



“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

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The President's Annual Message

On behalf of the Board of The Punjab Provincial Cooperative Bank, it gives me great pleasure in presenting to you the Annual Audited Financial Statements of our Bank for the year ended June 30, 2011.

State of Pakistan's Economy

During the last five years the country has undergone several economic and security crises. Devastating floods, increase in international oil prices and security are the three main factors which have hit the country's economy and subsequently resulted in slowing down the growth rate during the fiscal year 2010-11. Resultantly the GDP growth had to be revised downward. Pakistan's foreign exchange reserves reached an all time high. The inflation also could not be brought to single digit. Discount rate was 14% and this decision was driven by persistent inflation and fiscal imbalances which continued to put pressure on the economy. However in the first quarter of 2011 due to slight improvement in inflation, State Bank of Pakistan decreased the discount rate by 50bps to bring it around to 13.50%.

Performance:

In the back drop of the above continuing security and economic uncertainty, by the Grace of Allah Almighty your Bank, which is a part of the Punjab Cooperative Movement, managed to move gradually towards stability and growth as can be seen from the attached audited financial statements for the year ended June 30, 2011. The total assets of the Bank stood at Rs 14.36 billion and the Bank managed to attain a deposit figure of Rs 2.84 billion as at June 30, 2011. On the other hand, despite the Bank's focus and efforts to recover the loans rather than expanding its loan portfolio, the gross advances increased to Rs 7.6 billion as at June 30, 2011, an increase of 2.5% over June 30, 2010. During the period from July 2010 to June 2011, the Bank disbursed Rs 8.70 billion largely to the farmer community of Punjab, in comparison to Rs 7.10 billion loans disbursed during the corresponding year of 2009-10, an increase of nearly 23%.

The Bank earned a pretax profit of Rs 508 million for the year ended June 30, 2011 compared to the previous year's loss of Rs 175 million for the corresponding year ended June 30, 2010, an increase of 390%. The net margin of the Bank increased to Rs 1.26 billion in comparison to the last year's figure of Rs 588 million, an increase of 114.5% which is largely due to a substantial decrease in mark up expenses coupled with increase in mark up earned from recovery of loans from its infected portfolio.

In line with its impressive non-performing loan's strategy for recovery of stuck up loans the litigation process, which was instituted in 2009-10 by the Bank, continued to be vigorously implemented in its true spirit. Resultantly during the financial year 2010-11, the Bank was able to recover Rs 1.873 billion, inclusive of mark up, from its infected portfolio. Additionally for the reduction of its non-performing loans, the initiation of an extensive recovery drive has led to getting 25,198 loan cases under litigation referred to different courts. The Bank has managed to get 23,644 decrees in its favor during the year under review. 5,446 cases out of a total of 23,195 under execution have been fully adjusted and the remaining are in their final stages for their logical conclusion for recovery. Consequently, the Management of the Bank together with the help of the Cooperative Department was able to reduce its non performing loans from Rs 3.4 billion as of June 2010 to Rs 2.5 billion as at June 30, 2011, a decrease of 26.5% from last year.

Restructuring Plans:

The Bank's commitment to implement its restructuring plans already submitted to the State Bank of Pakistan is on track and a majority of the manuals of different departments covered under this plan have been prepared and put in place. The preparation of other manuals is in process of finalization and expected to be compiled soon. The results of hiring a professional and an experienced banker as its President and four other senior executives viz Head of Business Development, Head of SAM, Chief Financial Officer and Head of Information Technology and implementing the restructured reforms have started to bear fruit as can be evidenced from the Bank's financial results for the year ended June 30, 2011.

Human Resource Development

To equip and expand the human resource the Bank has hired postgraduate qualified officers through its management training scheme through the Institute of Bankers of Pakistan. These officers after being put through a proper training on a fast track level have been placed in the Bank both in the branches and at the Head Office. This will help to plug in the gap in the area of human resources requirements of the Bank. The Bank will continue to expand its Human Resource through the hiring of qualified officers in the near future as well. Internally our Information Technology Department is giving vigorous training to the existing staff to gear and equip them with the Information Technology solutions.

Future Outlook

During the year under review the Bank signed an agreement with a software house for providing a complete Banking solution both for its Management Information System and customer's needs with the state of art technology such as providing Online Banking, ATM's, Telephone Banking etc. Under this agreement the Bank automated its main branch in Lahore and has put in place a plan to automate all its 159 branches by the close of the next year.

For diversifying its existing portfolio the Bank is developing products in the area of both non-agriculture and allied agriculture financing and also enhancing its range of liability products to fulfill the end to end needs of its customers.

Finally, I take this opportunity to extend our sincere gratitude to the Government of Punjab, State Bank of Pakistan and the Cooperative Department for their continued guidance and support and also to our valued customers for their loyalty and support. Lastly I would also like to appreciate the services of our dear staff members and the field staff of the Cooperative Department for their commitment & support.

Lahore:
September 29, 2011

Liaqat Durrani
President/Chief Executive

AUDITORS' REPORT TO THE REGISTRAR COOPERATIVE SOCIETIES PUNJAB

We have audited the annexed statement of financial position of The Punjab Provincial Cooperative Bank Limited **(the Bank)** as at **June 30, 2011** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended in which are incorporated the unaudited certified returns from the branches except for 25 branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the BSD Circular No. 4 dated February 17, 2006 of the State Bank of Pakistan. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, and except for the following:

1. The funds being received from the Government of Punjab in the sum of Rs. 5,705.557 million upto the terminal date, for the repayment of borrowings from the State Bank of Pakistan, have been shown as "Reserve Fund" and grouped along with the Equity and Other Reserves of the Bank, in view of the explanation given in the footnote on the statement of changes in equity. However, the necessary approval / consent of the Government of Punjab for such treatment at the terminal date was not available with the Bank. Accordingly, the same remained unverified to that extent.
2. The Bank does not have proper title of ownership of properties as well as possession thereof, which are also litigated, pending adjudication; and even untraceable, having book value in the sum of Rs. 33.907 million in aggregate (Note 18.6). Accordingly the amount of these properties as appearing in these financial statements remained unverified to that extent.
3. There was a short provision of Rs. 629.099 million towards the defined benefit obligations – Employees Pension Fund as per the actuarial valuation carried out as on December 31, 2010 in accordance with the provisions of IAS – 19, "Employees Benefits", which has not been incorporated in these financial statements. Had this provision been made in the books of account, the profit after tax for the year would have been reduced by Rs. 629.099 million, to depict loss for the year after tax in the sum of Rs. 149.326 million.
4. As being constantly reported by the previous auditors in their reports, complete independent portfolio audit of loans and advances have not been carried out by the Bank so far, due to which the provision of non-performing loans and advances, as required under SBP Prudential Regulations, remained unverified to that extent.

We report that:

- a) in our opinion, proper books of account have been kept by the Bank as required by the Co-operative Societies Act, 1925 and Rules of 1927, and the returns referred to above received from the branches have been found adequate for the purposes of audit;
- b) in our opinion:
- i. the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the requirements of BSD Circular No. 4 dated February 17, 2006 of the State Bank of Pakistan, and are in agreement with the books of account and further in accordance with accounting policies consistently applied.
- ii. the expenditure incurred during the year was for the purpose of the Bank's business; and
- iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us and except for the matters discussed in paragraphs 1 to 4 above, the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by BSD Circular No. 4 dated February 17, 2006 of the State Bank of Pakistan, in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at June 30, 2011 and of its true balance of profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Bank and deposited into the Central Zakat Fund established under Section 7 of that Ordinance.

Lahore:
29.09.2011

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS
(Syed Aftab Hameed, FCA)

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
STATEMENT OF FINANCIAL POSITION AS AT JUNE 30,2011

| | <u>Note</u> | 2011 <u>Rupeesin '000'</u> | 2010 |
|---|-------------|-------------------------------|-------------------------|
| ASSETS | | | |
| Cash and balances with treasury banks | 6 | 468,879 | 814,147 |
| Balances with other banks | 7 | 2,123,846 | 1,709,436 |
| Lending to financial institutions | | - | - |
| Investments | 8 | 1,503,620 | 799,673 |
| Advances | 9 | 6,020,045 | 5,834,924 |
| Operating fixed assets | 10 | 3,736,445 | 3,700,872 |
| Deferred tax assets | | - | - |
| Other assets | 11 | 506,363 | 2,386,821 |
| | | 14,359,198 | 15,245,873 |
| LIABILITIES | | | |
| Bills payable | 12 | 11,994 | 21,777 |
| Borrowings | 13 | 1,944,442 | 5,250,000 |
| Deposits and other accounts | 14 | 2,443,098 | 3,820,343 |
| Sub-ordinated loans | | - | - |
| Liabilities against assets subject to finance lease | | - | - |
| Deferred tax liabilities | | - | - |
| Other liabilities | 15 | 255,714 | 263,270 |
| | | 4,655,248 | 9,355,390 |
| NET ASSETS | | <u>9,703,950</u> | <u>5,890,483</u> |
| REPRESENTED BY: | | | |
| Share capital | 16 | 435,584 | 435,060 |
| Reserves | | 6,103,037 | 2,797,793 |
| Unappropriated profit / (loss) | | <u>(448,866)</u> | <u>(928,639)</u> |
| | | 6,089,755 | 2,304,214 |
| Fair value reserve - investments | | 114,548 | 121,868 |
| Surplus on revaluation of assets | 17 | 3,499,647 | 3,464,401 |
| | | <u>9,703,950</u> | <u>5,890,483</u> |
| CONTINGENCIES AND COMMITMENTS | 18 | | |

The annexed notes from 1 to 35 form an integral part of these financial statements.

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2011

| | <u>Note</u> | 2011 <u>Rupeesin '000'</u> | 2010 |
|---|-------------|-------------------------------|------------------|
| Mark-up/return/interest earned | 19 | 1,647,318 | 1,553,750 |
| Mark-up/return/interest expensed | 20 | <u>386,027</u> | <u>965,655</u> |
| Net mark-up/ interest (expense) / income | | 1,261,291 | 588,095 |
| Provision against non-performing loans and advances | | - | 158,452 |
| Provision for diminution in the value of investments | | - | - |
| Bad debts written off directly | | - | - |
| | | <u>-</u> | <u>158,452</u> |
| Net mark-up/ interest (expense)/ income after provisions | | 1,261,291 | 429,643 |
| Non mark-up/interest income | | | |
| Fee, commission and brokerage income | | 24,820 | 30,930 |
| Dividend income | | 14,772 | 14,772 |
| Income from dealing in foreign currencies | | - | - |
| Gain / (loss) on sale of securities | | - | - |
| Other income | 21 | 34,314 | 31,128 |
| Total non-mark-up/interest (expense)/income | | <u>73,906</u> | <u>76,830</u> |
| | | 1,335,197 | 506,473 |
| Non mark-up/ interest expenses | | | |
| Administrative expenses | 22 | 826,662 | 680,681 |
| Other provisions/write offs | | - | - |
| Other charges | 23 | 132 | 618 |
| Total non-markup/interest expenses | | 826,794 | 681,299 |
| Extra ordinary/ unusual items | | - | - |
| (Loss)/profit before taxation | | <u>508,403</u> | <u>(174,826)</u> |
| Taxation | | | |
| - Current | 24 | (20,630) | (2,877) |
| - Prior years | | (8,000) | (1,923) |
| - Deferred | | - | - |
| | | <u>(28,630)</u> | <u>(4,800)</u> |
| Profit/(Loss) after taxation | | 479,773 | (179,626) |
| Unappropriated profit / (loss) brought forward | | (928,639) | (749,013) |
| (Loss) / profit available for appropriation | | <u>(448,866)</u> | <u>(928,639)</u> |
| Profit/earnings per share | 25 | <u>110.53</u> | <u>(41.41)</u> |

The annexed notes from 1 to 35 form an integral part of these financial statements.

SAMUEL JAMES
CHIEF FINANCIAL OFFICER

LIAQAT DURRANI
PRESIDENT/CEO

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2011

| | <u>Note</u> | 2011 <u>Rupees in '000'</u> | 2010 |
|--|-------------|--------------------------------|------------------|
| Profit/(Loss) after taxation | | 479,773 | (179,626) |
| Other comprehensive income | | - | - |
| Total comprehensive income transferred to equity | | <u>479,773</u> | <u>(179,626)</u> |
| Components of comprehensive income not reflected in equity | | | |
| Deficit on revaluation of investments, transferred to Fair Value Reserve | 8 | <u>(7,320)</u> | <u>(22,122)</u> |

The annexed notes from 1 to 35 form an integral part of these financial statements.

SAMUEL JAMES
CHIEF FINANCIAL OFFICER

LIAQAT DURRANI
PRESIDENT/CEO

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2011

| | Note | 2011 | 2010 |
|---|-------------|------------------------|--------------------|
| | | Rupees in '000' | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Profit/(Loss) before taxation | | 508,403 | (174,826) |
| Less: Dividend income | | <u>(14,772)</u> | <u>(14,772)</u> |
| | | 493,631 | (189,598) |
| Adjustments for non-cash items: | | | |
| Depreciation | | 10,606 | 11,173 |
| Amortization | | - | 159 |
| Provision against Non-performing Advances | | - | 158,452 |
| Provision for diminution in the value of investments | | - | - |
| Gain on sale of fixed assets | | <u>(764)</u> | <u>(1,768)</u> |
| | | 9,842 | 168,016 |
| | | 503,473 | (21,582) |
| (Increase)/ Decrease in operating assets | | | |
| Advances | | (185,121) | 792,042 |
| Others assets (excluding advance taxation) | | 1,863,319 | (2,238,743) |
| | | 1,678,198 | (1,446,701) |
| Increase/ (Decrease) in operating liabilities | | | |
| Bills Payable | | (9,783) | (22,528) |
| Borrowings from financial institutions | | (3,305,558) | (2,750,000) |
| Deposits | | (1,377,245) | 1,983,168 |
| Other liabilities (excluding current taxation) | | (7,556) | 128,581 |
| | | (4,700,142) | (660,779) |
| | | (2,518,471) | (2,129,062) |
| Income tax paid | | (11,491) | (6,198) |
| Net cash outflow from operating activities | | (2,529,962) | (2,135,260) |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Dividend income | | 14,772 | 14,772 |
| Investments in operating fixed assets | | (12,563) | (8,056) |
| Investment in NBFIs/T.Bills | | (711,267) | (370,782) |
| Net change in capital work in progress | | 3,723 | - |
| Advances to suppliers of information system | | (2,160) | - |
| Sale proceeds on disposal of operating fixed assets | | 831 | 3,030 |
| Net cash outflow from investing activities | | (706,664) | (361,036) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Issue of share capital | | 524 | 413 |
| Dividend paid | | - | - |
| Funds from the Government of Punjab | | 3,305,557 | 2,400,000 |
| Medical aid to employees from Common Good Fund | | (313) | (406) |
| Net cash flow from financing activities | | 3,305,768 | 2,400,007 |
| | | 69,142 | (96,289) |
| Increase/(Decrease) in cash and cash equivalents | | 2,523,583 | 2,619,872 |
| Cash and cash equivalents at beginning of the year | | 2,592,725 | 2,523,583 |
| Cash and cash equivalents at end of the year | 26 | 2,592,725 | 2,523,583 |

The annexed notes from 1 to 35 form an integral part of these financial statements.

SAMUEL JAMES
CHIEF FINANCIAL OFFICER

LIAQAT DURRANI
PRESIDENT / CEO

THE PUNJAB PROVINCIAL COOPERATIVE BANK LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2011

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 BASIS OF PRESENTATION

These financial statements have been prepared in conformity with the format of financial statements prescribed by SBP vide BSD Circular No. 04 dated February 17, 2006.

3 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the International Accounting Standards (IAS), as applicable in Pakistan, directives issued by the State Bank of Pakistan, Cooperative Societies Act, 1925 and Cooperative Societies Rules 1927. Wherever, the requirements of the Act, Rules, or the directives issued by the State Bank of Pakistan differ with the requirements of these IAS, the requirements of Act, Rules, or the requirements of the said directives shall prevail.

The State Bank of Pakistan vide its BSD Circular No. 7 dated April 20, 2010 has clarified that for the purpose of preparation of financial statements in accordance with International Accounting Standard - 1 (Revised) 'Presentation of Financial Statements', two statement approach shall be adopted i.e. separate 'Profit and Loss Account' and 'Statement of Comprehensive Income' shall be presented, and Balance Sheet shall be renamed as 'Statement of Financial Position'. Furthermore, the Surplus / (Deficit) on revaluation of available for sale securities (AFS) only, may be included in the 'Statement of Comprehensive Income'. However, the same shall continue to be shown separately in the Statement of Financial Position below equity. Accordingly, the above requirements have been adopted in the preparation of these financial statements.

4 BASIS OF MEASUREMENT

These financial statements have been prepared on historical cost convention in accordance with the Cooperative Societies Rules 1927, except that free hold land and securities "available for sale" have been recognized in these financial statements at revalued amounts.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash and balances with treasury banks and balances with other banks in current and deposit accounts.

5.2 Revenue recognition

Fees, commission, brokerage and dividend are recognized on receipt basis, whereas mark up on advances & on deposits with other banks and mark up paid on deposits with the bank are recognized on accrual basis.

5.3 Advances

Advances are stated at net of general and specific provisions. General and specific provision is calculated as per the Prudential Regulations issued by the State Bank of Pakistan and is charged to profit and loss account.

5.4 Investments

Investments are classified on the basis of the intended purpose of holding such investments, which is as follows:

Held-for-trading securities

These are investment securities, which are acquired principally for the purpose of generating profit from short term fluctuations in price or dealer's margin.

Held-to-maturity securities

These are investment securities with fixed or determinable payments and fixed maturity and the Bank has the positive intent and ability to hold-to-maturity.

Available-for-sale securities

These are investments, which do not fall under the held-for-trading or held-to-maturity categories.

Investments in quoted securities are valued at market prices prevailing at the terminal date except for investments in Pakistan Investment Bonds and Government Securities, and the difference between the carrying value (representing cost adjusted for amortization of premium or accretion of discount) and the revalued amount is recognized in the surplus/deficit on revaluation account as required under BSD circular No. 10 dated July 13, 2004. Investments in unquoted securities are accounted for at cost. Gain or loss on disposal is charged to current year's profit and loss account.

5.5 Operating fixed assets

These are stated at cost less accumulated depreciation except freehold land which is stated at revalued amount and capital work in progress, in which case it is stated at cost.

Depreciation is computed over the estimated useful lives of the related fixed assets at the rates specified in note 11.1 on diminishing balance method, except vehicles which are being depreciated on straight line method. Full year depreciation is charged on additions while no depreciation is charged on assets deleted during the year. Profit or loss on disposal of fixed assets is charged to current year's income.

5.6 Taxation

Provision for taxation is based on the assessable income for the year after taking into account tax credits available, if any, and any under/over provisions in respect of prior years.

5.7 Staff retirement benefits

- Defined benefit plan

The bank operates a funded pension scheme for all its permanent employees. Retirement benefits are payable to the members of the scheme on completion of prescribed qualifying period of service under the pension scheme. Monthly contributions of 15% of the basic salary is being made by the bank.

- **Defined contribution plan**

The bank also operates a recognized provident fund scheme for all its regular employees, which is administered by the board of trustees. Equal monthly contributions of 10% of the basic salary are made in accordance with the terms of the scheme (only for those staff members who have not opted the pension scheme).

5.8 Impairment of assets

The carrying amount of Bank's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If such indication exists, the assets' recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in profit and loss account.

5.9 Transactions with related parties

The transactions with related parties are entered into at arm's length prices using the comparable uncontrolled price method except for advances to the employees which are extended in accordance with the industry practice.

5.10 Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the balance sheet when there is legally enforceable right to set off the recognized amounts and the Bank intends to either settle on net basis or to realize the assets and settle the liability simultaneously.

5.11 Provision

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

5.12 Contingencies & Commitments

Capital commitments and contingencies, unless those are actual liabilities, are not incorporated in the accounts.

Contingent liabilities are disclosed when:

- There is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events wholly within the control of the Bank.
- There is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

6 CASH AND BALANCES WITH TREASURY BANKS

| | | | |
|---------------------------------------|-----|----------------|----------------|
| In hand | | | |
| Local currency | | 186,653 | 135,069 |
| With State Bank of Pakistan in | | | |
| Local currency current account | 6.1 | 159,274 | 241,577 |
| With National Bank of Pakistan in | | | |
| Local currency current account | 6.1 | 98,320 | 95,544 |
| Local currency deposit account (NIDA) | 6.1 | 24,632 | 341,957 |
| | | <u>468,879</u> | <u>814,147</u> |

6.1 These accounts are maintained under the requirements of BSD Circular No.26 dated October 17, 2008 issued by the SBP. The NIDA account bears profit @ 6.00% per annum (2010 : 2.50% per annum).

7 BALANCES WITH OTHER BANKS

| | | | |
|--------------------|-----|------------------|------------------|
| In Pakistan | | | |
| On current account | | 268,550 | - |
| On deposit account | 7.1 | 1,855,296 | 1,709,436 |
| | | <u>2,123,846</u> | <u>1,709,436</u> |

7.1 Deposit accounts maintained with the banks bear profit @ 6.00% to 13.50% per annum (2010 : 5.00% to 13.00% per annum).

| 8 INVESTMENTS | 2011 | | | 2010 | | |
|---|-----------------------------|------------------------|------------------|-----------------|------------------------|----------------|
| | Held by bank | Given as collateral | Total | Held by bank | Given as collateral | Total |
| | ----- Rupees in '000' ----- | | | | | |
| 8.1 Investment by types: | | | | | | |
| Available-for-sale securities | | | | | | |
| Share of Listed Companies | 7,023 | - | 7,023 | 7,023 | - | 7,023 |
| Share of Cooperative Institutions | 3,551 | - | 3,551 | 3,551 | - | 3,551 |
| Held-to-maturity securities | | | | | | |
| Pakistan Investment Bonds | - | - | - | 300,000 | - | 300,000 |
| Treasury Bills | 1,153,990 | - | 1,153,990 | - | - | - |
| Investment with NBFIs | <u>228,059</u> | <u>-</u> | <u>228,059</u> | <u>370,782</u> | <u>-</u> | <u>370,782</u> |
| Investment at cost | <u>1,392,623</u> | <u>-</u> | <u>1,392,623</u> | <u>681,356</u> | <u>-</u> | <u>681,356</u> |
| Less: Provision for Diminution in value of Investments | <u>(3,551)</u> | <u>-</u> | <u>(3,551)</u> | <u>(3,551)</u> | <u>-</u> | <u>(3,551)</u> |
| Investments (Net of Provisions) | <u>1,389,072</u> | <u>-</u> | <u>1,389,072</u> | <u>677,805</u> | <u>-</u> | <u>677,805</u> |
| Add: Surplus on revaluation on Available-for-sale securities | <u>114,548</u> | <u>-</u> | <u>114,548</u> | <u>121,868</u> | <u>-</u> | <u>121,868</u> |
| Total investments at market value | <u>1,503,620</u> | <u>-</u> | <u>1,503,620</u> | <u>799,673</u> | <u>-</u> | <u>799,673</u> |

8.2 Investment by Segments:**Federal Government Securities:**

| | | | |
|---------------------------|-----|---|---------|
| Pakistan Investment Bonds | 8.4 | - | 300,000 |
|---------------------------|-----|---|---------|

Investment with other Banks

| | | | |
|------------------------------------|-----|-----------|---------|
| Treasury bills | | 1,153,990 | - |
| Non-banking financial institutions | 8.5 | 228,059 | 370,782 |

Fully Paid up Ordinary Shares:

| | | | |
|--------------------------|-----|-------|-------|
| Listed Companies | 8.6 | 7,023 | 7,023 |
| Cooperative Institutions | 8.7 | 3,551 | 3,551 |

Total investment at cost

| | | | |
|--|--|-----------|---------|
| | | 1,392,623 | 681,356 |
|--|--|-----------|---------|

Less: Provision for diminution in value of investment

| | | |
|-----|---------|---------|
| 8.8 | (3,551) | (3,551) |
|-----|---------|---------|

Investments (Net of Provisions)

| | | |
|--|-----------|---------|
| | 1,389,072 | 677,805 |
|--|-----------|---------|

Add: Surplus on revaluation on Available-for-sale securities

| | | |
|--|---------|---------|
| | 114,548 | 121,868 |
|--|---------|---------|

Total investments at market value

| | | |
|--|-----------|---------|
| | 1,503,620 | 799,673 |
|--|-----------|---------|

8.3 Quality of Available for Sale Securities

| Securities (At market value) | 2011 | | 2010 | |
|-----------------------------------|-------------------------|---------|----------------|---------|
| | Amount | Rating | Amount | Rating |
| | ----- Rs. in '000 ----- | | | |
| Shares of listed companies | | | | |
| Security Papers Limited | 119,652 | AAA | 126,181 | AAA |
| NIB Bank Limited | 329 | A+ | 666 | A+ |
| Dawood Lawrencepur Limited | 1,559 | Unrated | 2,030 | Unrated |
| PICIC Insurance Limited | 31 | A- | 14 | A- |
| | <u>121,571</u> | | <u>128,891</u> | |

8.4 Pakistan Investment Bonds were purchased for a period of 10 years, starting from December 14, 2000 with a yield of 14% per annum (matured and encashed on December 13, 2010).

8.5 This represents investment made in the Certificate of Investment / Deposit of Trust Investment Bank Limited, Gulberg, Lahore for a period of six months, commencing from 01-03-2010, carrying profit rate of 12.55 percent per annum.

8.6 Shares of Listed Companies

| 2011 Number of Shares Ordinary share of Rs. 10 each | 2010 Number of Shares | Name of Company | 2011 At Cost Rupees in '000' | 2010 At Cost Rupees in '000' |
|---|--------------------------|----------------------------|------------------------------------|------------------------------------|
| 2,954,362 | 2,954,362 | Security Papers Limited | 6,708 | 6,708 |
| 218,287 | 218,287 | NIB Bank Limited | - | - |
| 48,710 | 42,357 | Dawood Lawrencepur Limited | 315 | 315 |
| 2,314 | 2,314 | PICIC Insurance Limited | - | - |
| | | | 7,023 | 7,023 |

8.7 Shares of Cooperative Institutions

| 2011 Number of shares | 2010 Number of shares | Face Value of Shares Rs. | Name of Cooperative Institution | 2011 At Cost Rupees in '000' | 2010 At Cost Rupees in '000' |
|--------------------------|--------------------------|--------------------------------|---|------------------------------------|------------------------------------|
| 21,791,370 | 21,791,370 | 10 | Coop: Insurance Society of Pakistan | 1,919 | 1,919 |
| 460 | 460 | 100 | National Coop. Supply Corporation | 43 | 43 |
| 3,410 | 3,410 | 100 | Coop: Investment & Management Agency | 341 | 341 |
| 71 | 71 | 1000 | Oberoi Coop: Society Sialkot | 71 | 71 |
| 3,041 | 3,041 | 100 | Shahdara Pioneer Coop: M.P. Society | 300 | 300 |
| 7,360 | 7,360 | 100 | Lahore Central Coop: Store | 536 | 536 |
| 10 | 10 | 100 | Jhelum Distt. Coop: Society | 1 | 1 |
| 12 | 12 | 1000 | All Pakistan Coop: Multi Purpose Society | 11 | 11 |
| 129 | 129 | 500 | Punjab Prov. Coop: Cotton Corp. | 65 | 65 |
| 1 | 1 | 100 | Pakistan Product Coop: Marketing | - | - |
| 250 | 250 | 100 | Anjuman Imdad-e-Bahami M.P. Society | 12 | 12 |
| 30 | 30 | 1000 | Pioneer Coop: Leather & Rubber Society | 30 | 30 |
| 4 | 4 | 500 | Punjab Prov. Coop: Marketing | 2 | 2 |
| 10 | 10 | 100 | West Pakistan Coop: Consumer Society | 1 | 1 |
| 52 | 52 | 500 | Sargodha Distt. Coop: Society | 18 | 18 |
| 4 | 4 | 100 | Sialkot Central Coop: Multi Purpose Society | - | - |
| 200 | 200 | 50 | Multan Distt. Coop: Multi Purpose Society | 8 | 8 |
| 100 | 100 | 100 | Lyalpur Distt. Coop: Multi Purpose Society | 10 | 10 |
| 20 | 20 | 100 | Lyalpur Distt. Coop: Store | 1 | 1 |
| 1,020 | 1,020 | 100 | Montgomery Coop: Society | 102 | 102 |
| 250 | 250 | 100 | Bahawalpur Coop: Society | 25 | 25 |
| 500 | 500 | 100 | Arifwala Mills Society | 45 | 45 |
| 1 | 1 | 10 | Jhang Coop: Supervising | - | - |
| 200 | 200 | 50 | Rawalpindi Multi Purpose Union | 10 | 10 |
| | | | | 3,551 | 3,551 |

8.7. 1 The shares of Cooperative institutions showing nil value is due to amounts rounded off to the nearest thousand rupees.

8.7. 2 The comparative figure of shares of Cooperative Insurance Society of Pakistan has been restated (2010: 191,876) due to the reason that it had issued 21,599,494 bonus shares during the years 2001 to 2009, for which certificates have been received during the year 2011.

| | 2011 | 2010 |
|--|------------------------|--------------|
| | Rupees in '000' | |
| 8.8 Particulars of provision for diminution in value of investments | | |
| Opening balance | 3,551 | 3,551 |
| Charge for the year | - | - |
| Provision written off during the year | - | - |
| Closing balance | <u>3,551</u> | <u>3,551</u> |
| 8.9 Particulars of provision for diminution in value of investments by type and segment | | |
| Available-for-sale securities | | |
| Fully Paid up Ordinary Shares | | |
| Shares in Cooperative Institutions | <u>3,551</u> | <u>3,551</u> |
| 9 ADVANCES | | |
| Loans, cash credits, running finances, etc. | | |
| In Pakistan | 7,625,755 | 7,440,634 |
| Bills discounted and purchased (excluding treasury bills) | | |
| Payable in Pakistan | 184 | 184 |
| Advances - gross | 7,625,939 | 7,440,818 |
| Provision for non-performing advances | (1,605,894) | (1,605,894) |
| Advances - net of provision | 6,020,045 | 5,834,924 |
| 9.1 Particulars of advances (Gross) | | |
| In local currency | 7,625,939 | 7,440,818 |
| Short Term (for upto one year) | 5,345,129 | 4,531,046 |
| Long Term (for over one year) | 2,265,034 | 2,909,772 |
| | 7,610,163 | 7,440,818 |

9.2 Advances include Rs. 2,498,221 (thousand) (2010 : 3,430,614 thousand) which have been placed under non-performing status as detailed below:-

| | 2011 | | | | |
|-----------------------------------|-----------------------------|----------|------------------|------------------|------------------|
| | Classified Advances | | | Provision | |
| | Domestic | Overseas | Total | Required | Provision Held |
| | ----- Rupees in '000' ----- | | | | |
| Category of classification | | | | | |
| Other Assets Especially Mentioned | 103,206 | - | 103,206 | - | - |
| Substandard | 57,494 | - | 57,494 | 2,798 | 2,798 |
| Doubtful | 33,910 | - | 33,910 | 7,232 | 7,232 |
| Loss | 2,303,611 | - | 2,303,611 | 1,175,092 | 1,592,336 |
| | <u>2,498,221</u> | - | <u>2,498,221</u> | <u>1,185,122</u> | <u>1,602,366</u> |
| | | | | | |
| | 2010 | | | | |
| | Classified Advances | | | Provision | |
| | Domestic | Overseas | Total | Required | Provision Held |
| | ----- Rupees in '000' ----- | | | | |
| Category of classification | | | | | |
| Other Assets Especially Mentioned | 150,020 | - | 150,020 | - | - |
| Substandard | 156,188 | - | 156,188 | 30,441 | 30,441 |
| Doubtful | 166,813 | - | 166,813 | 14,634 | 14,634 |
| Loss | 2,957,593 | - | 2,957,593 | 1,557,291 | 1,557,291 |
| | <u>3,430,614</u> | - | <u>3,430,614</u> | <u>1,602,366</u> | <u>1,602,366</u> |

9.3 Position is calculated as of 30.06.2011 after taking benefit of collateral in agricultural loans as per Prudential Regulations on Agricultural Loans & Advances after approval of the President.

9.4 Particulars of provision against non-performing advances

| | 2011 | | | 2010 | | |
|--------------------------------|-----------------------------|--------------|------------------|------------------|--------------|------------------|
| | Specific | General | Total | Specific | General | Total |
| | ----- Rupees in '000' ----- | | | | | |
| Opening balance | 1,602,366 | 3,528 | 1,605,894 | 1,443,914 | - | 1,443,914 |
| Charge for the year | - | - | - | 158,452 | - | 158,452 |
| Transfer from consumer finance | - | - | - | - | 3,528 | 3,528 |
| Closing balance | <u>1,602,366</u> | <u>3,528</u> | <u>1,605,894</u> | <u>1,602,366</u> | <u>3,528</u> | <u>1,605,894</u> |

Particulars of provisions against non-performing advances

| | 2011 | | | 2010 | | |
|-------------------|-----------------------------|--------------|------------------|------------------|--------------|------------------|
| | Specific | General | Total | Specific | General | Total |
| | ----- Rupees in '000' ----- | | | | | |
| In local currency | <u>1,602,366</u> | <u>3,528</u> | <u>1,605,894</u> | <u>1,602,366</u> | <u>3,528</u> | <u>1,605,894</u> |

9.5 Particulars of write off:

| | 2011 | 2010 |
|---|-----------------|----------|
| | Rupees in '000' | |
| Against Provisions | - | - |
| Directly charged to Profit & Loss account | - | - |
| | <u>-</u> | <u>-</u> |
| Write Offs of Rs. 500,000 and above | - | - |
| Write Offs of Below Rs. 500,000 | - | - |
| | <u>-</u> | <u>-</u> |

9.6 Details of loan write off of Rs. 500,000 and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the Statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended June, 2011 is NIL.(2010: NIL).

10 OPERATING FIXED ASSETS

| | | | |
|---|---------------|------------------|------------------|
| Capital work-in-progress (Civil works) | | 8,724 | 12,447 |
| Advances to suppliers of information system | | 2,160 | - |
| Property and equipment | (Note - 10.1) | 3,725,561 | 3,688,425 |
| | | <u>3,736,445</u> | <u>3,700,872</u> |

10.1 Property and equipment

| | COST | | | DEPRECIATION | | | Revaluation Surplus | Book value As At 30-06-11 | Rate of depreciation % |
|---|--------------------------------|------------------------|--------------------------------|--------------------------------|--------------------|--------------------------------|---------------------|---------------------------|------------------------|
| | Opening Balance As At 01-07-10 | Additions/ (Deletions) | Closing Balance As At 30-06-11 | Opening Balance As At 01-07-10 | Charge/ (Deletion) | Closing Balance As At 30-06-11 | | | |
| Free hold land | 116,907 | - | 116,907 | - | - | - | 3,499,647 | 3,616,554 | - |
| Lease hold land | - | - | - | - | - | - | - | - | - |
| Building on free hold land | 133,393 | 6,086 (120) | 139,359 | 48,188 | 2,261 (78) | 50,371 | - | 88,988 | 2.5 |
| Building on lease hold land | 4,286 | - | 4,286 | 1,772 | - | 1,772 | - | 2,514 | - |
| Furniture and fixtures | 22,553 | 2,193 (26) | 24,720 | 16,387 | 1,744 | 18,131 | - | 6,589 | 20 |
| Electrical, office and computer equipment | 11,848 | 984 | 12,832 | 6,351 | 1,420 | 7,771 | - | 5,061 | 20 |
| Vehicles | 45,320 | 3,076 (1,269) | 47,127 | 37,758 | 5,118 (1,269) | 41,607 | - | 5,520 | 20 |
| Telephone Exchange & Conference system | 887 | 133 | 1,020 | 733 | 57 | 790 | - | 230 | 20 |
| Arms & Ammunitions | 94 | 91 | 185 | 76 | 5 | 81 | - | 104 | - |
| Library | 1 | - | 1 | - | - | - | - | 1 | - |
| | 335,289 | 12,563 (1,415) | 346,437 | 111,265 | 10,605 (1,347) | 120,523 | 3,499,647 | 3,725,561 | |
| 2011 - Rs. 000s | 335,289 | 11,148 | 346,437 | 111,265 | 9,258 | 120,523 | 3,499,647 | 3,725,561 | |
| 2010 - Rs. 000s | 331,025 | 4,264 | 335,289 | 102,620 | 8,645 | 111,265 | 3,464,401 | 3,688,425 | |

10.2 Certain lands of Bank were revalued by independent professional valuers in September 2010 (duly approved by the Pakistan Banks Association) on the basis of professional assesment of present market values, which created a further revaluation surplus in the sum of Rs. 57.245 million. Had there been no revaluation, the carrying amount of the land would have been Rs.116.907 millions (2010: Rs.116.907 million).

10.3 Restriction on disposal of assets

As discussed in Note 35 to the financial statements of the previous year, the Government of Punjab vide Clause 1, sub-clause (v), of the agreement dated September 16, 2009 has restricted the bank from selling immovable properties. The Additonal Secretary (Staff) to Chief Secretary through letter # PA/AS(S)/34/07-505 dated July 20, 2007 had also restricted the sale of properties of the Bank till such time the merger/restructuring issue of the bank is finalized.

| | <u>Note</u> | <u>2011</u> <u>Rupeesin'000</u> | <u>2010</u> |
|--|-------------|------------------------------------|------------------|
| 11 OTHER ASSETS | | | |
| Advances, deposits, advance rent and others prepayments | | 1,516 | 1,190 |
| Income / markup accrued on loan and advances in local currency | | 330,472 | 256,493 |
| Advance taxation (payments less provisions) | | 25,007 | 42,146 |
| Suspense account - Sundry debtors | | 70,011 | 42,929 |
| Deferred cost | | - | - |
| Profit recoverable from banks | | 26,932 | 39,811 |
| Receivable from the Government of Punjab | | - | 1,962,000 |
| Others | | 52,425 | 42,252 |
| | | <u>506,363</u> | <u>2,386,821</u> |
| 12 BILLS PAYABLE | | | |
| In Pakistan | | 11,994 | 21,777 |
| 13 BORROWINGS | | | |
| In Pakistan | | 1,944,442 | 5,250,000 |
| 13.1 Particulars of borrowings with respect to Currencies | | | |
| In local currency from State Bank of Pakistan | 13.3 | 1,944,442 | 5,250,000 |
| 13.2 Details of borrowings Secured / Unsecured | | | |
| Secured | | | |
| Borrowings from State Bank of Pakistan (S.B.P) | | | |
| Under agriculture credit portfolio | | 1,944,442 | 5,250,000 |
| 13.3 This loan had been sanctioned by the State Bank of Pakistan under Section 17 (6) of the State Bank of Pakistan Act, 1956 for disbursement of agricultural credit. These are secured against the Guarantee of Government of the Punjab. Mark up payable on this borrowing is ranging from 8.4869% to 8.9017% per annum (2010: 8.4869% to 8.9017% per annum). | | | |
| 13.4 The bank had been providing agriculture credit to small farmers by borrowing funds from State Bank of Pakistan since 2001. On July 31, 2007, State Bank of Pakistan (SBP) declined further sanction of credit line of Rs. 8 billion due to failure of the bank to carry reforms for its revamping. The bank was unable to repay the loan and interest accrued thereon due to unavailability of surplus funds. Government of Punjab being the guarantor has agreed to repay the debt of the bank in terms of the agreements dated September 16, 2009 entered with the Bank and SBP. | | | |

| | <u>Note</u> | 2011 <u>Rupees in '000'</u> | 2010 |
|---------------------------------------|-------------|--------------------------------|------------------|
| 14 DEPOSITS AND OTHER ACCOUNTS | | | |
| Fixed deposits | | 205,100 | 2,084,231 |
| Savings deposits | | 1,722,882 | 1,327,958 |
| Current Accounts - Non-remunerative | | 437,948 | 346,349 |
| Call Deposits | | 5,514 | 2,803 |
| Term Deposits | | - | - |
| Other deposits | 14.1 | 71,654 | 59,002 |
| | | <u>2,443,098</u> | <u>3,820,343</u> |

14.1 Others deposits include staff provident fund and staff security deposits.

14.2 Particulars of deposits

| | | |
|-------------------|------------------|------------------|
| In local currency | <u>2,443,098</u> | <u>3,820,343</u> |
|-------------------|------------------|------------------|

15 OTHER LIABILITIES

| | | |
|---|----------------|----------------|
| Mark-up/ Return/ Interest payable in local currency | 35,537 | 26,422 |
| Accrued expenses | 31,988 | 1,356 |
| Branch adjustment account | 47,846 | 33,123 |
| Sundry creditors | 42,497 | 35,721 |
| Dissolved bank payable | 37,427 | 37,427 |
| Others | 60,419 | 129,221 |
| | <u>255,714</u> | <u>263,270</u> |

16 SHARE CAPITAL

16.1 Authorized Capital

| 2011 | 2010 | | 2011 | 2010 |
|--------------------|------------------|--------------------------------|------------------|------------------|
| (Number of shares) | | | Rupees in '000' | |
| <u>Unlimited</u> | <u>Unlimited</u> | Ordinary shares of Rs.100 each | <u>Unlimited</u> | <u>Unlimited</u> |

16.2 Issued, subscribed and paid up capital

| | | | | |
|------------------|------------------|--|----------------|----------------|
| 3,980,110 | 3,974,870 | Ordinary shares of Rs. 100 each, fully paid in cash | 398,011 | 397,487 |
| 375,730 | 375,730 | Issued as bonus shares | 37,573 | 37,573 |
| <u>4,355,840</u> | <u>4,350,600</u> | | <u>435,584</u> | <u>435,060</u> |

State Bank of Pakistan has exempted the Bank from meeting the minimum capital requirement as prescribed vide BPRD Circular no.36 dated November 4, 1997 through exemption letter no. BPRD (RU-43)512-09(B)/x/1516/98 dated September 8, 1998.

2011 2010
Rupeesin'000'

17 SURPLUS ON REVALUATION OF ASSETS

| | | |
|---|-----------|-----------|
| Surplus on revaluation of fixed assets as at July 01 | 3,464,401 | 3,464,401 |
| Surplus on revaluation of fixed assets recognised during the year | 57,246 | - |
| Reversal of deficit on account of disposal | (22,000) | - |
| | 3,499,647 | 3,464,401 |

18 CONTINGENCIES AND COMMITMENTS

18.1 The Bank has total of 182 cases under litigation in different courts.

The total amount involved in such outstanding cases aggregate to -

| | | |
|--|---------|--------|
| | 201,739 | 40,434 |
|--|---------|--------|

18.2 Guarantee Acceptances

| | | |
|--|-----|-----|
| | 445 | 445 |
|--|-----|-----|

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 Tehseel & Distt. Gujranwala. Mr. Fazal-ur-Rehman did not fulfil the conditions of Land Committee, resultantly Bank confiscated the 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 still pending adjudication in the Civil Court , Lahore.

18.3 Show cause notices by sales tax-under appeal

| | | |
|--|-------|-------|
| | 5,041 | 5,041 |
|--|-------|-------|

The sales tax department had issued a show cause notice dated: 14-07-2003 to the bank stating as to why the sales tax amounting to Rs. 5.041 million had not been paid to the Government in regard to sale of machinery valuing Rs. 33.600 million of Rahwali Sugar Mills to 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 had sold debris, scrap and non-operative machinery which were not sales tax leviable items, on which Lahore High Court has suspended the show cause notice vide order dated: 06-08-2003. The case is still pending in Lahore High Court.

- 18.4** The Income Tax Returns upto the tax year 2010 have been filed under Self Assessment Scheme whereby the Income Tax Returns filed with the Department become the "deemed assessment order" unless selected for Audit.

The assessment orders for the Tax Years 2004 to 2008 were amended by the Tax Department that were challenged by the Bank in appeals before Commissioner Inland Revenue (Appeals). The appeals for the tax years 2004 & 2008 had been decided in favour of the Bank, against which the Department has preferred appeals before the Appellate Tribunal Inland Revenue (ATIR). The appeals filed by the Bank for the tax years 2005, 2006 and 2007 before the CIR(A) had been partially decided in favour of Bank during the year and are now also pending before the ATIR at the terminal date.

However, the quantum of income tax involved in these appeals is as under:

| <u>TaxYears</u> | <u>Amount Rupeesin000</u> |
|-----------------|-------------------------------|
| 2005 | 77,642 |
| 2006 | 113,119 |
| 2007 | 163,415 |
| 2008 | 435,226 |

Tax Advisor of the Bank has strong opinion that by following the normal assessment procedures as well as history of the case, the above appeals may be decided in favour of the Bank, but nothing can be concluded until decision by the appellate forums.

The appeals for the assessment year 1999-2000 to 2002-2003 are also pending with Income Tax Appellate Tribunal (ITAT), the outcome of which cannot be ascertained. The Department has also filed counter appeals against the Bank for the above said years.

| | 2011 | 2010 |
|---|------------------------|----------------|
| | Rupees in '000' | |
| 18.5 Commitment against construction and repair of building | <u>6,202</u> | <u>14,594</u> |
| 18.6 The value of land and buildings include properties: | | |
| for which Bank holds neither the titles nor possession (dissolved bank) | 33,770 | 43,524 |
| which are not traceable | <u>137</u> | <u>138</u> |
| | 33,907 | 43,662 |
| under litigation / disputes re: possession alongwith revenue therefrom | <u>145,377</u> | <u>137,307</u> |

18.7 BANKALFALAHTOWNSHIPFRAUDOEROYALPROFITACCOUNTNo.02905313

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 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 in the Lahore High Court, which is still

| | Note | 2011 | 2010 |
|--|-------------|----------------------------|------------------|
| | | <u>Rupeesin'000</u> | |
| 19 MARK-UP/RETURN/INTEREST EARNED | | | |
| On loans and advances to customers | | 1,323,907 | 1,275,592 |
| On Investments in 'Held to Maturity' Securities | | 92,269 | 42,000 |
| On Deposits with financial institutions | | 231,142 | 236,158 |
| | | <u>1,647,318</u> | <u>1,553,750</u> |
| 20 MARK-UP/RETURN/INTEREST EXPENSED | | | |
| Deposits | | 81,297 | 71,219 |
| Other short term borrowings | | 304,730 | 894,436 |
| | | <u>386,027</u> | <u>965,655</u> |
| 21 OTHER INCOME | | | |
| Rent on property | | 13,932 | 14,351 |
| Gain on sale of fixed assets | | 764 | 1,768 |
| Profit on sale of books | | 1,965 | 1,413 |
| Bank and service charges | | 9,738 | 7,354 |
| Others | | 7,915 | 6,242 |
| | | <u>34,314</u> | <u>31,128</u> |
| 22 ADMINISTRATIVE EXPENSES | | | |
| Salaries, allowances and benefits | | 647,337 | 542,657 |
| Charge for defined benefit plan | | 29,592 | 30,113 |
| Contribution to defined contribution plan | | 555 | 344 |
| Non-executive directors' fees, allowances and other expenses | | - | 36 |
| Rent, taxes, insurance, electricity, etc. | | 33,332 | 27,049 |
| Legal and professional charges | | 3,700 | 3,444 |
| Communications | | 12,359 | 11,056 |
| Repairs and maintenance | | 1,518 | 797 |
| Stationery and printing | | 2,689 | 2,221 |
| Advertisement and publicity | | 1,072 | 997 |
| Subscription | | 179 | 51 |
| Auditors' remuneration | 22.1 | 495 | 930 |
| General Charges | | 15,455 | 12,947 |
| Vehicles expenses | | 18,607 | 15,049 |
| Incentive paid to field staff | | 40,608 | 13,724 |
| Others | | 8,558 | 8,093 |
| Depreciation | 11.1 | 10,606 | 11,173 |
| | | <u>826,662</u> | <u>680,681</u> |

| | 2011 | 2010 |
|--|-----------------------|------------------|
| | Rupees in '000 | |
| 22.1 Auditors' remuneration | | |
| Hyder Bhimji & Co. (accrued) | | |
| Annual audit | 450 | 300 |
| Out of pocket | 45 | 30 |
| Avais Haider Liaqat Nauman & Co (paid) | - | 600 |
| | <u>495</u> | <u>930</u> |
| 23 OTHER CHARGES | | |
| Penalties imposed by State Bank of Pakistan | <u>132</u> | <u>618</u> |
| 24 TAXATION | | |
| For the year | 20,630 | 2,877 |
| For the prior year(s) | 8,000 | 1,923 |
| | <u>28,630</u> | <u>4,800</u> |
| 25.1 In view of past tax losses provision has been made only against dividend and rental income. | | |
| 25 EARNINGS/(LOSS) PER SHARE - BASIC | | |
| Profit/(Loss) for the year | <u>479,773</u> | <u>(179,626)</u> |
| Weighted average number of ordinary shares (Numbers) | <u>4,340,625</u> | <u>4,337,440</u> |
| Basic earnings/(loss) per share (Rupees) | <u>110.53</u> | <u>(41.41)</u> |
| There is no dilutive effect on loss per share during the year. | | |
| 26 CASH AND CASH EQUIVALENTS | | |
| Cash and Balance with Treasury Banks | 468,879 | 814,147 |
| Balance with other banks | 2,123,846 | 1,709,436 |
| | <u>2,592,725</u> | <u>2,523,583</u> |
| 27 STAFF STRENGTH | | |
| | (Number) | |
| Permanent | 1,375 | 1,432 |
| Temporary/ on contractual basis | 233 | 152 |
| Daily wages | 254 | 272 |
| Total Staff Strength | <u>1,862</u> | <u>1,856</u> |

28 COMPENSATION OF DIRECTORS AND EXECUTIVES

| | President / Chief Executive | | Directors | | Executives | |
|---|-----------------------------|--------------|-----------|------|--------------|--------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| | ----- Rupees in '000' ----- | | | | | |
| Fees | 2,100 | 1,885 | - | - | - | - |
| Managerial remuneration | - | - | - | - | 5,046 | 882 |
| Charge for defined benefit plan | - | - | - | - | - | - |
| Contribution to defined contribution plan | - | - | - | - | - | - |
| Rent and house maintenance | 600 | 539 | - | - | 1,360 | 316 |
| Utilities | 117 | 105 | - | - | 240 | 24 |
| Medical | 39 | 17 | - | - | 524 | 159 |
| Conveyance | - | - | - | - | 847 | 12 |
| | <u>2,856</u> | <u>2,546</u> | - | - | <u>8,017</u> | <u>1,393</u> |
| Number of persons | <u>1</u> | <u>1</u> | - | - | <u>5</u> | <u>3</u> |

28.1 At present, the Secretary Co-operatives, Government of the Punjab is the administrator of the Bank, who has full powers and duties that of a Board of Directors.

29 FAIR VALUE OF FINANCIAL INSTRUMENTS

29.1 On-balance sheet financial instruments

| | 2011 | | 2010 | |
|---|-----------------------------|-------------------|-------------------|-------------------|
| | Book value | Fair value | Book value | Fair value |
| | ----- Rupees in '000' ----- | | | |
| Assets | | | | |
| Cash balances with treasury banks | 468,879 | 468,879 | 814,147 | 814,147 |
| Balances with other banks | 2,123,846 | 2,123,846 | 1,709,436 | 1,709,436 |
| Lending to financial institutions | - | - | - | - |
| Investments | 1,503,620 | 1,503,620 | 799,673 | 799,673 |
| Advances | 6,020,045 | 6,020,045 | 5,834,924 | 5,834,924 |
| Other assets | 481,356 | 481,356 | 2,344,675 | 2,344,675 |
| | <u>10,597,746</u> | <u>10,597,746</u> | <u>11,502,855</u> | <u>11,502,855</u> |
| Liabilities | | | | |
| Bills payable | 11,994 | 11,994 | 21,777 | 21,777 |
| Borrowings | 1,944,442 | 1,944,442 | 5,250,000 | 5,250,000 |
| Deposits and other accounts | 2,443,098 | 2,443,098 | 3,820,343 | 3,820,343 |
| Sub-ordinated loans | - | - | - | - |
| Liabilities against assets subject to finance lease | - | - | - | - |
| Other liabilities | 255,714 | 255,714 | 263,270 | 263,270 |
| | <u>4,655,248</u> | <u>4,655,248</u> | <u>9,355,390</u> | <u>9,355,390</u> |

29.2 The fair value of available for sale investments other than those classified as held to maturity is based on quoted market price.

29.3 In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of customer loans and deposits are frequently repriced.

30 RELATED PARTY TRANSACTIONS

Related parties comprise of key bank executives, member societies, Registrar Co-operative Societies, Punjab and Government of Punjab. The transactions and contracts with related parties, other than those under the terms of employment, are carried out on an Arm's length basis. However, no material related party transaction was made during the year.

31 CAPITAL ADEQUACY

The risk weighted assets to capital ratio, calculated in accordance with the State Bank of Pakistan guidelines on capital adequacy is as follows:

| | 2011 | 2010 | | |
|---|-------------------|---------------------|------------|---------------------|
| | Rupees in '000 | | | |
| Regulatory Capital Base | | | | |
| Tier I Capital | | | | |
| Shareholders Capital/Assigned Capital | 435,584 | 435,060 | | |
| Reserves | 6,103,037 | 2,797,793 | | |
| Unappropriated / unremitted profits (Net of Losses) | (448,866) | (928,639) | | |
| Total Tier I Capital | 6,089,755 | 2,304,214 | | |
| Tier II Capital | | | | |
| Subordinated Debt (upto 50% of total Tier I Capital) | - | - | | |
| General Provisions subject to 1.25% of Total Risk Weighted Assets | 3,528 | 3,528 | | |
| Revaluation Reserve (upto 50%) | 1,807,098 | 1,793,135 | | |
| | 1,810,626 | 1,796,663 | | |
| Total Tier II Capital (restricted upto the amount of total tier I capital) | 1,810,626 | 1,796,663 | | |
| Eligible Tier III Capital | - | - | | |
| Total Regulatory Capital (a) | 7,900,381 | 4,100,877 | | |
| Risk-Weighted Exposures | 2011 | 2010 | | |
| | Rupees in '000 | | | |
| | Book Value | Risk Adjusted Value | Book Value | Risk Adjusted Value |
| Credit Risk | | | | |
| Balance Sheet Items:- | | | | |
| Cash and balances with treasury banks | 468,869 | - | 814,147 | - |
| Balances with other banks | 1,855,296 | 424,769 | 1,709,436 | 341,887 |
| Investments | 1,503,620 | 349,630 | 799,673 | 503,226 |
| Advances | 7,625,939 | 4,782,126 | 7,440,818 | 4,661,890 |
| Operating fixed assets | 3,736,445 | 3,736,445 | 3,700,872 | 3,700,872 |
| Other assets | 506,363 | 481,356 | 2,386,821 | 437,846 |
| | 15,696,532 | 9,774,326 | 16,851,767 | 9,645,721 |
| Off Balance Sheet items | | | | |
| Loan Repayment Guarantees | | | | |
| Purchase and Resale Agreements | | | | |
| Guarantee acceptance | 445 | 445 | 445 | 445 |
| Revolving underwriting Commitments | | | | |
| Stand By Letters of Credit | | | | |
| Outstanding Foreign Exchange Contracts | | | | |
| -Purchase | | | | |
| -Sale | | | | |
| | 445 | 445 | 445 | 445 |
| Credit risk-weighted exposures | | 9,774,771 | | 9,646,166 |
| Market Risk | | | | |
| General market risk | | - | | - |
| Specific market Risk | | - | | - |
| Market risk-weighted exposures | | - | | - |
| Total Risk-Weighted exposures (b) | | 9,774,771 | | 9,646,166 |
| Capital Adequacy Ratio [(a) / (b) x 100) | | 80.82 | | 42.51 |

The Bank has obtained exemption from The State Bank of Pakistan for the implementation of Basel II requirements vide letter no.RCS/PA/2242 dated December 16, 2008. It has therefore been decided to discontinue the submission of capital adequacy return under Basel I framework.

32 RISK MANAGEMENT

32.1 Credit Risk

The Bank's credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits Bank's exposure to credit risk through monitoring of clients' credit exposure, review and conservative estimates of provisions for doubtful receivable and through the prudent use of collateral for major amounts of credit. The management is of the view that the Bank is exposed to significant concentration of credit risk as its financial assets mostly relate to agriculture sector. Detail is given below:

Segmental Information

| Segments by class of business | 2011 | | | | | |
|--|------------------|------------|------------------|------------|-------------------------------|------------|
| | Advances (Gross) | | Deposits | | Contingencies and Commitments | |
| | Rupees | %age | Rupees | %age | Rupees | %age |
| Agriculture, Forestry, Hunting and Fishing | 6,965,069 | 91 | 166,041 | 7 | - | - |
| Mining and Quarrying | - | - | - | - | - | - |
| Textile | 1,117 | - | 33 | - | - | - |
| Chemical and Pharmaceuticals | - | - | - | - | - | - |
| Cement | - | - | - | - | - | - |
| Sugar | - | - | - | - | - | - |
| Footwear and Leather garments | - | - | - | - | - | - |
| Automobile and transportation equipment | - | - | - | - | - | - |
| Electronics and electrical appliances | - | - | - | - | - | - |
| Construction | - | - | - | - | - | - |
| Power (electricity), Gas, Water, Sanitary | - | - | - | - | - | - |
| Financial | - | - | - | - | - | - |
| Insurance | - | - | 415 | - | - | - |
| Services | - | - | - | - | - | - |
| Individuals | 27,604 | 0 | 1,981,615 | 81 | - | - |
| Others | 632,149 | 8 | 294,994 | 12 | 213,427 | 100 |
| | <u>7,625,939</u> | <u>100</u> | <u>2,443,098</u> | <u>100</u> | <u>213,427</u> | <u>100</u> |

Segment by sector

| | 2011 | | | | | |
|--------------------|------------------|------------|------------------|------------|-------------------------------|---------------|
| | Advances | | Deposits | | Contingencies and Commitments | |
| | Rupees in '000' | Percent | Rupees in '000' | Percent | Rupees in '000' | Percent |
| Public/ Government | - | - | - | - | - | - |
| Private | 7,625,939 | 100 | 2,443,098 | 100 | 213,427 | 100.00 |
| | <u>7,625,939</u> | <u>100</u> | <u>2,443,098</u> | <u>100</u> | <u>213,427</u> | <u>100.00</u> |

Details of non-performing advances and specific provisions by class of business segment

| | 2011 | | 2010 | |
|--|----------------------------|--------------------------------|------------------------|--------------------------------|
| | ----- Rupees in '000 ----- | | | |
| | Classified Advances | Specific Provisions Held | Classified Advances | Specific Provisions Held |
| Agriculture, Forestry, Hunting and Fishing | 2,375,313 | 1,508,703 | 3,333,423 | 1,508,703 |
| Mining and Quarrying | - | - | - | - |
| Textile | 1,117 | 1,244 | 1,244 | 1,244 |
| Chemical and Pharmaceuticals | - | - | - | - |
| Cement | - | - | - | - |
| Sugar | - | - | - | - |
| Footwear and Leather garments | - | - | - | - |
| Automobile and transportation equipment | - | - | - | - |
| Electronics and electrical appliances | - | - | - | - |
| Construction | - | - | - | - |
| Power (electricity), Gas, Water, Sanitary | - | - | - | - |
| Wholesale and Retail Trade | - | - | - | - |
| Exports/Imports | - | - | - | - |
| Transport, Storage and Communication | - | - | - | - |
| Financial | - | - | - | - |
| Insurance | - | - | - | - |
| Services | - | - | - | - |
| Individuals | 15,356 | 20,686 | 24,214 | 20,686 |
| Others | 106,435 | 71,733 | 71,733 | 71,733 |
| | <u>2,498,221</u> | <u>1,602,366</u> | <u>3,430,614</u> | <u>1,602,366</u> |

Details of non-performing advances and specific provisions by sector

| | | | | |
|--------------------|------------------|------------------|------------------|------------------|
| Public/ Government | - | - | - | - |
| Private | 2,498,221 | 1,602,366 | 3,430,614 | 1,602,366 |
| | <u>2,498,221</u> | <u>1,602,366</u> | <u>3,430,614</u> | <u>1,602,366</u> |

GEOGRAPHICAL SEGMENT ANALYSIS

| | 2011 | | | Contingencies and commitments |
|-------------------------------------|------------------------------------|--------------------------|------------------------|----------------------------------|
| | Profit / (Loss) before taxation | Total assets employed | Net assets employed | |
| | Rupees in '000' | | | |
| Pakistan | 508,403 | 14,359,198 | 9,703,950 | 213,427 |
| Asia Pacific (including South Asia) | - | - | - | - |
| Europe | - | - | - | - |
| United States of America and Canada | - | - | - | - |
| Middle East | - | - | - | - |
| Others | - | - | - | - |
| | <u>508,403</u> | <u>14,359,198</u> | <u>9,703,950</u> | <u>213,427</u> |

32.2 Market Risk

FOREIGN EXCHANGE RISK

Foreign Exchange is the risk that the earnings and or Share Capital will fluctuate due to changes in foreign exchange rates. The Bank only deals in Pakistan Rupees and does not deal in foreign currency, therefore the Bank does not have any exposure which is liable to foreign exchange risk.

| | 2011 | | | |
|----------------|----------------------------|-------------|-------------------------|-------------------------------|
| | Assets | Liabilities | Off-balance sheet items | Net foreign currency exposure |
| | ----- Rupees in '000 ----- | | | |
| Pakistan rupee | 14,359,198 | 4,655,248 | - | - |

YIELD / MARKUP RATE RISK

Yield / markup rate risk is the risk of decline in earnings due to adverse movement of yield curve. It arises from the possibility that changes in yield / markup rates will affect the value of financial instruments. The bank is exposed to yield / markup rate risk as a result of mismatch or gaps in the amounts of assets and liabilities that mature or reprice in a given period. Sensitivity of the bank's financial assets and financial liabilities to yield / markup rate can be evaluated from the following:

| | Effective yield / interest rate | 2011 Exposed to Yield/ Interest risk | | | | | | | | | | Non-interest bearing financial instruments |
|---|---------------------------------|--------------------------------------|------------------|--------------------|--------------------|-------------------|-------------------|-------------------|-------------------|--------------------|------------------|--|
| | | Total | Upto 1 month | Over 1 to 3 months | Over 3 to 6 months | Over 6 to 1 years | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years | Over 5 to 10 years | Above 10 Years | |
| ----- Rupees in '000' ----- | | | | | | | | | | | | |
| On-balance sheet financial instruments | | | | | | | | | | | | |
| Assets | | | | | | | | | | | | |
| Cash and balances with treasury banks | 5.00% | 468,879 | 468,879 | - | - | - | - | - | - | - | - | - |
| Balances with other banks | 12.25% | 2,123,846 | 828,883 | 1,094,963 | 200,000 | - | - | - | - | - | - | - |
| Lending to financial institutions | | - | - | - | - | - | - | - | - | - | - | - |
| Investments | 10.50% | 1,503,620 | - | - | 1,279,111 | - | - | 220,958 | - | - | - | 3,551 |
| Advances | 14.00% | 6,020,045 | 438,280 | 246,339 | 954,014 | 1,038,344 | 927,930 | 660,383 | 1,219,825 | 478,713 | 56,033 | 184 |
| Other assets | | 506,363 | - | - | - | - | - | - | - | - | - | 506,363 |
| | | 10,622,753 | 1,736,042 | 1,341,302 | 2,433,125 | 1,038,344 | 927,930 | 881,341 | 1,219,825 | 478,713 | 56,033 | 510,098 |
| Liabilities | | | | | | | | | | | | |
| Bills payable | | 11,994 | - | - | - | - | - | - | - | - | - | 11,994 |
| Borrowings | 8.82% | 1,944,442 | 277,778 | 555,556 | 833,334 | 277,774 | - | - | - | - | - | - |
| Deposits and other accounts | 3.75% | 2,443,098 | 2,124,870 | 30,252 | 9,223 | 75,120 | 8,717 | 8,520 | 125,592 | 7,583 | 53,221 | - |
| Sub-ordinated loans | | - | - | - | - | - | - | - | - | - | - | - |
| Liabilities against assets subject to finance lease | | - | - | - | - | - | - | - | - | - | - | - |
| Other liabilities | | 255,714 | - | - | - | - | - | - | - | - | - | 255,714 |
| | | 4,655,248 | 2,402,648 | 585,808 | 842,557 | 352,894 | 8,717 | 8,520 | 125,592 | 7,583 | 53,221 | 267,708 |
| On-balance sheet gap | | 5,967,505 | (666,606) | 755,494 | 1,590,568 | 685,450 | 919,213 | 872,821 | 1,094,233 | 471,130 | 2,812 | 242,390 |
| Off-balance sheet financial instruments | | | | | | | | | | | | |
| Forward Lending (including call lending, repurchase agreement lending, commitments to extend credit, etc.) | | - | - | - | - | - | - | - | - | - | - | - |
| Forward borrowings (including call borrowing, repurchase agreement borrowing, etc.) | | - | - | - | - | - | - | - | - | - | - | - |
| Off-balance sheet gap | | - | - | - | - | - | - | - | - | - | - | - |
| Total Yield/Interest Risk Sensitivity Gap | | 5,967,505 | (666,606) | 755,494 | 1,590,568 | 685,450 | 919,213 | 872,821 | 1,094,233 | 471,130 | 2,812 | 242,390 |
| Cumulative Yield/Interest Risk Sensitivity Gap | | 5,967,505 | (666,606) | 88,888 | 1,679,456 | 2,364,906 | 3,284,119 | 4,156,940 | 5,251,173 | 5,722,303 | 5,725,115 | 5,967,505 |

32.3 LIQUIDITY RISK

Liquidity risk is the risk that the Bank will encounter difficulties in raising funds to meet the commitments associated with financial instruments. To safeguard this risk, the Bank has diversified its funding sources and managed its assets with liquidity in mind thereby maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile of assets and liabilities is monitored on regular basis to ensure that the adequate liquidity is maintained. The maturity profile of the Company's assets and liabilities is summarized below:

32.3.1 Maturities of Assets and Liabilities

| | Total | Upton 1 month | Over 1 to 3 months | Over 3 to 6 months | Over 6 months to 1 Year | Over 1 to 2 Years | Over 2 to 3 Years | Over 3 to 5 Years | Over 5 to 10 Years | Above 10 years |
|---|------------|---------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|----------------|
| ----- Rupees in '000 ----- | | | | | | | | | | |
| Assets | | | | | | | | | | |
| Cash and balances with treasury banks | 468,879 | 468,879 | - | - | - | - | - | - | - | - |
| Balances with other banks | 2,123,846 | 828,883 | 1,094,963 | 200,000 | - | - | - | - | - | - |
| Lending to financial institutions | - | - | - | - | - | - | - | - | - | - |
| Investments | 1,503,620 | - | - | 1,279,111 | - | - | 224,509 | - | - | - |
| Advances | 6,020,045 | 438,280 | 246,339 | 954,014 | 1,038,344 | 927,930 | 660,383 | 1,219,825 | 478,713 | 56,217 |
| Other assets | 506,363 | 506,363 | - | - | - | - | - | - | - | - |
| Operating fixed assets | 3,736,445 | 3,538 | 302 | 313 | 1,618 | 9,505 | 719 | 10,160 | 73 | 3,710,217 |
| Deferred tax assets | - | - | - | - | - | - | - | - | - | - |
| | 14,359,198 | 2,245,943 | 1,341,604 | 2,433,438 | 1,039,962 | 937,435 | 885,611 | 1,229,985 | 478,786 | 3,766,434 |
| Liabilities | | | | | | | | | | |
| Bills payable | 11,994 | 11,994 | - | - | - | - | - | - | - | - |
| Borrowings | 1,944,442 | 277,778 | 555,556 | 833,334 | 277,774 | - | - | - | - | - |
| Deposits and other accounts | 2,443,098 | 2,124,870 | 30,252 | 9,223 | 75,120 | 8,717 | 8,520 | 125,592 | 7,583 | 53,221 |
| Sub-ordinated loans | - | - | - | - | - | - | - | - | - | - |
| Liabilities against assets subject to finance lease | - | - | - | - | - | - | - | - | - | - |
| Other liabilities | 255,714 | 255,714 | - | - | - | - | - | - | - | - |
| Deferred tax liabilities | - | - | - | - | - | - | - | - | - | - |
| | 4,655,248 | 2,670,356 | 585,808 | 842,557 | 352,894 | 8,717 | 8,520 | 125,592 | 7,583 | 53,221 |
| Net assets | 9,703,950 | (424,413) | 755,796 | 1,590,881 | 687,068 | 928,718 | 877,091 | 1,104,393 | 471,203 | 3,713,213 |
| Share capital | 435,584 | | | | | | | | | |
| Reserves | 6,103,037 | | | | | | | | | |
| Unappropriated loss | (448,866) | | | | | | | | | |
| Fair value reserve - investments | 114,548 | | | | | | | | | |
| Surplus on revaluation of assets | 3,499,647 | | | | | | | | | |
| | 9,703,950 | | | | | | | | | |

32.3.2 Some assets / liabilities of the bank do not have a contractual maturity date. The period in which these assets / liabilities are assumed to mature is taken as the expected date on which the assets / liabilities be realized / settled. The above maturity analysis is based on the remaining period at the balance sheet date to the contractual maturity date.

33 Messrs JCR-VIS Credit Rating Company Limited has assigned the medium to long term rating of the bank at CCC (Triple C) while short term rating is revised to C on July 23, 2008(Previously: BB+ / B). The S.B.P has exempted the Bank from credit rating requirements under Prudential Regulation G-4, till the completion of restructuring process vide letter no. BPRD/LRD-02/RATING/2009/1856 dated March 17, 2009.

34 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 29, 2011 by the Administrator of the Bank.

35 GENERAL

35.1 The correspondence figures have been reclassified wherever necessary to achieve better comparison. However no material restatement / reclassification have been made except that advances amounting to Rs. 55.171 million related to CB Dissolved grouped under the head "Other Assets - note 11" last year have been restated this year's comparative figures and included in the head "Advances - note 9".

35.2 Figures have been rounded off to the nearest thousand rupees.

SAMUEL JAMES
CHIEF FINANCIAL OFFICER

LIAQAT DURRANI
PRESIDENT/CEO