Fee and commission income	23	68,138	76,661
Dividend income		38,658	38,513
Other income	24	50,100	349,329
Total non mark-up / interest income		<u>156,896</u>	<u>464,503</u>
Total income		<u>1,946,711</u>	<u>2,103,889</u>
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	25	1,534,116	1,592,440
Other charges	26	40,366	91,730
Total non mark-up / interest expenses		<u>1,574,482</u>	<u>1,684,170</u>
PROFIT BEFORE PROVISIONS AND TAXATION		<u>372,229</u>	<u>419,719</u>
Reversal / provisions and write offs - net	27	(1,606)	97,333
PROFIT BEFORE TAXATION		<u>373,835</u>	<u>322,386</u>
Taxation	28	17,128	19,473
PROFIT AFTER TAXATION		<u>356,707</u>	<u>302,913</u>
Basic and diluted earnings per share	29	<u>4.52</u>	<u>3.84</u>

The annexed notes 1 to 42 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, 2022

	2022	2021
	Rupees in '000'	
Profit after taxation	356,707	302,913
Other comprehensive income / (loss):		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in surplus / (deficit) on revaluation of investments - net of tax	-	-
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain / (loss) on defined benefit obligations - net of tax	230,273	(221,209)
	<u>230,273</u>	<u>(221,209)</u>
Total comprehensive income	<u><u>586,980</u></u>	<u><u>81,704</u></u>

The annexed notes 1 to 42 form an integral part of these financial statements.


 President / CFO


 Chief Financial Officer

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2022

	Share capital	General Reserves		Surplus / (deficit) on revaluation of		Accumulated loss	Total
		Statutory reserve	Common good fund	Investments	Fixed / non banking assets		
		Rupees in '000'					
Balance as at July 1, 2020	7,885,449	840,538	7,641	604,865	6,868,774	(1,597,720)	14,609,547
Profit after taxation for the prior year	-	-	-	-	-	302,913	302,913
Other comprehensive income - net of tax	-	-	-	-	-	(221,209)	(221,209)
Transfer to statutory reserve	-	75,728	-	-	-	(75,728)	-
Medical aid to staff	-	-	(1,206)	-	-	-	(1,206)
Deficit on revaluation of assets	-	-	-	12,817	-	-	12,817
Transactions with equity owners:							
Issue of shares	22	-	-	-	-	-	22
Balance as at July 1, 2021	7,885,471	916,266	6,435	617,682	6,868,774	(1,591,744)	14,702,884
Profit after taxation for the current year	-	-	-	-	-	356,707	356,707
Other comprehensive loss - net of tax	-	-	-	-	-	230,273	230,273
Transfer of revaluation surplus on disposal	-	-	-	-	(3,100)	3,100	-
Transfer to statutory reserve	-	89,177	-	-	-	(89,177)	-
Medical aid to staff	-	-	797	-	-	-	797
Surplus/Addition on revaluation of assets	-	-	-	(122,525)	8,270,007	-	8,147,482
Transactions with equity owners:							
Issue of shares	17	-	-	-	-	-	17
Balance as at June 30, 2022	7,885,488	1,005,443	7,232	495,157	15,135,681	(1,090,841)	23,438,160

The annexed notes 1 to 42 form an integral part of these financial statements.

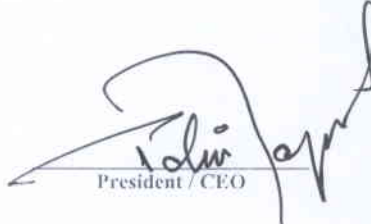

 President / CIO


 Chief Financial Officer

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

	Note	2022	2021
		Rupees in '000'	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		373,835	322,386
Less: Dividend income		(38,658)	(38,513)
		<u>335,177</u>	<u>283,873</u>
Adjustments:			
Depreciation on property and equipment	8.1	12,416	14,979
Depreciation on right-of-use assets	10	25,674	-
Interest on lease liabilities	16	14,169	-
Amortization	9.1	2,665	-
Loss on disposal of assets		3,100	-
Charge for defined benefit plan	25.1	240,114	368,242
		<u>298,138</u>	<u>383,221</u>
		633,315	667,094
Decrease in operating assets			
Advances		725,665	1,488,181
Others assets		47,756	39,468
		<u>773,421</u>	<u>1,527,649</u>
Decrease in operating liabilities			
Bills payable		9,068	(1,384)
Deposits		860,783	(466,057)
Other liabilities (excluding current taxation and defined benefits)		44,193	(60,829)
		<u>914,044</u>	<u>(528,270)</u>
Taxes paid		(36,481)	(66,647)
Defined benefits and contribution paid		(526,502)	(543,016)
Medical aid paid to employees from common good fund		797	(1,206)
Net cash flow generated from operating activities		<u>1,758,594</u>	<u>1,055,604</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in held-to-maturity securities		(710,264)	(1,434,904)
Dividends received		38,658	38,513
Lease rentals paid		(39,780)	-
Payment for acquisition of fixed assets		(32,539)	(11,222)
Net cash flow used in from investing activities		<u>(743,925)</u>	<u>(1,407,613)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Issues of share capital		17	22
Net cash flow generated from financing activities		<u>17</u>	<u>22</u>
Increase / (decrease) in cash and cash equivalents		1,014,686	(351,987)
Cash and cash equivalents at beginning of the year	30	<u>1,576,637</u>	<u>1,928,624</u>
Cash and cash equivalents at end of the year	30	<u>2,591,323</u>	<u>1,576,637</u>

The annexed notes 1 to 42 form an integral part of these financial statements.


President / CEO


Chief Financial Officer

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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 principal activity of the Bank is 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 (2021: 151) branches in the whole province of Punjab. The registered office of the Bank is located at the Bank Square, The Mall, Lahore, Pakistan.

The Bank currently does not have a Board of Directors, Board was dissolved in 2005 by Registrar and the Bank is currently in the process of formulating a new Board.

2 BASIS OF PRESENTATION

2.1 Functional and presentation currency

The financial statements are presented in Pakistani Rupee, which is the Bank's functional currency.

2.2 Statement of compliance

These financial statements have been prepared in accordance with accounting and reporting standards as applicable in Pakistan. These 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"), the Cooperative Societies Rules, 1927 ("the Rules"), and the Companies Act, 2017 and;

-Directives issued by the SBP and the Securities & Exchange Commission of Pakistan (SECP) from time to time.

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

2.3 Standards, interpretations of and amendments to existing accounting and reporting standards that are effective in the current year

There are certain amendments to existing accounting and reporting standards that have become applicable to the Bank for accounting periods beginning on or after July 01, 2021. These are considered either to not be relevant or to not have any significant impact on these financial statements.

2.4 Standards, interpretations of and amendments to existing accounting and reporting standards that are not yet effective

IFRS 9, 'Financial Instruments: Classification and Measurement', addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on an 'expected credit losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. The ECL approach has an impact on all assets of the Bank which are exposed to credit risk. The Bank is in the process of assessing the full impact of this standard. The State Bank of Pakistan vide BPRD circular Letter No. 3 of 2022 dated 05.07.2022 has decided to implement the IFRS-9 from 01.01.2024 instead of 01.01.2022. In case of PPCBL the financial year is closed on 30th June therefore, the implementation date would be considered as 01.07.2024.

The following other standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after January 1, 2022:

Standard	Effective Date
IAS-37 Onerous Contracts (Amendments)	January 01, 2022
IAS-16 Proceeds Before Intended Use (Amendments)	January 01, 2022
IAS-1 Classification of Liabilities as Current or Non-Current (Amendments)	January 01, 2022

2.5 Critical accounting estimates and judgments

The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires the 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:-



THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

i) Classification and provisioning against investment	note 3,3 & 6
ii) Impairment of 'available for sale' equity investments	note 3,3,2
iii) Assets acquired in satisfaction of claim	note 3,10
iv) Impairment of assets	note 3,11
v) Contingencies	note 3,15
vi) Taxation	note 3,8, 11 & 28
vii) Classification and provisioning against advances	note 3,4, 7,2 & 7,3
viii) Depreciation and revaluation of operating fixed assets	note 3,5 & 8,1
ix) Amortisation of intangible assets	note 3,6 & 9,1
x) Staff retirement benefits	note 3,7, 32 & 33

2.6 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except as otherwise stated under relevant policy notes.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements have been applied consistently to all periods presented.

3.1 Cash and cash equivalents

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

3.2 Deposits

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

3.3 Investments

The Bank classifies its investments as follows:

3.3.1 Held-to-maturity

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.

3.3.2 Available-for-sale

These are investments 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. Transaction costs on investments held for trading are expensed in the profit and loss account.

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognized at the trade date. Trade date is the date on which the Bank commits to purchase or sell the investment.

In accordance with the requirements of the State Bank of Pakistan, quoted securities, other than those classified as 'held to maturity', 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 surplus / deficit on revaluation of investments through statement of comprehensive income in equity till disposal at which time it is recorded in profit and loss account.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee as per the latest available financial statements. Investments classified as 'held to maturity' are carried at amortized cost less accumulated impairment losses, if any.

Provision for impairment in the value of securities is made currently assessed on yearly basis. The Bank determines that 'available for sale' equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, the impairment may be appropriate when there is an evidence of deterioration in the financial health of the investee and sector performance, changes in technology and operational / financial cash flows.

3.4 Advances

Advances are stated net of and specific general provisions. Specific provision is determined in accordance with the requirements of the Prudential Regulations and other directives issued by State Bank of Pakistan 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.



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3.5 Fixed assets

Property and equipments, other than land, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Land is carried at revalued amount less subsequent accumulated impairment losses, if any.

Depreciation on all property and equipments (excluding land) is charged using diminishing balance method at the rates specified in note 8.1 to these financial statements, except vehicles which are being depreciated on straight line method. Depreciation on additions is charged from the day the assets are available for use till the day of disposal. The residual values (in case of vehicles), useful lives (in case of vehicles), depreciation rates and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. These are transferred to specific assets as and when assets become available for use.

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 (net of deferred taxation) is transferred directly to accumulated loss.

Subsequent costs are included in the asset's carrying amount 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.

Land is revalued by independent professionally qualified valuers with sufficient regularity to ensure that their net carrying amount does not differ materially from their fair value. If an asset's carrying value increases as a result of revaluation, such increase or surplus arising on revaluation is credited to the surplus on revaluation of assets. However, if the increase reverses a deficit on the same asset previously recognised in the profit and loss account, such increase is also recognised in the profit and loss account to the extent of the previous deficit and thereafter in the surplus on the revaluation of assets.

Surplus on revaluation of assets (net of deferred tax) to the extent of the incremental depreciation charged on the related assets is transferred to accumulated losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the net asset and the net amount restated at the revalued amount of the asset.

3.6 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortised over their estimated useful lives, using the straight line method. Amortisation is calculated so as to write down the assets to their residual values over their expected useful lives at the rates stated in note 9.1 to these financial statements. Amortisation is charged from the day the assets are available for use till the day of disposal. The residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, at each reporting date.

3.7 Staff retirement benefits

The Bank operates a post-retirement contribution plan and post retirement benefit plans which include provident fund and pension fund.

For defined contribution plan, the Bank pays contributions to the fund on a periodic basis, and such amounts are charged to the profit and loss account when the payment obligation is established. The Bank has no further payment obligations once the contributions have been paid.

For funded defined benefit plans, the liability recognised in the statement of financial position is the present value of the defined benefit obligations less the fair value of plan assets as at the statement of financial position date. Contributions to the fund are made by the Bank on a periodic basis.

For non-funded defined benefit plans, the liability recognised in the statement of financial position is the present value of the defined benefit obligations at the statement of financial position date.

The liability in respect of all obligations under defined benefit plan is calculated annually by an independent actuary using the Projected Unit Credit Method.

3.7.1 Actuarial gains and losses

Actuarial gains and losses that arise out of experience adjustments and changes in actuarial assumptions are recognised in statement of comprehensive income with no subsequent recycling through the profit and loss account. Gains and losses on remeasurement of the liability for compensated absences are recognised in the profit and loss account immediately.

3.7.2 Past Service Cost

Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment. The Bank recognises past service cost as an expense when the plan amendment or curtailment occurs.



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3.8 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. The charge for current tax also includes adjustments where considered necessary, relating to prior years which arise from assessments framed / finalized during the year.

b) 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. The Bank records deferred tax asset / liability using the tax rates enacted or substantively enacted by the balance sheet date expected to be applicable at the time of its reversal.

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 the related tax benefit will be realized.

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

3.9 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 on non-performing advances and investments recognized is on receipt basis in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan. Interest / returns / mark-up on rescheduled / restructured advances and investments are recognized as permitted by the State Bank of Pakistan.

Fees, commission, brokerage, and other income is recognized at amount that reflects consideration to which the Bank expects to be entitled in exchange for providing the services. The Bank recognizes fees earned on transaction based arrangements at point in time, when the Bank has provided the services to customer, where the contract requires services to be provided over time, income is recognized on systematic basis over the period of arrangement.

Dividend income 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 at the time of sale.

3.10 Assets acquired in satisfaction of claims

Non-banking assets (NBA) acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation and impairment, if any. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of NBA is credited to the 'surplus on revaluation of non banking assets' account through statement of comprehensive income in equity and any deficit arising on revaluation is taken to profit and loss account directly. All direct costs of acquiring title to asset are charged to profit and loss account.

3.11 Impairment of assets

The carrying amount of the assets are reviewed at each date of statement of financial position for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If such indication exists, and where 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 that asset.

3.12 Financial instruments

3.12.1 Financial assets and financial liabilities

Financial assets and liabilities carried on the statement of financial position include cash and balances with treasury banks, balances with other banks, investments, advances, other assets, bills payable, deposits and other liabilities. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with these assets and

3.12.2 Derivative financial instruments

Derivative financial assets and liabilities are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value using valuation techniques. All the derivative financial instruments are carried as an asset when the fair value is positive and as a liability when the fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.



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3.12.3 Off setting

Financial assets and financial liabilities are off set and the net amount is reported in these financial statements when there is a legally enforceable right to set off and the Bank intends either to settle on a net basis, or to realize the assets and settle the liabilities, simultaneously.

3.13 Provision

Provisions are recognized when the Bank has a legal or constructive obligation as a result of a past events; 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. Provisions are reviewed at each statement of financial position date and are adjusted to reflect current best estimates.

3.14 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the equity.

3.15 Contingencies

Contingent liabilities are not recognised in the statement of financial position as they are possible obligations where it has yet to be confirmed whether a liability, which will ultimately result in an outflow of economic resources to settle the obligation, will arise. In cases where the probability of an outflow of economic resources is considered remote, it is not disclosed as a contingent liability.

Contingent asset is not recognised but is only disclosed when inflow of economic benefits becomes probable.

3.16 Business segment reporting

A segment is a distinguishable component of the Bank that is engaged 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 banking

It includes deposits and banking services to customers of the Bank.

b. Retail finance lending

It includes loans of individuals, agriculture customers and SME. Products offered to customers include salary finance, house finance, livestock finance, dairy finance etc.

c. Others

This includes head office related activities, and all other activities not tagged to the segments above.

3.17 Geographical segment reporting

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

3.18 Earnings per share

The Bank presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is not calculated separately, as the Bank does not have any convertible instruments in issue.



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4 CASH AND BALANCES WITH TREASURY BANKS	Note	2022	2021
		Rupees in '000'	
In hand			
Local currency		365,672	195,488
With State Bank of Pakistan in			
- Local currency current account	4.1	375,199	369,455
With National Bank of Pakistan in			
- Local currency current account		25,368	61,823
- Local currency deposit account (NIDA)	4.2	74,919	55,746
		100,287	117,569
		841,158	682,512

4.1 This represents current accounts maintained with the the State Bank of Pakistan under the Cash Reserve Requirement of section 22 of the Banking Companies Ordinance, 1962.

4.2 This represents deposit accounts maintained with the National Bank of Pakistan, Rate of profit on NIDA account is at 12.25% per annum (June 30, 2021: 5.50% per annum).

5 BALANCES WITH OTHER BANKS	Note	2022	2021
		Rupees in '000'	
In Pakistan			
In current accounts		819,129	16,527
In deposit accounts	5.1	931,036	877,598
		1,750,165	894,125

5.1 These represent deposit accounts which carry profit rates ranging from 6.15% to 12.75% per annum (June 30, 2021: 5.50% to 6.15% per annum).

6 INVESTMENTS	2022				2021			
	Cost / amortised cost	Provision for diminution	Surplus	Carrying value	Cost / amortised cost	Provision for diminution	Surplus	Carrying value
6.1 Investments by type:	Rupees in '000'							
Available-for-sale securities:								
Shares	10,574	(1,589)	495,157	504,142	10,574	(1,589)	617,682	626,667
Held-to-maturity securities:								
Federal Government securities	3,624,467	-	-	3,624,467	2,914,204	-	-	2,914,204
Non-Government debt securities	88,059	(88,059)	-	-	88,059	(88,059)	-	-
	3,712,526	(88,059)	-	3,624,467	3,002,263	(88,059)	-	2,914,204
Total Investments	3,723,100	(89,648)	495,157	4,128,609	3,012,837	(89,648)	617,682	3,540,871
6.2 Investments by segments:								
Federal Government Securities:								
- Market treasury bills	3,624,467	-	-	3,624,467	2,914,204	-	-	2,914,204
Non-Government debt securities:								
- Unlisted	88,059	(88,059)	-	-	88,059	(88,059)	-	-
Shares:								
- Listed	7,023	-	495,157	502,180	7,023	-	617,682	624,705
- Unlisted	3,551	(1,589)	-	1,962	3,551	(1,589)	-	1,962
	10,574	(1,589)	495,157	504,142	10,574	(1,589)	617,682	626,667
Total Investments	3,723,100	(89,648)	495,157	4,128,609	3,012,837	(89,648)	617,682	3,540,871

6.3 Provision for diminution in value of investments	2022	2021
	Rupees in '000'	
Opening balance	89,648	89,648
Charge / reversals		
Charge for the year	-	-
Reversals for the year	-	-
Reversal on disposals	-	-
Transfers - net	-	-
Amounts written off	-	-
Closing balance	89,648	89,648



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6.4 Particulars of provision against debt securities Category of classification	2022		2021	
	NPI	Provision	NPI	Provision
Domestic Loss	88,059	88,059	88,059	88,059

6.5 Quality of Available for Sale Securities

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

Shares

Listed Companies

Paper and board
Textile composite

2022	2021
6,708	6,708
315	315
7,023	7,023

Unlisted Companies

Coop: Insurance Society of Pakistan
National Coop. Supply Corporation
Coop: Investment & Management Agency
Oberoi Coop: Society Sialkot
Shahdara Pioneer Coop: M.P. Society
Lahore Central Coop: Store
Jhelum Dist. Coop: Society
All Pakistan Coop: Multi Purpose Society
Punjab Prov. Coop: Cotton Corp.
Anjuman Imdad-e-Bahami M.P. Society
Pioneer Coop: Leather & Rubber Society
Punjab Prov. Coop: Marketing
West Pakistan Coop: Consumer Society
Sargodha Dist. Coop: Society
Multan Dist. Coop: Multi Purpose Society
Lyalpur Dist. Coop: Multi Purpose Society
Lyalpur Dist. Coop: Store
Montgomery Coop: Society
Bahawalpur Coop: Society
Arifwala Mills Society
Rawalpindi Multi Purpose Union

2022		2021	
Cost	Breakup value	Cost	Breakup value

2022		2021	
Cost	Breakup value	Cost	Breakup value
1,919	10	1,919	10
43	100	43	100
341	100	341	100
71	1,000	71	1,000
300	100	300	100
536	100	536	100
1	100	1	100
11	1,000	11	1,000
65	500	65	500
12	100	12	100
30	1,000	30	1,000
2	500	2	500
1	100	1	100
18	500	18	500
8	50	8	50
10	100	10	100
1	100	1	100
102	100	102	100
25	100	25	100
45	100	45	100
10	50	10	50
3,551		3,551	

6.6 Particulars relating to Held to Maturity securities are as follows:

Federal Government Securities - Government guaranteed

Market Treasury Bills

Non Government Debt Securities

Unlisted

Note	2022	2021
	Cost	
	Rupees in '000'	
	3,624,467	2,914,204
6.6.1	88,059	88,059

6.6.1 The Bank has filed a petition against Trust Investment Bank Limited (TIBL) in Honorable Lahore High Court, Lahore for recovery of Rs. 88,059 thousand 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 thousand has already been made in the financial statements.

7 ADVANCES

Loans, cash credits, running finances, etc.
Bills discounted and purchased
Advances - gross

Provision against advances

- Specific
- General

Advances - net of provision

Performing		Non Performing		Total	
2022	2021	2022	2021	2022	2021
Rupees in '000'					
7,671,924	8,030,693	2,189,376	2,557,878	9,861,300	10,588,571
-	-	184	184	184	184
7,671,924	8,030,693	2,189,560	2,558,062	9,861,484	10,588,755
-	-	1,701,621	1,703,227	1,701,621	1,703,227
-	-	378	378	378	378
-	-	1,701,999	1,703,605	1,701,999	1,703,605
7,671,924	8,030,693	487,561	854,457	8,159,485	8,885,150

7.1 Particulars of advances (gross)

In local currency
In foreign currencies

2022	2021
Rupees in '000'	
9,861,484	10,588,755
9,861,484	10,588,755



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7.2 Advances include Rs, 2,189,376 thousand (2021: Rs, 2,551,779 thousand) which have been placed under non performing status as detailed below:

Category of Classification

Domestic

Other Assets Especially Mentioned
 Substandard
 Doubtful
 Loss
 Total

2022		2021	
Non Performing Loans	Provision	Non Performing Loans	Provision
Rupees in '000'			
116,029	50	317,563	101
151,746	2,230	330,597	426
224,602	26,679	194,341	12,396
1,696,999	1,673,040	1,715,377	1,690,682
2,189,376	1,701,999	2,557,878	1,703,605
2,189,376	1,701,999	2,557,878	1,703,605

7.3 Particulars of provision against advances

Opening balance
 Exchange adjustments
 Charge for the year
 Reversals
 Amounts written off
 Closing balance

2022			2021		
Specific	General	Total	Specific	General	Total
Rupees in '000'					
1,703,227	378	1,703,605	1,605,893	378	1,606,271
-	-	-	-	-	-
(1,606)	-	(1,606)	97,333	-	97,333
-	-	-	-	-	-
-	-	-	-	-	-
1,701,621	378	1,701,999	1,703,227	378	1,703,604

Particulars of provision against advances

in local currency

1,701,621	378	1,701,999	1,703,227	378	1,703,605
1,701,621	378	1,701,999	1,703,227	378	1,703,605

7.4 The Bank has not adjusted its non performing loans amounting to Rs, 706,475 thousand (2021: Rs, 704,975 thousand) including mark-up thereon, against properties decreed in favor of the Bank due to pending possession disputes.

8 FIXED ASSETS

Note 2022 2021
 Rupees in '000'

Capital work in progress
 Property and equipment

39,989	19,274
15,403,001	7,136,686
15,442,990	7,155,960

8.1 Property and Equipment

Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Telephone exchange and conference	Arms and ammunition	Total
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Rupees '000'

At July 1, 2021

6,403,310	576,719	158,002	6,314	54,180	97,792	78,703	1,221	277	7,376,518
-	-	(63,640)	(2,649)	(47,003)	(55,276)	(69,871)	(1,145)	(248)	(239,832)
6,403,310	576,719	94,362	3,665	7,177	42,516	8,832	76	29	7,136,686

Year ended June 30, 2022

6,403,310	576,719	94,362	3,665	7,177	42,516	8,832	76	29	7,136,686
8,222,726	47,281	-	-	-	-	-	-	-	8,270,007
-	-	5,907	-	695	4,528	21	-	-	11,151
(3,100)	-	-	-	-	-	-	-	-	(3,100)
-	-	(2,498)	(101)	(2,599)	(4,592)	(2,599)	(24)	(3)	(12,416)
-	-	-	-	-	673	-	-	-	673
14,622,936	624,000	97,771	3,564	5,273	43,125	6,254	52	26	15,403,001

At June 30, 2022

14,622,936	624,000	163,909	6,314	54,875	102,320	78,724	1,221	277	15,654,576
-	-	(66,138)	(2,750)	(49,602)	(59,195)	(72,470)	(1,169)	(251)	(251,575)
14,622,936	624,000	97,771	3,564	5,273	43,125	6,254	52	26	15,403,001

Rate of depreciation (percentage)

-	-	2.5%	2.5%	20%	20%	20%	20%	20%	20%
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At July 1, 2020

6,402,535	576,719	155,838	5,524	53,286	78,536	78,703	1,221	277	7,352,639
-	-	(61,221)	(2,555)	(43,646)	(50,031)	(65,311)	(1,116)	(244)	(224,124)
6,402,535	576,719	94,617	2,969	9,640	28,505	13,392	105	33	7,128,515



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Year ended June 2021

Opening net book value	6,402,535	576,719	94,617	2,969	9,640	28,505	13,392	105	33	7,128,515
Additions	775	-	2,164	790	923	19,275	-	-	-	23,927
Disposals	-	-	-	-	(29)	(19)	-	-	-	(48)
Depreciation charge	-	-	(2,419)	(94)	(3,101)	(5,193)	(4,139)	(29)	(4)	(14,979)
Other adjustments / transfers	-	-	-	-	(256)	(52)	(421)	-	-	(729)
Closing net book value	6,403,310	576,719	94,362	3,665	7,177	42,516	8,832	76	29	7,136,686

At June 30, 2021

Cost / revalued amount	6,403,310	576,719	158,002	6,314	54,180	97,792	78,703	1,221	277	7,376,518
Accumulated depreciation	-	-	(63,640)	(2,649)	(47,003)	(55,276)	(69,871)	(1,145)	(248)	(239,832)
Net book value	6,403,310	576,719	94,362	3,665	7,177	42,516	8,832	76	29	7,136,686
Rate of depreciation (percentage)	-	-	2.5%	2.5%	20%	20%	20%	20%	20%	

8.1.1 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.

8.1.2 Freehold land was revalued on June 29, 2022 by Arch e' decon, an independent professional valuer firm, on the basis of fair market value. This revaluation resulted in surplus of Rs. 8,222,726 thousand in respect of freehold land. However, without the effect of revaluation, the carrying amount of the land would have been Rs.107,379 million (2021: Rs.110,479 million). Fair value has been assessed under 'fair value hierarchy: level 3'.

8.1.3 Leasehold land was revalued on June 29, 2022 by Arch e' decon, an independent professional valuer firm, on the basis of fair market value. This revaluation resulted in surplus of Rs. 47,281 thousand in respect of leasehold land. However, without the effect of revaluation, the carrying amount of the land would have been Rs. Nil (2021: Rs. Nil). Fair value has been assessed under 'fair value hierarchy: level 3'.

8.1.4 The value of land and buildings include properties under litigation / disputes amounts to Rs. 175,687 million (2021: Rs. 175,687 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.

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

9 INTANGIBLE ASSETS

	Note	2022	2021
Rupees in '000'			
9.1 Cost		22,207	10,787
Accumulated amortisation		(10,787)	(10,787)
Net book value	9.2	11,420	-
Year ended June			
Opening net book value		11,420	22,207
Amortisation charge		(2,665)	-
Closing net book value		8,755	22,207
At June 30			
Cost		8,755	22,207
Accumulated amortisation and impairment		-	(10,787)
Net book value		8,755	11,420
Rate of amortisation (percentage)		20%	20%

9.2 This includes an intangible asset that relates to the Bank Smart Software system used by the Bank which is fully amortised now.

RIGHT OF USE OF ASSETS

	2022	2021
Rupees in '000'		
Opening balance	-	-
Add: Initial application of IFRS 16 on July 1, 2021	92,162	-
Add: Prepaid lease rentals as at June 30, 2021	3,613	-
Add: Additions during the year	8,433	-
Less: Depreciation charge for the year	(25,674)	-
Closing balance	78,534	-
Lease Term (Years)	1 to 10 Years	

There are no variable lease payments in the lease contracts. There were no leases with residual value guarantees or leases not yet commenced to which the Company is committed.

11 DEFERRED TAX ASSETS

	2022			
	At July 1, 2021	Recognised in P&L	Recognised in OCI	At June 30, 2022
Rupees in '000'				
Deductible Temporary Differences on				
Post retirement benefits	2,952,148	-	-	2,420,696
Provision against other assets	66,478	-	-	66,479
Provision for salary payable	-	-	-	-
Decelerated tax amortisation	7,994	-	-	9,022
Provision against advances	1,703,605	-	-	1,701,999
	4,730,225	-	-	4,198,196



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		2022			
		At July 1, 2021	Recognised in P&L	Recognised in OCI	At June 30, 2022
		Rupees in '000'			
Taxable Temporary Differences on					
Accelerated tax depreciation		54,529	-	-	59,897
Surplus on revaluation of investments		528,034	-	-	405,509
Right-of-Use Assets		-	-	-	78,534
		582,563	-	-	543,940
Temporary differences for which no deferred tax is recognized	11.1	4,147,662	-	-	3,654,256
Tax Rate		35%		35%	
Deffered Tax Assets		1,451,682		1,278,990	

		2021			
		At July 1, 2020	Recognised in P&L	Recognised in OCI	At June 30, 2021
		Rupees in '000'			
Deductible Temporary Differences on					
Post retirement benefits		2,905,725	-	-	2,952,148
Provision against other assets		66,479	-	-	66,478
Provision for salary payable		264,285	-	-	-
decelerated tax amortisation		2,146	-	-	7,994
Provision against advances		1,606,271	-	-	1,703,605
		4,844,906	-	-	4,730,225
Taxable Temporary Differences on					
Accelerated tax depreciation		38,777	-	-	54,529
Surplus on revaluation of investments		515,217	-	-	528,034
		553,994	-	-	582,563
Temporary differences for which no deferred tax is recognized		4,290,912	-	-	4,147,662

11.1 In the absence of future taxable profit projections due to unanticipated circumstances, amount of Rs. 1,278,990 thousand (2021: Rs. 1,451,682 thousand) has not been recognized as deferred tax asset.

12 OTHER ASSETS

	Note	2022	2021
		Rupees in '000'	
Income / mark-up accrued in local currency		710,082	762,828
Advances, deposits, advance rent and other prepayments		1,981	1,147
Sundry debtors		2,362	2,448
Crop insurance recoverable		89,227	96,845
Live stock insurance recoverable		5,300	6,142
Branch adjustment		28,585	8,436
Memorandum account	12.1.2	-	-
Others		117,473	128,530
		955,010	1,006,376
Less: Provision held against other assets	12.1	(66,479)	(66,479)
Other assets (net of provision)		888,531	939,897
		888,531	939,897
Provision held against other assets			
Others	12.1.1	(66,479)	(66,479)

12.1.1 Movement in provision held against other assets

Opening balance		(66,479)	(66,479)
Charge for the year		-	-
Reversals		-	-
Amount written off		-	-
Closing balance		(66,479)	(66,479)

12.1.2 Bank maintains a balance of memorandum account amounting to Rs. 2,795,889 thousand as at June 30, 2022 (June 30, 2021: Rs. 2,778,043 thousand) as per requirement of SBP.

13 CONTINGENT ASSETS

The Bank has 86 cases pending with authorities for recoveries and settlement of properties. However, inflow of economic benefits from such cases are not probable and therefore are not being disclosed here.

14 BILLS PAYABLE

	2022	2021
	Rupees in '000'	
In Pakistan	30,605	21,537



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15 DEPOSITS AND OTHER ACCOUNTS	Note	2022			2021		
		In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
Customers							
		----- Rupees in '000' -----					
Current deposits - non remunerative		1,152,546	-	1,152,546	805,221	-	805,221
Savings deposits - remunerative		3,227,261	-	3,227,261	2,931,517	-	2,931,517
Fixed deposits		577,667	-	577,667	261,292	-	261,292
Call deposits		1,904	-	1,904	2,363	-	2,363
Other deposits	15.1	55,996	-	55,996	154,198	-	154,198
		5,015,374	-	5,015,374	4,154,591	-	4,154,591

15.1 Other deposits include staff security deposits and employees' provident fund deposits.

15.2 Composition of deposits

	2022	2021
	Rupees in '000'	
Individuals	4,448,325	3,592,646
Government (Federal and Provincial)	131,711	118,406
Private sector	435,338	443,539
	5,015,374	4,154,591

15.3 The above deposits include eligible deposits amounting to Rs. 4,803,988 thousand (2021: Rs. 3,995,418 thousand) vide DPC Circular No. 04 of 2018 dated 22 June 2018.

16 LEASE LIABILITIES

	2022	2021
	Rupees in '000'	
Opening balance	-	-
Add: Initial application of IFRS 16 on July 1, 2021	92,162	-
Add: Accrued lease rentals as at June 30, 2021	-	-
Add: Additions during the year	8,433	-
Add: Interest expense	14,169	-
Less: Lease payments	(39,780)	-
Gross liability	74,984	-
Less: Current portion	-	-
Closing balance	74,984	-

16.1 Maturity analysis of contractually undiscounted cash flows

	Within One Year	Between Two to Five Years	Later than Five Years
At June 30, 2022	32,916,275	70,653,849	16,223,530

17 OTHER LIABILITIES

	Note	2022	2021
		Rupees in '000'	
Mark-up / return / interest payable in local currency		61,169	49,285
Accrued expenses		19,229	15,104
Accrued rent		30,430	-
Sundry creditors		70,682	73,558
Advance taxation (payments less provisions)		40,615	57,614
Dissolved bank payable		37,427	37,427
Provision for employees' gratuity		111,739	107,657
Provision for employees' pension fund		2,056,265	2,553,732
Provision for employees' compensated absences		267,485	290,759
Withholding tax payable		5,182	7,536
Memorandum account	17.1	-	-
Others		38,882	38,251
		2,739,104	3,230,923

17.1 Bank maintains a balance of memorandum account amounting to Rs. 2,795,889 thousand as at June 30, 2022 (June 30, 2021: Rs. 2,778,043 thousand) as per requirement of SBP.

18 SHARE CAPITAL

18.1 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 By-laws 2010.

18.2 Issued, subscribed and paid up capital

	Note	2022	2021	2022	2021
		Number of Shares		Rupees in '000'	
Ordinary shares of Rs. 100 each					
Fully paid in cash		78,492,691	78,492,691	7,849,269	7,849,269
Issued as bonus shares		375,730	375,730	37,573	37,573
		78,868,421	78,868,421	7,886,842	7,886,842
Total shares refunded / issued till date	18.2.1	(13,540)	(13,712)	(1,354)	(1,371)
		78,854,881	78,854,709	7,885,488	7,885,471

18.2.1 Shares refunded

	2022	2021	2022	2021
	Number of Shares		Rupees in '000'	
As at July, 1	13,712	13,932	1,371	1,393
Refunded during the year	-	-	-	-
Issued during the year	(170)	(220)	(17)	(22)
As at June, 30	13,542	13,712	1,354	1,371



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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.

18.3 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. Currently Bank meets MCR requirements prescribed by SBP.
- 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. Currently full time president has been appointed with effect from Dec 2021, however, the matter with regard to constitution of Board is under consideration with Govt of Punjab.
- 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. Strategic plan has been submitted to SBP.
- 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. Per party exposure limits are fully observed.

19 SURPLUS ON REVALUATION OF ASSETS

	Note	2022	2021
Rupees in '000'			
Surplus on revaluation of			
Available for sale securities	6.1	495,157	617,682
Fixed assets	19.1	15,135,681	6,868,774
		<u>15,630,838</u>	<u>7,486,456</u>
Deferred tax on surplus on revaluation of:			
Available for sale securities	11	-	-
Fixed assets	11	-	-
		<u>-</u>	<u>-</u>
		<u>15,630,838</u>	<u>7,486,456</u>

19.1 Surplus on revaluation of assets

Surplus on revaluation of assets - Opening balance	19.2 & 19.3	6,868,774	6,868,774
Addition during the year		8,266,907	-
Surplus on revaluation of assets - Closing balance		<u>15,135,681</u>	<u>6,868,774</u>

19.2 Freehold and leasehold land was revalued on June 29, 2022 by Arch e' decon, an independent professional valuer firm, on the basis of fair market value. This revaluation resulted in surplus of Rs. 8,266,907 thousand.

19.3 In the absence of future taxable profit projections due to unanticipated circumstances, amount of Rs.5,470,793 thousand (2021: Rs. 2,404,071 thousand) has not been recognized as deferred tax asset.

20 CONTINGENCIES AND COMMITMENTS

		2022	2021
Rupees in '000'			
Commitments	20.1	53,070	25,955
Other contingent liabilities	20.2	9,000	9,000
		<u>62,070</u>	<u>34,955</u>
20.1 Commitments			
Civil work		9,875	19,582
Intangible assets		43,195	6,373
		<u>53,070</u>	<u>25,955</u>

Other contingent liabilities

These represent certain claims by third parties against the Bank, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and the possibility of an outflow of economic resources is remote.

20.2.1 Sales tax notice

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 thousand had not been paid to the Government in regard to sale of machinery valuing Rs. 33,600 thousand of Rahwali Sugar Mills to M/s Ali Industrial and Engineering Works, Karachi. 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 back to Sales tax department by the Lahore High Court on 18-06-2010, now pending adjudication before the Department.

20.2.2 Income tax status / exposure:

The Income Tax Returns up to the tax year 2021 have 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.

20.2.3 The Bank is in litigation 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 Rs. 1,597 thousand respectively.

20.2.4 Tax return for the year 2008 was selected for audit under section 177(4) of Income Tax Ordinance, 2001. Accordingly Income Tax Department raised a demand of Rs. 435,226 thousand vide order dated September 29, 2009. Afterwards, CIR (Appeals) vide his order dated January 20, 2010 annulled such assessed amount. Later on, Department went into appeal against the order of CIR (Appeals). HAT has remanded back the case to Department. The Bank has filed appeal before Lahore High Court.

20.2.5 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 thousand, Rs. 16,855 thousand and Rs. 725 thousand respectively. Appeal has been filed before CIR and stay order has been obtained from Lahore High Court, against the notice u/s 138(2) in all respective years.

20.2.6 In case of tax year 2014, the Bank has filed an appeal against an order passed by CIR u/s 182(1) amounting to Rs. 463 thousand on account of filing of late return for tax year 2014 before Appellate Tribunal Inland Revenue.



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20.2.7 The bank is contingently liable to super tax demand for the tax year 2015 to the tune of Rs. 4,400 thousand as claimed by the department. 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 on it. Accordingly the provision for super tax has not been recorded in the financial statements.

20.2.8 In case of assessment years 2016, Additional CIR passed an order u/s 122(5A) dated 30.11.2017 and created liability of Rs. 17,122 thousand Appeal has been filed before CIR (Appeal) and stay order has been obtained against the notice u/s 138(2) from Lahore High Court.

20.2.9 PRA had conducted the audit of PST, resultant liability of Rs. 685 thousand was created. Bank filed an 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 till the decision of the case by PRA Appellate Authority.

21 MARK-UP/RETURN/INTEREST EARNED	Note	2022	2021
Rupees in '000'			
On:			
Loans and advances		1,557,405	1,646,650
Investments		352,013	156,394
Balances with banks		91,405	72,046
		<u>2,000,823</u>	<u>1,875,090</u>
22 MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		<u>211,008</u>	<u>235,704</u>
23 FEE AND COMMISSION INCOME			
Branch banking customer fees		3,216	5,965
Commission on utility bills collection		9,060	9,697
Advances & guarantees fee		55,094	59,749
Rent on lockers		768	1,141
Others		-	109
		<u>68,138</u>	<u>76,661</u>
24 OTHER INCOME			
Reversal of provisions for salary payable		-	264,285
Rent on property		50,100	85,044
		<u>50,100</u>	<u>349,329</u>
25 OPERATING EXPENSES			
Total compensation expense	25.1	1,209,866	1,337,960
Property expense			
Rent and taxes		6,225	39,790
Building repair and maintenance (including janitorial charges)		2,520	2,264
Interest on lease liability		14,169	-
Loss on disposal of property		3,100	-
Depreciation on right-of-use assets	10	25,674	-
Depreciation on property and equipment	8.1	2,599	2,513
		<u>54,287</u>	<u>44,567</u>
Intangible assets			
Amortisation	9.1	2,665	-
Other operating expenses			
Legal and professional charges		10,495	8,847
Travelling and conveyance		49,064	24,884
Depreciation		9,817	12,466
Training & development		1,664	980
Postage and courier charges		12,325	4,896
Communication		16,813	16,854
Stationery and printing		3,345	2,401
Marketing, advertisement and publicity		2,605	2,526
Insurance		4,733	6,522
Utilities cost		47,854	27,610
Security expenses		37	245
Repair and maintenance (Furniture & Electrical)		1,843	640
Auditors' remuneration	25.2	4,140	5,380
Others		102,562	95,662
		<u>267,298</u>	<u>209,913</u>
		<u>1,534,116</u>	<u>1,592,440</u>
25.1 Total compensation expense			
Salary and allowances		968,975	968,828
Fees and allowances etc		777	890
Charge for defined benefit plan		240,114	368,242
		<u>1,209,866</u>	<u>1,337,960</u>



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25.2 Auditors' remuneration

2022			2021
M/s Muniff Ziauddin & Co	M/s Kamran & Co	total	
Rupees in '000'			
Audit fee	4,140	-	4,665
IT Audit fee	-	-	45
	<u>4,140</u>	<u>-</u>	<u>4,710</u>

26 OTHER CHARGES

Penalties imposed by State Bank of Pakistan

Note	2022	2021
	<u>40,366</u>	<u>91,730</u>

27 Reversal / provisions and write offs - net

(Reversal) / provisions against loans and advances

	<u>(1,606)</u>	<u>97,333</u>
	<u>(1,606)</u>	<u>97,333</u>

28 TAXATION

Current
 Prior years
 Deferred

	<u>37,585</u>	<u>36,329</u>
	<u>(20,457)</u>	<u>(16,856)</u>
11	<u>-</u>	<u>-</u>
	<u>17,128</u>	<u>19,473</u>

Relationship between tax expense and accounting profit

Profit before taxation

Tax on income at 35% (2020: 35%)

Tax on separate block of income

Others

	<u>373,835</u>	<u>322,386</u>
	<u>130,842</u>	<u>112,835</u>
	<u>5,777</u>	<u>5,777</u>
	<u>(119,491)</u>	<u>(99,139)</u>
	<u>17,128</u>	<u>19,473</u>

29 BASIC AND DILUTED EARNINGS PER SHARE

Profit after taxation (Rupees)

Weighted average number of ordinary shares (Numbers)

Basic and diluted earnings per share (Rupees)

There is no dilutive effect on basic earnings per share during the year.

	<u>356,707</u>	<u>302,913</u>
	<u>78,854,881</u>	<u>78,854,489</u>
	<u>4.52</u>	<u>3.84</u>

30 CASH AND CASH EQUIVALENTS

Cash and balance with treasury banks

Balance with other banks

4	<u>841,158</u>	<u>682,512</u>
5	<u>1,750,165</u>	<u>894,125</u>
	<u>2,591,323</u>	<u>1,576,637</u>

30.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

2022				
Rupees in '000'				
Liabilities	Equity			
	Other liabilities	Share capital	Reserves	Accumulated loss
Balance as at July 01, 2021	3,230,923	7,885,471	8,409,157	(1,591,744)
Changes from financing cash flows				
Cash based				
- Issue of shares	-	17	-	-
- Refund of shares	-	-	-	-
- Medical aid to staff	-	-	797	-
- Non-cash based / revaluation	-	-	8,656,912	500,904
	-	17	8,657,709	500,904
Liability-related				
- Cash based	(731,933)	-	-	-
- Non-cash based	240,114	-	-	-
	(491,819)	-	-	-
Balance as at June 30, 2022	<u>2,739,104</u>	<u>7,885,488</u>	<u>17,066,866</u>	<u>(1,090,841)</u>



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2021			
Rupees in '000'			
Liabilities	Equity		
Other liabilities	Share capital	Reserves	Accumulated loss
6,072,752	7,885,449	8,321,818	(1,597,720)
-	22	-	-
-	-	(1,206)	-
-	-	88,545	5,976
-	22	87,339	5,976
(5,988,114)	-	-	-
3,146,285	-	-	-
(2,841,829)	-	-	-
3,230,923	7,885,471	8,409,157	(1,591,744)

Balance as at July 01, 2020
 Changes from financing cash flows
 Cash based
 - Issue of shares
 - Refund of shares
 - Medical aid to staff
 Non-cash based

Liability-related
 Cash based
 Non-cash based

Balance as at June 30, 2021

31 STAFF STRENGTH

Permanent
 On bank contract
 Others (Daily wages)
 Bank's own staff strength at the end of the year

2022 2021
 (Number)

980	881
589	665
158	158
1,727	1,704

32 DEFINED BENEFIT PLAN

32.1 General description

The Bank operates an unfunded gratuity scheme and 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 members whereas the members 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. Actuarial gains and losses that arise out of experience adjustments and changes in actuarial assumptions are recognised in statement of comprehensive income with no subsequent recycling through the profit and loss account.

32.2 Number of employees under the scheme

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

Pension fund
 Gratuity fund
 Leave encashment scheme

2022 2021
 (Number)

1,140	1,212
390	232
570	635

32.3 Principal actuarial assumptions

The actuarial valuations were carried out for June 30, 2022 based on the Projected Unit Credit Method, using the following significant assumptions:-

Pension fund		Gratuity Fund		Compensated Absence	
2022	2021	2022	2021	2022	2021
----- Rupees in '000' -----					
13.50%	10.25%	13.50%	10.25%	13.25%	10.25%
5.25%	5.25%	5.25%	5.25%	5.25%	5.25%
12.50%	9.25%	9.25%	12.50%	12.50%	9.25%
6.25%	1.50%	-	-	-	-
13.50%	9.25%	-	-	-	-

Discount rate
 Short term salary increase rate
 Long term salary increase rate
 Pension indexation rate
 Expected return on plan asset

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 year, for returns over the entire life of the related obligation.

32.4 Reconciliation of payable to defined benefit plans

Present value of obligations
 Fair value of plan assets

Net payable at the year end

Pension fund		Gratuity Fund		Compensated Absence	
2022	2021	2022	2021	2022	2021
----- Rupees in '000' -----					
5,236,539	5,014,636	117,739	107,656	267,485	290,761
(3,180,274)	(2,460,904)	-	-	-	-
2,056,265	2,553,732	117,739	107,656	267,485	290,761

32.5 Movement in defined benefit obligations

Obligations at the beginning of the year
 Current / past service cost
 Interest cost
 Benefits paid by the Bank
 Re-measurement loss / (gain)
 Impact of Pension increase / past payments
 Obligations at the end of the year

Rupees in '000'					
5,014,637	4,599,282	107,658	98,650	290,761	188,112
23,179	22,538	3,915	2,971	8,042	8,984
444,877	412,462	10,774	8,159	27,829	145,947
(373,143)	(280,475)	(5,084)	(5,333)	(38,513)	(13,899)
126,990	260,830	(5,523)	3,211	(20,634)	(38,383)
-	-	-	-	-	-
5,236,540	5,014,637	111,740	107,658	267,485	290,761



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32.6 Movement in fair value of plan assets	Pension Fund		Gratuity Fund		Compensated Absence	
	2022	2021	2022	2021	2022	2021
	Rupees in '000'					
Fair value at the beginning of the year	2,460,904	1,980,320	-	-	-	-
Interest income on plan assets	257,868	194,433	-	-	-	-
Contribution by the Bank - net	482,905	523,794	-	-	-	-
Benefit payments from plan	(373,143)	(280,475)	-	-	-	-
Re-measurements: Net return on plan assets (excluding interest income)	351,740	42,832	-	-	-	-
Fair value at the end of the year	3,180,274	2,460,904	-	-	-	-

32.7 Movement in payable under defined benefit schemes	2022	2021	2022	2021	2022	2021
Present value at beginning of the year	2,553,732	2,618,962	107,657	98,650	290,771	188,112
Charge for the year	210,188	240,566	14,689	11,129	15,237	116,548
Contributions paid	(482,905)	(523,794)	-	-	-	-
Benefits paid	-	-	(5,084)	(5,333)	(38,513)	(13,889)
Re-measurement loss / (gain) recognised in OCI	(224,750)	217,998	(5,523)	3,211	-	-
Present value as at end of year	2,056,265	2,553,732	111,739	107,657	267,495	290,771

32.8 Charge for defined benefit plans

32.8.1 Cost recognised in profit and loss

Current service cost	23,179	22,538	3,915	2,971	8,042	8,984
Net interest on defined benefit asset / liability	444,877	218,028	10,774	8,158	27,829	145,947
Past service cost	-	-	-	-	-	-
Actuarial (gain) / loss	(257,868)	-	-	-	(20,634)	(38,383)
	210,188	240,566	14,689	11,129	15,237	116,548

32.8.2 Re-measurements recognised in OCI during the year

Loss / (gain) on obligation						
- Experience adjustment	126,990	260,830	(5,523)	3,211	-	-
Return on plan assets over interest income	(351,740)	(42,832)	-	-	-	-
Total re-measurements recognised in OCI	(224,750)	217,998	(5,523)	3,211	-	-

32.9 Components of plan assets

	2022	
	Pension Rupees in	
Cash and cash equivalents	121,916	
Government Securities	3,058,358	
	3,180,274	

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

32.10 Sensitivity analysis

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

	2022		
	Pension fund	Gratuity fund	Compensated absence
	Rupees in '000'		
Defined benefit obligation	5,236,539	111,739	267,485
1% increase in discount rate	4,758,498	104,875	255,355
1% decrease in discount rate	5,801,405	119,938	280,621
1% increase in expected rate of salary increase	5,384,366	120,105	280,771
1% decrease in expected rate of salary increase	5,096,029	104,578	255,011
1% increase in expected rate of pension increase	5,683,417	-	-
1% decrease in expected rate of pension increase	4,852,298	-	-
1% increase in expected rate of mortality set back	5,299,198	-	-
1% decrease in expected rate of mortality set forward	5,144,662	-	-

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.

32.11 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.

32.12 Expected charge for the next financial year

Based on actuarial advice, management estimates that the charge in respect of defined benefit plans for the year ending June 30, 2023 would be as follows:



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2023		
Pension fund	Gratuity fund	Compensated absence
Rupees in '000'		
301,726	19,529	45,238

Expected charge / (reversal for the year)

32.13 Maturity profile

Pension fund	Gratuity fund	Compensated absence
Years		
10	7	5

The weighted average duration of the obligation

32.14 Funding policy

The Bank endeavours to ensure that liabilities under the various employee benefit plans 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.

32.15 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

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.

33 DEFINED CONTRIBUTION PLAN

The Bank operates an approved contributory provident fund for 364 (2021: 232) employees who did not opt for pension in lieu of gratuity. The employer and employee each contribute 10.00% of the basic salary to fund every month.

34 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL.

34.1 Total compensation expense

Items	2022						
	Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Executives (other than CEO)	Non- Executives				
	Rupees in '000'						
Fees and allowances etc	-	-	-	-	-	-	-
Managerial Remuneration							
i) Fixed	-	-	-	-	10,868	15,125	-
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	-	-	-	-	1,467	2,302	-
Utilities	-	-	-	-	801	235	-
Medical	-	-	-	-	1,064	1,064	-
Conveyance	-	-	-	-	-	3	-
Others	-	-	-	-	1,148	7,782	-
Total	-	-	-	-	15,348	26,511	-
Number of persons	-	-	-	-	1	15	-

34.2 Total compensation paid during the year to President / CEO represents amount paid to acting president.



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34.3	Items	2021						
		Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
		Chairman	Executives (other than CEO)	Non- Executives				
Rupees in '000'								
	Fees and allowances etc	-	-	-	-	1,605	16,238	-
	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	-	-	-	-	247	2,369	-
	Utilities	-	-	-	-	13	141	-
	Medical	-	-	-	-	124	1,097	-
	Conveyance	-	-	-	-	-	97	-
	Others	-	-	-	-	606	6,842	-
	Total	-	-	-	-	2,595	26,784	-
	Number of persons	-	-	-	-	1	15	-

35 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 carrying amount of unquoted equity securities, 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 other assets, other liabilities and fixed term deposits 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.

35.1 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).

35.2 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:

	Carrying Value	Level 1	Level 2	Level 3	Total
Rupees in '000'					
June 30, 2022					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Shares	502,180	502,180	-	-	502,180
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	841,158	-	-	-	841,158
Balances with other banks	1,750,165	-	-	-	1,750,165
Investments	3,626,429	-	-	-	3,626,429
Advances	8,159,485	-	-	-	8,159,485
Other assets	888,531	-	-	-	888,531
Financial liabilities - measured at fair value					
Financial liabilities - disclosed but not measured at fair value					
Bills payable	30,605	-	-	-	30,605
Deposits and other accounts	5,015,374	-	-	-	5,015,374
Other liabilities	2,739,104	-	-	-	2,739,104
June 30, 2021					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Shares	624,705	624,705	-	-	624,705
Financial assets -					
Cash and balances with treasury banks	682,512	-	-	-	682,512
Balances with other banks	894,125	-	-	-	894,125
Investments	29,616,166	-	-	-	29,616,166
Advances	8,885,150	-	-	-	8,885,150
Other assets	939,897	-	-	-	939,897



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Financial liabilities - measured at fair value

Financial liabilities - disclosed but not measured at fair value

Bills payable	21,537	-	-	-	21,537
Deposits and other accounts	4,154,591	-	-	-	4,154,591
Other liabilities	3,230,923	-	-	-	3,230,923

35.3 Fixed assets include land which is carried at revalued amounts (level 3 measurement) determined by professional valuers based on their assessment of the market values as disclosed in note 8.1. The valuations are conducted by the valuation experts appointed by the Bank which are also on the panel of State Bank of Pakistan. Leasehold land was revalued on June 29, 2022 by Arch e' decon, an independent professional valuer firm, on the basis of fair market value.

36 SEGMENT INFORMATION

36.1 Segment details with respect to business activities

June 30, 2022

Profit and loss

Net mark-up / return / profit	
Non mark-up / return / interest income	
Total Income	
Segment direct expenses	
Total expenses	
Provisions	
Profit before tax	

Balance sheet

Cash and bank balances	
Investments	
Net inter segment lending	
Lendings to financial institutions	
Advances - performing	
Advances - non performing	
Right-of-use assets	
Others	

Total assets

Bills payable	
Deposits and other accounts	
Net inter segment borrowing	
Lease liabilities	
Others	

Total liabilities

Equity

Total equity and liabilities

Contingencies & Commitments

June 30, 2021

Profit and loss

Net mark-up / return / profit	
Inter segment revenue - net	
Non mark-up / return / interest income	
Total Income	
Segment direct expenses	
Inter segment expense allocation	
Total expenses	
Provisions	
Profit before tax	

Balance sheet

Cash and bank balances	
Investments	
Net inter segment lending	
Lendings to financial institutions	
Advances - performing	
Advances - non performing	
Others	

Total assets

Bills payable	
Deposits and other accounts	
Net inter segment borrowing	
Others	

Total liabilities

Equity

Total equity and liabilities

Contingencies & Commitments

Retail banking	Retail finance lending	Others	Total
Rupees in '000'			
91,405	1,557,405	352,013	2,000,823
68,138	-	88,758	156,896
159,543	1,557,405	440,771	2,157,719
251,374	-	1,534,116	1,785,490
251,374	-	1,534,116	1,785,490
(1,606)	-	-	(1,606)
(93,437)	1,557,405	(1,093,345)	373,835
-	-	2,591,323	2,591,323
-	-	4,128,609	4,128,609
-	-	-	-
-	-	-	-
-	7,671,924	-	7,671,924
-	487,561	-	487,561
-	-	78,534	78,534
6,683	703,399	15,630,195	16,340,277
6,683	8,862,884	22,428,660	31,298,227
30,605	-	-	30,605
5,015,374	-	-	5,015,374
-	-	-	-
-	-	74,984	74,984
61,169	-	2,677,935	2,739,104
5,107,148	-	2,752,919	7,860,067
-	-	23,438,160	23,438,160
5,107,148	-	26,191,079	31,298,227
-	-	-	-
72,046	1,646,650	156,394	1,875,090
-	-	-	-
76,661	-	387,842	464,503
148,707	1,646,650	544,236	2,339,593
327,434	-	1,592,440	1,919,874
-	-	-	-
327,434	-	1,592,440	1,919,874
(97,333)	-	-	(97,333)
(276,060)	1,646,650	(1,048,204)	322,386
-	-	1,576,637	1,576,637
-	-	3,540,871	3,540,871
-	-	-	-
-	-	-	-
-	8,030,693	-	8,030,693
-	854,457	-	854,457
3,605	759,223	7,344,449	8,107,277
3,605	9,644,373	12,461,957	22,109,935
21,537	-	-	21,537
4,154,591	-	-	4,154,591
-	-	-	-
-	-	-	-
49,285	-	3,181,638	3,230,923
4,225,413	-	3,181,638	7,407,051
-	-	14,702,884	14,702,884
4,225,413	-	17,884,522	22,109,935
-	-	-	-



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37 RELATED PARTY TRANSACTIONS

Related parties comprise of key management personnel, provident fund trust, pension fund trust, Registrar Co-operative Societies and the Government of Punjab.

The Bank 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:

	2022			2021		
	Key management personnel	Provident fund trust	Pension fund trust	Key management personnel	Provident fund trust	Pension fund trust
	Rupees in '000'					
Advances						
Opening balance	9,328	-	-	10,914	-	-
Addition during the year	5,555	-	-	9,105	-	-
Repaid during the year	(6,539)	-	-	(10,691)	-	-
Transfer in / (out) - net	-	-	-	-	-	-
Closing balance	8,344	-	-	9,328	-	-
Other liabilities						
Payable to staff retirement fund	-	-	2,056,265	-	-	2,553,732
	-	-	2,056,265	-	-	2,553,732
Income						
Mark-up / return / interest earned	3,038	-	-	1,265	-	-
	3,038	-	-	1,265	-	-
Expense						
Total compensation expense	41,861	-	-	29,378	-	-
Contribution for the year	-	7,623	482,905	-	7,631	523,794
	41,861	7,623	482,905	29,378	7,631	523,794

2022 2021
Rupees in '000'

38 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Minimum Capital Requirement (MCR):	6,000,000	6,000,000
Paid-up capital (net of losses)		
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	7,798,563	7,215,335
Eligible Additional Tier 1 (ATF 1) Capital	-	-
Total Eligible Tier 1 Capital	7,798,563	7,215,335
Eligible Tier 2 Capital	2,955,879	2,878,150
Total Eligible Capital (Tier 1 + Tier 2)	10,754,442	10,093,485
Risk Weighted Assets (RWAs):		
Credit Risk	23,418,480	16,137,144
Market Risk	1,004,360	1,249,410
Operational Risk	3,755,305	3,131,826
Total	28,178,145	20,518,380
Common Equity Tier 1 Capital Adequacy ratio	27.68	35.17
Tier 2 Capital Adequacy Ratio	27.68	35.17
Total Capital Adequacy Ratio	38.17	49.19

38.1 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, 2022, the paid up capital of the Bank net of losses amounts to Rs. 6,794,647 thousand which is in agreement with regulatory requirements (refer to note 18.3). For the time being CAR is being reported under Basel I and Basel III as parallel run.

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.

	2022	2021
	Rupees in '000'	
Leverage Ratio (LR):		
Eligible Tier-I Capital	7,798,563	7,215,335
Total Exposures	31,210,939	22,093,224
Leverage Ratio	24.99	32.66
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	989,000	802,994
Total Net Cash Outflow	133,000	109,249
Liquidity Coverage Ratio	7.44	7.35



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Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	13,276,000	12,073,036
Total Required Stable Funding	5,481,000	5,532,302
Net Stable Funding Ratio	242	218

39 RISK MANAGEMENT

Risk is an inherent part of banking business activities. The risk management framework and governance structure at the Bank helps to mitigate and counter any foreseeable risk in its various lines of business. Risk awareness forms an integral part of strategic and operational activities of risk management. Through its risk management policy the Bank sets the best course of action under uncertainty by identifying, prioritizing, mitigating and monitoring risk issues, with the goal of enhancing shareholders' value. Bank's risk management structure is based on the following five guiding principles:

- Optimizing risk / return in a controlled manner
- Establishing clear responsibility and accountability
- Establishing independent and properly resourced risk management function.
- Promoting open risk culture
- Adopting international best practices in risk management

Keeping in view dynamics of internal and external environment, the bank regularly reviews and updates policy manuals / frameworks and procedures in accordance with domestic regulatory environment and international standards.

The Bank executes its risk strategy and undertakes controlled risk-taking activities within its risk management framework. The administrator and the relevant committee, i.e., Asset and Liability Management Committee (ALCO) and Compliance Committee are responsible to ensure formulation and implementation of comprehensive Risk Management Framework. This framework is based on prudent risk identification, measurement, management and monitoring processes which are closely aligned with the activities of the bank. The framework combines core policies, procedures and process designs with broad oversight and is supported by an efficient monitoring mechanism across the bank to ensure that risks are kept within an acceptable level.

The Bank ensures that not only the relevant risks are identified but their implications are also considered and basis provided for managing and measuring the risks. Through Internal Control function, the Bank ensures that effective controls are in place to mitigate each of the identified risk.

Independent from business groups, Head of Risk Management reports functionally to the administrator; the ALCO convenes regular meetings to evaluate bank's risk and portfolio concentrations. The Risk Management Committee performs the following critical functions:

- Risk management policy formulation
- Credit risk management
- Credit review
- Credit risk control
- Market risk management
- Liquidity risk management
- Operational risk management
- IT risk management

Keeping in view the international best practices and SBP requirements, the administrator of the Bank has approved a program, which takes into account quantitative and qualitative risk indicators, covering target ratios, credit, market, operational, liquidity and business risks.

39.1 Credit Risk

Credit risk arises from the Bank's dealings with individuals, cooperative societies, financial institutions etc. The Bank is exposed to credit risk through its lending and investment activities. Credit risk makes up the largest part of the Bank's exposure and it stems from Bank's both on and off-balance sheet activities. Purpose of Credit Risk Management function is to identify, measure, manage, monitor and mitigate credit risk. To manage adverse outcomes in terms of unfavorable scenarios, multiple control factors in the lending structure of the Bank provide additional comfort and support. Such controls range from quality of eligible collateral, pre-disbursement safety measures to post disbursement monitoring.

The Bank has adopted Standardized Approach to measure Credit risk regulatory capital charge in compliance with Basel requirements. The approach mainly takes into account the assessment of external credit rating agencies. In line with SBP guidelines on Internal Credit Risk Rating Systems, the Bank has developed rating systems and all its borrowers are internally rated. In order to further enhance the credit risk analysis and the processes, Probability Default based internal credit risk rating (ICRR) system based on the statistical modeling and validation in line with Basel principles has been set in place.

In order to manage bank's credit risk, following policies and procedures are in place:

- The approval of credit limits to counter parties are subject to pre-fact review;
- Approval and review process is reviewed by RMC and internal audit;
- Management periodically reviews the powers of credit approving and credit reviewing authorities.

Ongoing administration of the credit portfolio is an essential part of the credit process that supports and controls extension and maintenance of credit. The Bank's Credit Risk Control is responsible for performing following activities:

- Credit disbursement authorization
- Collateral coverage and monitoring
- Compliance of loan covenants/ terms of approval
- Maintenance/ custody of collateral and security documentation
- Credit risk limit controls

Credit risk monitoring is based on a comprehensive reporting framework. Continuous monitoring of the credit portfolio and the risks attached thereto are carried out at different levels including businesses, Audit & Risk Assets Review, Credit Risk Control, Credit Risk Management Division, etc.

To ensure a prudent distribution of asset portfolio, the Bank manages its lending and investment activities within an appropriate limits framework. Per party exposure limit is maintained in accordance with SBP Prudential Regulations.

The Bank creates specific provision against Non-Performing Loans (NPLs) in accordance with the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charges it to the profit and loss account. Provisions are held against identified as well as unidentified losses.



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39.1.1 Advances

	Gross advances		Non performing advances		Provision held	
	2022	2021	2022	2021	2022	2021
	Rupees in '000'					
Agriculture, Forestry, Hunting and Fishing	9,411,175	10,151,206	2,091,367	2,454,359	1,604,759	1,601,014
Individuals	355,130	341,333	13,862	16,401	43,779	48,799
Others	95,177	96,213	84,147	87,118	53,461	53,792
	9,861,482	10,588,752	2,189,376	2,557,878	1,701,999	1,703,605
Credit risk by public / private sector						
Public / Government	750,000	1,000,000	-	-	-	-
Private	9,111,482	9,588,752	2,189,376	2,557,878	1,701,999	1,703,605
	9,861,482	10,588,752	2,189,376	2,557,878	1,701,999	1,703,605

39.1.2 Contingencies and Commitments

	2022	2021
	Rupees in '000'	
Credit risk by industry sector		
Others	9,000	9,000
	9,000	9,000
Credit risk by public / private sector		
Public / Government	-	-
Private	9,000	9,000
	9,000	9,000

39.1.3 Advances - Province / Region-wise Disbursement & Utilization

	Utilization					
	Total	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad
	Rupees in '000'					
June 30, 2022						
Punjab	8,806,644	8,806,644	-	-	-	-
Sindh	-	-	-	-	-	-
KPK including FATA	-	-	-	-	-	-
Balochistan	-	-	-	-	-	-
Islamabad	-	-	-	-	-	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-
Total	8,806,644	8,806,644	-	-	-	-
June 30, 2021						
Punjab	8,450,721	8,450,721	-	-	-	-
Sindh	-	-	-	-	-	-
KPK including FATA	-	-	-	-	-	-
Balochistan	-	-	-	-	-	-
Islamabad	-	-	-	-	-	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-
Total	8,450,721	8,450,721	-	-	-	-

39.2 Market Risk

Market risk exposes the Bank to the risk of financial losses resulting from movements in market prices. It is the risk associated with changes in the interest rates, foreign exchange rates and equity prices. To manage and control market risk, the standardised approach as per Basel-II is being followed. Moreover, it also includes controls which are applied, where necessary, to individual risk types, to particular books and to specific exposures. These controls include limits on exposure to individual market risk variables as well as limits on concentrations of tenors and issuers. This structure is reviewed, adjusted and approved periodically.

39.2.1 Balance sheet split by trading and Banking books

	2022			2021		
	Banking book	Trading book	total	Banking book	Trading book	total
Cash and balances with treasury banks	841,158	-	841,158	682,512	-	682,512
Balances with other banks	1,750,165	-	1,750,165	894,125	-	894,125
Investments	3,624,467	504,142	4,128,609	2,914,204	626,667	3,540,871
Advances	8,159,485	-	8,159,485	8,787,816	-	8,787,816
Fixed assets	15,442,990	-	15,442,990	7,155,960	-	7,155,960
Intangible assets	8,755	-	8,755	11,420	-	11,420
Right-of-use assets	78,534	-	78,534	-	-	-
Other assets	888,531	-	888,531	939,897	-	939,897

39.2.2 Foreign Exchange Risk

Foreign exchange risk 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.



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39.2.3 Equity position Risk

Equity position risk arises due to adverse movements in the prices of equities and instruments exhibiting behaviour similar to equities held by the Bank. The equity investments are classified as Available for Sale (AFS) investments. The objective of investments classified as AFS is to take advantage of both, capital gains and dividend income. CFO is primarily responsible for the oversight of the equity investment risk.

Impact of 1% change in equity prices on

- Other comprehensive income
 +1% change
 -1% change

2022		2021	
Banking book	Trading book	Banking book	Trading book

Rupees in '000'

5,022	-	6,247	-
(5,022)	-	(6,247)	-

39.2.4 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

- Profit and loss account
 +1% change
 -1% change

2022		2021	
Banking book	Trading book	Banking book	Trading book

Rupees in '000'

17,898	-	17,027	-
(17,898)	-	(17,027)	-



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39.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

	Effective Yield / Interest Rate	2022										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			
Total		841,158	-	74,919	-	-	-	-	-	-	-	-	766,239
On-balance sheet financial instruments		1,750,165	931,036	-	-	-	-	-	-	-	-	-	819,129
Assets		4,128,609	4,128,609	-	-	-	-	-	-	-	-	-	-
Cash and balances with treasury banks	5.5% to 12.25%	-	-	74,919	-	-	-	-	-	-	-	-	766,239
Balances with other banks	6.15% to 12.75%	-	-	-	-	-	-	-	-	-	-	-	819,129
Investments	7.25% to 14.50%	-	4,128,609	-	-	-	-	-	-	-	-	-	-
Advances	8.5% to 22%	696,179	255,338	1,530,600	2,670,983	1,134,409	402,052	974,642	495,292	-	-	-	-
Other assets		888,531	-	-	-	-	-	-	-	-	-	-	888,531
Liabilities		15,767,948	1,627,215	4,383,947	1,605,519	1,134,409	402,052	974,642	495,292	-	-	-	2,473,899
Bills payable		30,605	-	-	-	-	-	-	-	-	-	-	30,605
Deposits and other accounts	5.50% to 12.55%	5,015,374	2,024,881	193,968	843,308	1,096,169	363,948	188,720	213,534	-	-	-	-
Other liabilities		2,739,104	-	90,856	-	-	-	-	-	-	-	-	2,739,104
Off-balance sheet gap		7,785,083	2,024,881	193,968	843,308	1,096,169	363,948	188,720	213,534	-	-	-	2,769,709
Off-balance sheet financial instruments		7,982,865	(397,666)	4,189,979	1,827,675	38,240	38,104	785,922	281,758	-	-	-	(295,810)
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap		(397,666)	4,189,979	1,514,663	1,827,675	38,240	38,104	785,922	281,758	-	-	-	(295,810)
Cumulative Yield/Interest Risk Sensitivity Gap		(397,666)	3,792,313	5,306,976	7,134,651	7,172,891	7,210,995	7,996,917	8,278,675	8,278,675	8,278,675	8,278,675	7,982,865

	Effective Yield / Interest Rate	2021										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			
Total		682,812	-	55,746	-	-	-	-	-	-	-	-	626,766
On-balance sheet financial instruments		894,125	877,598	-	-	-	-	-	-	-	-	-	16,527
Assets		3,540,871	2,912,615	-	-	-	-	-	-	-	-	-	628,256
Cash and balances with treasury banks	5.5% to 5.5	-	-	55,746	-	-	-	-	-	-	-	-	626,766
Balances with other banks	5.5% to 6.15%	-	-	-	-	-	-	-	-	-	-	-	16,527
Investments	7.25% to 7.50%	-	2,912,615	-	-	-	-	-	-	-	-	-	628,256
Advances	8.5% to 20%	8,885,150	161,883	2,440,034	2,370,550	998,446	446,545	1,132,720	636,281	-	-	-	-
Other assets		939,897	-	-	-	-	-	-	-	-	-	-	939,897
Liabilities		14,942,555	1,576,309	3,074,498	2,495,760	998,446	446,545	1,132,720	636,281	-	-	-	2,211,446
Bills payable		-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	5.50% to 12.55%	3,024,881	2,024,881	193,968	843,308	1,096,169	363,948	188,720	213,534	-	-	-	-
Other liabilities		2,739,104	-	90,856	-	-	-	-	-	-	-	-	2,739,104
Off-balance sheet gap		7,785,083	2,024,881	193,968	843,308	1,096,169	363,948	188,720	213,534	-	-	-	2,769,709
Off-balance sheet financial instruments		7,982,865	(397,666)	4,189,979	1,827,675	38,240	38,104	785,922	281,758	-	-	-	(295,810)
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap		(397,666)	4,189,979	1,514,663	1,827,675	38,240	38,104	785,922	281,758	-	-	-	(295,810)
Cumulative Yield/Interest Risk Sensitivity Gap		(397,666)	3,792,313	5,306,976	7,134,651	7,172,891	7,210,995	7,996,917	8,278,675	8,278,675	8,278,675	8,278,675	7,982,865



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Liabilities	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	Rupees in '000'		Rupees in '000'		Rupees in '000'		Rupees in '000'	
Bills payable	21,537	-	-	-	-	-	-	21,537
Deposits and other accounts	4,154,591	2,024,881	193,968	90,856	235,386	363,948	213,524	-
Other liabilities	3,230,923	-	-	-	-	-	-	3,230,923
On-balance sheet gap	7,407,051	2,024,881	193,968	90,856	235,386	363,948	213,524	3,252,460
	7,535,504	(448,572)	2,880,530	2,404,904	763,060	82,597	944,000	(1,041,014)
Off-balance sheet financial instruments	-	-	-	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap	(448,572)	2,880,530	2,404,904	1,527,242	763,060	82,597	944,000	422,737
Cumulative Yield / Interest Risk Sensitivity Gap	(448,572)	2,431,958	4,836,862	6,364,104	7,127,164	7,209,761	8,576,518	7,535,504
Reconciliation of total assets	June 30, 2022	June 30, 2021	Reconciliation of total liabilities		June 30, 2022	June 30, 2021		
	Rupees in '000'		Rupees in '000'		Rupees in '000'			
Balance as per balance sheet	31,298,227	24,790,644	Balance as per balance sheet		7,860,067			7,407,051
Less: Non-financial assets			Less: Non-financial liabilities					
Fixed assets	15,442,990	7,155,960	Other liabilities		2,739,104			
Intangible assets	8,755	11,420						
Other assets	888,531	939,897						
	16,340,277	8,107,277						
Total financial assets	14,957,951	16,683,367	Total financial liabilities		5,120,913			4,176,128

39.3

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems 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, the 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.

39.3.1 Operational Risk-Disclosures Basel II Specific

Currently, the bank is reporting operational risk capital charge under Basic Indicator Approach (BIA). However, the Bank took a number of initiative with respect to operational risk management. The parallel run approval for Alternative Standardized Approach (ASA) was accorded by SIBP. The bank will initiate further steps for improvement in Operational Risk management in the bank.

Operational loss data pertaining to key risk events is also collected on bank-wide basis. Operational Risk Management Software (ORMS) has been developed in house in line with the regulatory requirements. The bank has enhanced bank's capability to capture and report operational risk events in a more systematic way. The software is also capable for periodical regulatory and management reporting. Periodic review and analysis is carried out by the Operational Risk Management and Risk Management Committee (RMC). The report covers the significant risk events with root cause analysis and recommendations for further improvements.



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39.4 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:

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

	2022												
	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
Total	97,687	73,601	23,625	635,820	-	-	9,758	-	-	-	667	-	-
Assets													
Cash and balances with treasury banks	185,957	10,834	14,458	1,538,916	-	-	-	-	-	-	-	-	-
Balances with other banks	-	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	-	-	-	406,413	-	-	3,722,196	-	-	-	-	-	-
Advances	-	-	-	696,179	162,776	92,562	1,530,600	888,104	1,782,879	1,134,409	402,052	974,642	495,282
Fixed assets	14,450	-	-	18,097	2,907	2,827	63,659	1,457	1,342	3,552	1,176	65,522	15,268,001
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	8,755	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Right-of-use assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	45,240	4,231	5,213	35,499	10,398	10,949	9,814	11,134	712,738	15,857	990	78,534	-
	343,334	88,666	43,296	3,330,924	176,081	106,338	5,336,027	900,695	2,496,959	1,153,818	404,885	1,155,494	15,761,710
Liabilities													
Bills payable	6,840	383	-	22,471	911	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	877,490	33,099	15,786	1,098,506	34,671	159,297	90,856	58,104	785,204	1,096,169	363,948	188,720	213,524
Lease Liabilities	-	-	-	-	-	-	-	-	-	-	-	74,984	-
Subordinated deb:	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	15,873	100,463	2,496	99,259	14,749	32,828	4,224	1,000	4,528	2,426	6,367	2,408,827	46,064
	900,203	133,945	18,282	1,220,236	50,331	192,125	95,080	59,104	789,732	1,098,595	370,315	2,672,531	259,588
Net assets	(556,869)	(45,279)	25,014	2,110,688	125,750	(85,787)	5,240,947	841,591	1,707,227	55,223	34,570	(1,517,037)	15,502,122
Share capital													
Reserves													
Accumulated loss													
Surplus on revaluation of assets													
	7,895,488												
	1,012,675												
	(1,090,841)												
	15,630,838												
	23,438,160												



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Total	2021											
	Up to 1 Day	Over 1 to 7 days	Over 7 to 14 days	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	682,512	476,506	11,193	-	-	-	-	-	648	19	-	-
Balances with other banks	894,125	189,340	36,220	-	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-
Investments	3,540,871	628,256	-	-	2,429,970	482,645	-	-	-	-	-	-
Advances	8,885,150	-	-	71,301	90,582	2,440,014	240,842	2,139,708	998,446	446,545	1,132,720	636,281
Fixed assets	7,155,960	14,259	-	14,517	2,811	19,869	1,702	1,340	4,385	3,268	67,361	7,012,084
Intangible assets	11,420	-	-	-	-	-	-	-	-	-	11,420	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	939,897	6,307	5,208	55,342	3,208	7,826	722,046	17,810	13,211	23,279	3,961	-
	22,109,935	671,026	53,621	141,160	2,526,571	2,988,298	964,590	2,148,858	1,016,690	473,111	1,215,462	7,648,365
Liabilities												
Bills payable	21,537	6,840	-	911	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	4,154,591	877,490	15,786	34,671	159,297	90,856	58,104	785,204	255,386	363,948	188,720	213,524
Lease liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	3,230,923	15,873	2,496	14,249	32,828	4,224	1,001	14,538	3,426	6,167	2,916,598	30,112
	7,407,051	900,203	18,282	50,331	192,125	95,080	59,104	789,732	237,812	370,315	3,102,318	243,636
Net assets	14,702,884	(239,177)	815,599	90,829	2,334,446	2,893,218	905,486	3,349,126	778,878	102,796	(1,889,856)	7,404,729
Share capital	7,885,471											
Reserves	922,701											
Accumulated loss	(1,591,744)											
Surplus on revaluation of assets	7,486,456											
	14,702,884											



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

	Total	2022								
		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
Rupees in '000'										
Assets										
Cash and balances with treasury										
Banks	841,158	766,239	-	74,919	-	-	-	-	-	-
Balances with other banks	1,750,165	1,750,165	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	4,128,609	-	4,128,609	-	-	-	-	-	-	-
Advances	8,159,485	696,179	255,338	1,530,600	2,670,983	1,134,409	402,052	974,642	495,282	-
Fixed assets	15,442,990	32,547	5,734	63,659	2,799	3,552	1,176	65,522	-	15,268,001
Intangible assets	8,755	-	-	-	-	-	-	8,755	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Right-of-use assets	78,534	-	-	-	-	-	-	78,534	-	-
Other assets	888,531	90,183	21,347	9,814	723,872	15,857	990	28,041	-	(1,573)
	34,298,227	3,335,313	4,411,028	1,678,992	3,397,654	1,153,818	404,218	1,155,494	495,282	15,266,428
Liabilities										
Bills payable	30,605	29,694	911	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	5,015,374	2,024,881	193,968	90,856	843,308	1,096,169	363,948	188,720	213,524	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Lease Liabilities	74,984	-	-	-	-	-	-	74,984	-	-
Other liabilities	2,739,104	218,091	47,577	4,224	5,538	2,426	6,367	46,064	-	2,408,827
	7,860,067	2,272,666	242,456	95,080	848,836	1,098,595	370,315	309,768	213,524	2,408,827
Net assets	23,438,160	1,062,647	4,168,572	1,583,912	2,548,818	55,223	33,903	845,726	281,758	12,857,601
Share capital	7,885,488									
Reserves	1,012,675									
Accumulated loss	(1,090,841)									
Surplus on revaluation of assets	15,630,838									
	23,438,160									

	Total	2021								
		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
Rupees in '000'										
Assets										
Cash and balances with treasury										
banks	682,512	626,766	-	55,746	-	-	-	-	-	-
Balances with other banks	894,125	894,125	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	3,540,871	628,256	2,912,615	-	-	-	-	-	-	-
Advances	8,885,150	698,711	161,883	2,440,014	2,370,550	998,446	446,545	1,132,720	636,281	-
Fixed assets	7,155,960	28,625	17,328	19,869	3,042	4,385	3,268	67,361	-	7,012,084
Intangible assets	11,420	-	-	-	-	-	-	11,420	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	939,897	93,214	58,550	7,826	739,856	13,211	23,279	3,961	-	-
	22,109,935	2,969,697	3,150,376	2,523,455	3,113,448	1,016,042	473,092	1,215,462	636,281	7,012,084
Liabilities										
Bills payable	21,537	20,626	911	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	4,154,591	2,024,881	193,968	90,856	843,308	235,386	363,948	188,720	213,524	-
Lease Liabilities	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	3,230,923	218,091	47,577	4,224	5,538	2,426	6,367	2,706,005	-	240,705
	7,407,051	2,263,598	242,456	95,080	848,836	237,812	370,315	2,894,728	213,524	240,705
Net assets	14,702,884	706,099	2,907,920	2,428,375	2,264,612	778,230	102,777	(1,679,263)	422,757	6,771,379
Share capital	7,885,471									
Reserves	922,701									
Accumulated loss	(1,591,744)									
Surplus on revaluation of assets	7,486,456									
	14,702,884									



THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2022

39.4.3 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.

40 EVENTS AFTER THE REPORTING DATE

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

41 GENERAL

41.1 Figures have been rounded off to the nearest thousand of rupees, unless otherwise stated.

41.2 Comparative figures have been re-arranged and reclassified for comparison purposes.

42 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 29-09-2022 by the Administrator of the Bank.



President / CEO



Chief Financial Officer