

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2011**

	<u>Note</u>	<u>Un-audited</u> <u>Dec. 31, 2011</u>	<u>Audited</u> <u>June 30, 2011</u>
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks		822,377	468,879
Balances with other banks		1,921,724	2,123,846
Lending to financial institutions		-	-
Investments	5	905,848	1,503,620
Advances	6	6,958,545	6,020,045
Operating fixed assets		3,534,591	3,736,445
Deferred tax assets		-	-
Other assets		735,143	506,363
		<b>14,878,228</b>	<b>14,359,198</b>
<b>LIABILITIES</b>			
Bills payable		17,210	11,994
Borrowings from financial institutions		277,774	1,944,442
Deposits and other accounts		2,957,690	2,443,098
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		179,954	255,714
		<b>3,432,628</b>	<b>4,655,248</b>
<b>NET ASSETS</b>		<b>11,445,600</b>	<b>9,703,950</b>
<b>REPRESENTED BY :</b>			
Share capital		435,924	435,584
Reserves		7,568,159	6,103,037
Un-appropriated profit / (loss)		26,387	(448,866)
		<b>8,030,470</b>	<b>6,089,755</b>
Fair value reserve - investments		99,483	114,548
Surplus on revaluation of assets		3,315,647	3,499,647
		<b>11,445,600</b>	<b>9,703,950</b>

**CONTINGENCIES AND COMMITMENTS**

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The annexed notes 1 to 9 form an integral part of these financial statements.

**ZAHID MANSOOR**  
 ACTING CHIEF FINANCIAL OFFICER

**LIAQAT DURRANI**  
 PRESIDENT/ CEO

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE HALF YEAR ENDED DECEMBER 31, 2011**

**UN-AUDITED**

	Half Year ended		Quarter ended	
	December <u>2011</u>	December <u>2010</u>	December <u>2011</u>	December <u>2010</u>
	Rupees in '000			
		<i>Restated</i>		<i>Restated</i>
<b>Mark-up / return / interest earned</b>	<b>793,002</b>	716,382	<b>456,873</b>	479,069
<b>Mark-up / return / interest expensed</b>	<b>82,862</b>	230,521	<b>36,533</b>	116,949
<b>Net Mark-up / interest income</b>	<b>710,140</b>	485,861	<b>420,340</b>	362,120
<b>Less: provisions:</b>				
Against non-performing loans and advances	-	(60,855)	-	(60,855)
For diminution in the value of investments	-	-	-	-
Bad debts written off	-	-	-	-
	-	(60,855)	-	(60,855)
<b>Net Mark-up / interest income after provisions</b>	<b>710,140</b>	546,716	<b>420,340</b>	422,975
<b>Non mark-up / interest income</b>				
Fee, commission and brokerage income	12,190	12,434	6,209	6,410
Dividend income	14,780	14,772	-	-
Income from dealing in foreign currency	-	-	-	-
Gain on sale of operating fixed assets	-	676	-	-
Other income	18,944	15,888	10,410	10,294
	45,914	43,770	16,619	16,704
	756,054	590,486	436,959	439,679
<b>Non mark-up / interest expenses</b>				
Administrative expenses	454,213	405,668	237,133	211,067
Other provisions / write - offs	-	55,855	-	55,855
Other charges - loss on sale of operating fixed assets	2,199	-	2,199	-
	456,412	461,523	239,332	266,922
Extra ordinary / unusual items	-	-	-	-
<b>Profit before taxation</b>	<b>299,642</b>	128,963	<b>197,627</b>	172,757
<b>Taxation</b>				
Current	8,389	10,000	8,389	10,000
Prior years	-	8,000	-	8,000
Deferred	-	-	-	-
	8,389	18,000	8,389	18,000
<b>Profit after taxation</b>	<b>291,253</b>	110,963	<b>189,238</b>	154,757
<b>Basic / Diluted Earnings per share - Rupees</b>	<b>66.82</b>	25.49	<b>43.41</b>	35.54

The annexed notes 1 to 9 form an integral part of these financial statements.

**ZAHID MANSOOR**  
ACTING CHIEF FINANCIAL OFFICER

**LIAQAT DURRANI**  
PRESIDENT/ CEO

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED DECEMBER 31, 2011**

**UN-AUDITED**

	Half Year ended		Quarter ended	
	December <u>2011</u>	December <u>2010</u> Restated	December <u>2011</u>	December <u>2010</u> Restated
	<b>Rupees in '000</b>			
<b>Profit after taxation</b>	<b>291,253</b>	110,963	<b>189,238</b>	154,757
<b>Other comprehensive income</b>	-	-	-	-
<b>Comprehensive income transferred to equity</b>	<b>291,253</b>	110,963	<b>189,238</b>	154,757
<b>Components of comprehensive income not reflected in equity</b> (Deficit) / Surplus on revaluation of investments	<b>(15,065)</b>	6,146	<b>5,578</b>	18,272
<b>Total comprehensive income</b>	<b>276,188</b>	117,109	<b>194,816</b>	173,029

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**ZAHID MANSOOR**  
 ACTING CHIEF FINANCIAL OFFICER

**LIAQAT DURRANI**  
 PRESIDENT/ CEO

**CONDENSED INTERIM CASH FLOW STATEMENT FOR THE HALF YEAR ENDED DECEMBER 31, 2011**

**UN-AUDITED**

	<u>Dec. 31, 2011</u>	<u>Dec. 31, 2010</u>
	Rupees in '000	
		<u>Restated</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	299,642	128,963
Less: Dividend income	(14,780)	(14,772)
	<u>284,862</u>	<u>114,191</u>
Adjustments for non-cash charges:		
Depreciation	4,231	4,942
Amortization	-	-
Provision Against Non-performing Advances	-	(60,855)
Provision for Diminution in the value of investments/ other assets	-	-
Loss / (Gain) on sale of operating fixed assets	2,199	(676)
	<u>6,430</u>	<u>(56,589)</u>
	291,292	57,602
(Increase)/ decrease in operating assets		
Advances	(938,500)	18,225
Others assets (excluding advance taxation)	(219,993)	1,958,292
	<u>(1,158,493)</u>	<u>1,976,517</u>
	(867,201)	2,034,119
Increase/ (decrease) in operating liabilities		
Bills payable	5,216	(4,492)
Borrowings from financial institutions	(1,666,669)	(1,638,890)
Deposits	514,592	(1,268,265)
Other liabilities (excluding current taxation)	(75,760)	(43,819)
	<u>(1,222,621)</u>	<u>(2,955,466)</u>
	(2,089,822)	(921,347)
Income tax paid	(17,176)	(3,558)
<b>Net cash outflow from operating activities</b>	<u>(2,106,998)</u>	<u>(924,905)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Dividend income	14,780	14,772
Investment in operating fixed assets	(4,595)	(2,129)
Capital work in progress	753	(1,027)
Advances to suppliers for information system	(2,160)	-
Encashment / (Investment) in treasury Bills	602,707	(400,000)
Investment in of Modarabah certificates	(20,000)	416,484
Sale proceeds of operating fixed assets disposed-off	-	676
<b>Net cash inflow from investing activities</b>	<u>591,485</u>	<u>28,776</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issue of share capital - net of refund	340	377
Other fund from the Government of Punjab	1,666,669	1,638,890
Medical aid to employees from Common Good Fund	(120)	(43)
<b>Net cash inflow from financing activities</b>	<u>1,666,889</u>	<u>1,639,224</u>
<b>Increase in cash and cash equivalents</b>	151,376	743,095
<b>Cash and cash equivalents at beginning of the period</b>	<u>2,592,725</u>	<u>2,523,583</u>
<b>Cash and cash equivalents at end of the period</b>	<u><u>2,744,101</u></u>	<u><u>3,266,678</u></u>
<b>Cash and cash equivalents are comprised of:</b>		
Cash and balances with treasury banks	822,377	649,913
Balances with other banks	1,921,724	2,616,765
	<u>2,744,101</u>	<u>3,266,678</u>

The annexed notes 1 to 9 form an integral part of these financial statements.

ZAHID MANSOOR  
ACTING CHIEF FINANCIAL OFFICER

LIAQAT DURRANI  
PRESIDENT/ CEO

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED DECEMBER 31, 2011**  
**UN-AUDITED**

	Share capital	Statutory reserve	Common Good Fund	Other Reserve (Note)	Un-appropriated Profit / (Loss)	Total
Rupees in 000						
<b>Balance as on June 30, 2010</b>	435,060	394,278	3,515	2,400,000	(928,639)	2,304,214
Issue of share capital	377	-	-	-	-	377
Medical aid to staff	-	-	(43)	-	-	(43)
Funds received from the Government of Punjab	-	-	-	1,437,463	-	1,437,463
Comprehensive income for the 1st half year	-	-	-	-	110,963	110,963
<b>Balance as on December 31, 2010 - as restated</b>	435,437	394,278	3,472	3,837,463	(817,676)	3,852,974
Issue of share capital	147	-	-	-	-	147
Medical aid to staff	-	-	(270)	-	-	(270)
Funds received from the Government of Punjab	-	-	-	1,868,094	-	1,868,094
Comprehensive income for the second half year	-	-	-	-	368,810	368,810
<b>Balance as on June 30, 2011</b>	435,584	394,278	3,202	5,705,557	(448,866)	6,089,755
Issue of share capital	340	-	-	-	-	340
Medical aid to staff	-	-	(120)	-	-	(120)
Funds received from the Government of Punjab	-	-	-	1,666,669	-	1,666,669
Settlement for sale of property with Other Reserve from Government of Punjab	-	-	-	(201,427)	-	(201,427)
Transfer of surplus on revaluation of asset realised on disposal	-	-	-	-	184,000	184,000
Comprehensive income for the 1st half year	-	-	-	-	291,253	291,253
<b>Balance as on December 31, 2011</b>	<b>435,924</b>	<b>394,278</b>	<b>3,082</b>	<b>7,170,799</b>	<b>26,387</b>	<b>8,030,470</b>

**Note :**

As per the agreement dated September 16, 2009 between the Government of Punjab and the Bank, the Government of Punjab may convert this amount as considered appropriate depending upon the future status of the bank to meet the consequential regularity requirements or financial position of the Bank. Accordingly, this amount has been shown and grouped under this head of account / statement.

The annexed notes 1 to 9 form an integral part of these financial statements.

**ZAHID MANSOOR**  
ACTING CHIEF FINANCIAL OFFICER

**LIAQAT DURRANI**  
PRESIDENT/ CEO

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE HALF YEAR ENDED DECEMBER 31, 2011**  
**UN-AUDITED**

**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 the year 1924. It was given the status of a scheduled Bank by the State Bank of Pakistan w.e.f. November 07, 1955. The Bank is operating under the supervision of Cooperative Department and 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 159 branches in Punjab. Its Head Office is located at Bank Square, The Mall, Lahore.

The State Bank of Pakistan discontinued funding and did not sanction the financing limit for the year 2007-2008 to the Bank. Currently the Bank has no alternative arrangement for additional borrowing. However, the State Bank of Pakistan has exempted the Bank from meeting Minimum Capital Requirement (MCR) vide their letter no. BPRD(RU-43)512-09(B)/X/15161/98 dated 08-09-1998 and No. BSD(RU-43)512-09(B)/X/1138/2001 dated 25-01-2001. Moreover the competent authority has approved to restructure / revamp the Bank. As advised by the SBP, restructuring plan has been submitted vide letter no. MD/COO/025-27 dated 31-12-2009. Accordingly the financial information has been prepared by using the going concern assumption.

**2. RE-STATEMENT OF COMPARATIVE FIGURES**

During the last half year ended December 31, 2010, the bank had recorded a gain on sale of operating fixed asset but the derecognition criteria set by International Accounting Standard - 16 "Property, Plant and Equipment" had not been satisfied ; and the same had been reversed in the annual financial statements of the bank for the year ended June 30, 2011. During the current half year, on meeting the derecognition criteria, the bank had recorded the sale of operating fixed asset. The effect of re-statement on these financial information is summarized below:

	Half Year ended		
	Rupees in '000		
	Restated 2010	Increase / (decrease) due to re-statement	2010
Gain on sale of operating fixed assets	676	(186,139)	186,815
Comprehensive income for the 1st half year	110,963	(186,139)	297,102
Un-appropriation profit / (loss)	(817,676)	(186,139)	(631,537)
Earnings per share - Rupees	25.49	(42.75)	68.24

**3. STATEMENT OF COMPLIANCE**

The condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Cooperative Societies Act, 1925, Cooperative Societies Rules, 1927 and State Bank of Pakistan. Wherever the requirements of the directives issued by the State Bank of Pakistan differ with the requirements of these standards, the requirements of the said directives take precedence. The disclosures made in these financial information have, however, been limited based on the format prescribed by the State Bank of Pakistan for condensed interim financial information vide BSD Circular Letter No.2 dated May 12, 2004 and International Accounting Standard 34, "Interim Financial Reporting" and should be read in conjunction with the annual financial statements of the Bank for the year ended June 30, 2011.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted for preparation of the condensed interim financial information are the same as those applied in preparation of the annual audited financial statements of the Bank for the year ended June 30, 2011.

## 5. INVESTMENTS

	December 31, 2011			June 30, 2011		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
<b>Rupees in '000</b>						
<b>5.1 Investments by types:</b>						
<b>Available-for-sale securities</b>						
Shares of Listed Companies	7,023	-	7,023	7,023	-	7,023
Shares of Cooperative Institutions	3,551	-	3,551	3,551	-	3,551
<b>Held to maturity securities</b>						
Treasury Bills	551,283	-	551,283	1,153,990	-	1,153,990
Investment with NBFIs	248,059	-	248,059	228,059	-	228,059
	<b>809,916</b>	<b>-</b>	<b>809,916</b>	<b>1,392,623</b>	<b>-</b>	<b>1,392,623</b>
<b>Less: Provision for diminution in value of shares of Cooperative Institutions</b>	<b>(3,551)</b>		<b>(3,551)</b>	<b>(3,551)</b>		<b>(3,551)</b>
<b>Add: Surplus on revaluation of Securities</b>	<b>99,483</b>	<b>-</b>	<b>99,483</b>	<b>114,548</b>	<b>-</b>	<b>114,548</b>
	<b>905,848</b>	<b>-</b>	<b>905,848</b>	<b>1,503,620</b>	<b>-</b>	<b>1,503,620</b>

## 6. ADVANCES

	Dec. 31, 2011	June 30, 2011
<b>Rupees in '000</b>		
Loans, cash credits, running finances, etc. In Pakistan	8,564,255	7,625,755
Bills discounted and purchased (excluding treasury bills) Payable in Pakistan	184	184
	<b>8,564,439</b>	<b>7,625,939</b>
<b>Provision for non-performing advances</b>		
Specific	(1,602,366)	(1,602,366)
General	(3,528)	(3,528)
	<b>(1,605,894)</b>	<b>(1,605,894)</b>
	<b>6,958,545</b>	<b>6,020,045</b>

6.1 Advances include Rs. 2,248,850 (in thousand) as of 31.12.2011 (30.06.2011 : 2,498,221 thousand) which have been placed under non-performing status. However, the provision required has been calculated after taking benefit of collateral in agricultural loans only as per Prudential Regulations on Agricultural Loans & Advances in terms of approval of Administrator / Board of director:

Category of Classification	Domestic	Overseas	Total	Provision Required	Provision Held
	<b>Rupees in '000</b>				
Other Assets Especially Mentioned	111,202	-	111,202	-	-
Substandard	45,058	-	45,058	4,162	4,162
Doubtful	39,669	-	39,669	6,112	6,112
Loss	2,052,921	-	2,052,921	902,638	1,595,620
	<b>2,248,850</b>	<b>-</b>	<b>2,248,850</b>	<b>912,912</b>	<b>1,605,894</b>

Dec. 31, 2011   June 30, 2011  
Rupees in '000

## 7. CONTINGENCIES AND COMMITMENTS

Bank Alfalah Limited, Township Branch, Lahore - Fraud case	7.1	101,413	101,413
Guarantee Acceptances.		445	445
Show cause notices by sales tax-under appeal		5,041	5,041
		106,899	106,899

7.1 During November 2003, the bank opened a Royal Profit Account in Bank Alfalah Limited, Township Branch. In July 2010, it revealed that during the year under audit, some cheques were forged by the staff members of Bank Alfalah Limited who had routed the proceeds of these cheques through their associates and family members' accounts. The total misappropriated amount in these cases comes to Rs. 101.413 million (i.e. Principal Rs. 97.250 million and Mark up Rs.4.163 million) as reported by the Bank to the FIA, which matter is under trial before Special Judge (Offences in Banks) Lahore, where next date of hearing is fixed for March 01, 2012. A writ petition in this regard has also been filed against Banking Mohtasib, but Bank Alfalah Limited filed a civil suit against the Bank for damages due to which Banking Mohtasib returned the case on March 03, 2011. Aggrieved upon, the bank filed a writ petition in the Honourable Lahore High Court, Lahore the hearing of which has been fixed for March 08, 2012.

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

## 8. DATE OF AUTHORIZATION

The un-audited condensed interim financial information is authorised for issue on February 25, 2012 by the Administrator of the Bank.

## 9. GENERAL

Figures in the condensed interim financial information have been rounded off to the nearest thousand rupees.

**ZAHID MANSOOR**  
ACTING CHIEF FINANCIAL OFFICER

**LIAQAT DURRANI**  
PRESIDENT/ CEO