

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE ADMINISTRATOR OF THE PUNJAB PROVINCIAL
COOPERATIVE BANK LIMITED
REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS**

Introduction

We have reviewed the accompanying condensed interim statement of financial position of The Punjab Provincial Cooperative Bank Limited (the "Bank") as at December 31, 2020 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim cash flow statement together with the notes forming part thereof for the six-months period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standards on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, and consequently does not enable us to obtain assurance at a level whereby we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Adverse Conclusion

- a) The State Bank of Pakistan through its letter No. OSED/SED-3/44 (01)/006636/2020 dated May 07, 2020 has directed the Bank not to take on-board new customers i.e., cm depositors and borrowers, on account of violation of AML/CFT Regulations issued by SBP, till implementation of remedial plan and application of Transaction monitoring system (TMS) etc. The Bank has shared a way forward with us. This situation indicates that a material uncertainty still exists that may cast significant doubt on the Bank's ability to continue as a going concern. The interim financial statements do not disclose this fact as the management is of the view that the Bank will continue its operation as a going concern in future.
- b) As referred in note 16 to the interim financial statements, as at December 31, 2020, the Bank's recorded liability for provision for taxation was Rs. 64.19 million (June 30, 2020: Rs. 105.82 million), which is overstated by Rs. 63.87 million. The Bank has not adjusted these interim financial statements to reflect the required provision reversal of Rs. 63.87 million.
- c) As at December 31, 2020, the Bank's provision for employees retirement benefits was understated by Rs. 129 million. The Bank has not adjusted these interim financial statements to reflect the additional provision required.
- d) The Bank holds a fixed asset balance of Rs. 23.76 million (June 30, 2020: Rs. 23.76 million) related to civil works as noted in note 9 to the interim financial statements. The Bank has not started depreciating this fixed asset despite this asset being used for a number of years. In the absence of

relevant information such as the date when this asset was available for use, we were unable to determine the actual net book value of this asset as at December 31, 2020.

- e) As referred in note 8 to the interim financial statements, as at December 31, 2020, the Bank had a provision of Rs. 1,684.28 million (June 30, 2020: Rs.1,606.27 million) which is held against non-performing loans as required by the Prudential Regulations issued by the State Bank of Pakistan, advances, and accrued mark-up on advances remained unverified due to underlying records/supporting workings only being available at the individual branch level, which the engagement team was not able to obtain as part of this review engagement.
- f) The Bank has recognized contingent assets amounting to Rs. 102.10 million (June 30, 2020: Rs. 102.33 million) in the financial statement under "Other assets" in contravention to the requirements of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" which allows the recognition of contingent assets only where an inflow of economic benefits is virtually certain, or the disclosure of such assets if they meet the disclosure criteria of IAS 37. By June 30, 2021, the Bank intends to remove these assets from its statement of financial position by decreasing the "Other Assets" balance and decreasing the profit after taxation by an equal amount.
- g) In the audited June 30, 2020, the Bank has recognized surplus on revaluation of available for sale investments amounting to Rs. 207.44 million directly in statement of changes in equity rather showing its movement through statement of comprehensive income. This is in contravention to the Bank's accounting policy and Prudential Regulations issued by the State Bank of Pakistan. Had the Bank recognized surplus through statement of comprehensive income and restated its June 30, 2020 financial statements, the other comprehensive income would have been higher by Rs. 207.44 million.
- h) The Bank has not yet implemented the following accounting standards:
-) IFRS 9 "Financial Instruments" which became effective for reporting periods beginning on or after January 1, 2018.
 -) IFRS 15 "Revenue from contracts with customers" which became effective for reporting periods on or after January 1, 2018.
 -) IFRS 16 "Leases" which became effective for reporting periods beginning on or after January 1, 2019.

The Bank is currently working with its consultants to identify the nature and quantum of the impact of adoption of the aforementioned standards on the Bank's financial statements. In the absence of consultants' report(s), the resultant adjustments and disclosures required to be presented in the interim financial statements remain unascertained.

- i) As at December 31, 2020, the Bank has a provision of Rs. 66.48 million (as disclosed in note 12.1) which remained unchanged compared to June 30, 2020. We were unable to determine the plausibility (including sufficiency of provision) due to non-availability of workings underlying the assumptions and inputs used to reach to the conclusion that no change in the provision was necessary in the six-months period ended December 31, 2020. However, the Bank intends to perform a thorough assessment of this provision by June 30, 2021.
- j) As at December 31, 2020, the Bank has a balance of Rs. 51.85 million (June 30, 2020: Rs. 51.87 million) included in "Advances" and a balance of Rs. 37.43 million (June 30, 2020: Rs. 37.43 million) included in "Other liabilities". These balances have been inherited from Central Bank at the time of its dissolution in 1976. For the purposes of this review engagement, we were unable to determine the plausibility of these figures due to lack of information on these balances. The Bank intends to seek Board's consultation and approval (once the Board is reinstated) on whether these balances should be removed from Bank's statement of financial position.

- k) The fixed assets for which the Bank has chosen the policy to carry at revalued amounts rather than cost, have not been revalued since fiscal 2017. The management intends to perform a revaluation of such assets before June 30, 2021 yearend. In the absence of latest valuation report, the resultant adjustments in the interim financial statements remain unascertained.

Adverse Conclusion

Our review indicates that, because of the significance of matters discussed in paragraphs (a) to (k) above, these accompanying interim financial statements as at and for the six-months period ended December 31, 2020 are not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

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

- a) As referred in note 8.4 to the interim financial statements, the Bank has not adjusted its non-performing loans amounting to Rs. 704.98 million (June 30, 2020: Rs. 704.98 million) including mark-up thereon against properties decreed in favor of the Bank due to pending possession disputes.
- b) As referred in note 9.3 to the interim financial statements, the ultimate outcome of disputed properties amounting to Rs. 175.69 million (June 30, 2020: Rs. 175.69 million) cannot be presently determined as the matters are still under litigation. Hence no impairment in this context has been made in these interim financial statements.
- c) In the absence of reliable workings/analysis related to “Deposits and other accounts” and “Other liabilities”, we were unable to determine the plausibility of the completeness assertion of these balances.
- d) As referred in note 18.3 to the interim financial statements regarding the status of compliance to the terms and conditions of SBP's letter relaxing Minimum Capital Requirements (MCR) to Rs.6 billion, these terms and conditions are stated to be in process of implementation although compliance date has passed.
- e) As referred in note 31.1.1 to the interim financial statements regarding compliance status of CAR reporting under BASEL I for the time being instead of BASEL III.

Other Matters

- a) The interim financial statements for the six-months period ended December 31, 2019 and the annual financial statements for the year ended June 30, 2020 were reviewed/audited by another auditor whose review report dated February 27, 2020 and audit report dated September 29, 2020 expressed qualified conclusion (on the six-months review) and adverse opinion (on the annual audit).

- b) As part of our engagement, we were only required to review the cumulative figures for the six-months period ended December 31, 2020. Accordingly, we have not reviewed the figures in the condensed interim profit and loss account and the condensed interim statement of comprehensive income for the three-months period ended December 31, 2020.

The engagement partner on the review resulting in this independent auditor's report is Mr. Muhammad Aslam Khan.

IECnet S.K.S.S.S.
Lahore
Date: March 11, 2021

FINAL UNSIGNED

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	Note	Un-audited December 31, 2020	Audited June 30, 2020
Rupees in '000'			
ASSETS			
Cash and balances with treasury banks	5	878,607	840,207
Balances with other banks	6	1,476,294	1,088,417
Investments	7	2,555,153	2,093,150
Advances	8	9,424,938	10,373,331
Fixed assets	9	7,153,578	7,159,766
Intangible assets	10	17,115	13,589
Deferred tax assets	11	-	-
Other assets	12	4,573,690	3,757,408
		26,079,375	25,325,868
LIABILITIES			
Bills payable	14	23,819	22,921
Borrowings		-	-
Deposits and other accounts	15	4,678,049	4,620,648
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	16	6,545,594	6,072,752
		11,247,462	10,716,321
NET ASSETS		14,831,913	14,609,547
REPRESENTED BY			
Share capital		7,885,461	7,885,449
Reserves		847,739	848,179
Surplus on revaluation of assets	17	7,626,529	7,473,639
Accumulated losses		(1,527,816)	(1,597,720)
		14,831,913	14,609,547
CONTINGENCIES AND COMMITMENTS	18	-	-

The annexed notes 1 to 33 form an integral part of these condensed interim financial statements.

Acting President

Chief Financial Officer

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

	Note	Three months ended		Six months ended	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
		Rupees in '000'		Rupees in '000'	
Mark-up / return / interest earned	19	532,225	608,638	936,763	1,041,603
Mark-up / return / interest expensed	20	(41,423)	(46,328)	(125,710)	(138,707)
Net mark-up / interest income		490,802	562,310	811,053	902,896
NON MARK-UP / INTEREST INCOME					
Fee and commission income	21	12,126	5,874	21,772	10,477
Dividend income		194	11	38,483	31,007
Other income	22	32,310	32,860	51,151	55,950
Total non-markup / interest income		44,630	38,745	111,406	97,434
Total income		535,432	601,055	922,459	1,000,330
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	23	(430,598)	(563,364)	(764,811)	(914,877)
Other charges	24	(30)	-	(30)	-
Total non-markup / interest expenses		(430,628)	(563,364)	(764,841)	(914,877)
PROFIT BEFORE PROVISIONS AND TAXATION		104,804	37,691	157,618	85,453
Provisions and write offs - net	25	(53,276)	-	(78,867)	-
PROFIT BEFORE TAXATION		51,528	37,691	78,751	85,453
Taxation	26	(8,847)	(33,268)	(8,847)	(33,268)
PROFIT AFTER TAXATION		42,681	4,423	69,904	52,185
Basic and diluted earnings per share	27	0.54	0.06	0.89	0.66

The annexed notes 1 to 33 form an integral part of these condensed interim financial statements.

Acting President

Chief Financial Officer

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

	Three months ended		Six months ended	
	December	December	December	December
	31, 2020	31, 2019	31, 2020	31, 2019
	Rupees in '000'		Rupees in '000'	
Profit after taxation for the period	42,681	4,423	69,904	52,185
Other comprehensive income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Movement in surplus on revaluation of investments - net of tax	76,445	46,709	152,890	93,418
	76,445	46,709	152,890	93,418
Items that will not be reclassified to profit and loss account in subsequent periods:				
Remeasurement gain / (loss) on defined benefit obligations - net of tax	-	-	-	-
Movement in surplus on revaluation of operating fixed assets - net of tax	-	-	-	-
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	-	-
Net change in fair value of available for sale investments	-	-	-	-
	-	-	-	-
Total comprehensive income	119,126	51,132	222,794	145,603

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Acting President

Chief Financial Officer

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

	Share capital	Statutory reserve	Surplus/(Deficit) on revaluation of		Common good fund	Accumulated losses	Total
			Investments	Fixed / non banking assets			
Rupees in '000'							
Balance as at July 1, 2019	7,885,490	803,213	397,428	6,868,774	5,936	(1,762,760)	14,198,081
Profit after taxation for the six months ended December 31, 2019	-	-	-	-	-	52,185	52,185
Other comprehensive income - net of tax	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-	-
Medical aid to staff	-	-	-	-	(295)	-	(295)
Surplus on revaluation of assets	-	-	93,418	-	-	-	93,418
Transactions with owners, recorded directly in equity							
Refund of shares	(58)	-	-	-	-	-	(58)
Issue of shares	9	-	-	-	-	-	9
Balance as at January 1, 2020	7,885,441	803,213	490,846	6,868,774	5,641	(1,710,575)	14,343,340
Profit after taxation for the six months ended June 30, 2020	-	-	-	-	-	97,115	97,115
Other comprehensive income - net of tax	-	-	-	-	-	55,065	55,065
Transfer to common good fund	-	-	-	-	2,000	(2,000)	-
Transfer to statutory reserve	-	37,325	-	-	-	(37,325)	-
Medical aid to staff	-	-	-	-	-	-	-
Surplus on revaluation of assets	-	-	114,019	-	-	-	114,019
Transactions with owners, recorded directly in equity							
Issue of shares	8	-	-	-	-	-	8
Balance as at June 30, 2020	7,885,449	840,538	604,865	6,868,774	7,641	(1,597,720)	14,609,547
Profit after taxation for the six months ended December 31, 2020	-	-	-	-	-	69,904	69,904
Other comprehensive income - net of tax	-	-	152,890	-	-	-	152,890
Medical aid to staff	-	-	-	-	(440)	-	(440)
Transactions with owners, recorded directly in equity							
Refund of shares	-	-	-	-	-	-	-
Issue of shares	12	-	-	-	-	-	12
Balance as at December 31, 2020	7,885,461	840,538	757,755	6,868,774	7,201	(1,527,816)	14,831,913

The annexed notes 1 to 33 form an integral part of these condensed interim financial statements.

Acting President

Chief Financial Officer

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

	Six months ended	
	December	December
	Note	31, 2019
Rupees in '000'		
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	78,751	85,453
Less: Dividend income	(38,483)	(31,007)
	40,268	54,446
Adjustments:		
Depreciation	23 8,021	8,705
Provision against advances	25 78,867	-
Amortization	23 -	1,079
Provision for employees retirement benefits	23.1 158,810	282,223
	245,698	292,007
	285,966	346,453
(Increase) / decrease in operating assets		
Advances	948,393	(535,405)
Others assets (excluding advance taxation)	(816,282)	(128,265)
	132,111	(663,670)
Increase / (decrease) in operating liabilities		
Bills payable	898	(21,208)
Deposits	57,401	32,403
Other liabilities (excluding current taxation)	785,025	(104,883)
	843,324	(93,688)
Income tax paid	(48,900)	(27,279)
Employees retirement benefits paid	(343,328)	(36,413)
Medical aid to employees from common good fund	(440)	(295)
Net cash flow generated from / (used in) operating activities	868,733	(474,892)
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in held-to-maturity securities	(462,003)	960,955
Dividends received	38,483	31,007
Investments in operating fixed assets	(18,948)	(7,700)
Effect of translation of net investment in foreign branches	-	-
Net cash flow (used in) / generated from investing activities	(442,468)	984,262
CASH FLOW FROM FINANCING ACTIVITIES		
Issue / (refund) of share capital	12	(49)
Net cash flow generated from / (used in) financing activities	12	(49)
Effects of exchange rate changes on cash and cash equivalents	-	-
Increase in cash and cash equivalents	426,277	509,321
Cash and cash equivalents at beginning of the period	5 & 6 1,928,624	1,701,785
Cash and cash equivalents at end of the period	2,354,901	2,211,106

The annexed notes 1 to 33 form an integral part of these condensed interim financial statements.

Acting President

Chief Financial Officer

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

1. STATUS AND NATURE OF BUSINESS

The Punjab Provincial Cooperative Bank Limited (the "Bank") was incorporated in 1924 as a Cooperative Bank under the Cooperative Societies Act, 1912 (repealed) (now the Cooperative Societies Act, 1925). It was given the status of a scheduled bank by the State Bank of Pakistan ("SBP") with effect from November 07, 1955. The Bank is operating under the supervision of the Cooperative Department, Government of Punjab and the State Bank of Pakistan. The objects for which the Bank is established are to carry out the business of agriculture credit and other activities as defined in the Cooperative Societies Act, 1925 and its Rules. The Bank operates through its 151 (June 30, 2020: 151) branches in the whole province of Punjab. The registered office of the Bank is located at the Bank Square, The Mall, Lahore, Pakistan.

2. BASIS OF PRESENTATION

These condensed interim financial statements are presented in Pakistani Rupee, which is the Bank's functional currency. Figures have been rounded off to the nearest thousand of rupees, unless otherwise stated.

2.1 STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 (the Ordinance), the Cooperative Societies Act, 1925 (the Act), and the Cooperative Societies Rules, 1927 (the Rules), the Companies Act, 2017 and;
- Directives issued by the SBP.

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

These condensed interim financial statements have been prepared in accordance with the required format prescribed by SBP vide BPRD Circular letter No. 05 dated 22.03.2019 and international accounting standard 34 Interim Financial Reporting (IAS-34) and document include all the information and disclosure required in the audited annual financial statements and should be read in conjunction with the audited annual financial statements of the Bank for the year ended June 30, 2020.

The State Bank of Pakistan has deferred the applicability of International Financial Reporting Standard 9, 'Financial Instruments' through BPRD Circular No. 04 of 2019 dated October 23, 2019. The SBP vide letter No. BPRD/RPD/2020-1318, dated January 20, 2020, has given the Bank the timeline of July 1, 2021 for final implementation of IFRS-9. The Bank is currently working with its consultants to identify the nature and quantum of the impact of adoption of IFRS-9. In these condensed interim financial statements, the investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

IFRS 9, 'Financial Instruments: Classification and Measurement', addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on an 'expected credit losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. The ECL approach has an impact on all assets of the Bank which are exposed to credit risk. The Bank is in the process of assessing the full impact of this standard.

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

The State Bank of Pakistan has deferred the applicability of International Accounting Standards 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. Accordingly, the requirements of this standard have not been considered in the preparation of these condensed interim financial statements.

2.2 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current period.

IFRS 16, "Leases", became effective for annual reporting periods commencing on or after January 1, 2019. However, the Bank is in process of evaluating the impact of IFRS 16. Moreover, there are new and amended standards and interpretations that are mandatory for accounting period beginning on or after July 01, 2020 but are considered not to be relevant or do not have any significant effect on the Bank's financial statements and or therefore not stated in these financial statements.

2.3 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective.

- a) The following standards and amendments and interpretation of approved accounting standard are not yet effective:

	Effective date (annual periods beginning on or after)
IAS-37 Onerous Contracts (Amendments)	January 1, 2022
IAS-16 Proceeds before intended use (Amendments)	January 1, 2022
IAS-1 Classification of Liabilities as Current or Non Current	January 1, 2022

2.4 Critical accounting estimates and judgments

The basis for accounting estimates adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the audited annual financial statements of the Bank for the year ended June 30, 2020.

3 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the audited annual financial statements of the Bank for the year ended June 30, 2020.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the audited annual financial statements of the Bank for the year ended June 30, 2020.

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

	Note	<u>Un-audited</u> <u>December</u> <u>31, 2020</u>	<u>Audited</u> <u>June</u> <u>30, 2020</u>
Rupees in '000'			
5 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		394,206	325,149
With State Bank of Pakistan in			
Local currency current account	5.1	372,332	366,479
With National Bank of Pakistan in			
Local currency current account		109,694	92,833
Local currency deposit account (NIDA)	5.2	2,375	55,746
		112,069	148,579
		878,607	840,207

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

5.2 This represents deposit accounts maintained with the National Bank of Pakistan. Rate of profit on NIDA account is at 5.50% per annum (June 30, 2020: 6.50% per annum).

6 BALANCES WITH OTHER BANKS

In Pakistan

In current account

In deposit account

	6.1	9,902	8,297
		1,466,392	1,080,120
		1,476,294	1,088,417

6.1 These accounts carry profit rates ranging from 5.75% to 6.15% per annum (June 30, 2020: 6.50% to 6.75% per annum).

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

7 INVESTMENTS

7.1 Investments by type:

	Un-audited December 31, 2020				Audited June 30, 2020			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in '000'								
Available-for-sale securities								
Shares								
Listed companies	7,023	-	757,755	764,778	7,023	-	604,865	611,888
Cooperative institutions	3,551	(1,589)	-	1,962	3,551	(1,589)	-	1,962
	10,574	(1,589)	757,755	766,740	10,574	(1,589)	604,865	613,850
Held-to-maturity securities								
Federal Government securities								
Market treasury bills	1,788,413	-	-	1,788,413	1,479,300	-	-	1,479,300
Non-Government debt securities								
Non-Banking Finance Company	88,059	(88,059)	-	-	88,059	(88,059)	-	-
	1,876,472	(88,059)	-	1,788,413	1,567,359	(88,059)	-	1,479,300
Total Investments	1,887,046	(89,648)	757,755	2,555,153	1,577,933	(89,648)	604,865	2,093,150

Market treasury bills of Rs. 1,788.41 million are inclusive of Rs. 27.13 million of profit recoverable.

7.2 Investments by segments:

	Un-audited December 31, 2020				Audited June 30, 2020			
	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost /Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in '000'								
Federal government securities:								
Market treasury bills	1,788,413	-	-	1,788,413	1,479,300	-	-	1,479,300
Non-government debt securities:								
Unlisted	88,059	(88,059)	-	-	88,059	(88,059)	-	-
Shares:								
Listed companies	7,023	-	757,755	764,778	7,023	-	604,865	611,888
Cooperative institutions	3,551	(1,589)	-	1,962	3,551	(1,589)	-	1,962
	10,574	(1,589)	757,755	766,740	10,574	(1,589)	604,865	613,850
Total Investments	1,887,046	(89,648)	757,755	2,555,153	1,577,933	(89,648)	604,865	2,093,150

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

	Un-audited	Audited
	December	June
	31, 2020	30, 2020
	Rupees in '000'	
7.3 Provision for diminution in value of investments		
7.3.1 Opening balance	89,648	89,648
Exchange adjustments	-	-
Charge / reversals		
Charge for the period / year	-	-
Reversals for the period / year	-	-
Reversal on disposals	-	-
Transfers - net	-	-
Amounts written off	-	-
Closing balance	89,648	89,648

7.3.2 Particulars of provision against non-listed shares

Category of classification	December 31, 2020 (Un-audited)		June 30, 2020 (Audited)	
	Non performing investments	Provision	Non performing investments	Provision
	Rupees in '000'		Rupees in '000'	
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	1,589	1,589	1,589	1,589
	1,589	1,589	1,589	1,589
Overseas				
Not past due but impaired	-	-	-	-
Overdue by:				
Up to 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
365 days	-	-	-	-
	-	-	-	-
Total	1,589	1,589	1,589	1,589

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

8 ADVANCES

	Performing		Non Performing		Total	
	Un-audited December 31, 2020	Audited June 30, 2020	Un-audited December 31, 2020	Audited June 30, 2020	Un-audited December 31, 2020	Audited June 30, 2020
	Rupees in '000'					
Loans, cash credits, running finances, etc.	8,499,384	9,427,639	2,610,025	2,551,779	11,109,409	11,979,418
Bills discounted and purchased	-	-	184	184	184	184
Advances - gross	8,499,384	9,427,639	2,610,209	2,551,963	11,109,593	11,979,602
Provision against advances						
- Specific	-	-	1,684,277	1,605,893	1,684,277	1,605,893
- General	378	-	-	378	378	378
	378	-	1,684,277	1,606,271	1,684,655	1,606,271
Advances - net of provision	8,499,006	9,427,639	925,932	945,692	9,424,938	10,373,331

8.1 Particulars of advances (gross)

In local currency	11,109,593	11,979,602
In foreign currencies	-	-
	<u>11,109,593</u>	<u>11,979,602</u>

8.2 Advances include Rs. 2,610.03 million (June 30, 2020: Rs. 2,551.78 million) which have been placed under non-performing status as detailed below:

Category of classification	Un-audited December 31, 2020		Audited June 30, 2020	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	Rupees in '000'			
Domestic				
Other assets especially mentioned	412,491	-	432,250	-
Substandard	293,723	5,926	318,698	11,648
Doubtful	238,886	44,830	197,429	22,170
Loss	1,664,925	1,633,899	1,603,402	1,563,855
Total	2,610,025	1,684,655	2,551,779	1,597,673

8.3 Particulars of provision against advances

	Un-audited December 31, 2020			Audited June 30, 2020		
	Specific	General	Total	Specific	General	Total
	Rupees in '000'					
Opening balance	1,605,893	378	1,606,271	1,605,893	378	1,606,271
Exchange adjustments	-	-	-	-	-	-
Charge for the period / year	78,384	-	78,384	-	-	-
Reversals	-	-	-	-	-	-
	1,684,277	378	1,684,655	1,605,893	378	1,606,271
Amounts written off	-	-	-	-	-	-
Closing balance	1,684,277	378	1,684,655	1,605,893	378	1,606,271

8.4 The Bank has not adjusted its non-performing loans amounting to Rs. 704.98 million (June 30, 2020: Rs. 704.98 million) including mark-up thereon, against properties decreed in favor of Bank due to pending possession disputes.

9 FIXED ASSETS

	Un-audited	Audited
	December 31, 2020	June 30, 2020
	Rupees in '000'	
Civil works	23,762	23,762
Hardware/equipment	7,488	7,488
Property and equipment	7,122,328	7,128,516
	7,153,578	7,159,766

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

Un-audited	Audited
December	June
31, 2020	30, 2020
Rupees in '000'	

9.1 Additions to fixed assets

The following additions have been made to fixed assets during the period:

Property and equipment

Freehold land	-	-
Building on freehold land	-	1,237
Building on leasehold land	-	-
Furniture and fixture	187	651
Electrical office and computer equipment	799	2,759
Vehicles	283	-
Others	-	-
	1,269	4,647
Total	1,269	4,647

9.2 Disposal of fixed assets

The net book value of assets disposed during the period is as follows:

Freehold land	-	-
Furniture and fixture	-	-
Electrical office and computer equipment	-	-
Vehicles	-	-
Total	-	-

9.3 The value of land and buildings include properties under litigation / disputes amounts to Rs. 175.687 million (June 30, 2020: Rs. 175.687 million) for which legal title has been acquired but the physical possession is under dispute. The ultimate outcome of disputes can not be determined properly and management is of the view that no impairment is required to be recognised in these condensed interim financial statements.

10 INTANGIBLE ASSETS

Computer software	17,115	13,589
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10.1 Additions to intangible assets

The following additions have been made to intangible assets during the period:

Developed internally	3,526	-
Directly purchased	-	-
Total	3,526	-

10.2 Disposals of intangible assets

The net book value of intangible assets disposed during the period is as follows:

Developed internally	-	-
Directly purchased	-	-
Total	-	-

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

11 DEFERRED TAX ASSETS

Un-audited December 31, 2020			
At July 01, 2020	Recognised in P&L A/C	Recognised in OCI	At December 31, 2020
Rupees in '000'			
Deductible Temporary Differences on			
- Post retirement benefits	2,905,725	-	2,562,397
- Provision against other assets	66,479	-	66,478
- Provision for salary payable	264,285	-	264,285
- Decelerated tax amortisation	2,146	-	16,200
- Provision against advances	1,606,271	-	1,684,655
	4,844,906	-	4,594,015
Taxable Temporary Differences on			
- Accelerated tax depreciation	38,777	-	48,987
- Surplus on revaluation of investments	515,217	-	668,107
	553,994	-	717,094
Temporary differences for which no deferred tax is recognized	4,290,912	-	3,876,921

Audited June 30, 2020			
At July 01, 2019	Recognised in P&L A/C	Recognised in OCI	At June 30, 2020
Rupees in '000'			
Deductible Temporary Differences on			
- Post retirement benefits	2,964,230	-	2,905,725
- Provision against other assets	66,479	-	66,479
- Provision for salary payable	264,285	-	264,285
- Decelerated tax amortisation	-	-	2,146
- Provision against advances	1,606,271	-	1,606,271
	4,901,265	-	4,844,906
Taxable Temporary Differences on			
- Accelerated tax depreciation	36,192	-	38,777
- Surplus on revaluation of investments	395,839	-	515,217
	432,031	-	553,994
Temporary differences for which no deferred tax is recognized	4,469,234	-	4,290,912

In the absence of future taxable profit projections due to unanticipated circumstances, amount of Rs. 1,356,923 thousand (June 30, 2020: Rs. 1,501,819 thousand) has not been recognized as deferred tax asset.

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

		Un-audited December 31, 2020	Audited June 30, 2020
	Note	Rupees in '000'	
12 OTHER ASSETS			
Income / mark-up accrued in local currency		765,612	837,107
Advances, deposits, advance rent and other prepayments		1,765	2,349
Sundry debtors		1,668	1,444
Profit recoverable from banks		5,518	3,605
Crop insurance recoverable		113,805	111,393
Live stock insurance recoverable		14,449	7,575
Branch adjustment		45,258	71,849
Memorandum account		3,474,828	2,590,002
Others		217,265	198,563
		4,640,168	3,823,887
Less: Provision held against other assets	12.1	(66,478)	(66,479)
Other assets (net of provision)		4,573,690	3,757,408
12.1 Provision held against other assets			
Others		(66,478)	(66,479)
		(66,478)	(66,479)
12.2 Movement in provision held against other assets			
Opening balance		(66,479)	(66,479)
Charge for the period / year		-	-
Reversals		-	-
Amount written off		-	-
Closing balance		(66,479)	(66,479)
13 CONTINGENT ASSETS			
The Bank has 112 cases pending with authorities for recoveries and settlement of properties. However, inflow economic benefits from such cases are not probable and therefore are not being disclosed here.			
14 BILLS PAYABLE			
In Pakistan		23,819	22,921

15 DEPOSITS AND OTHER ACCOUNTS

	Un-audited December 31, 2020			Audited June 30, 2020		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
Rupees in '000'						
Customers						
Fixed deposits	242,513	-	242,513	239,523	-	239,523
Savings deposits - remunerative	3,407,763	-	3,407,763	3,063,609	-	3,063,609
Current deposits - non remunerative	907,644	-	907,644	1,239,856	-	1,239,856
Call deposits	1,741	-	1,741	2,342	-	2,342
Other deposits (see note 15.1)	118,388	-	118,388	75,318	-	75,318
	4,678,049	-	4,678,049	4,620,648	-	4,620,648
Financial institutions						
Fixed deposits	-	-	-	-	-	-
Savings deposits - remunerative	-	-	-	-	-	-
Current deposits - non remunerative	-	-	-	-	-	-
Call deposits	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-
	-	-	-	-	-	-
	4,678,049	-	4,678,049	4,620,648	-	4,620,648

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

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

	Note	Un-audited	Audited
		December 31, 2020	June 30, 2020
Rupees in '000'			
16 OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		35,071	61,189
Accrued expenses		10,114	6,704
Provision for salary payable / VSS package		264,285	264,285
Sundry creditors	16.1	56,584	69,620
Advance taxation (payments less provisions)		64,192	105,815
Dissolved bank payable		37,427	37,427
Provision for employees' gratuity		97,290	98,651
Provision for employees' pension fund		2,277,875	2,618,962
Provision for employees' compensated absences		187,232	188,112
Withholding tax payable		8,079	6,509
Branch adjustment		-	-
Memorandum account		3,474,828	2,590,002
Others		32,617	25,476
		6,545,594	6,072,752

16.1 This includes amounts an amount payable of Rs. 6,274 thousand (June 30, 2020: Rs. 6,274 thousand) on account of Rahwali Sugar Mills and Bid Money of Rs. 12,300 thousand (June 30, 2020: Rs. 12,300 thousand) for sale of land at Thokar Niaz Baig. The bid money was forfeited by the Bank as per settled agreement with respect to auction of the 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. The court has decided the case in favour of the Bank. The matter has been put up before the Bank Administrator for according approval for information and necessary action.

	Note	Un-audited	Audited
		December 31, 2020	June 30, 2020
Rupees in '000'			
17 SURPLUS ON REVALUATION OF ASSETS			
Surplus on revaluation of			
Available for sale securities	7.1	757,755	604,865
Fixed assets	17.1	6,868,774	6,868,774
		7,626,529	7,473,639

17.1 Surplus on revaluation of fixed assets relates to Land.

18 CONTINGENCIES AND COMMITMENTS

Commitments	18.1	9,803	9,760
Other contingent liabilities	18.2	9,000	9,000
		18,803	18,760
18.1 Commitments			
Civil work		3,530	3,530
Intangible assets		6,273	6,230
		9,803	9,760

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

18.3 State Bank of Pakistan (SBP) vide letter No. BPRD/BACPD/629/023472/15 dated October 26, 2015 relaxed the Minimum Capital Requirement (MCR) for the Bank to Rs. 6 Billion (net of losses) subject to the conditions given below:

1 - Increase the Bank's paid up capital (net of losses) to Rs. 6 billion by December 31, 2015.

2 - Appointment of Bank's full time / regular president and constitution of its Board of Directors in line with the SBP's Fit and Proper Test (FPT) criteria and other applicable laws, rules and regulations by November 30, 2015.

3 - The Bank will submit a strategic plan to function in a self sustainable manner duly meeting applicable regulatory requirements in the areas of risk management, capital, corporate governance etc. The strategic plan should further outline Bank's business model, proposed commercial banking products / practices and competitive policies, duly supporting the future viability of PPCBL. The plan should be submitted by December 31, 2015.

4 - With the exception of expenses towards banks, sovereigns and PSEs, per party exposure limits for all other customers will be 50% of the PRs limit.

The Bank due to circumstances beyond its control could not fully comply with the requirements as set out above with regard to constitution of Board and strategic plan due to non-existence of Board within the prescribed date, whereas requirement of para 4 as above is not applicable to the Bank. However, the management of the Bank is in process to comply with these conditions fully when the circumstances would allow.

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

		<u>Un-audited</u>	<u>Un-audited</u>
		<u>December 31,</u>	<u>December 31,</u>
	Note	2020	2019
		Rupees in '000'	
19 MARK-UP / RETURN / INTEREST EARNED			
On:			
a) Loans and advances		830,518	861,295
b) Investments		71,413	119,600
c) Balances with banks		34,832	60,708
		936,763	1,041,603
20 MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		125,710	138,707
21 FEE AND COMMISSION INCOME			
Commission on utility bills		5,118	5,377
Commission on guarantees		14,711	2,761
Commission on remittances including home remittances		233	339
Commission received on deposit category		910	1,043
Others		800	957
		21,772	10,477
22 OTHER INCOME			
Rent on property		34,647	32,886
Profit on books for sale		-	4,804
Bank and service charges		-	2,113
Loan processing fee		15,909	15,724
Rent on lockers		595	423
		51,151	55,950
23 OPERATING EXPENSES			
Total compensation expense	23.1	649,635	788,974
Property expense			
Rent and taxes		25,635	26,033
Insurance		3,060	2,551
Utilities cost		14,596	17,145
Security (including guards)		-	-
Repair and maintenance (including janitorial charges)		838	2,666
Depreciation		1,249	1,249
		45,378	49,644
Information technology expenses			
Amortisation		-	1,079

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

	Un-audited December 31, 2020	Un-audited December 31, 2019
	Rupees in '000'	
Other operating expenses		
Legal and professional charges	3,277	3,367
Depreciation	6,772	7,456
Postage and courier charges	2,260	2,794
Communication	8,468	8,080
Stationery and printing	1,178	1,628
Marketing, advertisement and publicity	1,163	943
Donations	-	93
Auditors remuneration	-	45
Others	46,680	50,774
	69,798	75,180
	764,811	914,877
23.1 Total compensation expense		
Salary and allowances	478,590	489,960
Fees and allowances	501	487
Charge for defined benefit plan	158,810	282,223
Conveyance	11,332	14,014
Others	402	2,290
	649,635	788,974
24 OTHER CHARGES		
Penalties imposed by State Bank of Pakistan	30	-
25 PROVISIONS AND WRITE OFFS - NET		
Provisions for diminution in value of investments	7.3	-
Provisions for salary payable		-
Provision for loan and advances	8.3	78,384
Provision for rent recoverable		483
Bad debts written off directly		-
Recovery of written off / charged off bad debts		-
		78,867
26 TAXATION		
Current	(19,032)	(106,961)
Prior years	26.1	10,185
Deferred		-
		(8,847)
26.1	The Bank has recognized tax provision in its financial statements amounting to Rs. 64,136,000, Rs. 68,358,000, Rs. 45,570,000 and Rs. 34,109,000 for the years ended June 30, 2020, 2019, 2018 and 2017, respectively. While the tax assessed for these years was Rs. 63,768,239, Rs. 34,858,926, Rs. 25,012,139 and Rs. 14,472,867 (based on tax returns) respectively. Therefore, the excess provision recognized in prior years will be adjusted year by year.	
26.2	It is management's assessment that the provision for taxation made in these condensed interim financial statements is sufficient.	
27 BASIC AND DILUTED EARNINGS PER SHARE		
Profit for the period	69,904	52,185
Weighted average number of ordinary shares	7,885,461	7,885,441
Basic and diluted earnings per share	0.89	0.66
27.1	No effect for diluted earnings per share has been incorporated as the Bank has not issued any instrument which would have an impact on earnings per share when exercised.	

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

28 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The carrying amount of unquoted equity securities are determined on the basis of the break-up value of these investments as per their latest available audited financial statements. The fair value of other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

28.1 Fair value of financial assets

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

Un-audited December 31, 2020					
Carrying value	Level 1	Level 2	Level 3	Total	
Rupees in '000'					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Shares	764,778	764,778	-	-	764,778
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	878,607	-	-	-	-
Balances with other banks	1,476,294	-	-	-	-
Investments in treasury bills	1,788,413	-	-	-	-
Advances	9,424,938	-	-	-	-
Other assets	4,526,667	-	-	-	-

Audited June 30, 2020					
Carrying value	Level 1	Level 2	Level 3	Total	
Rupees in '000'					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Shares	611,888	611,888	-	-	611,888
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	840,207	-	-	-	-
Balances with other banks	1,088,417	-	-	-	-
Investments in treasury bills and NBFCs	1,479,300	-	-	-	-
Advances	10,373,331	-	-	-	-
Other Assets	3,675,902	-	-	-	-

28.2 Fair value of non-financial assets

	Un-audited December 31, 2020	Audited June 30, 2020
	Level 3	
	Rupees in '000'	
Fixed assets (Freehold land)	6,979,254	6,979,254

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

30 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.

The Bank enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

	Un-audited December 31, 2020			Audited June 30, 2020		
	Key management personnel	Provident fund trust	Pension fund trust	Key management personnel	Provident fund trust	Pension fund trust
	Rupees in '000'					
Advances						
Opening balance	10,914	-	-	6,094	-	-
Addition during the period / year	6,742	-	-	10,205	-	-
Recovered during the period / year	(5,662)	-	-	(5,385)	-	-
Transfer in / (out) - net	-	-	-	-	-	-
Closing balance	11,994	-	-	10,914	-	-
Other liabilities						
Payable to staff retirement fund	-	-	2,277,875	-	-	2,618,962
	-	-	2,277,875	-	-	2,618,962
Income						
Mark-up / return / interest earned	1,186	-	-	933	-	-
	1,186	-	-	933	-	-
Expense						
Short term employees benefits	14,592	-	-	30,262	-	-
Contribution for the period / year	-	3,514	-	-	9,680	414,785
	14,592	3,514	-	30,262	9,680	414,785

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

29 SEGMENT INFORMATION

29.1 Segment details with respect to business activities

Un-audited December 31, 2020				
Retail banking	Retail finance lending	Others	Total	
Rupees in '000'				
Profit and Loss				
Net mark-up / return / profit	34,832	830,518	71,413	936,763
Inter segment revenue - net	-	-	-	-
Non mark-up / return / interest income	21,772	-	89,634	111,406
Total income	56,604	830,518	161,047	1,048,169
Segment direct expenses	(125,710)	-	(764,841)	(890,551)
Inter segment expense allocation	-	-	-	-
Total expenses	(125,710)	-	(764,841)	(890,551)
Provisions	-	(78,867)	-	(78,867)
Profit before taxation	(69,106)	751,651	(603,794)	78,751
Balance Sheet				
Retail banking	Retail finance lending	Others	Total	
Rupees in '000'				
Cash and bank balances	-	-	2,354,901	2,354,901
Investments	-	-	2,555,153	2,555,153
Net inter segment lending	-	-	-	-
Advances - performing	-	8,499,006	-	8,499,006
Advances - non-performing	-	925,932	-	925,932
Others	5,518	4,240,440	7,498,425	11,744,383
Total Assets	5,518	13,665,378	12,408,479	26,079,375
Bills payable	23,819	-	-	23,819
Deposits and other accounts	4,678,049	-	-	4,678,049
Net inter segment borrowing	-	-	-	-
Others	35,071	3,474,828	3,035,695	6,545,594
Total Liabilities	4,736,939	3,474,828	3,035,695	11,247,462
Equity	-	-	14,831,913	14,831,913
Total Equity & Liabilities	4,736,939	3,474,828	17,867,608	26,079,375
Contingencies & Commitments	-	-	-	-

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

Audited June 30, 2020				
Retail banking	Retail finance lending	Others	Total	
Rupees in '000'				
Profit and Loss				
Net mark-up / return / profit	113,616	1,712,550	217,320	2,043,486

Non mark-up / return / interest income	71,924	-	91,062	162,986
Total income	185,540	1,712,550	308,382	2,206,472
Segment direct expenses	315,370	-	1,677,666	1,993,036
Total expenses	315,370	-	1,677,666	1,993,036
Provisions	-	-	-	-
Profit before taxation	(129,830)	1,712,550	(1,369,284)	213,436

Balance Sheet	Retail banking	Retail finance lending	Others	Total
	Rupees in '000'			
Cash and bank balances	-	-	1,928,624	1,928,624
Investments	-	-	2,093,150	2,093,150
Net inter segment lending	-	-	-	-
Lendings to financial institutions	-	-	-	-
Advances - performing	-	9,427,639	-	9,427,639
Advances - non-performing	-	945,692	-	945,692
Others	3,605	3,423,504	7,503,654	10,930,763
Total Assets	3,605	13,796,835	11,525,428	25,325,868
Bills payable	22,921	-	-	22,921
Deposits and other accounts	4,620,648	-	-	4,620,648
Net inter segment borrowing	-	-	-	-
Others	61,189	2,590,002	3,421,561	6,072,752
Total Liabilities	4,704,758	2,590,002	-	10,716,321
Equity	-	-	14,609,547	14,609,547
Total Equity & Liabilities	4,704,758	2,590,002	-	25,325,868
Contingencies & Commitments	-	-	-	-

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

31 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Un-audited	Audited
December 31,	June 30,
2020	2020
Rupees in '000'	

31.1 Capital Adequacy

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)

6,000,000 6,000,000

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital

7,185,212 7,122,319

Eligible Additional Tier 1 (ADT 1) Capital

- -

Total Eligible Tier 1 Capital

7,185,212 7,122,319

Eligible Tier 2 Capital

2,771,009 2,814,722

Total Eligible Capital (Tier 1 + Tier 2)

9,956,221 9,937,041

Risk Weighted Assets (RWAs):

Credit Risk

16,848,101 20,020,929

Market Risk

1,529,556 1,318,937

Operational Risk

3,150,989 3,125,934

Total

21,528,646 24,465,800

Common Equity Tier 1 Capital Adequacy ratio

33.38% 29.11%

Tier 1 Capital Adequacy Ratio

12.87% 11.51%

Total Capital Adequacy Ratio

46.25% 40.62%

31.1.1 State Bank of Pakistan (SBP) vide Letter No. BPRD/BACPD/629/023472/15 dated 26.10.2015 required from Bank to have a minimum paid up capital (net of losses) of Rs. 6 billion. Further, the Bank is required to maintain a Capital Adequacy Ratio of 16% at all times. As of June 30, 2020, the paid up capital of the Bank net of losses amounts to Rs. 6,287,729 thousands which is in agreement with regulatory requirements (refer to note 18.3). The management is in the process of implementation of Basel III and in the meanwhile have applied for obtaining further extension in this regard. For the time being CAR is being reported under Basel I as per instructions issued under circular No. 12 of 2004 as allowed by SBP.

Standardized Approach is used for calculating the Credit and Market risk, whereas, Basic Indicator Approach is used for Operational Risk in the Capital Adequacy Calculation.

Un-audited	Audited
December 31,	June 30,
2020	2020
Rupees in '000'	

31.2 Leverage Ratio (LR):

Eligible Tier-1 Capital

7,185,212 7,122,319

Total Exposures

22,758,618 25,328,868

Leverage Ratio

31.57% 28.12%

31.3 Liquidity Requirements

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets

1,033,986 1,147,132

Total Net Cash Outflow

122,905 136,544

Liquidity Coverage Ratio

841.29% 840.12%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding

12,835,233 12,588,241

Total Required Stable Funding

6,041,560 6,434,890

Net Stable Funding Ratio

212.45% 195.62%

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

32 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 11.03.2021 by the Administrator of the Bank.

33 GENERAL

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

Acting President

Chief Financial Officer