

Condensed interim statement of financial position

As at December 31, 2012

| | Note | Un-audited December 31, 2012 Rupees in '000 | Audited June 30, 2012 Rupees in '000 |
|---|------|--|--|
| Assets | | | |
| Cash and balances with treasury banks | | 992,791 | 533,867 |
| Balances with other banks | | 1,967,300 | 923,473 |
| Lending to financial institutions | | - | - |
| Investments | 4 | 729,797 | 1,108,617 |
| Advances | 5 | 7,675,378 | 7,810,420 |
| Operating fixed assets | | 3,447,999 | 3,445,150 |
| Deferred tax assets | | - | - |
| Other assets | | 823,871 | 730,999 |
| Total Assets | | 15,637,136 | 14,552,526 |
| Liabilities | | | |
| Bills payable | | 15,438 | 30,845 |
| Borrowings from financial institutions | | - | - |
| Deposits and other accounts | | 3,382,766 | 2,409,075 |
| Sub-ordinated loans | | - | - |
| Liabilities against assets subject to finance lease | | - | - |
| Deferred tax liabilities | | - | - |
| Other liabilities | | 234,400 | 303,843 |
| Total Liabilities | | 3,632,604 | 2,743,763 |
| Net assets | | 12,004,532 | 11,808,763 |
| Represented by : | | | |
| Share capital | | 436,271 | 436,148 |
| Reserves | | 7,941,373 | 7,941,588 |
| Un-appropriated profit | | 251,917 | 77,033 |
| | | 8,629,561 | 8,454,769 |
| Fair value reserve - investments | | 147,414 | 126,437 |
| Surplus on revaluation of assets | | 3,227,557 | 3,227,557 |
| | | 12,004,532 | 11,808,763 |

Contingencies and commitments

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The annexed notes 1 to 8 form an integral part of these unconsolidated condensed interim financial statements.

MEHBOOB HUSSAIN
CHIEF FINANCIAL OFFICER

SYED TALAT MAHMOOD
PRESIDENT / CEO

Condensed interim profit and loss account

For the half year ended December 31, 2012

| | Un-audited | | | |
|--|-----------------------------|---------|---------------------------|---------|
| | Half year ended December | | Quarter ended December | |
| | 2012 | 2011 | 2012 | 2011 |
| | Rupees in '000 | | Rupees in '000 | |
| Mark-up / return / interest earned | 765,203 | 793,002 | 498,537 | 456,873 |
| Mark-up / return / interest expensed | 52,002 | 82,862 | 38,054 | 36,533 |
| Net Mark-up / interest income | 713,201 | 710,140 | 460,483 | 420,340 |
| Less: provisions: | | | | |
| Against non-performing loans and advances | - | - | - | - |
| For diminution in the value of investments | - | - | - | - |
| Against bill purchased | 184 | - | 184 | - |
| | 184 | - | 184 | - |
| Net mark-up / interest income after provisions | 713,017 | 710,140 | 460,299 | 420,340 |
| Non mark-up / interest income | | | | |
| Fee, commission and brokerage income | 10,749 | 12,190 | 5,615 | 6,209 |
| Dividend income | 17,726 | 14,780 | - | - |
| Income from dealing in foreign currency | - | - | - | - |
| Gain on sale of operating fixed assets | 173 | - | 173 | - |
| Other income | 26,029 | 18,944 | 15,758 | 10,410 |
| | 54,677 | 45,914 | 21,546 | 16,619 |
| Total Income | 767,694 | 756,054 | 481,845 | 436,959 |
| Non mark-up / interest expenses | | | | |
| Administrative expenses | 502,367 | 454,213 | 261,855 | 237,133 |
| Other provisions / write - offs | 663 | - | 663 | - |
| Other charges - loss on sale of operating fixed assets | - | 2,199 | - | 2,199 |
| | 503,030 | 456,412 | 262,518 | 239,332 |
| Extra ordinary / unusual items | - | - | - | - |
| Profit before taxation | 264,664 | 299,642 | 219,327 | 197,627 |
| Taxation | | | | |
| Current | 89,780 | 8,389 | 89,780 | 8,389 |
| Prior years | - | - | - | - |
| Deferred | - | - | - | - |
| | 89,780 | 8,389 | 89,780 | 8,389 |
| Profit after taxation | 174,884 | 291,253 | 129,547 | 189,238 |
| Basic / diluted earnings per share - Rupees | 40.25 | 66.82 | 29.82 | 43.41 |

The annexed notes 1 to 8 form an integral part of these unconsolidated condensed interim financial statements.

MEHBOOB HUSSAIN
CHIEF FINANCIAL OFFICER

SYED TALAT MAHMOOD
PRESIDENT / CEO

Statement of comprehensive income

For the half year ended December 31, 2012

| | Un-audited | | | |
|---|-----------------|----------|----------------|---------|
| | Half Year ended | | Quarter ended | |
| | December | | December | |
| | 2012 | 2011 | 2012 | 2011 |
| | Rupees in '000 | | | |
| Profit after taxation | 174,884 | 291,253 | 129,547 | 189,238 |
| Other comprehensive income | - | - | - | - |
| Comprehensive income transferred to equity | 174,884 | 291,253 | 129,547 | 189,238 |
| Components of comprehensive income not reflected in equity | | | | |
| Net change in fair value of available for sale investment | 20,977 | (15,065) | (2,133) | 5,578 |
| Total comprehensive income | 195,861 | 276,188 | 127,414 | 194,816 |

The annexed notes 1 to 8 form an integral part of these unconsolidated condensed interim financial statements.

MEHBOOB HUSSAIN
CHIEF FINANCIAL OFFICER

SYED TALAT MAHMOOD
PRESIDENT / CEO

Condensed interim cash flow statement

For the half year ended December 31, 2012

| | Un-audited | |
|---|-------------------|--------------------|
| | December 31, 2012 | December 31, 2011 |
| | Rupees in '000 | |
| Cash flow from operating activities | | |
| Profit before taxation | 264,664 | 299,642 |
| Less: Dividend income | (17,726) | (14,780) |
| | 246,938 | 284,862 |
| Adjustments for non-cash charges: | | |
| Depreciation | 3,798 | 4,231 |
| Amortization | - | - |
| Provision against non-performing advances | 184 | - |
| Provision for other assets | 663 | - |
| (Gain) / loss on sale of operating fixed assets | (173) | 2,199 |
| | 4,472 | 6,430 |
| | 251,410 | 291,292 |
| (Increase)/ decrease in operating assets | | |
| Advances | 135,042 | (938,500) |
| Others assets (excluding advance taxation) | (95,165) | (219,993) |
| | 39,877 | (1,158,493) |
| | 291,287 | (867,201) |
| Increase/ (decrease) in operating liabilities | | |
| Bills payable | (15,407) | 5,216 |
| Borrowings from financial institutions | - | (1,666,669) |
| Deposits | 973,691 | 514,592 |
| Other liabilities (excluding current taxation) | (69,443) | (75,760) |
| | 888,841 | (1,222,621) |
| | 1,180,128 | (2,089,822) |
| Income tax paid | (87,487) | (17,176) |
| Net cash outflow from operating activities | 1,092,641 | (2,106,998) |
| Cash flow from investing activities | | |
| Dividend income | 17,726 | 14,780 |
| Investment in operating fixed assets | (7,985) | (4,595) |
| Capital work in progress | - | 753 |
| Advances to suppliers for information system | - | (2,160) |
| Encashment / (investment) in treasury Bills | 399,797 | 602,707 |
| Investment in of Modarabah certificates | - | (20,000) |
| Sale proceeds of operating fixed assets disposed-off | 664 | - |
| Net cash inflow from investing activities | 410,202 | 591,485 |
| Cash flow from financing activities | | |
| Issue of share capital | 123 | 340 |
| Other fund from the Government of Punjab | - | 1,666,669 |
| Medical aid to employees from Common Good Fund | (215) | (120) |
| Net cash inflow from financing activities | (92) | 1,666,889 |
| Increase in cash and cash equivalents | 1,502,751 | 151,376 |
| Cash and cash equivalents at beginning of the period | 1,457,340 | 2,592,725 |
| Cash and cash equivalents at end of the period | 2,960,091 | 2,744,101 |
| Cash and cash equivalents are comprised of: | | |
| Cash and balances with treasury banks | 992,791 | 822,377 |
| Balances with other banks | 1,967,300 | 1,921,724 |
| | 2,960,091 | 2,744,101 |

The annexed notes 1 to 8 form an integral part of these unconsolidated condensed interim financial statements.

Condensed interim statement of changes in equity

For the half year ended December 31, 2012

| | Share capital | Statutory reserves | Un-audited | | Un-appropriated profit / (loss) | Total |
|--|----------------|--------------------|------------------|----------------------|---------------------------------|------------------|
| | | | Common Good Fund | Other reserve (Note) | | |
| | | | | | | |
| | | | | | | |
| Balance as on June 30, 2011 | 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 |
| Balance as on December 31, 2011 | 435,924 | 394,278 | 3,082 | 7,170,799 | 26,387 | 8,030,470 |
| Transfer to statutory reserve | - | 95,833 | - | - | (95,833) | - |
| Issue of share capital | 224 | - | - | - | - | 224 |
| Medical aid to staff | - | - | (178) | - | - | (178) |
| Funds received from the Government of Punjab | - | - | - | 277,774 | - | 277,774 |
| Settlement for sale of property with Other Reserve from Government of Punjab | - | - | - | - | 54,402 | 54,402 |
| Transfer of surplus on revaluation of asset realised on disposal | - | - | - | - | - | - |
| Comprehensive income for the 1st half year | - | - | - | - | 92,077 | 92,077 |
| Balance as on June 30, 2012 | 436,148 | 490,111 | 2,904 | 7,448,573 | 77,033 | 8,454,769 |
| Issue of share capital | 123 | - | - | - | - | 123 |
| Medical aid to staff | - | - | (215) | - | - | (215) |
| Funds received from the Government of Punjab | - | - | - | - | - | - |
| Transfer of surplus on revaluation of asset | - | - | - | - | - | - |
| Comprehensive income for the 1st half year | - | - | - | - | 174,884 | 174,884 |
| Balance as on December 31, 2012 | 436,271 | 490,111 | 2,689 | 7,448,573 | 251,917 | 8,629,561 |

The annexed notes 1 to 8 form an integral part of these unconsolidated condensed interim financial statements.

MEHBOOB HUSSAIN
CHIEF FINANCIAL OFFICER

SYED TALAT MAHMOOD
PRESIDENT / CEO

Notes to the condensed interim financial information (Un-audited)

For the half year ended December 31, 2012

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 151 branches in Punjab. Its Head Office is located at Bank Square, The Mall, Lahore.

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. 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 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, 2012.

3 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, 2012.

4 Investments

| | Un-audited December 31, 2012 | | | Audited June 30, 2012 | | |
|--|---------------------------------|------------------------|-----------------|--------------------------|------------------------|------------------|
| | Held by bank | Given as collateral | Total | Held by bank | Given as collateral | Total |
| | Rupees in '000 | | | | | |
| 4.1 Investments by types: | | | | | | |
| Available-for-sale securities | | | | | | |
| Shares of Listed Companies | 7,023 | - | 7,023 | 7,023 | - | 7,023 |
| Shares of Cooperative Institutions | 3,551 | - | 3,551 | 3,551 | - | 3,551 |
| Held to maturity securities | | | | | | |
| Treasury Bills | 575,360 | - | 575,360 | 975,157 | - | 975,157 |
| Investment with NBFIs | 88,059 | - | 88,059 | 88,059 | - | 88,059 |
| | 673,993 | - | 673,993 | 1,073,790 | - | 1,073,790 |
| Less: Provision for diminution in value of shares of Cooperative Institutions and NBFIs | (91,610) | | (91,610) | (91,610) | | (91,610) |
| Add: Surplus on revaluation of securities | 147,414 | | 147,414 | 126,437 | | 126,437 |
| | 729,797 | - | 729,797 | 1,108,617 | - | 1,108,617 |
| | | | | Un-audited | | Audited |

| | December 31, 2012 | June 30, 2012 |
|---|----------------------|--------------------|
| | Rupees in '000' | |
| 5 Advances | | |
| Loans, cash credits, running finances, etc. | | |
| In Pakistan | 9,281,271 | 9,416,129 |
| Bills discounted and purchased (excluding treasury bills) | | |
| Payable in Pakistan | 184 | 184 |
| | <u>9,281,455</u> | <u>9,416,313</u> |
| Provision for non-performing advances | | |
| Specific | (1,602,549) | (1,602,365) |
| General | (3,528) | (3,528) |
| | <u>(1,606,077)</u> | <u>(1,605,893)</u> |
| | <u>7,675,378</u> | <u>7,810,420</u> |

5.1 Advances include Rs. 2,400,831 (in thousand) as of 31.12.2012 (30.06.2012 : 2,189,476 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.

| | Domestic | Overseas | Total | Provision required | Provision held |
|-----------------------------------|------------------|----------|------------------|-----------------------|-------------------|
| | Rupees in '000 | | | | |
| Category of classification | | | | | |
| Other Assets Especially Mentioned | 403,789 | - | 403,789 | - | - |
| Substandard | 213,085 | - | 213,085 | 4,528 | 4,528 |
| Doubtful | 304,500 | - | 304,500 | 149,347 | 149,347 |
| Loss | 1,479,457 | - | 1,479,457 | 513,446 | 1,452,202 |
| | <u>2,400,831</u> | <u>-</u> | <u>2,400,831</u> | <u>667,321</u> | <u>1,606,077</u> |

| | Un-audited December 31, 2012 | Audited June 30, 2012 |
|--|------------------------------------|--------------------------|
| | Rupees in '000' | |

6 Contingencies and commitments

| | | | |
|--|------------|----------------|----------------|
| Bank Alfalah Limited, Township Branch, Lahore - Fraud case | 6.1 | 101,413 | 101,413 |
| Show cause notices by sales tax-under appeal | | 5,041 | 5,041 |
| | | <u>106,454</u> | <u>106,454</u> |

6.1 During November 2003, the bank opened a Royal Profit Account in Bank Alfalah Limited, Township branch Lahore. 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 petition in this regard was filed with the Banking Mohtasib, which was fixed on 29th September 2010 but Bank Alfalah Limited filed a civil suit against the bank due to which Banking Mohtasib returned the case on March 03, 2011. Aggrieved upon, the bank filed a writ petition No. 7170/11 in the Lahore High Court, titled PPCBL v/s Banking Mohtasib which has been disposed off on 22.06.2012 with the direction to Governor State Bank of Pakistan to decide the matter within 6 weeks.

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

7 Date of authorization

The un-audited condensed interim financial information is authorised for issue on 25.02.2013 by the Administrator of the Bank.

8 General

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

MEHBOOB HUSSAIN
CHIEF FINANCIAL OFFICER

SYED TALAT MAHMOOD
PRESIDENT / CEO