



AUDITORS' REPORT TO THE ADMINISTRATOR

We have audited the accompanying financial statements of **The Punjab Provincial Cooperative Bank Limited** (the "Bank"), which comprise the statement of financial position as at June 30, 2017 and the related profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, together with notes forming part thereof.

In accordance with the terms of our engagement, we have audited seventy-six (76) branches as well as the Bank's head office and, accordingly, our opinion is expressed on the combined balances of these branches and the head office (where the head office includes adjustments made to branch-level records in order to prepare the consolidated financial statements). Hereinafter, for the purposes of this audit report, the "financial statements" represent the balances of and the "Bank" refers to these branches and the head office.

We state that, except for the matter stated in paragraph (a) below, we have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

Management's and Directors' Responsibility for the Financial Statements

Management and the Bank's Board of Directors (the "Administrator") are responsible for the preparation of financial statements that give a true and fair view in accordance with approved accounting standards as applicable in Pakistan and the requirements of the BSD Circular No. 4 dated February 17, 2006 of the State Bank of Pakistan ("SBP"). This responsibility includes designing, implementing and maintaining 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as applicable in Pakistan. Those standards require that we comply with ethical requirements and that we plan and perform the audit to obtain reasonable assurance over whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the Company 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. We report that:

A MEMBER OF IECnet, A NETWORK OF INDEPENDENT ACCOUNTING FIRMS

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- a) In estimating the provision held against non-performing loans and advances (amounting to Rs. 1,616 million), a detailed analysis of individual loans or advances has not been performed, and the impact of the same, if any, on advances and mark-up is not determinable;
- b) In our opinion, proper books of account have been kept by the Bank as required by the Cooperative Societies Act, 1925 and Rules of 1927;
- c) In our opinion, except for the matter stated in paragraph (a) above:
 - I. The statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the requirements of the BSD Circular No. 4 dated February 17, 2006 of the SBP, and are in agreement with the books of account and further in accordance with accounting policies consistently applied;
 - II. The expenditure incurred during the year was for the purpose of the Bank's business;
 - III. The business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank.
- d) In our opinion and to the best of our information and according to the explanations given to us, except for the matter stated in paragraph (a) and to the extent of its effect on the financial statements, the financial statements conform with approved accounting standards as applicable in Pakistan, give the information required by the BSD Circular No. 4 dated February 17, 2007 of the SBP, in the manner so required, and respectively give a true and fair view of the Bank's affairs as at June 30, 2017 and of the Bank's profit, comprehensive income, changes in equity and cash flows for the year then ended.
- e) In our opinion, Zakat deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Without further qualifying our audit opinion, we draw attention of the Administrator of the Bank to the following matters:

- I. The ultimate outcome of various matters in litigation, including litigation pertaining to disputed properties amounting to Rs. 101.2 million, cannot presently be determined and, accordingly, pending the resolution of these matters, no provision for potential contingencies or impairment against the assets in question have been recorded in the financial statements; and
- II. In accordance with the terms of our engagement, we have not audited the opening balances of accounts as at July 1, 2016 and have instead relied on prior year's audited financial statements.

The financial statements of the Bank for the year ended June 30, 2016 were audited by the outgoing auditors, Kreston Hyder Bhimji & Co, Chartered Accountants; whose audit report dated September 26, 2016 expressed a qualified opinion with emphasis of matter paragraphs.

IECnet S.K.S.S.S
Chartered Accountants

Engagement Partner: **Muhammad Aslam Khan**
Lahore.
September 15, 2017.

The Punjab Provincial Cooperative Bank Limited**Statement of Financial Position**

As at June 30, 2017

	Note	June 30, 2017	June 30, 2016
Rupees in '000			
Assets			
Cash and balances with treasury banks	7	1,127,957	770,803
Balances with other banks	8	1,482,580	885,556
Investments - net	9	2,633,412	2,525,001
Advances - net	10	9,678,398	9,434,539
Operating fixed assets	11	7,176,211	4,645,212
Deferred tax assets - net	12	-	-
Other assets - net	13	802,095	912,480
Total assets		22,900,653	19,173,591
Liabilities			
Bills payable	14	52,584	14,807
Deposits and other accounts	15	5,057,990	4,186,617
Other liabilities	16	3,190,750	3,199,188
Total liabilities		8,301,324	7,400,612
Net assets		14,599,329	11,772,979
Represented by :			
Share capital	17	7,886,842	7,886,842
Reserves	18	712,873	682,816
Unappropriated loss		(1,486,922)	(1,580,623)
		7,112,793	6,989,035
Surplus on revaluation of assets	19	7,486,536	4,783,944
Total equity		14,599,329	11,772,979
Contingencies and commitments	20		

The annexed notes from 1 to 39 form an integral part of these financial statements.

ZAHID MANSOOR
CHIEF FINANCIAL OFFICER

MUHAMMAD AYUB
ACTING PRESIDENT/ CEO

The Punjab Provincial Cooperative Bank Limited**Profit and Loss Account**

For the year ended June 30, 2017

	Note	June 30, 2017	June 30, 2016
		Rupees in '000	
Mark-up / return / interest earned	21	1,721,149	1,647,117
Mark-up / return / interest expensed	22	110,447	140,781
Net mark-up/ interest income		1,610,702	1,506,336
Provision against loans and advances	10.4	-	194
Net mark-up / interest income after provisions		1,610,702	1,506,142
Non mark-up / interest income			
Fee, commission and brokerage income		17,628	16,817
Dividend income		32,158	25,884
Other income	23	92,763	89,776
Total non-mark-up / interest income		142,549	132,477
Total income		1,753,251	1,638,619
Non mark-up / interest expenses			
Administrative expenses	24	1,448,374	1,389,835
Other provisions / write offs	25	160,000	106,799
Total non-mark-up / interest expenses		1,608,374	1,496,634
Profit before taxation		144,877	141,985
Taxation			
- Current	26	30,944	38,037
- Prior years		-	-
		30,944	38,037
Profit after taxation		113,933	103,947
Unappropriated loss brought forward		(1,580,623)	(1,678,728)
Loss available for appropriation		(1,466,690)	(1,574,781)
Earnings per share - basic	27	2.58	2.35

The annexed notes from 1 to 39 form an integral part of these financial statements.

ZAHID MANSOOR
CHIEF FINANCIAL OFFICER

MUHAMMAD AYUB
ACTING PRESIDENT/ CEO

The Punjab Provincial Cooperative Bank Limited

Statement of Comprehensive Income
For the year ended June 30, 2017

	June 30, 2017	June 30, 2016
	Rupees in '000	
Profit after tax for the year	113,933	103,947
Other comprehensive income		
Items that will not be reclassified to profit and loss account		
Re-measurement of post employment obligations	10,251	22,144
Comprehensive income transferred to equity	124,184	126,091
Total comprehensive income	124,184	126,091

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

The annexed notes from 1 to 39 form an integral part of these financial statements.

ZAHID MANSOOR
CHIEF FINANCIAL OFFICER

MUHAMMAD AYUB
ACTING PRESIDENT/ CEO

The Punjab Provincial Cooperative Bank Limited

Statement of Cash Flows

For the year ended June 30, 2017

	Note	June 30, 2017	June 30, 2016
		Rupees in '000	
Cash flows from operating activities			
Profit before taxation		144,877	141,985
Less: Dividend income		(32,158)	(25,884)
		112,719	116,101
Adjustments for non-cash items:			
Depreciation on property and equipment		19,709	10,120
Amortization of intangible assets		2,157	1,692
Provision against advances		-	194
Charge for defined benefit plan		315,317	356,765
Other provisions / write offs - net		-	6,799
Gain on sale of fixed assets		(92)	-
		337,091	375,570
Increase in operating assets			
Advances - net	10	(243,859)	(240,218)
Lending to financial institutions		-	-
Others assets (excluding advance taxation) - net	13	90,559	(20,501)
		(153,300)	(260,719)
(Decrease) / Increase in operating liabilities			
Bills payable	14	37,777	(12,517)
Deposits and other accounts	15	871,373	(380,525)
Other liabilities	16	159,011	117,535
		1,068,161	(275,507)
Income tax paid		(10,573)	(13,691)
Defined benefit paid		(2,058)	(2,418)
Contributions to pension fund		(476,498)	(381,069)
Net cash (used in) / generated from operating activities		875,541	(441,734)
Cash flows from investing activities			
Investment (made) / encashed - net		76,194	(532,877)
Dividend income received		32,158	25,884
Investments in operating fixed assets		(20,035)	(29,712)
Net changes in capital work in progress		(10,223)	(7,348)
Sale proceeds from property and equipment disposed-off		969	-
Net cash (used in) / generated from investing activities		79,063	(544,053)
Cash flows from financing activities			
Issue of share capital		-	26
Medical aid to employees from common good fund		(426)	(372)
Net cash used in financing activities		(426)	(346)
(Decrease) / Increase in cash and cash equivalents		954,178	(986,133)
Cash and cash equivalents at beginning of the year		1,656,359	2,642,492
Cash and cash equivalents at end of the year	28	2,610,537	1,656,359

The annexed notes from 1 to 39 form an integral part of these financial statements.

ZAHID MANSOOR
CHIEF FINANCIAL OFFICER

MUHAMMAD AYUB
ACTING PRESIDENT/ CEO

The Punjab Provincial Cooperative Bank Limited

Statement of Changes in Equity

For the year ended June 30, 2017

	Share capital	Reserves				Unappropriated profit / (loss)	Total
		Statutory reserves	Common good fund	Other reserve	Total Reserves		
-----Rupees in '000-----							
Balance as on July 1, 2015	1,938,243	653,189	2,012	5,948,573	6,603,774	(1,678,728)	6,863,289
Issue of share capital	5,948,599	-	-	(5,948,573)	(5,948,573)	-	26
Total comprehensive income for the year	-	-	-	-	-	126,092	126,092
Transfer to statutory reserve	-	25,987	-	-	25,987	(25,987)	-
Transfer to common good fund	-	-	2,000	-	2,000	(2,000)	-
Medical aid to staff	-	-	(372)	-	(372)	-	(372)
Balance as on June 30, 2016	7,886,842	679,176	3,640	-	682,816	(1,580,623)	6,989,035
Provision for the period	-	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	124,184	124,184
Transfer to statutory reserve	-	28,483	-	-	28,483	(28,483)	-
Transfer to common good fund	-	-	2,000	-	2,000	(2,000)	-
Medical aid to staff	-	-	(426)	-	(426)	-	(426)
Balance as on June 30, 2017	7,886,842	707,659	5,214	-	712,873	(1,486,922)	7,112,793

The annexed notes from 1 to 39 form an integral part of these financial statements.

ZAHID MANSOOR
CHIEF FINANCIAL OFFICER

MUHAMMAD AYUB
ACTING PRESIDENT/ CEO

The Punjab Provincial Cooperative Bank Limited

Notes to the Financial Statements For the year ended June 30, 2017

1 STATUS AND NATURE OF BUSINESS

The Punjab Provincial Cooperative Bank Limited (the Bank) was incorporated in Punjab in the year 1924 as a Cooperative Bank under the Cooperative Societies Act, 1912 (repealed) and commenced its operations from 1924. It was given status of a Scheduled Bank by the State Bank of Pakistan (SBP) w.e.f. November 07, 1955. The Bank is operating under the supervision of the Cooperative Department Government of Punjab (GoPb) and the State Bank of Pakistan. The objects for which the Bank is established are to carry out the business of agricultural credit and other activities as defined in the Cooperative Societies Act, 1925 and its Rules. The Bank operates through its 151 (2016 : 151) branches in the province of Punjab. The Registered Office of the Bank is located at Bank Square, The Mall, Lahore.

2 BASIS OF PRESENTATION

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

3 STATEMENT OF COMPLIANCE

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

The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Accordingly investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

IFRS 8, 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 1, 2009. All banks in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorization in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS - 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.

3.1 Standards, amendments or interpretations that became effective during the year

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after July 01, 2016:

- IFRS 14 Regulatory Deferral Accounts
- IFRS 10 Consolidated Financial Statements (Amendments)
- IFRS 12 Disclosure of Interests in Other Entities (Amendments)
- IAS 28 Investments in Associates and Joint Ventures (Amendments)
- IAS 1 Presentation of Financial Statements (Amendments)
- IAS 27 Separate Financial Statements (Amendments)
- IAS 16 Property, Plant and Equipment (Amendments)
- IAS 41 Agriculture (Amendments)
- IAS 38 Intangible Assets (Amendments)
- IFRS 11 Joint Arrangements (Amendments)

The adoption of the above amendments did not have any material effect on the financial statements.

Notes to the Financial Statements
For the year ended June 30, 2017

3.2 Standards, Interpretations and Amendments to Published Approved Accounting Standards that are not yet effective

The following new standards and amendments to standards are only effective for annual periods beginning from the dates specified below.

Standard / Amendments	IASB effective date (annual periods beginning on after)
- IAS 7 Cash Flow Statements (Amendments resulting from disclosure initiative issued on 29 January, 2016)	January 1, 2017
- IAS 12 Income Taxes (Amendments regarding recognition of deferred tax assets for unrealized losses issued on 19 January, 2016)	January 1, 2017
- IFRS 15 Revenue from Contracts with Customers (Standard was issued by IASB on 12 April, 2016)	January 1, 2018
- IFRS 2 Share-Based Payments (Amendments regarding classification and measurement of share-based payment transactions on 20 June, 2016)	January 1, 2018
- IFRS 16 Leases (Standard was issued by IASB on 13 January, 2016)	January 1, 2019

4 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention in accordance with the Cooperative Societies Act 1925 and Rules of 1927, except that free hold land and securities (available for sale) have been recognized in these financial statements at revalued amounts. In addition, obligation in respect of staff retirement benefits is carried at present value. These financial statements are presented in Pak Rupees which is the Bank's functional and presentation currency. The amounts are rounded off to the nearest thousand.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENT BASIS OF MEASUREMENT

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise judgments in application of its accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgments were made by the management in the application of accounting policies that have a significant risk of material adjustment to the carrying amounts of assets and liabilities are as follows:

- i) Classification and provisioning against investments.
- ii) Income taxes.
- iii) Classification and provisioning against advances.
- iv) Depreciation of operating fixed assets.
- v) Staff retirement benefits.

a) Classification of investments

- Investments classified as 'held to maturity' are non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investment to maturity.
- The investments which are not classified held to maturity are classified as available for sale.

b) Provision against advances

The Bank reviews its loan portfolio to assess the amount of non-performing advances and provision required there against on regular basis. While assessing this, the requirements of the Prudential Regulations are considered complied with.

The amount of general provision is determined in accordance with the relevant regulations and management's judgment.

c) Impairment of 'available for sale' equity investments

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.

d) Taxes

In making the estimates for income taxes currently payable by the Bank, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past.

e) Depreciation, amortization and revaluation of operating fixed assets

In making estimates of the depreciation / amortization method, the management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the changed pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard (IAS) 8 Accounting Policies, Changes in Accounting Estimates and Errors. Further, the Bank estimates the revalued amount of land and buildings on a regular basis. The estimates are based on valuations carried out by independent professional valuers under the market conditions.

Notes to the Financial Statements
For the year ended June 30, 2017

f) Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in Note 30 of these financial statements for the actuarial valuation of staff retirement benefit plans. Actuarial assumptions are entity's best estimates of the variables that will determine the ultimate cost of providing post employment benefits. Changes in these assumptions in future years may affect the liability / asset under these plans in those years.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Cash and cash equivalents

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

6.2 Deposits

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

6.3 Advances

Advances are stated net of specific and general provisions. Specific provision is determined on the basis of the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses include 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 is no realistic prospect of recovery.

6.4 Investments

The Bank classifies its investments as follows:

Held-to-maturity securities

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

Available-for-sale securities

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

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

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.

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

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

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

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

Notes to the Financial Statements
For the year ended June 30, 2017

6.5 Operating fixed assets

These are stated at cost less accumulated depreciation except freehold land which is stated at revalued amount and capital work in progress, that is stated at cost.

Depreciation is computed over the estimated useful lives of the related fixed assets at the rates specified in [note 11.2](#) on monthly diminishing balance method, except vehicles which are being depreciated on straight line method. Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed.

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

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

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

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

6.6 Crop insurance and Live Stock insurance recoverable

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

6.7 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the profit and loss account except to the extent that it relates to items recognized directly in equity or below equity, in which case it is recognized in equity or below equity.

6.7.1 Current

Provision for current taxation is based on taxable income for the year. Tax charge for the current year is determined in accordance with the prevailing laws for taxation. The charge for the current tax is calculated using tax rates enacted or substantively enacted at the balance sheet date. The charge for the current tax also includes adjustments relating to prior years, if necessary, arising from assessments finalized during the year.

6.7.2 Deferred

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

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

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

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

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

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

Notes to the Financial Statements
For the year ended June 30, 2017

6.8 Revenue recognition and other Items

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

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

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

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

6.9 Staff retirement benefits

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

6.9.1 Defined benefit plans

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

6.9.2 Defined contribution plan

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

- Gratuity opted employees

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

- Pension opted employees

Monthly contributions are made by both employees and the Bank to the fund at the rate of 10% and 15% respectively of the basic salary in accordance with the terms of the scheme.

6.10 Impairment of assets

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

6.11 Intangible assets

Expenditure incurred to acquire computer software is capitalized as intangible asset and stated at cost less accumulated amortization and any identified impairment loss. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets are amortized using straight-line method over a period of five years. Amortization on additions to intangible assets is charged from the month in which an asset is put to use and on disposal up to the month of

6.12 Financial Instruments

6.12.1 Financial assets and financial liabilities

Financial instruments carried on the statement of financial position include cash and balances with treasury banks, balances with other banks, lending to financial institutions, investments (excluding investment in associates and subsidiaries), advances, other assets, bills payable, borrowings, 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 liabilities.

6.12.2 Offsetting

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

6.13 Provision

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

6.14 Contingencies & commitments

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

Contingent liabilities are disclosed when:

- There is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events wholly within the control of the Bank.
- There is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Punjab Provincial Cooperative Bank Limited

Notes to the Financial Statements
For the year ended June 30, 2017

	Note	June 30,	June 30,
		2017	2016
Rupees in '000			
7 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		661,025	371,168
With State Bank of Pakistan (SBP) in			
Local currency current account	7.1	352,367	316,287
With National Bank of Pakistan (NBP) in			
Local currency current account		96,781	65,564
Local currency deposit account (NIDA)	7.2	17,784	17,784
Total		1,127,957	770,803

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

7.2 Rate of profit on NIDA account is at 3.75% per annum (2016 : 4.00% to 4.50% per annum).

8 BALANCES WITH OTHER BANKS

In Pakistan			
In current accounts		13,741	10,652
In deposit accounts	8.1	1,468,839	874,904
Considered doubtful			
		1,482,580	885,556
Less: Provision against doubtful balance			
Total		1,482,580	885,556

8.1 These accounts carry profit rates ranging from 3.75% to 5.65% per annum (2016 : 4.00% to 4.50%) per annum.

9 INVESTMENT - NET

	Note	2017			2016		
		Held by bank	Given as	Total	Held by bank	Given as collateral	Total
Rupees in '000							
9.1 Investments by types							
Available-for-sale securities							
Fully paid ordinary shares of listed companies	9.9	7,023	-	7,023	7,023	-	7,023
Fully paid ordinary shares of cooperative institutions -	9.9	3,551	-	3,551	3,551	-	3,551
Held-to-maturity securities							
Market Treasury Bills		1,996,114	-	1,996,114	1,022,168	-	1,022,168
Pakistan Investment Bonds		10,551	-	10,551	1,060,691	-	1,060,691
Non-banking finance company		88,059	-	88,059	88,059	-	88,059
Investments at cost		2,105,298	-	2,105,298	2,181,492	-	2,181,492
Less: Provision for diminution in value of Investments	9.3	(89,648)	-	(89,648)	(89,648)	-	(89,648)
Investments (net of provisions)		2,015,650	-	2,015,650	2,091,844	-	2,091,844
Surplus on revaluation of available for-sale securities		617,762	-	617,762	433,157	-	433,157
Total investments		2,633,412	-	2,633,412	2,525,001	-	2,525,001

Notes to the Financial Statements
For the year ended June 30, 2017

	Note	June 30,	June 30,
		2017	2016
Rupees in '000			
9.2 Investment by segments			
Federal Government securities			
Market treasury bills	9.6	1,996,114	1,022,168
Pakistan Investment Bonds	9.7	10,551	1,060,691
Investment with other financial institutions			
Non-banking finance company	9.8	88,059	88,059
Fully Paid up Ordinary Shares:			
Listed companies	9.9	7,023	7,023
Cooperative institutions	9.9	3,551	3,551
Total investment at cost		2,105,298	2,181,492
Less: Provision for diminution in value of investments	9.3	(89,648)	(89,648)
Investments (net of provisions)		2,015,650	2,091,844
Add: Surplus on revaluation on Available-for-sale securities	19.2	617,762	433,157
Total investments at market value		2,633,412	2,525,001

9.3 Particulars of provision for diminution in value of investments

Opening balance		89,648	89,648
Charge for the year		-	-
Reversals		-	-
Closing balance		89,648	89,648

	June 30,	June 30,
	2017	2016
Rupees in '000		

9.4 Particulars of provision in respect of type and segment

Available-for-sale securities		-	-
Fully paid up ordinary shares			
Cooperative institutions		1,589	1,589
Held-to-maturity securities		-	-
Investments with other banks			
Non-banking financial institutions		88,059	88,059
		89,648	89,648

9.5 Quality of available for sale securities

Securities	2017		2016	
	Amount	Rating	Amount	Rating
Shares of listed companies - Fair value				
Security Papers Limited	613,935	Unrated	430,959	Unrated
NIB Bank Limited	321	AA-	399	AA-
Dawood Lawrencepur Limited	10,521	Unrated	8,807	Unrated
PICIC Insurance Limited	8	BBB+	15	BBB+
	624,785		440,180	

9.6 These securities have a maturity period of six months with yield ranging from 5.80% to 6.00% (2016 : 6.20% to 8.38%) per annum.

9.7 These securities have maturity time ranging from 1.5 year to 3 years and carry profit rate of 11.25% (2016: 11.25%) per annum.

9.8 This represents investment made in the Certificates of Investment / Deposit of Trust Investment Bank Limited (TIBL) for a period of six months, commencing from 01-03-2010, carrying profit rate of 12.55% per annum. During the year ended 2012, the Bank accepted a swap proposal of loans amounting to Rs. 140 million (existing outstanding balance as at June 30, 2017 amounts to Rs. 23.042 million) granted to M/s Vital Enterprises (Pvt.) Limited by TIBL. This was a funded facility against mortgage of urban property. The Bank has filed a petition against TIBL in Honorable Lahore High Court, Lahore for recovery of such amount on September 15, 2015. However, based on financial health of TIBL, a provision for diminution of Rs. 88.059 million has already been made in the financial statements.

The Punjab Provincial Cooperative Bank Limited

Notes to the Financial Statements

For the year ended June 30, 2017

9.9 Investment in Listed Ordinary Shares and Cooperative Institutions

2017	2016	Face Value of Shares Rs.	Name of company / cooperative institution	Note	2017	2016
Number of Shares					At Cost	
					Rupees in '000	
Investment in Listed Companies						
4,254,280	4,254,280	10	Security Papers Limited		6,708	6,708
218,287	218,287	10	NIB Bank Limited		-	-
48,710	48,710	10	Dawood Lawrencepur Limited		315	315
2,314	2,314	10	PICIC Insurance Limited		-	-
4,523,591	4,523,591				7,023	7,023
Shares of Cooperative Institutions						
36,318,949	21,791,370	10	Coop: Insurance Society of Pakistan	9.9.2	1,919	1,919
460	460	100	National Coop. Supply Corporation		43	43
3,410	3,410	100	Coop: Investment & Management Agency		341	341
71	71	1000	Oberoi Coop: Society Sialkot		71	71
3,041	3,041	100	Shahdara Pioneer Coop: M.P. Society		300	300
7,360	7,360	100	Lahore Central Coop: Store		536	536
10	10	100	Jhelum Distt. Coop: Society		1	1
12	12	1000	All Pakistan Coop: Multi Purpose Society		11	11
129	129	500	Punjab Prov. Coop: Cotton Corp.		65	65
1	1	100	Pakistan Product Coop: Marketing		-	-
250	250	100	Anjuman Imdad-e-Bahami M.P. Society		12	12
30	30	1000	Pioneer Coop: Leather & Rubber Society		30	30
4	4	500	Punjab Prov. Coop: Marketing		2	2
10	10	100	West Pakistan Coop: Consumer Society		1	1
52	52	500	Sargodha Distt. Coop: Society		18	18
4	4	100	Sialkot Central Coop: Multi Purpose Society		-	-
200	200	50	Multan Distt. Coop: Multi Purpose Society		8	8
100	100	100	Lyalpur Distt. Coop: Multi Purpose Society		10	10
20	20	100	Lyalpur Distt. Coop: Store		1	1
1,020	1,020	100	Montgomery Coop: Society		102	102
250	250	100	Bahawalpur Coop: Society		25	25
500	500	100	Arifwala Mills Society		45	45
1	1	10	Jhang Coop: Supervising		-	-
200	200	50	Rawalpindi Multi Purpose Union		10	10
36,336,084	21,808,505				3,551	3,551
40,859,675	26,332,096				10,574	10,574
Impairment in available for sale listed shares / units					(1,589)	(1,589)
Investment in available for sale shares / units (net of impairment)					8,985	8,985
Surplus on revaluation of shares / units - net					617,762	433,157
Market value as on 30 June, 2017					626,747	442,142

9.9.1 The shares of Cooperative institutions showing Nil value is due to amounts rounded off to the nearest thousand rupees.

9.9.2 The Bank has 72.63% share holding (i.e. 363 million shares out of total 500 million shares) in Cooperative Insurance Society of Pakistan.

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Notes to the Financial Statements
For the year ended June 30, 2017

	Note	June 30, 2017	June 30, 2016
		Rupees in '000	

10 ADVANCES - NET

Loans, cash credits, running finances, etc.			
In Pakistan		11,284,485	11,040,626
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		184	184
Advances - gross		11,284,669	11,040,810
Provision for non-performing advances	10.4	(1,606,271)	(1,606,271)
Advances - net of provision		9,678,398	9,434,539

10.1 Particulars of advances (Gross)

10.1.1 In local currency		11,284,669	11,040,810
In foreign currency		-	-
Total		11,284,669	11,040,810
10.1.2 Short term (for up to one year)		9,343,939	9,408,444
Long term (for over one year)		1,940,730	1,632,366
Total		11,284,669	11,040,810

10.2 Advances include Rs. 2,246,337 thousand (2016 : Rs. 2,270,105 thousand) which have been placed under non-performing status as detailed below:-

	2017				
	Classified Advances			Provision Required	Provision Held
	Domestic	Overseas	Total		
	----- Rupees in '000 -----				

Category of classification

Other Assets Especially Mentioned	316,231	-	316,231	-	-
Substandard	245,332	-	245,332	1,865	1,865
Doubtful	152,345	-	152,345	13,266	13,266
Loss	1,532,429	-	1,532,429	1,506,261	1,590,762
Total	2,246,337	-	2,246,337	1,521,392	1,605,893

	2016				
	Classified Advances			Provision Required	Provision Held
	Domestic	Overseas	Total		
	----- Rupees in '000 -----				

Category of classification

Other Assets Especially Mentioned	379,901	-	379,901	925	925
Substandard	243,888	-	243,888	10,092	10,092
Doubtful	127,089	-	127,089	8,168	8,168
Loss	1,519,227	-	1,519,227	1,503,374	1,586,708
Total	2,270,105	-	2,270,105	1,522,559	1,605,893

10.3 Provision is computed as on June 30, 2017 after taking benefit of collaterals of non performing loans.

10.4 Particulars of provision against non-performing advances

	2017			2016		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
Opening balance	1,605,893	378	1,606,271	1,605,893	184	1,606,077
Charge for the year	-	-	-	-	194	194
Closing balance	1,605,893	378	1,606,271	1,605,893	378	1,606,271

10.5 Particulars of provisions against non-performing advances

In local currency	1,605,893	378	1,606,271	1,605,893	378	1,606,271
In foreign currency	-	-	-	-	-	-
	1,605,893	378	1,606,271	1,605,893	378	1,606,271

10.6 Particulars of write offs

	Note	June 30, 2017	June 30, 2016
		Rupees in '000	
Against provisions	10.4	-	-
Directly charged to profit & loss account		-	-
Total		-	-
10.6.1 Write offs of Rs. 500,000 and above	10.7	-	-
Write offs of below Rs. 500,000		-	-
		-	-

10.7 Details of loan write off of Rs. 500,000 and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the Statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended June 30, 2017 is Nil (2016: Nil).

10.8 Particulars of loans and advances to directors (Key Executives), associated companies etc.

	June 30, 2017	June 30, 2016
	Rupees in '000	
Debts due by directors, executives or officers		
Debts due by directors, executives or officers of the bank or any of them either severally or jointly with any other persons:		
Balance at the beginning of the year	8,583	10,187
Loans granted during the year	6,741	7,097
Repayments	(11,837)	(8,701)
Balance at the end of the year	3,487	8,583
Debts due by subsidiary company or firms in which directors (executives) of the bank are interested as directors (executives)		
Balance at the beginning of the year	-	-
Loans granted during the year	-	-
Repayments	-	-
Balance at the end of the year	-	-

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Notes to the Financial Statements
For the year ended June 30, 2017

11 OPERATING FIXED ASSETS

	Note	June 30,	June 30,
		2017	2016
		Rupees in '000	
Capital work-in-progress	11.1	37,599	27,376
Property and equipment	11.2	7,132,520	4,611,916
Intangible assets	11.4	6,092	5,920
		7,176,211	4,645,212

11.1 Capital work-in-progress

	Opening balance as at July 01	Additions during the year	Transfers to operating fixed assets	Closing balance as at June 30
Rupees in '000				
Civil works	11,283	-	-	11,283
ATM Machines	3,615	-	-	3,615
Advances to suppliers (Intangible Assets)	12,478	10,223	-	22,701
2016	27,376	10,223	-	37,599
2015	24,731	7,348	4,703	27,376

11.2 Property and equipment

	2017									
	Cost / revaluation				Depreciation				Net book value	Rate of depreciation
	Opening balance	Additions / Revaluation s / Transfers	(Deletions)/ Transfers	Closing balance	Opening balance	Charge for the year	(Deletion)/ Transfer	Closing balance		
Rupees in '000										%
Free hold land	110,479	-	-	110,479	-	-	-	-	110,479	-
Lease hold land	-	-	-	-	-	-	-	-	-	-
Revaluation surplus on lease hold land hold land	-	576,719	-	576,719	-	-	-	-	576,719	-
Revaluation surplus on Free hold land	4,350,788	1,941,268	-	6,292,056	-	-	-	-	6,292,056	-
Total	4,461,267	2,517,987	-	6,979,254	-	-	-	-	6,979,254	
Building on free hold land	141,028	2,849	(906)	142,971	51,618	2,284	-	53,902	89,069	2.5%
Building on lease hold land	4,286	-	-	4,286	2,275	50	-	2,325	1,961	2.5%
Furniture and fixtures	41,227	2,196	-	43,423	27,498	3,476	-	30,974	12,449	20%
Electrical, office and computer equipment	50,208	10,458	-	60,666	23,664	8,303	-	31,967	28,699	20%
Vehicles	67,523	8,582	(3,196)	72,909	48,726	5,547	(2,291)	51,982	20,927	20%
Telephone exchange & conference system	1,058	50	-	1,108	975	33	-	1,008	100	20%
Arms & ammunitions	268	2	-	270	193	16	-	209	61	20%
	305,598	24,137	(4,102)	325,633	154,949	19,709	(2,291)	172,367	153,266	
	4,766,865	2,542,124	(4,102)	7,304,887	154,949	19,709	(2,291)	172,367	7,132,520	

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Notes to the Financial Statements
For the year ended June 30, 2017

	2016									
	Cost / revaluation				Depreciation				Net book value	Rate of depreciation
	Opening balance	Additions / Revaluation	(Deletions)/ Transfers	Closing balance	Opening balance	Charge for the	(Deletion)/ Transfer	Closing balance		
Rupees in '000										%
Free hold land	110,479	-	-	110,479	-	-	-	-	110,479	-
Revaluation surplus	4,350,788	-	-	4,350,788	-	-	-	-	4,350,788	-
Total	4,461,267	-	-	4,461,267	-	-	-	-	4,461,267	
Building on free hold land	131,784	9,244	-	141,028	49,483	2,135	-	51,618	89,410	2.5
Building on lease hold land	4,286	-	-	4,286	2,227	48	-	2,275	2,011	2.5
Furniture and fixtures	36,417	4,810	-	41,227	25,408	2,090	-	27,498	13,729	20
Electrical, office and computer equipment	41,045	9,163	-	50,208	19,592	4,072	-	23,664	26,544	20
Vehicles	56,371	11,152	-	67,523	46,975	1,751	-	48,726	18,797	20
Telephone exchange & conference system	1,020	38	-	1,058	957	18	-	975	83	20
Arms & ammunitions	260	8	-	268	187	6	-	193	75	20
	271,183	34,415	-	305,598	144,829	10,120	-	154,949	150,649	
	4,732,450	34,415	-	4,766,865	144,829	10,120	-	154,949	4,611,916	

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

11.2.2 Freehold land was revalued on Feb 10, 2017 by Star Tech Consultants, an independent professional valuer firm, on the basis of fair market value. This revaluation resulted in surplus of Rs. 1,941,268 thousand in respect of freehold land. However, without the effect of revaluation, the carrying amount of the land would have been Rs.110.479 million (2016: Rs.110.479 million).

11.2.3 Leasehold land was revalued on Feb 10, 2017 by Star Tech Consultants, an independent professional valuer firm, on the basis of fair market value. This revaluation resulted in surplus of Rs. 576,719 thousand in respect of freehold land. However, without the effect of revaluation, the carrying amount of the land would have been nil.

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

11.3 Details of disposal of operating fixed assets during the year

11.3.1 Items having cost of more than Rs. 1,000,000 or net book value of more than Rs. 250,000

Description	Cost	Accumulated depreciation	Net book value	Sale Proceed	Mode of disposal	Particulars of purchaser
RS. (000)						
Vehicles						
LEB-1035 TOYOTA COROLLA Car	1,672	766	877	877	As per contract/Company policy	Aamir Ali Khan
LEA-4351 TOYOTA COROLLA	1,525	1,525	-	-	As per contract/Company policy	Muhammad Ayub
	3,196	2,291	877	877		
Building on free hold land	906	-	906	92	Written Off	
	4,102	2,291	1,783	969		

11.3.2 Items having cost of less than Rs. 1,000,000 or net book value of less than Rs. 250,000

The Bank did not dispose of any such item of operating fixed assets during the year.

11.4 Intangible assets

	2017							Net book value	Rate of Amortization
	Cost			Amortization					
	Opening	Additions	Closing	Opening	Charge for	Closing			

The Punjab Provincial Cooperative Bank Limited**Notes to the Financial Statements
For the year ended June 30, 2017**

	balance	Additions	balance	balance	the year /	balance	value	on
	-----Rupees in '000-----							
Bank smart (core banking system)	8,458	2,329	10,787	2,538	2,157	4,695	6,092	20%
	8,458	2,329	10,787	2,538	2,157	4,695	6,092	
2016	8,458	-	8,458	846	1,692	2,538	5,920	

The Punjab Provincial Cooperative Bank Limited

Notes to the Financial Statements For the year ended June 30, 2017

	June 30, 2017	June 30, 2016
	Rupees in '000	

12 DEFERRED TAX

Deductible temporary differences on:

Provision for gratuity	67,085	60,292
Provision for compensated leave absences	234,510	220,959
Provision against other assets	66,479	66,479
Provision for salary payable	340,000	180,000
Un-used tax losses	1,288,986	1,266,301
	1,997,060	1,794,031

Taxable temporary differences on:

Operating fixed assets	38,026	35,681
Investments	528,114	343,509
	566,140	379,190

Temporary differences for which no deferred tax is recognized	1,430,920	1,414,841
--	------------------	------------------

12.1 In absence of future taxable profits projections, amount of Rs. 500,822 thousands (2016: Rs. 495,194 thousands) has not been recognized as deferred tax asset.

	June 30, 2017	June 30, 2016
	Rupees in '000	

13 OTHER ASSETS - NET

Income / markup accrued on loans and advances in local currency	626,929	602,218
Advances, deposits, advance rent and others prepayments	9,551	3,672
Advance taxation	(19,332)	494
Sundry debtors	2,038	2,219
Profit recoverable from banks	595	2,226
Crop insurance recoverable	125,725	178,343
Live stock insurance recoverable	16,894	10,068
Branch adjustment account	11,357	69,296
Others	94,817	110,423
	868,574	978,959
Less: Provision held against other assets	(66,479)	(66,479)
Total	802,095	912,480

14 BILLS PAYABLE

In Pakistan	52,584	14,807
Outside Pakistan	-	-
Total	52,584	14,807

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Notes to the Financial Statements For the year ended June 30, 2017

	Note	June 30,	June 30,
		2017	2016
Rupees in '000			

15 DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits		563,927	561,863
Savings deposits		2,826,634	2,445,064
Current accounts - non remunerative		1,544,158	1,089,524
Call deposits		3,566	4,498
Other deposits	15.1	119,705	85,668
Total		5,057,990	4,186,617

Financial institutions

Remunerative deposits		-	-
Non-remunerative deposits		-	-
Total		-	-

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

15.2 Particulars of deposits

In local currency		5,057,990	4,186,617
in foreign currencies		-	-
Total		5,057,990	4,186,617

	Note	June 30,	June 30,
		2017	2016
Rupees in '000			

16 OTHER LIABILITIES

Mark-up/ Return/ Interest payable in local currency		38,981	46,632
Accrued expenses		4,708	3,821
Provision for salary payable / VSS Package		340,000	180,000
Sundry creditors	16.1	41,691	44,466
Dissolved bank payable		37,427	37,427
Provision for employees' gratuity	30	67,085	60,292
Provision for employees' pension fund	30	2,372,155	2,559,948
Provision for employees' compensated absences	30	234,510	220,959
Withholding tax payable		12,900	6,887
Others		41,293	38,756
Total		3,190,750	3,199,188

16.1 This includes amount of Rs. 6,274 thousands payable on account of Rahwali Sugar Mills (RSM) and Bid Money of Rs. 12,300 thousands that was forfeited by the PPCBL as per settled agreement with respect to auction of land in 1999 on failure of the purchaser to deposit the remaining purchase money. However, the purchaser has filed a suit in the court against the Bank for recovery of the above said amounts that is pending for adjudication.

The Punjab Provincial Cooperative Bank Limited

Notes to the Financial Statements For the year ended June 30, 2017

17 SHARE CAPITAL

June 30, 2017		June 30, 2016		June 30, 2017	June 30, 2016
(Number of shares)				Rupees in '000	
17.1 Authorized capital					
<u>Unlimited</u>	Unlimited	Ordinary shares of Rs.100 each		<u>Unlimited</u>	Unlimited
17.2 Issued, subscribed and paid up capital					
<u>78,492,690</u>	78,492,690	Ordinary shares of Rs. 100 each, fully paid in cash		<u>7,849,269</u>	7,849,269
		Ordinary shares of Rs. 100 each, issued as fully paid bonus shares		<u>37,573</u>	37,573
<u>375,730</u>	375,730			<u>37,573</u>	37,573
<u>78,868,420</u>	78,868,420			<u>7,886,842</u>	7,886,842

17.3 State Bank of Pakistan (SBP) vide letter No. BSD/BA&CP-04/629/023472/15 dated October 26, 2015 set the Minimum Capital Requirement (MCR) for the Bank of Rs. 6 Billion (net of losses) and bank is in compliance with above stated letter.

	Note	June 30, 2017	June 30, 2016
Rupees in '000			
18 RESERVES			
Statutory reserve		707,659	679,176
Common good fund	18.1	5,214	3,640
Other reserve		-	-
Total		712,873	682,816

18.1 This reserve is created to provide for medical treatment to employees of the Bank with respect to any unforeseen accidents / injuries.

19 SURPLUS ON REVALUATION OF ASSETS

Surplus arising on revaluation of:

Fixed Assets	19.1	6,868,774	4,350,787
Available-for-sale securities	19.2	617,762	433,157
Total		7,486,536	4,783,944

19.1 Surplus on revaluation of fixed assets

As at July 01,		4,350,787	4,350,787
Recognized during the year		2,517,987	-
Reversal of deficit on account of properties written off		-	-
Transfer to unappropriated profit on disposal		-	-
As at June 30,		6,868,774	4,350,787

The Punjab Provincial Cooperative Bank Limited

Notes to the Financial Statements

For the year ended June 30, 2017

	June 30, 2017	June 30, 2016
	Rupees in '000	
19.2 Surplus on revaluation of available for sale securities		
As at July 01,	433,157	375,804
Recognized during the year	184,605	57,353
As at June 30,	617,762	433,157

20 CONTINGENCIES AND COMMITMENTS

	June 30, 2017	June 30, 2016
	Rupees in '000	
20.1 The Bank has total of 118 (2016: 119) cases under litigation in different courts. The total amount involved in such outstanding cases aggregate to;	193,571	164,141
20.2 Show cause notice by sales tax-under appeal	5,041	5,041

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

20.3 Income tax status / exposure:

20.3.1 The Income Tax Returns up to the tax year 2016 has been filed under Self Assessment Scheme with the Income Tax Department of Federal Board of Revenue (FBR) which are "deemed assessment orders" unless selected for Audit or revised under respective sections of Income Tax Ordinance by the FBR Authorities.

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

The Punjab Provincial Cooperative Bank Limited

Notes to the Financial Statements

For the year ended June 30, 2017

- 20.3.3** The Bank is in litigation with the Income Tax Department where by appeals and cross appeals for the assessment years 1999-2000 to 2002-2003 on account of orders passed under Section 62 of the Income Tax Ordinance, 1979 (Repealed Ordinance), for tax years 2003 to 2007 on account of 122(1) / 122(5A) of the Income Tax Ordinance, 2001, for tax year 2010 on account of Section 161/ 205/ 221(1) of the Income Tax Ordinance, 2001, as well as for years 2008 and 2010 and months of June-July 2013 on account of Section 34 of the Federal Excise Act, are pending adjudication before the Appellate Tribunal Inland Revenue. However, the bank has been charged & paid accordingly all the respective amounts of tax demand for all the Assessment Year / Tax Years under litigation. The management of the Bank as well as its tax advisor is of the view that the Bank has fair chance to get the decision of these appeals in its favor.
- 20.3.4** CIR raised demand under section 161/205 of Income Tax Ordinance, 2001, for the tax year 2011, to the sum of Rs. 32 million vide order dated October 31, 2014. Appellate Tribunal Inland Revenue vide its order dated February 10, 2015 granted stay order on advance payment of 4.831 million. Later on Commissioner (Appeals) vide its order dated 21.06.2017 has deleted all the demand except 0.194 million. Bank is filing appeal before the appellate Tribunal against meager demand of Rs.0.194 million.
- 20.3.5** The bank is contingently liable to super tax demand for the tax years 2015 and 2016 in the sum of Rs. 3,464 thousand and 7,740 thousand respectively, as also claimed by the department for the tax year 2015. However management of the bank and its tax advisor are of the view that since the bank is registered under the Cooperative Societies Act, 1925 therefore the provisions of section 4B of Income Tax Ordinance, 2001 are not applicable to it. Accordingly the provision for super tax for these tax years have not been recorded in these financial statements.

20.4 Commitments

	June 30, 2017	June 30, 2016
	Rupees in '000	
- Civil work	5,120	3,318
- Intangible assets	17,608	31,637

The Punjab Provincial Cooperative Bank Limited

Notes to the Financial Statements
For the year ended June 30, 2017

	Note	June 30, 2017	June 30, 2016
Rupees in '000			
21 MARK-UP/ RETURN / INTEREST EARNED			
On loans and advances			
to customers		1,513,681	1,386,820
to employees of the bank		31,911	34,854
On investments in held to maturity securities			
Treasury Bills / PIBs		119,528	164,001
On deposits with financial institutions		56,029	61,442
Total		1,721,149	1,647,117
22 MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		110,447	140,781
Total		110,447	140,781
23 OTHER INCOME			
Rent on property		45,581	42,374
Net profit on gain on sale of fixed assets		92	-
Profit on sale of books		7,104	5,888
Bank and service charges		7,158	9,525
Loan processing fee		31,845	31,077
Rent on lockers		983	912
Total		92,763	89,776
24 ADMINISTRATIVE EXPENSES			
Salaries, allowances and benefits		941,457	856,659
Charge for defined benefit plan	30	315,317	356,765
Contribution to defined contribution plan		12,564	10,941
Rent, taxes, insurance, electricity, etc.		51,372	45,032
Legal and professional charges		6,308	4,851
Communications		22,686	22,796
Repairs and maintenance		3,602	2,880
Stationery and printing		4,041	3,995
Advertisement and publicity		1,684	1,392
Subscription		1,000	750
Auditors' remuneration	24.1	2,045	2,553
Depreciation on property and equipment	11.2	19,709	10,120
Amortization of intangible assets	11.4	2,157	1,692
General bank charges		19,072	19,948
Vehicles expenses		19,017	20,704
Fuel for generator		6,078	6,516
Donation	24.2	-	-
IT License fee		1,937	2,937
Incentive paid to staff		2,927	4,478
Others		15,401	14,826
Total		1,448,374	1,389,835
24.1 Auditors' remuneration			
Statutory audit fee		2,000	2,380
Fee for the review of the half yearly financial statements		45	38
Out of pocket expenses		-	-
Others		-	135
Sub-total		2,045	2,553

24.2 Administrator / Executives of the Bank or their Spouses did not have any interest in the donee.

Notes to the Financial Statements
For the year ended June 30, 2017

	Note	June 30,	June 30,
		2017	2016
		Rupees in '000	
25 OTHER PROVISIONS / WRITE OFFS			
Provision for salary payable		160,000	100,000
Provision against other assets		-	6,799
Assets directly charged off		-	-
Total		160,000	106,799

26 TAXATION

For the year			
Current		30,944	38,037
For the prior year(s)			
Current		-	-
Total		30,944	38,037

26.1 Relationship between tax expense and total revenue

Total revenue for the year		1,818,092	1,779,594
Tax on turnover	26.2	18,181	17,113
Tax on separate block of income		12,763	20,924
Tax for prior years		-	-
Tax expense for the year		30,944	38,037

26.2 Income from business has been charged under minimum tax regime at 1% of total turnover due to carried forward accumulated tax losses.

27 EARNINGS PER SHARE - BASIC

		June 30,	June 30,
		2017	2016
Profit for the year	(Rupees in Thousands)	113,933	103,948
Weighted average number of ordinary shares	(Numbers)	44,168,134	44,168,134
Basic earnings per share	(Rupees)	2.58	2.35

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

28 CASH AND CASH EQUIVALENTS

Cash and balance with treasury banks	1,127,957	770,803
Balance with other banks	1,482,580	885,556
Total	2,610,537	1,656,359

Notes to the Financial Statements
For the year ended June 30, 2017

29 STAFF STRENGTH

	June 30, 2017	June 30, 2016
	Numbers	
Permanent	1,126	1,121
Temporary / on contractual basis	575	573
Daily wages / Others	155	174
Total	1,856	1,868

30 DEFINED BENEFIT PLAN

The valuation has been prepared using the Projected Unit Credit (PUC) actuarial cost method. This is the method mandated under the International Accounting Standard (IAS) 19 - Employee Benefits (revised 2011).

The Projected Unit Credit Method requires an enterprise to attribute benefit to the current and prior periods (in order to determine the present value of defined benefit obligations). An enterprise attributes benefit to periods in which the obligation to provide post-employment benefits arises. Actuarial techniques allow an enterprise to measure that obligation with reliability to justify recognition of a liability.

Under this method the projected value at retirement of the benefits under the schemes are determined for each member and using the service till the curtailment date. Actuarial present value is then determined from this projected value using the valuation rate of discount and after discounting for the probability of survival in service up to the retirement age.

30.1 Principal actuarial assumptions

The latest actuarial valuations of the pension fund, employees' gratuity scheme and employee's compensated absences were carried out at June 30, 2017. The principal actuarial assumptions used are as follows:

	Pension Fund		Gratuity Fund		Compensated Absence	
	2017	2016	2017	2016	2017	2016
	Rupees in '000					
Valuation discount rate	9.25%	9.00%	9.25%	9.00%	9.25%	9.00%
Short term salary increase rate	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Long term salary increase rate	8.25%	30.00%	8.25%	30.00%	8.25%	30.00%
Pension indexation rate	1.25%	3.00%	-	-	-	-
Expected return on plan asset	9.25%	9.00%	-	-	-	-
Leave accumulation factor (days)	-	-	-	-	15	15

30.2 Reconciliation of payable to / (receivable from) defined benefit plan

	Pension Fund		Gratuity Fund		Compensated Absence	
	2017	2016	2017	2016	2017	2016
	Rupees in '000					
Present value of defined benefit obligation	3,295,662	3,117,490	67,085	60,292	234,510	220,959
Fair value of plan asset	(919,146)	(557,542)	-	-	-	-
Net payable / (receivable) at the year end	2,376,516	2,559,948	67,085	60,292	234,510	220,959

Notes to the Financial Statements
For the year ended June 30, 2017

30.3 Reconciliation of the net defined benefit obligation

	Pension Fund		Gratuity Fund		Compensated Absence	
	2017	2016	2017	2016	2017	2016
	Rupees in '000					
Present value of defined benefit obligation as at July 01	2,559,948	2,636,026	60,292	49,284	220,959	204,755
Charge for the year	291,839	331,442	8,851	8,286	14,627	17,037
Contributions paid	(469,351)	(381,069)				
Benefits paid	-	-	(2,089)	(1,585)	(1,076)	(833)
Other comprehensive (income) / loss	(10,281)	(26,451)	31	4,307	-	-
Present value as at June 30	2,372,155	2,559,948	67,085	60,292	234,510	220,959

30.4 Reconciliation of the present value of defined benefit obligation

	Pension Fund		Gratuity Fund		Compensated Absence	
	2017	2016	2017	2016	2017	2016
	Rupees in '000					
Present value of defined benefit obligation as at July 01	3,117,490	2,921,282	60,292	49,284	220,959	204,755
Current service cost	68,473	64,120	3,519	3,194	1,825	(4,419)
Interest cost	273,546	297,274	5,332	5,092	19,838	21,456
Benefits paid	(156,200)	(180,201)	(2,089)	(1,585)	(1,076)	(833)
Actuarial (gain) / loss on obligation	(7,647)	15,015	31	4,307	(7,036)	-
Present value as at June 30	3,295,662	3,117,490	67,085	60,292	234,510	220,959

30.5 Movement in fair value of plan asset

Pension fund	June 30,	June 30,
	2017	2016
	Rupees in '000	
Balance as at July 01	557,542	285,256
Expected return on plan asset	50,179	29,952
Contributions - bank	464,990	381,069
Amounts transferred / Donations / Other receipts	-	-
Contributions - employees	-	-
Benefits paid	(156,200)	(180,201)
Gain / (loss) on plan asset	2,635	41,466
Balance as at June 30	919,146	557,542

30.6 Net Cost for the year

The following amounts have been charged to the profit and loss account in respect of defined benefit plans:

	Pension Fund		Gratuity Fund		Compensated Absence	
	2017	2016	2017	2016	2017	2016
	Rupees in '000					
Current service cost	68,473	64,120	3,519	3,194	1,825	6,179
Net interest	223,366	267,322	5,332	5,092	19,838	21,456
Contributions - employees	-	-	-	-	-	-
Past service cost	-	-	-	-	-	-
Amount transferred	-	-	-	-	-	-
Actuarial (gain) / loss	-	-	-	-	(7,036)	(10,598)
Net cost for the year	291,839	331,442	8,851	8,286	14,627	17,037

The Punjab Provincial Cooperative Bank Limited

Notes to the Financial Statements For the year ended June 30, 2017

31 COMPENSATION OF CHIEF EXECUTIVES, DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2017	2016	2017	2016	2017	2016
----- Rupees in '000 -----						
Fees	3,084	2,405	-	-	11,125	11,370
Rent and house maintenance	482	472	-	-	2,771	3,584
Utilities	24	24	-	-	340	507
Medical	137	134	-	-	1,224	1,577
Conveyance	-	-	-	-	2	-
Others	4,411	2,892	-	-	8,101	9,301
Total	8,138	5,927	-	-	23,563	26,339
Number of persons	1	1	-	-	11	13

31.1 At present, the Secretary Co-operatives, Government of the Punjab is the Administrator of the Bank, having powers and duties of the Board of Directors.

32 FAIR VALUE OF FINANCIAL INSTRUMENTS

32.1 On-balance sheet financial instruments

	2017		2016	
	Book value	Fair value	Book value	Fair value
----- Rupees in '000 -----				
Assets				
Cash balances with treasury banks	1,127,957	1,127,957	770,803	770,803
Balances with other banks	1,482,580	1,482,580	885,556	885,556
Lending to financial institutions	-	-	-	-
Investments	2,633,412	2,633,412	2,525,001	2,525,001
Advances	9,678,398	9,678,398	9,434,539	9,434,539
Other assets	802,095	802,095	839,018	839,018
Total	15,724,442	15,724,442	14,454,917	14,454,917
Liabilities				
Bills payable	52,584	52,584	14,807	14,807
Deposits and other accounts	5,057,990	5,057,990	4,186,617	4,186,617
Other liabilities	3,190,750	3,190,750	3,199,188	3,199,188
Total	8,301,324	8,301,324	7,400,612	7,400,612

32.2 The fair value of investments is based on quoted market price with the exception of unlisted securities and held to maturity securities.

32.3 In opinion of the management, fair value of the remaining financial assets are not significantly different from their carrying values since such assets are either short term in nature or in the case of customer loans and deposits which are frequently re-priced.

The Punjab Provincial Cooperative Bank Limited

Notes to the Financial Statements For the year ended June 30, 2017

33 RELATED PARTY TRANSACTIONS

Related parties comprise of key bank executives, President of the Bank, provident fund trust, pension fund trust, member societies, Registrar Co-operative Societies and the Government of Punjab. Transactions with related parties, other than those disclosed in Note 31, are as follows;

	June 30, 2017	June 30, 2016
Rupees in '000		
Loan to executives		
Loans disbursed during the year	6,741	7,097
Repayments during the year	(11,837)	(8,701)
Mark-up earned	5,193	2,242
Contribution to provident fund trust	12,564	10,941
Contribution to pension fund trust	476,498	381,069
Shares issued to GoPb	-	5,948,573

Receivables and Payables balances with related parties have been disclosed in the respective notes.

34 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

	Retail financing	Commercial banking	Total
Rupees '000			
2017			
Total income	1,545,592	318,106	1,863,698
Total expenses	1,608,374	110,447	1,718,821
Net income	(62,782)	207,659	144,877
Segment assets (gross)	19,328,859	5,334,192	24,663,051
Segment non performing loans	2,246,337	89,648	2,335,985
Segment provision required	1,521,392	-	1,521,392
Segment liabilities	8,262,343	38,981	8,301,324
Segment Return on net Assets (ROA) (%)	-0.71%	3.99%	1.03%
Segment cost of funds (%)	2.18%	2.18%	2.18%
2016			
Total income	1,421,674	357,920	1,779,594
Total expenses	1,496,828	140,781	1,637,609
Net income	(75,154)	217,139	141,985
Segment assets (gross)	16,662,755	4,273,234	20,935,989
Segment non performing loans	2,270,105	89,648	2,359,753
Segment provision required	1,522,559	-	1,522,559
Segment liabilities	7,353,980	46,632	7,400,612
Segment Return on net Assets (ROA) (%)	-1.07%	5.25%	1.27%
Segment cost of funds (%)	3.36%	3.36%	3.36%

The Punjab Provincial Cooperative Bank Limited

Notes to the Financial Statements
For the year ended June 30, 2017

	June 30, 2017	June 30, 2016
	Rupees in '000	

35 CAPITAL ADEQUACY

The risk weighted assets to capital ratio, calculated in accordance with the State Bank of Pakistan guidelines on capital adequacy is as follows:

Regulatory Capital Base

Tier I Capital

Shareholders capital / assigned capital	7,886,842	7,886,842
Reserves	712,873	682,816
Unappropriated losses	(1,486,922)	(1,580,623)
Total Tier I Capital	7,112,793	6,989,035

Tier II Capital

Subordinated debt (up to 50% of total Tier I Capital)	-	-
General provisions subject to 1.25% of total risk weighted assets	378	378
Revaluation reserve (up to 50%)	3,743,268	2,391,972
Total Tier II Capital (restricted up to the amount of total tier I capital)	3,743,646	2,392,350

Eligible Tier III Capital

	-	-
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Total Regulatory Capital (a)	10,856,439	9,381,385
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Risk-Weighted Exposures

	2017		2016	
	Book Value	Risk Adjusted	Book Value	Risk Adjusted
	Rupees in '000			

Credit Risk

Balance sheet items:-

Cash and balances with treasury banks	1,127,957	-	770,803	-
Balances with other banks	1,482,580	296,516	885,556	177,111
Investments	2,633,412	626,747	2,525,001	442,142
Loans & advances	9,678,398	8,480,744	9,434,539	8,179,999
Operating fixed assets	7,176,211	7,176,211	4,645,212	4,645,212
Other assets	802,095	678,332	912,480	721,794
Sub-total	22,900,653	17,258,550	19,173,591	14,166,258

Off balance sheet items

Loan repayment guarantees	-	-	-	-
Purchase and resale agreements	-	-	-	-
Guarantee acceptance	-	-	-	-
Revolving underwriting commitments	-	-	-	-
Stand by letters of credit	-	-	-	-
Outstanding foreign exchange contracts	-	-	-	-
-Purchase	-	-	-	-
-Sale	-	-	-	-
	-	-	-	-

Credit risk-weighted exposures	17,258,550	14,166,258
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Market Risk

General market risk	-	-
Specific market risk	-	-
Market risk-weighted exposures	1,307,321	-

Total risk-weighted exposures (b)	18,565,871	14,166,258
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Capital Adequacy Ratio [(a) / (b) x 100]	58.48	66.22
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- 35.1 State Bank of Pakistan (SBP) vide Letter No. BSD/BA&CP-04/629/023472/15 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, 2017, the paid up capital of the Bank net of losses amounts to Rs. 7,112,793 million which is in agreement with regulatory requirements.

Notes to the Financial Statements
For the year ended June 30, 2017

36 RISK MANAGEMENT

36.1 Credit Risk

The Bank's credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits Bank's exposure to credit risk through monitoring of clients' credit exposure, review and conservative estimates of provisions for doubtful receivable and through the prudent use of collateral for major amounts of credit. The management is of the view that the Bank is exposed to significant concentration of credit risk as its financial assets mostly relate to agriculture sector. Detail is given below:

36.1.1 Segmental Information

Segments by class of business	2017					
	Advances (gross)		Deposits		Contingencies	
	Rupees in '000	%age	Rupees in '000	%age	Rupees in '000	%age
Agriculture, forestry, hunting and fishing	10,896,823	96.56	507,950	10.04	-	-
Mining and quarrying	-	-	-	-	-	-
Textile	-	-	35	-	-	-
Chemical and pharmaceuticals	-	-	-	-	-	-
Cement	-	-	-	-	-	-
Sugar	-	-	-	-	-	-
Footwear and leather garments	-	-	-	-	-	-
Automobile and transportation equipment	-	-	-	-	-	-
Electronics and electrical appliances	-	-	-	-	-	-
Construction	-	-	-	-	-	-
Power (electricity), gas, water, sanitary	-	-	-	-	-	-
Financial	-	-	-	-	-	-
Insurance	-	-	912	0.02	-	-
Services	-	-	-	-	-	-
Individuals	256,292	2.27	3,892,401	76.96	-	-
Others	131,554	1.17	656,692	12.98	198,612	100
Total	11,284,669	100	5,057,990	100	198,612	100
Segmental Information						
Public / Government	956,100	8.47	-	-	198,612	100
Private	10,328,569	91.53	5,057,990	100	-	-
Total	11,284,669	100	5,057,990	100	198,612	100

Notes to the Financial Statements
For the year ended June 30, 2017

36.1.2 Details of non-performing advances and specific provisions by class of business segment

	2017		2016	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	----- Rupees in '000 -----			
Agriculture, forestry, hunting and fishing	2,115,118	1,509,762	2,107,774	1,509,762
Mining and quarrying	-	-	-	-
Textile	-	-	-	-
Chemical and pharmaceuticals	-	-	-	-
Cement	-	-	-	-
Sugar	-	-	-	-
Footwear and leather garments	-	-	-	-
Automobile and transportation equipment	-	-	-	-
Electronics and electrical appliances	-	-	-	-
Construction	-	-	-	-
Power (electricity), gas, water, sanitary	-	-	-	-
Wholesale and retail trade	-	-	-	-
Exports/Imports	-	-	-	-
Transport, storage and communication	-	-	-	-
Financial	-	-	-	-
Insurance	-	-	-	-
Services	-	-	-	-
Individuals	17,686	20,685	15,869	20,685
Others	113,533	75,446	146,462	75,446
Total	2,246,337	1,605,893	2,270,105	1,605,893
Details of non-performing advances and specific provisions by sector				
Public / Government	-	-	-	-
Private	2,246,337	1,605,893	2,270,105	1,605,893
	2,246,337	1,605,893	2,270,105	1,605,893

36.1.3 Geographical segment analysis

	2017			
	From before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- Rupees in '000 -----			
Pakistan	144,877	22,900,653	14,599,329	221,340
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
Total	144,877	22,900,653	14,599,329	221,340

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36.2 Market risk

36.2.1 Foreign exchange risk

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

	2017			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan rupee	22,900,653	8,301,324	-	-

36.2.2 Yield / markup rate risk

Yield / markup 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 / markup rates will affect the value of financial instruments. The bank is exposed to yield / markup 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 / markup rate can be evaluated from the following:

	Effective yield / interest rate	2017										Non-interest bearing financial
		Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 Years	
		Rupees in '000										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury ba	3.75%	1,127,957	17,784	-	-	-	-	-	-	-	-	1,110,173
Balances with other banks	3.50% - 5.65%	1,482,580	1,468,839	-	-	-	-	-	-	-	-	13,741
Investments	6.20% - 11.25%	2,633,412	626,747	1,996,114	-	-	-	10,551	-	-	-	-
Advances	9% - 18%	9,678,398	347,890	123,690	1,556,948	3,075,454	3,175,882	485,740	392,971	413,209	106,614	-
Other assets		802,095	-	-	-	-	-	-	-	-	-	802,095
Sub-total		15,724,442	2,461,260	2,119,804	1,556,948	3,075,454	3,175,882	496,291	392,971	413,209	106,614	1,926,009
Liabilities												
Bills payable		52,584	-	-	-	-	-	-	-	-	-	52,584
Deposits and other accounts	3.50% - 5.25%	5,057,990	2,224,274	235,835	84,157	356,823	72,392	11,896	388,707	25,625	114,123	1,544,158
Other liabilities		3,190,750	-	-	-	-	-	-	-	-	-	3,190,750
Sub-total		8,301,324	2,224,274	235,835	84,157	356,823	72,392	11,896	388,707	25,625	114,123	4,787,492
On-balance sheet gap		7,423,118	236,986	1,883,969	1,472,791	2,718,631	3,103,490	484,395	4,264	387,584	(7,509)	(2,861,483)
Total Yield/Interest Risk Sensitivity Gap		7,423,118	236,986	1,883,969	1,472,791	2,718,631	3,103,490	484,395	4,264	387,584	(7,509)	(2,861,483)
Cumulative Yield/Interest Risk Sensitivity Gap		7,423,118	236,986	2,120,955	3,593,746	6,312,377	9,415,867	9,900,262	9,904,526	10,292,110	10,284,601	7,423,118

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36.3 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:

36.3.1 Maturities of assets and liabilities

	2017									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
----- Rupees in '000 -----										
Assets										
Cash and balances with treasury bank	1,127,957	1,127,957	-	-	-	-	-	-	-	-
Balances with other banks	1,482,580	1,482,580	-	-	-	-	-	-	-	-
Investments	2,633,412	626,747	2,006,665	-	-	-	-	-	-	-
Advances	9,678,398	347,890	123,690	1,556,948	3,075,454	3,175,882	485,740	392,971	413,209	106,614
Other assets	802,095	216,931	462,186	5,498	79,862	2,771	15,171	18,621	650	405
Operating fixed assets	7,176,211	20,006	345	814	1,342	3,023	261	44,107	1,505	7,104,808
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Sub-total	22,900,653	3,822,111	2,592,886	1,563,260	3,156,658	3,181,676	501,172	455,699	415,364	7,211,827
Liabilities										
Bills payable	52,584	52,584	-	-	-	-	-	-	-	-
Deposits and other accounts	5,057,990	3,768,432	235,835	84,157	356,823	72,392	11,896	388,707	25,625	114,123
Other liabilities	3,190,750	278,020	3,128	197	163,920	338	371	3,533	-	2,741,243
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Sub-total	8,301,324	4,099,036	238,963	84,354	520,743	72,730	12,267	392,240	25,625	2,855,366
Net assets	14,599,329	(276,925)	2,353,923	1,478,906	2,635,915	3,108,946	488,905	63,459	389,739	4,356,461

36.3.2 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.

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37 CREDIT RATING

SBP has exempted the Bank from credit rating requirements under Prudential Regulation G-4, till the completion of restructuring process vide letter no. BPRD/LRD-02/RATING/2009/1856 dated March 17, 2009.

38 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 27.09.2017 by the Administrator of the Bank.

39 GENERAL

The figures of the corresponding period have been reclassified, wherever necessary to achieve better presentation. Major reclassification made in the corresponding figures for better presentation is as under:

ZAHID MANSOOR
CHIEF FINANCIAL OFFICER

MUHAMMAD AYUB
ACTING PRESIDENT/ CEO