

The Punjab Provincial Cooperative Bank Limited

Statement of Financial Position

As at June 30, 2016

	Note	June 30, 2016	June 30, 2015
Rupees in '000			
Assets			
Cash and balances with treasury banks	7	770,803	866,698
Balances with other banks	8	885,556	1,775,794
Investments - net	9	2,525,001	1,934,771
Advances - net	10	9,434,539	9,194,515
Operating fixed assets	11	4,645,212	4,619,964
Deferred tax assets - net	12	-	-
Other assets - net	13	912,480	923,123
Total assets		19,173,591	19,314,865
Liabilities			
Bills payable	14	14,807	27,324
Deposits and other accounts	15	4,186,617	4,567,142
Other liabilities	16	3,199,188	3,130,519
Total liabilities		7,400,612	7,724,985
Net assets		11,772,979	11,589,880
Represented by :			
Share capital	17	7,886,842	1,938,243
Reserves	18	682,816	6,603,774
Unappropriated loss		(1,580,623)	(1,678,728)
		6,989,035	6,863,289
Surplus on revaluation of assets	19	4,783,944	4,726,591
Total equity		11,772,979	11,589,880
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, 2016

	Note	June 30, 2016	June 30, 2015
		Rupees in '000	
Mark-up / return / interest earned	21	1,647,117	1,739,766
Mark-up / return / interest expensed	22	140,781	197,365
Net mark-up/ interest income		1,506,336	1,542,401
Provision against loans and advances	10.4	194	-
Net mark-up / interest income after provisions		1,506,142	1,542,401
Non mark-up / interest income			
Fee, commission and brokerage income		16,817	17,122
Dividend income		25,884	12,408
Other income	23	89,776	70,377
Total non-mark-up / interest income		132,477	99,907
Total income		1,638,619	1,642,308
Non mark-up / interest expenses			
Administrative expenses	24	1,389,835	1,432,249
Other provisions / write offs	25	106,799	85,872
Total non-mark-up / interest expenses		1,496,634	1,518,121
Profit before taxation		141,985	124,187
Taxation			
- Current	26	38,037	33,048
- Prior years		-	1,414
		38,037	34,462
Profit after taxation		103,948	89,725
Unappropriated loss brought forward		(1,678,728)	(1,656,708)
Loss available for appropriation		(1,574,780)	(1,566,983)
Earnings per share - basic	27	2.35	4.63

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

Statement of Comprehensive Income

For the year ended June 30, 2016

	June 30, 2016	June 30, 2015
	Rupees in '000	
Profit after tax for the year	103,948	89,725
Other comprehensive income		
Items that will not be reclassified to profit and loss account		
Re-measurement of post employment obligations	22,144	(89,314)
Comprehensive income transferred to equity	126,092	411
Total comprehensive income	126,092	411

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

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

Statement of Cash Flows

For the year ended June 30, 2016

	Note	June 30, 2016	June 30, 2015
		Rupees in '000	
Cash flows from operating activities			
Profit before taxation		141,985	124,187
Less: Dividend income		(25,884)	(12,408)
		116,101	111,779
Adjustments for non-cash items:			
Depreciation on property and equipment		10,120	9,843
Amortization of intangible assets		1,692	846
Provision against advances		194	-
Charge for defined benefit plan		356,765	431,926
Other provisions / write offs - net		6,799	5,872
		375,570	448,487
Increase in operating assets			
Advances - net	10	(240,218)	(1,218,810)
Lending to financial institutions		-	500,000
Others assets (excluding advance taxation) - net	13	(20,501)	(174,226)
		(260,719)	(893,036)
(Decrease) / Increase in operating liabilities			
Bills payable	14	(12,517)	259
Deposits and other accounts	15	(380,525)	859,423
Other liabilities	16	117,535	86,863
		(275,507)	946,545
Income tax paid		(13,691)	(45,531)
Defined benefit paid		(2,418)	(3,184)
Contributions to pension fund		(381,069)	(263,685)
Net cash (used in) / generated from operating activities		(441,734)	301,375
Cash flows from investing activities			
Investment (made) / encashed - net		(532,877)	344,351
Dividend income received		25,884	12,408
Investments in operating fixed assets		(29,712)	(16,659)
Net changes in capital work in progress		(7,348)	(19,107)
Net cash (used in) / generated from investing activities		(544,053)	320,993
Cash flows from financing activities			
Issue of share capital		26	33
Medical aid to employees from common good fund		(372)	(342)
Net cash used in financing activities		(346)	(309)
(Decrease) / Increase in cash and cash equivalents		(986,133)	622,059
Cash and cash equivalents at beginning of the year		2,642,492	2,020,433
Cash and cash equivalents at end of the year	28	1,656,359	2,642,492

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, 2016

	Share capital	Reserves				Unappropriated profit / (loss)	Total
		Statutory reserves	Common good fund	Other reserve	Total Reserves		
-----Rupees in '000-----							
Balance as on July 1, 2014	1,938,210	630,758	2,354	5,948,573	6,581,685	(1,656,708)	6,863,187
Issue of share capital	33	-	-	-	-	-	33
Total comprehensive income for the year	-	-	-	-	-	411	411
Transfer to statutory reserve	-	22,431	-	-	22,431	(22,431)	-
Medical aid to staff	-	-	(342)	-	(342)	-	(342)
Balance as on June 30, 2015	1,938,243	653,189	2,012	5,948,573	6,603,774	(1,678,728)	6,863,289
Provision for the period							
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

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

Notes to the Financial Statements

For the year ended June 30, 2016

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 (2015 : 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, 2015:

- 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.

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.

Notes to the Financial Statements

For the year ended June 30, 2016

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.

Notes to the Financial Statements

For the year ended June 30, 2016

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.

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 prolong 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, 2016

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 12.2](#) 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 'Income Taxes'.

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

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.

Notes to the Financial Statements

For the year ended June 30, 2016

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 disposal.

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.

Notes to the Financial Statements
For the year ended June 30, 2016

	Note	June 30,	June 30,
		2016	2015
Rupees in '000			
7 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		371,168	498,221
With State Bank of Pakistan (SBP) in			
Local currency current account	7.1	316,287	264,932
With National Bank of Pakistan (NBP) in			
Local currency current account		65,564	68,594
Local currency deposit account (NIDA)	7.2	17,784	34,951
Total		770,803	866,698

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 ranging from 4.00% to 4.50% per annum (2015 : 4.50% to 7% per annum).

8 BALANCES WITH OTHER BANKS

In Pakistan			
In current accounts		10,652	22,322
In deposit accounts	8.1	874,904	1,753,472
		885,556	1,775,794

8.1 These accounts carry interest rates ranging from 4.00% to 4.50% per annum (2015 : 4.50% to 6.50%) per annum.

9 INVESTMENT - NET

	Note	2016			2015		
		Held by bank	Given as collateral	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		1,022,168	-	1,022,168	496,032	-	496,032
Pakistan Investment Bonds		1,060,691	-	1,060,691	1,053,950	-	1,053,950
Non-banking finance company		88,059	-	88,059	88,059	-	88,059
Investments at cost		2,181,492	-	2,181,492	1,648,615	-	1,648,615
Less: Provision for diminution in value of Investments	9.3	(89,648)	-	(89,648)	(89,648)	-	(89,648)
Investments (net of provisions)		2,091,844	-	2,091,844	1,558,967	-	1,558,967
Surplus on revaluation of available for-sale securities		433,157	-	433,157	375,804	-	375,804
Total investments		2,525,001	-	2,525,001	1,934,771	-	1,934,771

Notes to the Financial Statements
For the year ended June 30, 2016

	Note	June 30,	June 30,
		2016	2015
		Rupees in '000	
9.2 Investment by segments			
Federal Government securities			
Market treasury bills	9.6	1,022,168	496,032
Pakistan Investment Bonds	9.7	1,060,691	1,053,950
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		2,181,492	1,648,615
Less: Provision for diminution in value of investments	9.3	(89,648)	(89,648)
Investments (net of provisions)		2,091,844	1,558,967
Add: Surplus on revaluation on Available-for-sale securities	19.2	433,157	375,804
Total investments at market value		2,525,001	1,934,771

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

9.4 Particulars of provision in respect of type and segment

	June 30,	June 30,
	2016	2015
Rupees in '000		
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	2016		2015	
	Amount Rs. in '000	Rating	Amount Rs. in '000	Rating
Shares of listed companies - Fair value				
Security Papers Limited	430,959	Unrated	376,759	Unrated
NIB Bank Limited	399	AA-	441	AA-
Dawood Lawrencepur Limited	8,807	Unrated	5,602	Unrated
PICIC Insurance Limited	15	BBB+	25	BBB+
	440,180		382,827	

9.6 These securities have a maturity period of six months with yield ranging from 6.20% to 8.38% (2015 : 8.36% to 9.98%) per annum.

9.7 These securities have maturity time ranging from 1.5 year to 3 years and carry profit rate of 11.25% (2015: 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, 2016 amounts to Rs. 56.083 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.

Notes to the Financial Statements
For the year ended June 30, 2016

9.9 Investment in Listed Ordinary Shares / Cooperative Institutions

2016	2015	Face Value of Shares Rs.	Name of company / cooperative institution	Note	2016	2015
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						
21,791,370	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
21,808,505	21,808,505				3,551	3,551
26,332,096	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					433,157	375,804
Market value as on 30 June, 2016					442,142	384,789

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. 21.79 million shares out of 30 million shares) in Cooperative Insurance Society of Pakistan.

Notes to the Financial Statements
For the year ended June 30, 2016

	Note	June 30, 2016	June 30, 2015
		Rupees in '000	

10 ADVANCES - NET

Loans, cash credits, running finances, etc.

In Pakistan		11,040,626	10,800,408
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		184	184
Advances - gross		11,040,810	10,800,592
Provision for non-performing advances	10.4	(1,606,271)	(1,606,077)
Advances - net of provision		9,434,539	9,194,515

10.1 Particulars of advances (Gross)

10.1.1	In local currency	11,040,810	10,800,592
	In foreign currency	-	-
	Total	11,040,810	10,800,592
10.1.2	Short term (for up to one year)	9,408,444	8,982,904
	Long term (for over one year)	1,632,366	1,817,688
	Total	11,040,810	10,800,592

10.2 Advances include Rs. 2,270,105 thousand (2015 : Rs. 2,147,218 thousand) which have been placed under non-performing status as detailed below:-

	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

	2015				
	Classified Advances			Provision Required	Provision Held
	Domestic	Overseas	Total		
	----- Rupees in '000 -----				

Category of classification

Other Assets Especially Mentioned	269,169	-	269,169	-	-
Substandard	177,635	-	177,635	1,497	1,497
Doubtful	213,430	-	213,430	15,033	15,033
Loss	1,486,984	-	1,486,984	1,465,299	1,589,363
Total	2,147,218	-	2,147,218	1,481,829	1,605,893

The Bank has not adjusted its provision held against non-performing loans and reversal of suspended mark-up income on such loans amounting to Rs. 489,480 thousands (2015 : Rs. 412,667 thousands) against properties decreed in favor of the Bank due to their pending possession disputes.

10.3 Provision is computed as on June 30, 2016 after taking benefit of collaterals of non performing loans.

Notes to the Financial Statements
For the year ended June 30, 2016

10.4 Particulars of provision against non-performing advances

	2016			2015		
	Specific	General	Total	Specific	General	Total
----- Rupees in '000 -----						
Opening balance	1,605,893	184	1,606,077	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	184	1,606,077

10.4.1 General provision includes an amount of Rs. 194,000 (2015 : Nil) recorded to satisfy the Regulation SE R-7 of SME Prudential Regulations issued by State Bank of Pakistan. This provision is against local currency loans and advances.

10.5 Particulars of provisions against non-performing advances

In local currency	1,605,893	378	1,606,271	1,605,893	184	1,606,077
In foreign currency	-	-	-	-	-	-
	1,605,893	378	1,606,271	1,605,893	184	1,606,077

10.6 Particulars of write offs

	Note	June 30, 2016	June 30, 2015
		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, 2016 is Nil (2015: Nil).

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

	June 30, 2016	June 30, 2015
	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	10,187	7,665
Loans granted during the year	7,097	8,590
Repayments	(8,701)	(6,068)
Balance at the end of the year	8,583	10,187
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	-	-

Notes to the Financial Statements

For the year ended June 30, 2016

11 OPERATING FIXED ASSETS

	Note	June 30,	June 30,
		2016	2015
		Rupees in '000	
Capital work-in-progress	11.1	27,376	24,731
Property and equipment	11.2	4,611,916	4,587,621
Intangible assets	11.4	5,920	7,612
		4,645,212	4,619,964

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	13,126	2,860	4,703	11,283
ATM Machines	3,615	-	-	3,615
Advances to suppliers (Intangible Assets)	7,990	4,488	-	12,478
2016	24,731	7,348	4,703	27,376
2015	23,333	19,107	17,709	24,731

11.2 Property and equipment

	2016									
	Cost / revaluation				Depreciation				Net book value	Rate of depreciation
	Opening balance	Additions / Revaluations / 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	-
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	

Notes to the Financial Statements
For the year ended June 30, 2016

	2015									
	Cost / revaluation				Depreciation				Net book value	Rate of depreciation
	Opening balance	Additions / Revaluations / 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	-
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	121,223	10,561	-	131,784	47,449	2,034	-	49,483	82,301	2.5
Building on lease hold land	4,286	-	-	4,286	2,175	52	-	2,227	2,059	2.5
Furniture and fixtures	32,529	3,888	-	36,417	23,299	2,109	-	25,408	11,009	20
Electrical, office and computer equipment	33,243	7,802	-	41,045	15,495	4,097	-	19,592	21,453	20
Vehicles	52,760	3,611	-	56,371	45,453	1,522	-	46,975	9,396	20
Telephone exchange & conference system	972	48	-	1,020	944	13	-	957	63	20
Arms & ammunitions	260	-	-	260	171	16	-	187	73	20
	245,273	25,910	-	271,183	134,986	9,843	-	144,829	126,354	
2015	4,706,540	25,910	-	4,732,450	134,986	9,843	-	144,829	4,587,621	

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 March 9, 2013 by Star Tech Consultants, an independent professional valuer firm, on the basis of fair market value. This revaluation resulted in surplus of Rs. 1,123,230 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 (2015: Rs.110.479 million).

11.2.3 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

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

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

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

	2016							
	Cost			Amortization			Net book value	Rate of Amortization
	Opening balance	Additions	Closing balance	Opening balance	Charge for the year / Impairment	Closing balance		
	Rupees in '000							
Bank smart (core banking system)	8,458	-	8,458	846	1,692	2,538	5,920	20%
	8,458	-	8,458	846	1,692	2,538	5,920	
2015	-	8,458	8,458	-	846	846	7,612	

Notes to the Financial Statements
For the year ended June 30, 2016

	June 30, 2016	June 30, 2015
	Rupees in '000	
12 DEFERRED TAX		
Deductible temporary differences on:		
Provision for gratuity	60,292	49,284
Provision for compensated leave absences	220,959	204,755
Provision against other assets	66,479	59,680
Provision for salary payable	180,000	80,000
Un-used tax losses	1,266,301	1,459,808
	1,794,031	1,853,527
Taxable temporary differences on:		
Operating fixed assets	35,681	26,708
Investments	343,509	286,156
	379,190	312,864
Temporary differences for which no deferred tax is recognized	1,414,841	1,540,663

12.1 In absence of future taxable profits projections, amount of Rs. 495,194 thousands (2015: Rs. 539,232 thousands) has not been recognized as deferred tax asset.

	June 30, 2016	June 30, 2015
	Rupees in '000	
13 OTHER ASSETS - NET		
Income / markup accrued on loans and advances in local currency	602,218	625,586
Advances, deposits, advance rent and others prepayments	3,672	1,723
Advance taxation	494	24,839
Sundry debtors	2,219	22,566
Profit recoverable from banks	2,226	700
Crop insurance recoverable	178,343	173,412
Live stock insurance recoverable	10,068	3,434
Branch adjustment account	69,296	40,842
Others	110,423	89,701
	978,959	982,803
Less: Provision held against other assets	(66,479)	(59,680)
Total	912,480	923,123

14 BILLS PAYABLE

In Pakistan	14,807	27,324
Outside Pakistan	-	-
Total	14,807	27,324

Notes to the Financial Statements
For the year ended June 30, 2016

	Note	June 30,	June 30,
		2016	2015
Rupees in '000			

15 DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits		561,863	620,297
Savings deposits		2,445,064	2,439,421
Current accounts - non remunerative		1,089,524	1,124,125
Call deposits		4,498	2,833
Other deposits	15.1	85,668	380,466
Total		4,186,617	4,567,142

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		4,186,617	4,567,142
in foreign currencies		-	-
Total		4,186,617	4,567,142

	Note	June 30,	June 30,
		2016	2015
Rupees in '000			

16 OTHER LIABILITIES

Mark-up/ Return/ Interest payable in local currency		46,632	54,649
Accrued expenses		3,821	3,333
Provision for salary payable		180,000	80,000
Sundry creditors	16.1	44,466	42,696
Dissolved bank payable		37,427	37,427
Provision for employees' gratuity	30	60,292	49,284
Provision for employees' pension fund	30	2,559,948	2,636,026
Provision for employees' compensated absences	30	220,959	204,755
Withholding tax payable		6,887	993
Others		38,756	21,356
Total		3,199,188	3,130,519

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.

Notes to the Financial Statements

For the year ended June 30, 2016

17 SHARE CAPITAL

June 30, 2016	June 30, 2015		June 30, 2016	June 30, 2015
(Number of shares)			Rupees in '000	

17.1 Authorized capital

Unlimited	Unlimited	Ordinary shares of Rs.100 each	Unlimited	Unlimited
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17.2 Issued, subscribed and paid up capital

78,492,690	19,006,700	Ordinary shares of Rs. 100 each, fully paid in cash	7,849,269	1,900,670
375,730	375,730	Ordinary shares of Rs. 100 each, issued as fully paid bonus shares	37,573	37,573
78,868,420	19,382,430		7,886,842	1,938,243

17.3 The 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, 2016	June 30, 2015
		Rupees in '000	

18 RESERVES

Statutory reserve		679,176	653,189
Common good fund	18.1	3,640	2,012
Other reserve	18.2	-	5,948,573
Total		682,816	6,603,774

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

18.2 In accordance with agreement dated September 16, 2009 between the Government of Punjab and the Bank, the Government of Punjab (GoPb) converted the amount of Rs.5,948.573 million into share capital and accordingly shares certificates have been issued to GoPb.

19 SURPLUS ON REVALUATION OF ASSETS

Surplus arising on revaluation of:

Fixed Assets	19.1	4,350,787	4,350,787
Available-for-sale securities	19.2	433,157	375,804
Total		4,783,944	4,726,591

19.1 Surplus on revaluation of fixed assets

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

Notes to the Financial Statements

For the year ended June 30, 2016

	June 30, 2016	June 30, 2015
	Rupees in '000	
19.2 Surplus on revaluation of available for sale securities		
As at July 01,	375,804	247,354
Recognized during the year	57,353	128,450
As at June 30,	433,157	375,804

20 CONTINGENCIES AND COMMITMENTS

	June 30, 2016	June 30, 2015
	Rupees in '000	
20.1 The Bank has total of 119 (2015: 119) cases under litigation in different courts. The total amount involved in such outstanding cases aggregate to;	164,141	124,676
20.2 Show cause notices 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 2015 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.
- 20.3.2** 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.
- 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, in 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 against recoveries against such order on payment of 4.831 million. This case is still pending adjudication in Appellate Tribunal. 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. Accordingly, no provision for this demand has been incorporated in the financial statements.
- 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, 2016	June 30, 2015
	Rupees in '000	
- Civil work	3,318	9,087
- Intangible assets	31,637	13,348

Notes to the Financial Statements
For the year ended June 30, 2016

	Note	June 30,	June 30,
		2016	2015
		Rupees in '000	
21 MARK-UP/ RETURN / INTEREST EARNED			
On loans and advances			
to customers		1,386,820	1,411,906
to employees of the bank		34,854	30,717
On investments in held to maturity securities			
Treasury Bills / PIBs		164,001	196,110
On deposits with financial institutions		61,442	101,033
Total		1,647,117	1,739,766
22 MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		140,781	197,365
Total		140,781	197,365
23 OTHER INCOME			
Rent on property		42,374	29,991
Profit on sale of books		5,888	4,950
Bank and service charges		9,525	8,422
Loan processing fee		31,077	26,193
Rent on lockers		912	821
Total		89,776	70,377
24 ADMINISTRATIVE EXPENSES			
Salaries, allowances and benefits		856,659	821,785
Charge for defined benefit plan	30	356,765	431,926
Contribution to defined contribution plan		10,941	12,185
Rent, taxes, insurance, electricity, etc.		45,032	42,688
Legal and professional charges		4,851	7,318
Communications		22,796	21,262
Repairs and maintenance		2,880	2,682
Stationery and printing		3,995	3,815
Advertisement and publicity		1,392	2,179
Subscription		750	500
Auditors' remuneration	24.1	2,553	1,102
Depreciation on property and equipment	11.2	10,120	9,843
Amortization of intangible assets	11.4	1,692	846
General bank charges		19,948	20,441
Vehicles expenses		20,704	22,992
Fuel for generator		6,516	5,127
Donation	24.2	-	832
IT License fee		2,937	5,999
Incentive paid to staff		4,478	5,437
Others		14,826	13,290
Total		1,389,835	1,432,249
24.1 Auditors' remuneration			
Statutory audit fee		2,380	842
Fee for the review of the half yearly financial statements		38	38
Out of pocket expenses		-	87
Others		135	135
Sub-total		2,553	1,102

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, 2016

	Note	June 30,	June 30,
		2016	2015
Rupees in '000			

25 OTHER PROVISIONS / WRITE OFFS

Provision for salary payable		100,000	80,000
Provision against other assets		6,799	5,872
Assets directly charged off		-	-
Total		106,799	85,872

26 TAXATION

For the year			
Current		38,037	33,048
For the prior year(s)			
Current		-	1,414
Total		38,037	34,462

26.1 Relationship between tax expense and total revenue

Total revenue for the year		1,779,594	1,839,673
Tax on turnover	26.2	17,113	17,973
Tax on separate block of income		20,924	15,075
Tax for prior years		-	1,414
Tax expense for the year		38,037	34,462

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,
		2016	2015
Profit for the year	(Rupees in Thousands)	103,948	89,725
Weighted average number of ordinary shares	(Numbers)	44,168,134	19,382,295
Basic earnings per share	(Rupees)	2.35	4.63

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

28 CASH AND CASH EQUIVALENTS

Cash and balance with treasury banks		770,803	866,698
Balance with other banks		885,556	1,775,794
Total		1,656,359	2,642,492

Notes to the Financial Statements

For the year ended June 30, 2016

29 STAFF STRENGTH

	June 30,	June 30,
	2016	2015
Numbers		
Permanent	1,121	1,128
Temporary / on contractual basis	573	543
Daily wages / Others	174	177
Total	1,868	1,848

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, 2016. The principal actuarial assumptions used are as follows:

	Pension Fund		Gratuity Fund		Compensated Absence	
	2016	2015	2016	2015	2016	2015
Rupees in '000						
Valuation discount rate	9.00%	10.50%	9.00%	10.50%	9.00%	10.50%
Short term salary increase rate	3.00%	3.00%	3.00%	9.50%	3.00%	9.50%
Long term salary increase rate	30.00%	9.50%	30.00%	9.50%	30.00%	9.50%
Pension indexation rate	3.00%	3.00%	-	-	-	-
Expected return on plan asset	9.00%	10.50%	-	-	-	-
Leave accumulation factor (days)	-	-	-	-	15	15

30.2	Reconciliation of payable to / (receivable from) defined benefit plan					
	Pension Fund		Gratuity Fund		Compensated Absence	
	2016	2015	2016	2015	2016	2015
Rupees in '000						
Present value of defined benefit obligation	3,117,490	2,921,282	60,292	49,284	220,959	204,755
Fair value of plan asset	(557,542)	(285,256)	-	-	-	-
Net payable / (receivable) at the year end	2,559,948	2,636,026	60,292	49,284	220,959	204,755

Notes to the Financial Statements
For the year ended June 30, 2016

30.3 Reconciliation of the net defined benefit obligation						
	Pension Fund		Gratuity Fund		Compensated Absence	
	2016	2015	2016	2015	2016	2015
	Rupees in '000					
Present value of defined benefit obligation as at July 01	2,636,026	2,424,915	49,284	48,661	204,755	162,119
Charge for the year	331,442	379,320	8,286	9,244	17,037	43,362
Contributions paid	(381,069)	(263,685)	-	-	-	-
Benefits paid	-	-	(1,585)	(2,458)	(833)	(726)
Other comprehensive (income) / loss	(26,451)	95,476	4,307	(6,163)	-	-
Present value as at June 30	2,559,948	2,636,026	60,292	49,284	220,959	204,755

30.4 Reconciliation of the present value of defined benefit obligation						
	Pension Fund		Gratuity Fund		Compensated Absence	
	2016	2015	2016	2015	2016	2015
	Rupees in '000					
Present value of defined benefit obligation as at July 01	2,921,282	2,567,608	49,284	48,661	204,755	162,119
Current service cost	64,120	68,830	3,194	2,840	(4,419)	21,525
Interest cost	297,274	337,374	5,092	6,404	21,456	21,837
Benefits paid	(180,201)	(137,080)	(1,585)	(2,458)	(833)	(726)
Actuarial (gain) / loss on obligation	15,015	84,550	4,307	(6,163)	-	-
	3,117,490	2,921,282	60,292	49,284	220,959	204,755

30.5 Movement in fair value of plan asset				
	Pension fund		June 30,	June 30,
			2016	2015
	Rupees in '000			
Balance as at July 01			285,256	142,694
Expected return on plan asset			29,952	19,264
Contributions - bank			381,069	263,684
Amounts transferred / Donations / Other receipts			-	7,591
Contributions - employees			-	29
Benefits paid			(180,201)	(137,080)
Gain / (loss) on plan asset			41,466	(10,926)
Balance as at June 30			557,542	285,256

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	
	2016	2015	2016	2015	2016	2015
	Rupees in '000					
Current service cost	64,120	68,830	3,194	2,840	6,179	7,477
Net interest	267,322	318,110	5,092	6,404	21,456	21,837
Contributions - employees	-	(29)	-	-	-	-
Past service cost	-	-	-	-	-	-
Amount transferred	-	(7,591)	-	-	-	-
Actuarial (gain) / loss	-	-	-	-	(10,598)	14,048
	331,442	379,320	8,286	9,244	17,037	43,362

Notes to the Financial Statements

For the year ended June 30, 2016

31 COMPENSATION OF CHIEF EXECUTIVES, DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2016	2015	2016	2015	2016	2015
----- Rupees in '000 -----						
Fees	2,405	2,089	-	-	11,370	7,895
Rent and house maintenance	472	469	-	-	3,584	2,713
Utilities	24	28	-	-	507	448
Medical	134	133	-	-	1,577	1,144
Conveyance	-	-	-	-	-	-
Others	2,892	1,138	-	-	9,301	4,495
Total	5,927	3,857	-	-	26,339	16,695
Number of persons	1	1	-	-	13	10

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

	2016		2015	
	Book value	Fair value	Book value	Fair value
----- Rupees in '000 -----				
Assets				
Cash balances with treasury banks	770,803	770,803	866,698	866,698
Balances with other banks	885,556	885,556	1,775,794	1,775,794
Lending to financial institutions	-	-	-	-
Investments	2,525,001	2,525,001	1,934,771	1,934,771
Advances	9,434,539	9,434,539	9,194,515	9,194,515
Other assets	839,018	839,018	857,179	857,179
Total	14,454,917	14,454,917	14,628,957	14,628,957
Liabilities				
Bills payable	14,807	14,807	27,324	27,324
Deposits and other accounts	4,186,617	4,186,617	4,567,142	4,567,142
Other liabilities	3,199,188	3,199,188	3,130,519	3,130,519
Total	7,400,612	7,400,612	7,724,985	7,724,985

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.

Notes to the Financial Statements

For the year ended June 30, 2016

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, 2016	June 30, 2015
Rupees in '000		
Loan to executives		
Loans disbursed during the year	7,097	8,590
Repayments during the year	(8,701)	(6,068)
Mark-up earned	2,242	1,210
Contribution to provident fund trust	10,941	12,185
Contribution to pension fund trust	381,069	263,684
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			
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%
2015			
Total income	1,442,623	397,050	1,839,673
Total expenses	1,518,121	197,365	1,715,486
Net income	(75,498)	199,685	124,187
Segment assets (gross)	16,402,659	4,679,024	21,081,683
Segment non performing loans	2,147,218	101,061	2,248,279
Segment provision required	1,481,829	-	1,481,829
Segment liabilities	7,670,336	54,649	7,724,985
Segment Return on net Assets (ROA) (%)	-1.15%	4.41%	1.12%
Segment cost of funds (%)	4.32%	4.32%	4.32%

Notes to the Financial Statements
For the year ended June 30, 2016

		June 30, 2016	June 30, 2015		
		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	1,938,243		
Reserves		682,816	6,603,774		
Unappropriated losses		(1,580,623)	(1,678,728)		
Total Tier I Capital		6,989,035	6,863,289		
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	184		
Revaluation reserve (up to 50%)		2,391,972	2,363,296		
Total Tier II Capital (restricted up to the amount of total tier I capital)		2,392,350	2,363,480		
Eligible Tier III Capital		-	-		
Total Regulatory Capital	(a)	9,381,385	9,226,769		
Risk-Weighted Exposures					
		2016		2015	
		Book Value	Risk Adjusted	Book Value	Risk Adjusted
		Rupees in '000			
Credit Risk					
Balance sheet items:-					
Cash and balances with treasury banks		770,803	-	866,698	-
Balances with other banks		885,556	177,111	1,775,794	355,159
Investments		2,525,001	442,142	1,934,771	384,789
Loans & advances		9,434,539	8,179,999	9,194,515	7,940,915
Operating fixed assets		4,645,212	4,645,212	4,619,964	4,619,964
Other assets		912,480	721,794	923,123	722,338
Sub-total		19,173,591	14,166,258	19,314,865	14,023,165
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			14,166,258		14,023,165
Market Risk					
General market risk		-	-	-	-
Specific market risk		-	-	-	-
Market risk-weighted exposures					
Total risk-weighted exposures	(b)		14,166,258		14,023,165
Capital Adequacy Ratio [(a) / (b) x 100]			66.22		65.80

35.1 The bank has obtained exemption from State Bank of Pakistan for the implementation of Basel II and Basel III requirements till June 30, 2016 vide Letter No.BPRD/BA&CPD/629/001346/16 dated 15.01.2016.

35.2 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, 2016, the paid up capital of the Bank net of losses amounts to Rs. 6,306.219 million which is in agreement with regulatory requirements.

Notes to the Financial Statements

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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	2016					
	Advances (gross)		Deposits		Contingencies	
	Rupees in '000	%age	Rupees in '000	%age	Rupees in '000	%age
Agriculture, forestry, hunting and fishing	9,599,259	86.94	439,076	10.49	-	-
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	-	-	-	-	-	-
Financial	-	-	-	-	-	-
Insurance	-	-	711	0.02	-	-
Services	-	-	-	-	-	-
Individuals	306,989	2.78	3,036,230	72.52	-	-
Others	1,134,562	10.28	710,600	16.97	169,182	100
Total	11,040,810	100	4,186,617	100	169,182	100

Segmental Information

Public / Government	988,100	8.95	-	-	169,182	100
Private	10,052,710	91.05	4,186,617	100	-	-
Total	11,040,810	100	4,186,617	100	169,182	100

Notes to the Financial Statements
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36.1.2 Details of non-performing advances and specific provisions by class of business segment

	2016		2015	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
----- Rupees in '000 -----				
Agriculture, forestry, hunting and fishing	2,107,774	1,509,762	1,914,254	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	15,869	20,685	14,784	20,685
Others	146,462	75,446	218,180	75,446
Total	2,270,105	1,605,893	2,147,218	1,605,893

Details of non-performing advances and specific provisions by sector

Public / Government	-	-	-	-
Private	2,270,105	1,605,893	2,147,218	1,605,893
	2,270,105	1,605,893	2,147,218	1,605,893

36.1.3 Geographical segment analysis

	2016			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
----- Rupees in '000 -----				
Pakistan	141,985	19,173,591	11,772,979	204,137
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
Total	141,985	19,173,591	11,772,979	204,137

Notes to the Financial Statements
For the year ended June 30, 2016

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.

	2016			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- Rupees in '000 -----			
Pakistan rupee	19,173,591	7,400,612	-	-

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	2016										Non-interest bearing financial instruments	
		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 banks	4.00% - 4.50%	770,803	17,784	-	-	-	-	-	-	-	-	-	753,019
Balances with other banks	4.00% - 4.50%	885,556	874,904	-	-	-	-	-	-	-	-	-	10,652
Investments	6.20% - 11.25%	2,525,001	1,050,289	993,276	28,892	-	10,402	-	-	-	-	-	442,142
Advances	9% - 18%	9,434,539	3,248,091	1,940,232	1,737,730	876,120	1,016,099	349,859	266,408	-	-	-	-
Other assets		912,480	-	-	-	-	-	-	-	-	-	-	912,480
Sub-total		14,528,379	5,191,068	2,933,508	1,766,622	876,120	1,026,501	349,859	266,408	-	-	-	2,118,293
Liabilities													
Bills payable		14,807	-	-	-	-	-	-	-	-	-	-	14,807
Deposits and other accounts	3.75% - 4.25%	4,186,617	2,273,184	316,099	96,681	317,958	46,794	46,377	-	-	-	-	1,089,524
Other liabilities		3,199,188	-	-	-	-	-	-	-	-	-	-	3,199,188
Sub-total		7,400,612	2,273,184	316,099	96,681	317,958	46,794	46,377	-	-	-	-	4,303,519
On-balance sheet gap		7,127,767	2,917,884	2,617,409	1,669,941	558,162	979,707	303,482	266,408	-	-	-	(2,185,226)
Total Yield/Interest Risk Sensitivity Gap		7,127,767	2,917,884	2,617,409	1,669,941	558,162	979,707	303,482	266,408	-	-	-	(2,185,226)
Cumulative Yield/Interest Risk Sensitivity Gap		7,127,767	2,917,884	5,535,293	7,205,234	7,763,396	8,743,103	9,046,585	9,312,993	9,312,993	9,312,993	9,312,993	7,127,767

Notes to the Financial Statements

For the year ended June 30, 2016

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

	2016									
	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 banks	770,803	770,803	-	-	-	-	-	-	-	-
Balances with other banks	885,556	885,556	-	-	-	-	-	-	-	-
Investments	2,525,001	1,492,431	993,276	28,892	-	10,402	-	-	-	-
Advances	9,434,539	3,248,091	1,940,232	1,737,730	876,120	1,016,099	349,859	266,408	-	-
Other assets	912,480	202,972	4,887	3,847	40,716	2,764	1,059	28,755	109	627,371
Operating fixed assets	4,645,212	28,475	1,882	1,442	1,830	32,647	747	24,058	1,443	4,552,688
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Sub-total	19,173,591	6,628,328	2,940,277	1,771,911	918,666	1,061,912	351,665	319,221	1,552	5,180,059
Liabilities										
Bills payable	14,807	14,807	-	-	-	-	-	-	-	-
Deposits and other accounts	4,186,617	3,362,708	316,099	96,681	317,958	46,794	46,377	-	-	-
Other liabilities	3,199,188	107,849	952	223	208,751	338	372	-	-	2,880,703
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Sub-total	7,400,612	3,485,364	317,051	96,904	526,709	47,132	46,749	-	-	2,880,703
Net assets	11,772,979	3,142,964	2,623,226	1,675,007	391,957	1,014,780	304,916	319,221	1,552	2,299,356

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.

Notes to the Financial Statements

For the year ended June 30, 2016

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 28.09. 2016 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:

	Rupees 000's	Reclassification	
		From	To
Livestock insurance recoverable	3,070	Crop insurance recoverable	Livestock insurance recoverable
Advance taxation	1,460	Other assets - Others	Other assets - Advance taxation
Fuel for generator	5,127	Other expenses	Fuel for generator

ZAHID MANSOOR
CHIEF FINANCIAL OFFICER

MUHAMMAD AYUB
ACTING PRESIDENT/ CEO