



“IN THE NAME OF ALLAH,  
THE MOST BENEFICIAL;  
THE MOST MERCIFUL”



# The Punjab Provincial Cooperative Bank Limited

A Farmer Friendly Bank Committed to Development of Agriculture Sector

## The President's Review

On behalf of the Board of The Punjab Provincial Cooperative Bank, I am pleased to present to you the first Quarterly Interim Financial Statements of the Bank for the Quarter ended September 30, 2011.

The economic environment in Pakistan continues to be challenging however due to decrease in the inflation rate, the economy is on track to achieve the growth target of 4.2% of GDP in the current year. However downside risk still exist due to floods, a deepening energy crises and weaker outlook for the main export market to the US. On the positive side inflation had declined to 10.5% in September 2011, down from 13.3% in June 2011 on account of a controlled money supply and a strong build up in the FX reserves. State Bank of Pakistan decreased the discount rate by 150bps to bring it around to 12.00% in the recently announced monetary policy. This move is expected to increase private investment spending and lower the government funding cost with the government aiming to increase investment spending to 4% of GDP.

Once again by the Grace of Allah Almighty the Bank is moving towards stability and growth as can be seen from the attached interim financial statements for the quarter ended September 30, 2011. The total assets of the Bank stood at Rs 14.1billion as on September 30, 2011 compared to of Rs13.0 billion as on September 30, 2010, showing an increase of 8.4%. The Bank's deposits reached Rs 2.03 billion as at September 30, 2011 an increase of 20% over the corresponding period of last year. Coupled with the Bank's strategy to recover its infected portfolio the Bank's gross advances increased to Rs 8.3billion as at September 30, 2011 which includes disbursements of Rs 1.9 billion largely to the farmer community of Punjab.

The Bank earned a mark up income of Rs 336million for the quarter ended September 30, 2011 registering an increase of 42% and the mark up expense decreased by 60% over the comparing quarter of September 30, 2010 leading to the substantial increase in net margin. Consequently the Bank earned a pretax profit of Rs 102 million for the quarter under review.

As a result of Non-Performing Loans' strategy for recovery during the first quarter of year 2011-12, the Bank was able to recover Rs 175 million, inclusive of mark up, from its infected portfolio. Additionally 25,229 loan cases under litigation had been referred to different courts. The Bank has managed to get 23,675 decrees in its favor in the quarter under review. 7,175 cases out of a total of 23,226 under execution have been fully adjusted and the remaining are in their final stages for their logical conclusion for recovery. Consequently, the Non Performing Loans has been reduced from Rs 3.4 billion as of September 2010 to Rs 2.4 billion as at September 30, 2011, a decrease of 29.41% from last year.

Credit and deposit targets have been allocated to all the regions of the Bank and incentive plans have been announced for achieving the said target. This will go a long way to increase the business of the Bank in the coming months of 2011-12. The Bank is on the track to achieving the target of making the Bank's system automated with the state of art technologies such as providing online Banking, ATM's, Telephone Banking etc in order to provide the complete Banking solution to its customers.

Finally, I would like to take the opportunity to thank the Government of Punjab, State Bank of Pakistan and the Cooperative Department for their continued support and advice and also to our esteemed customers for their trust. Lastly I would also like to appreciate the hard work put in by our dear staff members and the field staff of the Cooperative Department for achieving the assigned results.

**Lahore:**  
**October 28, 2011**

**SD**  
**Liaqat Durrani**  
President/Chief Executive

**THE PUNJAB PROVINCIAL COOPERATIVE BANK LTD.**  
**STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2011**  
**UN-AUDITED**

	Note	September 30, 2011 Rupees in '000 (Un-audited)	June 30, 2011 (Audited)
<b>ASSETS</b>			
Cash and balances with treasury banks		284,430	468,879
Balances with other banks		1,144,882	2,123,846
Investments	4	1,541,531	1,503,620
Advances	5	6,668,443	6,020,045
Other assets		607,038	506,363
Operating fixed assets		3,896,727	3,736,445
		<b>14,143,051</b>	<b>14,359,198</b>
<b>LIABILITIES</b>			
Bills payable		12,463	11,994
Borrowings from financial institutions		1,111,108	1,944,442
Deposits and other accounts		2,031,377	2,443,098
Other liabilities		248,295	255,714
		<b>3,403,243</b>	<b>4,655,248</b>
<b>NET ASSETS</b>		<b>10,739,808</b>	<b>9,703,950</b>
<b>REPRESENTED BY</b>			
Share capital		435,700	435,584
Reserves		6,936,302	6,103,037
Unappropriated (Loss)/Profit		(346,851)	(448,866)
		<b>7,025,151</b>	<b>6,089,755</b>
Fair value reserve - investments		93,905	114,548
Surplus on revaluation of assets		3,620,752	3,499,647
		<b>10,739,808</b>	<b>9,703,950</b>

**CONTINGENCIES AND COMMITMENTS**

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The annexed notes from 1 to 8 form an integral part of these financial statements.

**PROFIT AND LOSS ACCOUNT FOR THE QUARTER ENDED SEPTEMBER 30, 2011  
UN-AUDITED**

	<b>For the quarter ended</b>		<b>For the three months</b>	
	<b>September 2011</b>	September 2010	<b>September 2011</b>	September 2010
	<b>Rupees in '000</b>			
Mark-up/Return/Interest Earned	<b>336,129</b>	237,312	<b>336,129</b>	237,312
Mark-up/Return/Interest Expensed	<b>46,329</b>	113,572	<b>46,329</b>	113,572
<b>Net Mark-up/ Interest Income</b>	<b>289,800</b>	123,740	<b>289,800</b>	123,740
Less: provisions				
Against non-performing loans and advances	-	-	-	-
For diminution in the value of investments	-	-	-	-
<b>Net Mark-up/ Interest Income after</b>	<b>289,800</b>	123,740	<b>289,800</b>	123,740
<b>NON MARK-UP/INTEREST INCOME</b>				
Fee, Commission and Brokerage Income	<b>5,981</b>	6,024	<b>5,981</b>	6,024
Dividend Income	<b>14,780</b>	14,772	<b>14,780</b>	14,772
Other Income	<b>8,534</b>	192,409	<b>8,534</b>	192,409
	<b>29,295</b>	213,205	<b>29,295</b>	213,205
	<b>319,095</b>	336,945	<b>319,095</b>	336,945
<b>NON MARK-UP/INTEREST EXPENSES</b>				
Administrative expenses	<b>217,080</b>	194,600	<b>217,080</b>	194,600
Other charges	-	-	-	-
	<b>217,080</b>	194,600	<b>217,080</b>	194,600
<b>PROFIT/(LOSS) BEFORE TAXATION</b>	<b>102,015</b>	142,345	<b>102,015</b>	142,345
<b>Taxation</b>	-	-	-	-
<b>PROFIT/(LOSS) AFTER TAXATION</b>	<b>102,015</b>	142,345	<b>102,015</b>	142,345
Unappropriated/unremitted profit/(loss) brought forward	<b>(448,866)</b>	(928,639)	<b>(448,866)</b>	(928,639)
Unappropriated/Unremitted	<b>(346,851)</b>	(786,294)	<b>(346,851)</b>	(786,294)
<b>Basic/Diluted Earnings/(Loss) per share</b>	<b>23</b>	33	<b>23</b>	33

The annexed notes from 1 to 8 form an integral part of these financial statements.

**STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

<u>Note</u>	Sep. 30, 2011	June 30, 2011
	<u>Rupees in '000'</u>	
Profit/(Loss) after taxation	102,015	479,773
Other comprehensive income	-	-
Comprehensive income transferred to equity	<u>102,015</u>	<u>479,773</u>
Components of comprehensive income not reflected in equity		
Surplus / (Deficit) on revaluation of investments	(20,643)	(7,320)
	<u><u>81,372</u></u>	<u><u>472,453</u></u>

The annexed notes from 1 to 8 form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED SEPTEMBER 30, 2011  
UN-AUDITED**

	Share capital	Statutory reserve	Common Good Fund	Other Reserve	Unappropriated Profit / (Loss)	Total
			Rupees in '000			
Balance as on June 30, 2010	435,060	394,278	3,515	2,400,000	(928,639)	2,304,214
Profit for the period	-	-	-	-	479,773	479,773
Transfer to statutory reserve	-	-	-	-		-
Transfer to Bad & Doubtful Advances						-
Transfer to other reserve - Funds from the Govt of Punjab				3,305,557		3,305,557
Issue of share capital	524	-	-	-	-	524
Medical aid to staff	-	-	(313)	-	-	(313)
Balance as on June 30, 2011	<u>435,584</u>	<u>394,278</u>	<u>3,202</u>	<u>5,705,557</u>	<u>(448,866)</u>	<u>6,089,755</u>
Profit for the period	-	-	-	-	102,015	102,015
Transfer to statutory reserve	-	-	-	-	-	-
Transfer to reserve to consumer finance					-	-
Transfer to other reserve - Funds from the Govt of Punjab		-	-	833,335	-	833,335
Issue of share capital	116	-	-	-	-	116
Medical aid to staff	-	-	(70)	-	-	(70)
Balance as on September 30, 2011	<u><u>435,700</u></u>	<u><u>394,278</u></u>	<u><u>3,132</u></u>	<u><u>6,538,892</u></u>	<u><u>(346,851)</u></u>	<u><u>7,025,151</u></u>

**CASH FLOW STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2011.  
UN-AUDITED**

	<b>Sep. 30, 2011</b>	<b>Sep. 30, 2010</b>
	Rupees in '000	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before taxation	102,015	142,345
Less: Dividend income	<u>(14,780)</u>	<u>(14,772)</u>
	87,235	127,573
Adjustments for non-cash charges:		
Depreciation	2,140	2,429
Provision Against Non-performing Advances	-	-
Provision for Diminution in the value of investments/ other assets	-	-
Gain on sale of fixed assets net of adjustments	-	(186,140)
	<u>2,140</u>	<u>(183,711)</u>
	89,375	(56,138)
(Increase)/ Decrease in operating assets		
Advances	(648,398)	(79,368)
Others assets (excluding advance taxation)	(100,675)	1,725,846
	<u>(749,073)</u>	<u>1,646,478</u>
	(659,698)	1,590,340
Increase/ (Decrease) in operating liabilities		
Bills Payable	469	18,707
Borrowings from financial institutions	(833,335)	(805,556)
Deposits	(411,721)	(2,134,558)
Other liabilities (excluding current taxation)	(7,419)	(40,569)
	<u>(1,252,006)</u>	<u>(2,961,976)</u>
	(1,911,704)	(1,371,636)
Income tax paid	(682)	(551)
<b>Net cash flow from operating activities</b>	<b>(1,912,386)</b>	<b>(1,372,187)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Dividend income	14,780	14,772
Investments in operating fixed assets	(41,816)	(3,398)
Net Investments in Government/NBFIs/T.Bills	(58,554)	(200,000)
Net change in capital work in progress	1,182	-
Proceeds from encashment of certificates	-	86,484
Sale proceeds of property and equipment disposed-off	-	201,427
<b>Net cash flow from investing activities</b>	<b>(84,408)</b>	<b>99,285</b>
	<b>(1,996,794)</b>	<b>(1,272,902)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issue of share capital	116	44
Funds from the Government of Punjab	833,335	805,556
Medical aid to employees from Common Good Fund.	(70)	(10)
<b>Net cash flow from financing activities</b>	<b>833,381</b>	<b>805,590</b>
<b>Increase/(Decrease) in cash and cash equivalents</b>	<b>(1,163,413)</b>	<b>(467,312)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>2,592,725</b>	<b>2,523,583</b>
<b>Cash and cash equivalents at end of the period</b>	<b>1,429,312</b>	<b>2,056,271</b>



**NOTES TO THE ACCOUNTS FOR THE QUARTER ENDED SEPTEMBER 30, 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 1924. It was given 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.

**2. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Cooperative Societies Act 1925 and Cooperative Societies Rules 1927. 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 statements have, however, been limited based on the format prescribed by the State Bank of Pakistan for interim financial statements vide BSD Circular Letter No.2 dated May 12, 2004, International Accounting Standard 34-Interim Financial Reporting and should be read in conjunction with the annual statements of the Bank for the year ended June 30, 2010.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted for preparation of these financial statements are the same as those applied in preparation of the annual financial statements of the Bank for the year ended June 30, 2010.

**4 INVESTMENTS**

	30-09-2011			30.06.2011		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
<b>Rupees in '000</b>						
<b>4.1 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>						
Pakistan Investment Bonds	-	-	-	-	-	-
Treasury Bills	1,192,544	-	1,192,544	1,153,990	-	1,153,990
Provincial Government Securities	-	-	-	-	-	-
<b>Investment with NBFIs</b>	248,059	-	248,059	228,059	-	228,059
	1,451,177	-	1,451,177	1,392,623	-	1,392,623
<b>Less: Provision for diminution in value of Inves</b>	(3,551)	-	(3,551)	(3,551)	-	(3,551)
<b>Add: Surplus on revaluation</b>	93,905	-	93,905	114,548	-	114,548
	1,541,531	-	1,541,531	1,503,620	-	1,503,620

**5 ADVANCES**

**30.09.2011      30.06.2011**

**Rupees in '000**

Loans, cash credits, running finances, etc. In Pakistan	8,274,153	7,625,755
Bills discounted and purchased (excluding treasury bills) Payable in Pakistan	184	184
	8,274,337	7,625,939
<b>Provision for non-performing advances</b>		
Specific	(1,605,894)	(1,605,894)
General	-	-
	6,668,443	6,020,045

5.1 Advances include Rs. 2,399,579 (in thousand) as of 30.09.2011 (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 PRs on Agricultural Loans & Advances in terms of approval of Administrator/BOD

Category of Classification	Domestic	Overseas	Total	Provision Required	Provision Held
	<b>Rupees in '000</b>				
Other Assets Especially Mentioned	94,497	-	94,497	-	-
Substandard	60,214	-	60,214	2,952	2,952
Doubtful	44,787	-	44,787	10,294	10,294
Loss	2,200,081	-	2,200,081	1,036,940	1,592,648
	<u>2,399,579</u>	<u>-</u>	<u>2,399,579</u>	<u>1,050,186</u>	<u>1,605,894</u>
				<u><b>30.09.2011</b></u>	<u><b>30-06-2011</b></u>

## 6 CONTINGENCIES AND COMMITMENTS

Guarantee Acceptances.	6.1	445	445
Show cause notices by sales tax-under appeal	6.2	5,041	5,041
Bank Alfalah Town Ship Fraud	6.3	101,413	101,413
		<u>106,899</u>	<u>106,899</u>

6.1 Mr. Fazal-ur-Rehman deposited Rs.100,000/- & Rs.200,000/- (Total Rs.300,000/-) on 12.07.1990 & 14.07.1990 through DDs at Head Office as bid money in auction of land measuring 187(A) - 02(K)-17(M) situated at Muza Nadha Teh. & Distt. Gujranwala. Mr. Fazal-ur-Rehman did not fulfil the conditions of Landed Committee, resultantly Bank confiscated Bid Money. He filed Civil Suit No.156/1 in 1993 titled as Fazal-ur-Rehman v/s PPCBL at Gujranwala, which was decreed in favour of plaintiff. Bank filed an appeal No.RFA 243/95 in Lahore High Court, which has also decided against Bank and Lahore High Court directed Bank to furnish a guarantee No.2096/92 dated 15.09.1995 amounting to Rs.444,939/- through Main Branch from NBP for the satisfaction of the Court. Now the case is pending adjudication in the Court of Civil Judge, Lahore.

6.2 The sales tax department has issued a show cause notice dated 14.07.2003 to the bank as to why the sales tax amounting to Rs. 5.041 millions has not been paid to the Government in regard to sale of machinery valuing Rs. 33.600 million of Rahwali Sugar Mills to Messers Ali Industrial and Engineering Works, Karachi without charging and depositing sales tax leviable thereon. Further the sales tax department reported that Messers 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 has 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 is still pending in Lahore High Court.

6.3 During November 2003, the Bank opened a Royal Profit Account in Bank Alfalah Limited, Town ship 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 its investigation at the terminal date. A writ petition in this regard has also been filled with the Banking Mohtasib, the first hearing of which was fixed on 29th September 2010, whereas the next date of hearing has been fixed for November 12, 2010. The Management of the Bank is hopeful that the matter will be resolved in its favour and the whole amount fully recovered.

## 7 DATE OF AUTHORIZATION

These financial statements were authorised for issue on October 28, 2011 by the Administrator of the Bank.

## 8 GENERAL

Figures in these statements have been rounded off to the nearest thousand rupees.

SD  
**SAMUEL JAMES**  
CHIEF FINANCIAL OFFICER

SD  
**LIAQAT DURRANI**  
PRESIDENT/CEO