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CORPORATE INFORMATION

Board Of Directors

Mr. Ghafoor Mirza	Chairman
Mr. Naeemuddin Khan	President/CEO
Mr. Javaid Aslam	Director
Mr. Mohammad Jehanzeb Khan	Director
Mr. Tariq Mahmood Pasha	Director
Khawaja Farooq Saeed	Director
Mr. Saeed Anwar	Director
Dr. Umar Saif	Director
Syed Maratib Ali	Director
Mr. Omar Saeed	Director
Mr. Raza Saeed	Secretary To The Board

Central Audit Committee (CAC)

Khawaja Farooq Saeed	Chairman
Mr. Tariq Mahmood Pasha	Member
Mr. Saeed Anwar	Member

Board Risk Management Committee (BRMC)

Syed Maratib Ali	Chairman
Mr. Tariq Mahmood Pasha	Member
Mr. Saeed Anwar	Member

Human Resource & Remuneration Committee (HR&RC)

Mr. Mohammad Jehanzeb Khan	Chairman
Khawaja Farooq Saeed	Member
Dr. Umar Saif	Member
Mr. Naeemuddin Khan	Ex-officio Member

Auditors

M. Yousuf Adil Saleem & Co., Chartered Accountants

Registered Office

BOP Tower, 10-B, Block-E-II,
Main Boulevard, Gulberg-III, Lahore.
Telephone No.s: +92 - 042-35783700-10
Fax No. +92 - 042 - 35783975
UAN: 111-200-100

Website

www.bop.com.pk

Registrar

M/s. Corplink (Pvt) Limited
Wings Arcade, 1-K, Commercial,
Model Town, Lahore.
Telephone No.s: +92 42 35916714, 35916719, 35839182
Fax No. +92 042 35869037

DIRECTORS' REVIEW

On behalf of the Board of Directors, I am pleased to present Un-audited Condensed Interim Financial Statements of The Bank of Punjab for the nine months period ended on September 30, 2014.

During 3rd quarter 2014, the inflation declined to 7.0% YoY in August 2014, lowest since June 2013. The Economic growth rate, which improved to 4.1% during FY14, is expected to further improve during FY15. However, continuity of current growth momentum is primarily dependent upon agriculture production during FY15 as Large Scale Manufacturing growth might remain constrained. Further, ongoing political chaos, delay in the finalization of fourth IMF review, and the current heavy rains and floods may affect the recovery in economic activity.

Financial Highlights:

Profit before taxation
Taxation
Profit after taxation
Earnings per share (Rupees)

Rs. In Million

3,142.40
1,113.40
2,029.00
1.45

During the nine months ended September 30, 2014, the Bank was able to maintain its growth trends and post improvement in all facets of operations. As at September 30, 2014, The deposits stood at Rs.327,240 million as against Rs. 306,561 million as at December 31, 2013, with significant improvement in low cost CASA deposits. The investments and gross advances stood at Rs. 131,489 million and Rs. 188,679 million, respectively. During the period, the Bank was also able to bring reduction in its non-performing advances which stood at Rs.55,870 million as against Rs. 59,961 million as on December 31, 2013.

Owing to improvement in low cost deposits, reduction in non-performing advances and deployment of funds at better returns, the net interest margin improved to Rs. 4,655 million as against Rs. 2,135 million during corresponding period last year. Similarly, the pre-tax profit for nine months period ended September 30, 2014 remained at Rs. 3,142 million as against Rs. 2,048 million during corresponding period last year registering a rise of 53%.

The arrangements regarding the relaxations granted by the State Bank of Pakistan from provisioning against certain advances and regulatory capital requirements, based on the undertaking given by the Government of Punjab, have been fully explained in Note 1.2 to the Interim Financial Statements.

The overall improvement in financial position of the Bank has been duly acknowledged by Pakistan Credit Rating Agency Limited (PACRA) by re-affirming long term and short term entity ratings of "AA-" and "A1+" respectively.

I would like to acknowledge the support of our customers and shareholders for their trust and confidence in our services and the direction we have embarked upon. I would also like to extend gratitude to the Government of Punjab and the State Bank of Pakistan for their constant support and guidance to the Bank. I also wish to complement the staff of the Bank for their hard work and consistent commitment in achieving the targeted goals.

For and on behalf of the Board

Ghafoor Mirza

Chairman



Passion Reborn

UNCONSOLIDATED
FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2014



UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at September 30, 2014

	Note	(Un-audited) September 30, 2014	(Audited) December 31, 2013
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		20,789,008	23,820,864
Balances with other banks		2,365,318	4,265,296
Lendings to financial institutions	5	13,323,185	11,407,448
Investments - net	6	131,489,435	123,956,143
Advances - net	7	164,216,138	157,285,598
Operating fixed assets	8	3,555,049	3,514,801
Deferred tax assets - net	9	11,756,422	12,627,352
Other assets - net		20,150,570	15,820,643
		367,645,125	352,698,145
LIABILITIES			
Bills payable		2,049,206	1,506,335
Borrowings	10	13,946,776	22,802,482
Deposits and other accounts	11	327,240,303	306,560,767
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		1,436	2,386
Deferred tax liabilities - net		-	-
Other liabilities		9,146,378	8,344,877
		352,384,099	339,216,847
NET ASSETS			
		15,261,026	13,481,298
REPRESENTED BY			
Share capital	12	15,551,132	10,551,132
Discount on issue of shares		(263,158)	(263,158)
Reserves		1,539,659	1,539,659
Accumulated losses		(9,319,065)	(11,250,885)
		7,508,568	576,748
Share deposit money	13	7,000,000	12,000,000
		14,508,568	12,576,748
Surplus on revaluation of assets - net of tax	14	752,458	904,550
		15,261,026	13,481,298
Contingencies and commitments	15		

The annexed notes from 1 to 20 and Annexure - I form an integral part of this unconsolidated condensed interim financial information.

President

Director

UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

For the Nine Months Ended September 30, 2014 (Un-audited)

	Three months ended September 30, 2014	Nine months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2013
Rupees in '000				
Mark-up/return/interest earned	7,401,876	21,203,451	5,776,560	17,301,901
Mark-up/return/interest expensed	5,522,019	16,548,012	4,746,003	15,166,887
Net mark-up/interest income	1,879,857	4,655,439	1,030,557	2,135,014
(Reversal of provision) / provision against non-performing loans and advances-net	(141,221)	(1,212,030)	50,284	(882,380)
Provision for diminution in the value of investments - net	5,759	92,210	3,258	5,968
Bad debts written off directly	-	-	106	241
	(135,462)	(1,119,820)	53,648	(876,171)
Net mark-up/return/interest income after provisions	2,015,319	5,775,259	976,909	3,011,185
NON MARK-UP/INTEREST INCOME				
Fee, commission and brokerage income	224,094	596,682	210,622	617,787
Dividend income	4,695	27,631	13,725	117,919
Income from dealing in foreign currencies	52,457	146,547	58,475	111,812
Gain on sale and redemption of securities - net	63,018	306,782	331,878	1,250,925
Unrealized loss on revaluation of investments classified as held for trading	(4,763)	(2,298)	(7,239)	(14,280)
Other income	341,962	868,877	248,368	821,906
Total non-markup/interest income	681,463	1,944,221	855,829	2,906,069
	2,696,782	7,719,480	1,832,738	5,917,254
NON MARK-UP/INTEREST EXPENSES				
Administrative expenses	1,603,314	4,541,831	1,314,674	3,860,055
(Reversal) / Charge of provision against other assets	-	(2,422)	1,583	(1,168)
Provision against off balance sheet obligations	18,200	18,200	-	325
Other charges	-	19,479	9,810	9,846
Total non-markup/interest expenses	1,621,514	4,577,088	1,326,067	3,869,058
	1,075,268	3,142,392	506,671	2,048,196
Extra ordinary/unusual items	-	-	-	-
PROFIT BEFORE TAXATION	1,075,268	3,142,392	506,671	2,048,196
Taxation - Current	80,834	231,477	66,324	202,080
- Deferred	302,676	881,921	115,741	518,034
	383,510	1,113,398	182,065	720,114
PROFIT AFTER TAXATION	691,758	2,028,994	324,606	1,328,082
Earnings per share - basic and diluted (Rupees) - Note 16	0.49	1.45	0.43	1.77

The annexed notes from 1 to 20 and Annexure - I form an integral part of this unconsolidated condensed interim financial information.

President

Director

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the Nine Months Ended September 30, 2014 (Un-audited)

	Three months ended September 30, 2014	Nine months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2013
	Rupees in '000			
Profit after taxation	691,758	2,028,994	324,606	1,328,082
Other comprehensive income	-	-	-	-
Total comprehensive income	691,758	2,028,994	324,606	1,328,082

The annexed notes from 1 to 20 and Annexure - I form an integral part of this unconsolidated condensed interim financial information.

President

Director

UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT

For the Nine Months Ended September 30, 2014 (Un-audited)

	Nine Months Ended	
	September 30, 2014	September 30, 2013
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	3,142,392	2,048,196
Less: Dividend income	(27,631)	(117,919)
	3,114,761	1,930,277
Adjustments for:		
Depreciation	284,103	247,323
Amortization on intangible assets	3,058	1,673
Amortization of (discount) /premium on securities	(105,265)	20,957
Unrealized loss on revaluation of investments classified as held for trading	2,298	14,280
Reversal of provision against non-performing loans and advances - net	(1,212,030)	(882,380)
Bad debts written-off directly	-	241
Provision for diminution in the value of investments - net	92,210	5,968
Provision for employees compensated absences	12,418	5,568
Provision for gratuity	62,157	65,498
Provision against off balance sheet obligations	18,200	325
Reversal of provision against other assets	(2,422)	(1,168)
Net profit on sale of property and equipment	(22,324)	(20,809)
Net profit on sale of non-banking assets acquired in satisfaction of claims	(14,122)	(407,672)
Gain on sale and redemption of securities - net	(306,782)	(1,250,925)
Finance charges on leased assets	128	194
	(1,188,373)	(2,200,927)
	1,926,388	(270,650)
(Increase) / Decrease in operating assets:		
Lendings to financial institutions	(2,240,737)	(985,453)
Net investments in held for trading securities	9,804,905	3,259,630
Advances - net	(5,718,510)	7,196,138
Others assets - net	(4,579,200)	(1,000,995)
	(2,733,542)	8,469,320
Increase / (Decrease) in operating liabilities:		
Bills Payable	542,871	5,458,069
Borrowings	(8,964,380)	(29,425,539)
Deposits and other accounts	20,679,536	9,265,933
Other liabilities	708,726	(395,093)
	12,966,753	(15,096,630)
	12,159,599	(6,897,960)
Financial charges paid	(128)	(194)
Income tax paid	(228,685)	(232,492)
Net cash flow from / (used in) operating activities	11,930,786	(7,130,646)

	Nine Months ended	
	September 30, 2014	September 30, 2013
	Rupees in '000	
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(3,481,808)	6,165,578
Net investments in held to maturity securities	(13,695,487)	401,081
Dividends received	23,457	106,811
Investments in operating fixed assets	(363,421)	(303,779)
Sale proceeds of property and equipment disposed-off	58,336	27,383
Sale proceeds of non-banking assets disposed-off	267,199	1,928,388
Net cash (used in) / flow from investing activities	(17,191,724)	8,325,462
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease obligations	(950)	(863)
Right shares issue cost	(103,620)	(78,484)
Net cash used in financing activities	(104,570)	(79,347)
Net (decrease) / increase in cash and cash equivalents	(5,365,508)	1,115,469
Cash and cash equivalents at beginning of the period	28,854,680	20,398,252
Cash and cash equivalents at end of the period	23,489,172	21,513,721
Cash and cash equivalents:		
Cash and balances with treasury banks	20,789,008	18,525,810
Balances with other banks	2,365,318	2,744,440
Call money lendings	475,000	300,000
Overdrawn nostro accounts	(140,154)	(56,529)
	23,489,172	21,513,721

The annexed notes from 1 to 20 and Annexure - I form an integral part of this unconsolidated condensed interim financial information.

President

Director

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the Nine Months Ended September 30, 2014 (Un-audited)

	Share capital	Discount on issue of shares	Statutory reserve	Share premium	Capital Reserves Restructuring reserve	Revenue Reserve Accumulated losses	Total
	Rupees in '000'						
Balance as at January 01, 2013	5,287,974	-	396,364	37,882	753,187	(12,742,364)	(6,266,957)
Transfer from restructuring reserve against NPLs	-	-	-	-	-	-	-
Total comprehensive income for the nine months ended September 30, 2013	-	-	-	-	-	1,328,082	1,328,082
Transfer from surplus on revaluation of fixed assets to accumulated losses - net of tax	-	-	-	-	-	7,714	7,714
Transactions with owners, recorded directly in equity:							
Issue of right shares during the period	5,263,158	-	-	-	-	-	5,263,158
Discount on issue of right shares	-	(263,158)	-	-	-	-	(263,158)
Right shares issue cost	-	-	-	-	-	(78,484)	(78,484)
	5,263,158	(263,158)	-	-	-	(78,484)	4,921,516
Balance as at September 30, 2013	10,551,132	(263,158)	396,364	37,882	753,187	(11,485,052)	(9,645)
Transfer from restructuring reserve against NPLs	-	-	-	-	(35,375)	-	(35,375)
Total comprehensive income for the three months ended December 31, 2013	-	-	-	-	-	618,316	618,316
Transfer from surplus on revaluation of fixed assets to accumulated losses - net of tax	-	-	-	-	-	2,638	2,638
Transfer from surplus on revaluation of fixed assets to accumulated losses on disposal	-	-	-	-	-	814	814
Transfer to statutory reserve	-	-	387,601	-	-	(387,601)	-
Balance as at December 31, 2013	10,551,132	(263,158)	783,965	37,882	717,812	(11,250,885)	576,748
Transfer from restructuring reserve against NPLs	-	-	-	-	-	-	-
Total comprehensive income for the nine months ended September 30, 2014	-	-	-	-	-	2,028,994	2,028,994
Transfer from surplus on revaluation of fixed assets to accumulated losses - net of tax	-	-	-	-	-	7,426	7,426
Transfer from surplus on revaluation of fixed assets to accumulated losses on disposal	-	-	-	-	-	(980)	(980)
Transactions with owners, recorded directly in equity:							
Issue of right shares during the period	5,000,000	-	-	-	-	-	5,000,000
Right shares issue cost	-	-	-	-	-	(103,620)	(103,620)
	5,000,000	-	-	-	-	(103,620)	4,896,380
Balance as at September 30, 2014	15,551,132	(263,158)	783,965	37,882	717,812	(9,319,065)	7,508,568

The annexed notes from 1 to 20 and Annexure - I form an integral part of this unconsolidated condensed interim financial information.

President

Director

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION

For the Nine Months Ended September 30, 2014 (Un-audited)

1. STATUS AND NATURE OF BUSINESS

1.1 The Bank of Punjab (the Bank) was constituted pursuant to The Bank of Punjab Act, 1989. It was given the status of a scheduled bank by the State Bank of Pakistan (SBP) on September 19, 1994. It is principally engaged in commercial banking and related services with its registered office at BOP Tower, 10-B, Block E-2, Main Boulevard, Gulberg III, Lahore. The Bank has 341 branches including 16 Islamic banking branches (December 31, 2013: 334 branches including 07 Islamic banking branches) in Pakistan and Azad Jammu and Kashmir at the period end. The Bank is listed on Lahore, Karachi and Islamabad Stock Exchanges. The majority shares of the Bank are held by Government of the Punjab (GOPb).

1.2 The paid-up capital, reserves (net of losses) and advance subscription money of the Bank amounts to Rs. 14,508,568 thousand and Capital Adequacy Ratio (CAR) remained at the prescribed level of 10% with relaxations granted by SBP in respect of provisioning requirements. Further, as at the close of the nine months ended September 30, 2014, net advances aggregating to Rs. 23,816,547 thousand (December 31, 2013: Rs. 26,185,925 thousand) requiring additional provision of Rs. 22,436,550 thousand (December 31, 2013: Rs. 24,348,207 thousand) there against have not been subjected to provisioning criteria as prescribed in SBP prudential regulations in view of the relaxation provided by SBP vide letter No.OSED/Div-01/SEU-03/010(01)-2014/3432 dated March 03, 2014, on the basis of two Letters of Comfort (LOCs) issued by the GOPb as explained in para 2 below.

The GOPb being the majority shareholder, in order to support the Bank, deposited Rs.10,000,000 thousand and Rs. 7,000,000 thousand as advance subscription money in the year 2009 and 2011 respectively against future issue of shares by the Bank. Further, the GOPb vide two LOCs issued on March 29, 2012 has also undertaken to inject necessary funds to make good the capital shortfall to the satisfaction of SBP up to a maximum amount of Rs. 5,800,000 thousand (net of tax @ 35%) and Rs. 12,940,000 thousand (net of tax @ 35%) within a period of 90 days after close of the year ending December 31, 2014 and December 31, 2016 respectively if the Bank fails to make provision of Rs. 28,840,000 thousand or if there is a shortfall in meeting the prevailing regulatory capital requirements as a result of the said provisioning. In addition, in terms of aforesaid LOCs, the GOPb being majority shareholder and sponsor of the Bank, has also extended its commitment to support and assist the Bank in ensuring that it remains compliant with the regulatory requirements at all times.

Based on above, the SBP has granted the Bank relaxations from provisioning requirements of SBP's prudential regulations, minimum capital requirement and capital adequacy ratio (CAR) which should not fall below 8% during first two quarters and 10% during last two quarters of the year 2014. During the year 2014, the Bank is also required to record provisioning in staggered manner against outstanding amounts of borrowers covered under the above LOCs to at least 4% by June 30, 2014 and 11% during the last two quarter of the year 2014. In this regard, any account adjustment following the cash recovery/settlement against these borrowers will reduce the said required provisioning covered under the LOCs. Going forward, further extension in these relaxations would be considered upon satisfactory compliance of the conditions / requirements of SBP as well as Bank's future performance.

During the period, in 2nd phase, against share deposit money – I, the Bank has issued 500,000,000 right shares for Rs. 5,000,000 thousand (47.39%) at par. Accordingly, the entire amount of advance subscription money deposited in year 2009 has been converted in paid up capital of the Bank.

On the basis of enduring support of GoPb, the arrangements as outlined above and the business plan prepared by the management which has been approved by the Board of Directors, the Board is of the view that the Bank would have adequate resources to continue its business on a sustainable basis in the foreseeable future.

2. STATEMENT OF COMPLIANCE

2.1 This unconsolidated condensed interim financial information has been prepared in accordance with the directives issued by the SBP, requirements of the Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the directives issued by the SBP and Securities and Exchange Commission of Pakistan (SECP), the Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 differ with the requirements of these standards, the requirements of the said directives, the Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 take precedence.

- 2.2 SBP as per BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, “Financial Instruments: Recognition and Measurement” and International Accounting Standard (IAS) 40, “Investment Property” for banking companies till further instructions. Further, according to the notification of SECP dated April 28, 2008, the IFRS – 7 “Financial Instruments: Disclosures” has not been made applicable for banks. Accordingly, the requirements of these Standards have not been considered in the preparation of this unconsolidated condensed interim financial information.

This unconsolidated condensed interim financial information is separate interim financial information of the Bank in which the investment in subsidiary is stated at cost less provision for impairment (if any) and has not been accounted for on the basis of reported results and net assets of the investee.

- 2.3 The financial results of Islamic banking business have been consolidated in this unconsolidated condensed interim financial information for reporting purposes, after eliminating inter-branch transactions / balances. Key financial figures of the Islamic banking business are disclosed in Annexure-I to this unconsolidated condensed interim financial information.
- 2.4 The disclosures made in this unconsolidated condensed interim financial information have, however, been limited based on the format prescribed by the SBP vide BSD Circular letter No. 2 dated May 12, 2004, BSD Circular letter No. 7 dated April 20, 2010 and International Accounting Standard – 34 Interim Financial Reporting. They do not include all of the disclosures required for annual financial statements, and this unconsolidated condensed interim financial information should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2013. This unconsolidated condensed interim financial information is being submitted to the shareholders in accordance with the listing regulations of stock exchanges of Pakistan and Section 245 of the Companies Ordinance, 1984.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The accounting policies, underlying estimates and judgments and methods of computation followed in the preparation of this unconsolidated condensed interim financial information are consistent with those applied in the preparation of annual financial statements of the Bank for the year ended December 31, 2013, except for depreciable life of bank owned and lease vehicles from 5 years on straight line basis to 3 years on straight line basis which qualifies as change in accounting estimate in accordance with the requirements of International Accounting Standards 8 – “Accounting Policies, Changes in Accounting Estimates and Errors” and the same is applied on prospective basis with effect from January 01, 2014.

The effect of this change on depreciation expense in current and future periods is as follows:

	Nine Months Ended Sep. 30, 2014	Three Months Ending Dec. 31, 2014	Year Ending 2015	Year Ending 2016	Year Ending 2017	Year Ending 2018
	Rupees in thousand					
Increase/ (decrease) in depreciation expense	14,505	(673)	(3,083)	(4,437)	(4,706)	(1,606)

4. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies of the Bank are consistent with those disclosed in the annual financial statements of the Bank for the year ended December 31, 2013.

	Note	(Un-audited) September 30, 2014	(Audited) December 31, 2013
		Rupees in '000	
5. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings		475,000	800,000
Repurchase agreement lendings (Reverse Repo)	5.1	11,376,185	10,030,448
Certificates of investment		300,000	-
Placements		1,172,000	577,000
		13,323,185	11,407,448

5.1 Securities held as collateral against lendings to financial institutions

	(Un-audited) September 30, 2014			(Audited) December 31, 2013		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	Rupees in '000			Rupees in '000		
Market treasury bills	7,886,090	-	7,886,090	9,530,448	-	9,530,448
Pakistan investment bonds	3,490,095	-	3,490,095	500,000	-	500,000
	11,376,185	-	11,376,185	10,030,448	-	10,030,448

Market value of securities held as collateral as at September 30, 2014 amounted to Rs. 11,388,308 thousand (December 31, 2013: 10,037,115 thousand). These carry mark-up at rate ranging from 9.95% to 10.50% per annum (December 31, 2013: 9.45% to 11.00 % per annum) with maturities up to October 30, 2014.

	Note	(Un-audited) September 30, 2014			(Audited) December 31, 2013		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
		Rupees in '000			Rupees in '000		
6. INVESTMENTS - NET							
Held for trading securities:							
Ordinary shares of listed companies		42,445	-	42,445	22,456	-	22,456
Market treasury bills		-	-	-	9,829,190	-	9,829,190
		42,445	-	42,445	9,851,646	-	9,851,646
Available for sale securities :							
Market treasury bills		64,305,115	3,587,316	67,892,431	89,161,279	14,759,734	103,921,013
Pakistan investment bonds		44,218,181	-	44,218,181	4,161,633	-	4,161,633
Ordinary shares / certificates of listed companies and modarabas		1,149,150	-	1,149,150	1,267,226	-	1,267,226
Preference shares of listed companies		495,451	-	495,451	495,451	-	495,451
Ordinary shares of unlisted company		25,000	-	25,000	25,000	-	25,000
Mutual funds units		399,001	-	399,001	1,123,087	-	1,123,087
Listed term finance certificates		556,513	-	556,513	307,240	-	307,240
Pre IPO - Listed term finance certificates		300,000	-	300,000	-	-	-
Unlisted term finance certificates		3,679,845	-	3,679,845	3,930,979	-	3,930,979
Government of Pakistan ijarah sukuk bonds		852,573	-	852,573	701,442	-	701,442
		115,980,829	3,587,316	119,568,145	101,173,337	14,759,734	115,933,071
Held to maturity securities :							
Pakistan investment bonds	6.1	15,063,584	-	15,063,584	1,262,832	-	1,262,832
WAPDA bonds		400	-	400	400	-	400
		15,063,984	-	15,063,984	1,263,232	-	1,263,232

	(Un-audited) September 30, 2014			(Audited) December 31, 2013		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
Subsidiary	Rupees in '000			Rupees in '000		
Punjab modaraba services (private) limited	164,945	-	164,945	164,945	-	164,945
Total investments at cost	131,252,203	3,587,316	134,839,519	112,453,160	14,759,734	127,212,894
Less: Provision for diminution in value of investments - net	(3,105,391)	-	(3,105,391)	(3,166,697)	-	(3,166,697)
Investments net of provisions	128,146,812	3,587,316	131,734,128	109,286,463	14,759,734	124,046,197
Less: Deficit on revaluation of available for sale securities	(242,395)	-	(242,395)	(85,758)	-	(85,758)
Less: Deficit on revaluation of held for trading securities	(2,298)	-	(2,298)	(4,296)	-	(4,296)
Total investments at market value	127,902,119	3,587,316	131,489,435	109,196,409	14,759,734	123,956,143

6.1 Market value of held to maturity investments is Rs. 15,148,636 thousand (December 31, 2013: Rs. 1,210,098 thousand).

	Note	(Un-audited) September 30, 2014	(Audited) December 31, 2013
Rupees in '000			
7. ADVANCES - NET			
Loans, cash credits, running finances, etc. - in Pakistan		167,001,008	164,196,576
Islamic financing and related assets	7.1	1,524,155	385,000
Net investment in finance lease - in Pakistan		16,167,048	14,060,985
Bills discounted and purchased (excluding treasury bills)			
-Payable in Pakistan		2,217,829	1,747,073
-Payable outside Pakistan		1,769,327	2,571,223
		3,987,156	4,318,296
Advances - gross		188,679,367	182,960,857
Provision for non-performing advances			
-Specific	7.2 & 7.3	(24,391,252)	(25,633,504)
-General	7.4	(71,977)	(41,755)
		(24,463,229)	(25,675,259)
Advances - net of provision		164,216,138	157,285,598
7.1 Islamic financing and related assets			
Against murabaha		454,411	135,000
Against diminishing musharaka		700,901	250,000
Against ijarah		368,843	-
		1,524,155	385,000

7.2 Provision against certain net advances amounting to Rs. 23,816,547 thousand (December 31, 2013: Rs. 26,185,925 thousand) requiring additional provisioning of Rs. 22,436,550 thousand (December 31, 2013: Rs. 24,348,207 thousand) has not been considered necessary in this unconsolidated condensed interim financial information on the basis of undertaking given by Government of the Punjab as stated in Note 1.2.

- 7.3 Advances include Rs. 55,870,081 thousand (December 31, 2013: Rs. 59,960,726 thousand) which have been placed under non-performing status as on September 30, 2014 as detailed below:

Category of classification	September 30, 2014 (Un-audited)				
	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000				
Other assets especially mentioned	98,785	-	98,785	287	287
Substandard	8,842,728	-	8,842,728	2,216,169	2,216,169
Doubtful	430,350	-	430,350	80,323	80,323
Loss	46,498,218	-	46,498,218	22,094,473	22,094,473
	55,870,081	-	55,870,081	24,391,252	24,391,252

Category of classification	December 31, 2013 (Audited)				
	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000				
Other assets especially mentioned	52,936	-	52,936	2,388	2,388
Substandard	8,552,333	-	8,552,333	2,041,981	2,041,981
Doubtful	707,666	-	707,666	300,763	300,763
Loss	50,647,791	-	50,647,791	23,288,372	23,288,372
	59,960,726	-	59,960,726	25,633,504	25,633,504

- 7.4 General provision represents provision against consumer financing portfolio as required by the Prudential Regulations issued by the SBP.

- 7.5 The SBP amended the prudential regulations vide BSD Circular No.1 of 2011 dated October 21, 2011 in relation to provision for loans and advances; there by allowing benefit of Forced Sale Value (FSV) of pledged stocks, mortgaged residential, commercial and industrial properties (land and buildings only) and plant and machinery under charge held as collateral against non-performing advances. The FSV benefit availed in last years have been reduced by Rs. 941,180 thousand (net of FSV benefit availed during the period), which has resulted in increased charge for specific provision for the period ended by the same amount., The FSV benefit is not available for cash or stock dividend. Had the FSV benefit not recognized, before and after tax profits for the period ended would have been higher by Rs. 941,180 thousand (September 30, 2013: higher by Rs.1,668,461 thousand) and Rs. 611,767 thousand (September 30, 2013: higher by Rs. 1,084,500 thousand) respectively.

8. OPERATING FIXED ASSETS

During the nine months ended, additions to / disposals from operating fixed assets amounted to Rs. 363,421 thousand (September 30, 2013: Rs. 336,884 thousand) and Rs. 99,446 thousand (September 30, 2013: Rs. 7,060 thousand), respectively.

	(Un-audited) September 30, 2014	(Audited) December 31, 2013
	Rupees in '000	
9. DEFERRED TAX ASSETS - NET		
Taxable temporary differences :		
Surplus on revaluation of operating fixed assets	(100,764)	(107,558)
Accelerated tax depreciation	(213,967)	(216,786)
Deductible temporary differences :		
Deficit on available for sale securities	107,246	99,049
Loan loss provision	8,026,320	8,026,320
Business loss	3,937,587	4,826,327
	11,756,422	12,627,352

9.1 The management has prepared a business plan on the basis of the arrangements as disclosed in Note 1.2. The business plan includes certain key assumptions such as deposit composition, growth of deposits and advances, investment returns, potential provision against assets, branch expansion plan etc. Any significant change in the key assumptions may have an impact on the projections, however, the management believes that it is probable that the Bank will be able to achieve the projections as per the business plan and future taxable income would be sufficient to allow the benefit of the deductible temporary differences.

	(Un-audited) September 30, 2014	(Audited) December 31, 2013
	Rupees in '000	
10. BORROWINGS		
Secured :		
Borrowings from SBP:		
-Export refinance (ERF)	8,572,892	6,722,490
-Long term financing - export oriented projects (LTF-EOP)	73,606	154,401
-Long term financing facility (LTFF)	1,404,226	1,161,695
Repurchase agreement borrowings	3,545,428	14,732,416
	13,596,152	22,771,002
Unsecured :		
Foreign placements	210,470	-
Overdrawn nostro accounts	140,154	31,480
	13,946,776	22,802,482

		(Un-audited) September 30, 2014	(Audited) December 31, 2013
		Rupees in '000	
11.	DEPOSITS AND OTHER ACCOUNTS		
	Customers		
	Fixed deposits	115,926,251	125,857,124
	Savings deposits	139,830,633	110,019,779
	Current accounts	60,348,989	60,096,297
	Sundry deposits, margin accounts, etc.	7,649,248	2,320,299
		323,755,121	298,293,499
	Financial institutions :		
	Remunerative deposits	2,250,321	7,227,752
	Non-remunerative deposits	1,234,861	1,039,516
		3,485,182	8,267,268
		327,240,303	306,560,767
11.1	Particulars of deposits		
	In local currency	320,331,562	300,587,802
	In foreign currencies	6,908,741	5,972,965
		327,240,303	306,560,767

12. SHARE CAPITAL

12.1 Authorized capital

		(Un-audited) September 30, 2014	(Audited) December 31, 2013			(Un-audited) September 30, 2014	(Audited) December 31, 2013
		(No. of shares)				Rupees in '000	
		5,000,000,000	5,000,000,000		Ordinary or preference shares of Rs. 10/- each	50,000,000	50,000,000

The authorized capital of the Bank is fifty thousand million rupees divided into five thousand million ordinary or preference shares of Rupees ten each.

12.2 Issued, Subscribed and Paid up Capital

	(Un-audited) September 30, 2014 (No. of shares)	(Audited) December 31, 2013		(Un-audited) September 30, 2014 Rupees in '000	(Audited) December 31, 2013
			Opening balance		
	19,333,340	19,333,340	Ordinary shares of Rs. 10/- each paid in cash	193,333	193,333
	526,315,789	-	Ordinary shares of Rs. 10/- each issued at discount	5,263,158	-
	509,464,036	509,464,036	Issued as bonus shares	5,094,641	5,094,641
	1,055,113,165	528,797,376		10,551,132	5,287,974
			During the period / year		
	500,000,000	-	Issuance of right shares at par value	5,000,000	-
	-	526,315,789	Issuance of right shares at discount	-	5,263,158
	500,000,000	526,315,789		5,000,000	5,263,158
			Closing balance		
	519,333,340	19,333,340	Ordinary shares of Rs. 10/- each paid in cash	5,193,333	193,333
	526,315,789	526,315,789	Ordinary shares of Rs. 10/- each issued at discount	5,263,158	5,263,158
	509,464,036	509,464,036	Issued as bonus shares	5,094,641	5,094,641
	1,555,113,165	1,055,113,165		15,551,132	10,551,132

12.3 Government of the Punjab (GOPb) held 57.47% shares in the Bank as at September 30, 2014 (December 31, 2013: 52.67 %).

	Note	(Un-audited) September 30, 2014 Rupees in '000	(Audited) December 31, 2013
13. SHARE DEPOSIT MONEY			
Share deposit money - I		-	5,000,000
Share deposit money - II		7,000,000	7,000,000
	13.1	7,000,000	12,000,000

	(Un-audited) September 30, 2014	(Audited) December 31, 2013
	Rupees in '000	
13.1 Reconciliation of share deposit money		
Opening balance	12,000,000	17,000,000
Right shares issued during the period / year	(5,000,000)	(5,000,000)
Closing balance	7,000,000	12,000,000
14. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX		
Surplus on revaluation of fixed assets - net of tax	887,607	891,259
(Deficit) / surplus on revaluation of securities - net of tax	(135,149)	13,291
	752,458	904,550
15. CONTINGENCIES AND COMMITMENTS		
15.1 Direct credit substitutes		
These include general guarantees of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favor of:		
	(Un-audited) September 30, 2014	(Audited) December 31, 2013
	Rupees in '000	
Government	-	-
Financial institutions	-	-
Others	1,746,342	1,176,561
	1,746,342	1,176,561

15.2 Transaction related contingent liabilities

These include performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credit related to particular transactions issued in favor of:

	(Un-audited) September 30, 2014	(Audited) December 31, 2013
	Rupees in '000	
Government	392,510	298,272
Financial institutions	14,469	33,872
Others	15,468,693	12,729,479
	15,875,672	13,061,623

15.3 Trade related contingent liabilities

Government	12,325,837	970,207
Financial institutions	-	-
Others	9,150,402	7,420,631
	21,476,239	8,390,838

15.4 Other contingencies

Claims against the Bank not acknowledged as debt	37,372,986	40,353,802
--	------------	------------

The amount involved in the claims filed against the Bank are yet to be adjudicated by the concerned courts as the same have been filed as outburst to Bank's recovery suits. Uptill now, in no case, any claim has been adjudicated, determined or decreed by the courts against the Bank. Moreover, there is no likelihood of decreeing the suits against the Bank because, the claims are frivolous.

15.5 Commitments to extend credit

The Bank makes commitments to extend credit in the normal course of business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

15.6 Income tax related contingency

For the tax year 2012 Income Tax Department has amended the assessment orders on the issue of turnover tax against which the Bank has filed appeals before Appellate Tribunal Inland Revenue. The expected tax liability in respect of aforesaid tax year amounts to Rs 257,967 thousand under minimum tax. The Management of the Bank, as per the opinion of its tax consultant, is confident that the appeal filed for the aforementioned tax year will be decided in Bank's favour.

	(Un-audited) September 30, 2014	(Audited) December 31, 2013
	Rupees in '000	
15.7 Commitments in respect of forward exchange contracts		
Purchase	6,149,572	4,433,928
Sale	4,664,241	5,382,084
	10,813,813	9,816,012
15.8 Commitments for the acquisition of operating fixed assets	35,666	18,199

16. EARNINGS PER SHARE - BASIC AND DILUTED

	Three months ended September 30, 2014	----- (Un-audited) ----- Nine months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2013
	Rupees in '000			
Profit after taxation (Rupees in thousand)	691,758	2,028,994	324,606	1,328,082
Weighted average number of ordinary shares (thousand)	1,400,746	1,400,746	749,058	749,058
Earnings per share - basic and diluted (Rupees)	0.49	1.45	0.43	1.77

Earnings per share for the nine months ended September 30, 2013 have been restated to give effect of bonus element included in issuance of right shares made during the period.

17. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:-

	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
	Rupees in '000					
Nine Months Ended September 30, 2014 (Un-audited)						
Total income	10,938,658	2,139,790	9,690,317	317,393	61,514	23,147,672
Total expenses	965,689	3,109,011	15,930,580	-	-	20,005,280
Inter segment revenue / (cost) transfer	(8,316,151)	1,235,353	7,080,798	-	-	-
Income taxes	-	-	-	-	-	1,113,398
Net income	1,656,818	266,132	840,535	317,393	61,514	2,028,994
Segment assets (gross)	171,842,353	21,936,150	187,912,041	-	-	381,690,544
Segment non performing advances / investments	3,246,384	2,192,575	53,677,506			59,116,465
Segment provision required	3,105,391	1,837,631	22,625,598			27,568,620
Segment liabilities	5,869,199	51,489,486	295,025,414			352,384,099
Segment return on net assets (ROA) (%)	10.91%	16.02%	13.12%			
Segment cost of funds (%)	8.35%	8.93%	8.81%			

	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
	Rupees in '000					
Nine Months Ended September 30, 2013 (Un-audited)						
Total income	9,642,047	1,529,793	8,673,527	305,241	57,362	20,207,970
Total expenses	1,241,780	2,866,509	14,051,485	-	-	18,159,774
Inter segment revenue / (cost) transfer	(6,613,307)	1,004,325	5,608,982	-	-	-
Income taxes	-	-	-	-	-	720,114
Net income / (loss)	1,786,960	(332,391)	231,024	305,241	57,362	1,328,082
Segment assets (gross)	146,021,339	17,058,237	168,319,399			331,398,975
Segment non performing advances / investments	3,300,648	2,623,393	60,369,704			66,293,745
Segment provision required	3,203,586	2,043,348	23,387,205			28,634,139
Segment liabilities	15,441,871	42,863,925	246,463,013			304,768,809
Segment return on net assets (ROA) (%)	11.15%	15.86%	13.33%			
Segment cost of funds (%)	9.43%	9.14%	8.83%			

18. RELATED PARTY TRANSACTIONS

Related parties comprise subsidiary, key management personnel and entities in which key management personnel are office holders / members. The Bank carries out transactions with various related parties in the normal course of business. Amounts due from and due to related parties are shown under receivables and payables.

	September 30, 2014 (Un-audited)				December 31, 2013 (Audited)			
	Key management personnel	Subsidiary company and managed modaraba	Employee funds	Others	Key management personnel	Subsidiary company and managed modaraba	Employee funds	Others
	Rupees in '000				Rupees in '000			
Advances								
Opening balance	86,027	1,091,975	-	-	95,070	1,069,513	-	-
Loans granted during the period / year	69,157	449,189	-	-	22,983	1,726,892	-	-
Repayments received during the period / year	(28,370)	(637,036)	-	-	(32,026)	(1,704,430)	-	-
Closing balance	126,814	904,128	-	-	86,027	1,091,975	-	-
Placements	-	100,000	-	-	-	100,000	-	-
Deposits								
Opening balance	25,092	26,196	805,346	29,603	39,996	2,369	1,627,249	288
Placements made during the period / year	229,563	611,474	5,132,891	61,887	213,027	1,130,239	1,454,256	62,796
Withdrawals during the period / year	(234,947)	(637,215)	(3,914,694)	(49,939)	(227,931)	(1,106,412)	(2,276,159)	(33,481)
Closing balance	19,708	455	2,023,543	41,551	25,092	26,196	805,346	29,603
Lease liability	-	1,436	-	-	-	2,386	-	-

	September 30, 2014 (Un-audited)				September 30, 2013 (Un-audited)			
	Key management personnel	Subsidiary company and managed modaraba	Employee funds	Others	Key management personnel	Subsidiary company and managed modaraba	Employee funds	Others
	Rupees in '000				Rupees in '000			
Transactions during the period :								
Mark-up/return earned	7,438	61,586	-	-	5,717	91,937	-	-
Mark-up/interest expensed	443	-	129,389	1,891	656	-	112,292	432
Contribution to employees funds	-	-	57,731	-	-	-	37,840	-

18.1 Balances pertaining to parties that were related at the beginning of the year but ceased to be so related during any part of the current period are not reflected as part of closing balance. The same are accounted for through the movement presented above.

18.2 Although GoPb holds 57.47% shares of the Bank (December 31, 2013: 52.67%) transactions with GoPb have not been treated as related party transactions for the purpose of this disclosure.

19. DATE OF AUTHORIZATION FOR ISSUE

This unconsolidated condensed interim financial information was authorized for issuance on October 29, 2014 by the Board of Directors of the Bank.

20. GENERAL

20.1 The corresponding figures have been restated, where necessary, for the purpose of comparison. However, no significant reclassification has been made during the period.

20.2 Figures have been rounded off to the nearest thousand.

President

Director

ISLAMIC BANKING BUSINESS - STATEMENT OF FINANCIAL POSITION

Annexure - I

As at September 30, 2014

The Bank is operating 16 Islamic banking branches at close of September 30, 2014 (December 31, 2013: 07 branches).

	Note	(Un-audited) September 30, 2014	(Audited) December 31, 2013
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		371,186	157,253
Balance with other banks		20,845	19,239
Due from financial institutions		1,072,000	477,000
Investments		783,459	631,876
Islamic financing and related assets	A	1,524,155	385,000
Operating fixed assets		43,234	31,218
Deferred tax assets		-	-
Other assets		50,405	40,200
TOTAL ASSETS		3,865,284	1,741,786
LIABILITIES			
Bills payable		13,263	1,422
Due to financial institutions		-	-
Deposit and other accounts			
- Current accounts		1,158,949	660,556
- Saving accounts		1,776,697	425,985
- Term deposits		145,250	7,100
- Others		132,859	12,846
- Deposits from financial institutions - remunerative		3,139	-
- Deposits from financial institutions - non - remunerative		-	-
Due to head office		62,711	109,565
Other liabilities		16,303	5,784
		3,309,171	1,223,258
NET ASSETS		556,113	518,528
REPRESENTED BY			
Islamic banking fund		500,000	500,000
Reserves		-	-
Unappropriated profit		50,227	13,095
		550,227	513,095
Surplus on revaluation of assets		5,886	5,433
		556,113	518,528
Remuneration to Shariah Advisor / Board		1,492	2,126

	Note	(Un-audited) September 30, 2014	(Audited) December 31, 2013
		Rupees in '000	
CHARITY FUND			
Opening balance		19	-
Additions during the period		1	19
Payments / utilization during the period		-	-
Closing balance		20	19
A. Islamic financing and related assets			
Islamic mode of financing	A.1	1,524,155	385,000
A.1 Islamic mode of financing			
Murabaha		454,411	135,000
Diminishing musharaka		700,901	250,000
Ijarah		368,843	-
		1,524,155	385,000

ISLAMIC BANKING BUSINESS - PROFIT AND LOSS ACCOUNT

Annexure - I

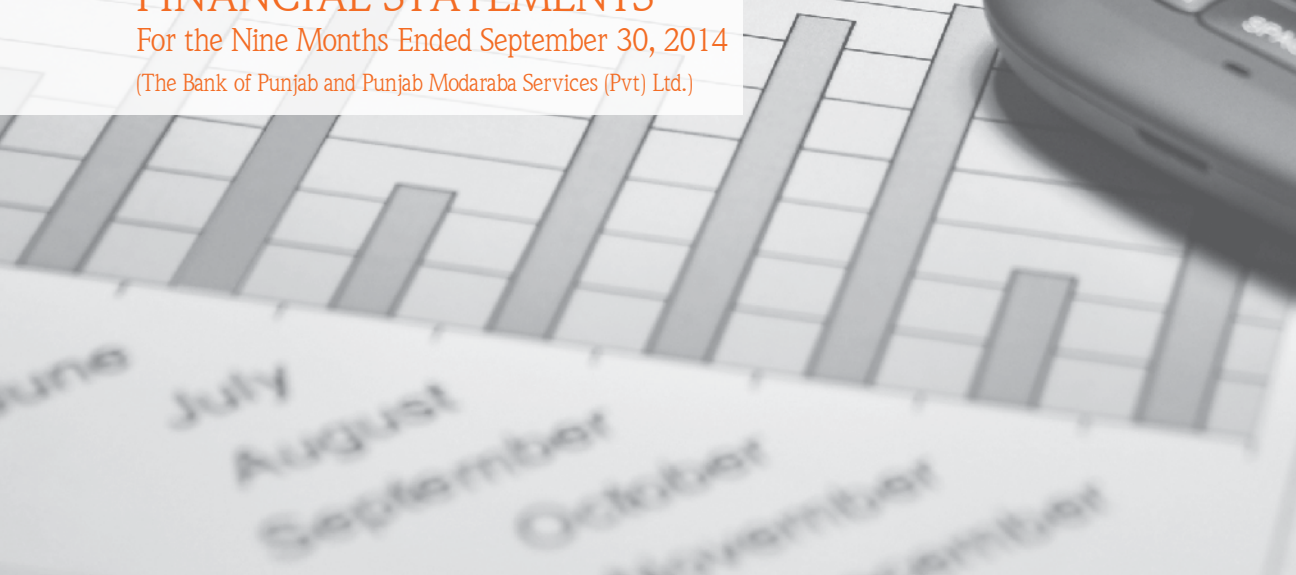
For the Nine Months Ended September 30, 2014 (Un-audited)

	Three months ended September 30, 2014	Nine months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2013
	Rupees in '000			
Profit/return earned on financing, investment and placements	62,475	138,385	27,294	54,336
Return on deposits and other dues expensed	13,020	26,535	5,216	9,334
Net spread earned	49,455	111,850	22,078	45,002
Provision against non-performing loans and advances	-	-	-	-
Provision against consumer financings	-	-	-	-
Provision for diminution in the value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
Income after provisions	49,455	111,850	22,078	45,002
Other Income				
Fee, commission and brokerage income	749	3,077	287	615
Dividend income	-	-	-	-
Income from dealing in foreign currencies	(8)	18	1,615	1,706
Gain on sale and redemption of securities	-	-	-	-
Unrealized loss on revaluation of investments classified as held for trading	-	-	-	-
Other income	1,009	28,660	498	942
Total other income	1,750	31,755	2,400	3,263
	51,205	143,605	24,478	48,265
Other expenses				
Administrative expenses	53,319	106,473	18,378	34,782
Other provisions/write offs/reversals	-	-	-	-
Other charges	-	-	-	-
Total other expenses	53,319	106,473	18,378	34,782
	(2,114)	37,132	6,100	13,483
Extra ordinary/unusual items	-	-	-	-
PROFIT BEFORE TAXATION	(2,114)	37,132	6,100	13,483



Passion Reborn

CONSOLIDATED
FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2014
(The Bank of Punjab and Punjab Modaraba Services (Pvt) Ltd.)



CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at September 30, 2014

	Note	(Un-audited) September 30, 2014	(Audited) December 31, 2013
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		20,789,008	23,820,864
Balances with other banks		2,365,318	4,265,296
Lendings to financial institutions	5	13,323,185	11,407,448
Investments - net	6	131,528,045	123,973,891
Advances - net	7	164,168,638	157,239,598
Operating fixed assets	8	3,555,049	3,514,801
Deferred tax assets - net	9	11,756,422	12,627,352
Other assets - net		20,161,556	15,825,007
		367,647,221	352,674,257
LIABILITIES			
Bills payable		2,049,206	1,506,335
Borrowings	10	13,946,776	22,802,482
Deposits and other accounts	11	327,240,161	306,560,694
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		1,436	2,386
Deferred tax liabilities - net		-	-
Other liabilities		9,146,708	8,345,203
		352,384,287	339,217,100
NET ASSETS			
		15,262,934	13,457,157
REPRESENTED BY			
Share capital	12	15,551,132	10,551,132
Discount on issue of shares		(263,158)	(263,158)
Reserves		1,539,659	1,539,659
Accumulated losses		(9,317,157)	(11,275,026)
		7,510,476	552,607
Share deposit money	13	7,000,000	12,000,000
		14,510,476	12,552,607
Surplus on revaluation of assets - net of tax	14	752,458	904,550
		15,262,934	13,457,157
Contingencies and commitments	15		

The annexed notes from 1 to 20 and Annexure - I form an integral part of this consolidated condensed interim financial information.

President

Director

CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

For the Nine Months Ended September 30, 2014 (Un-audited)

	Three months ended September 30, 2014	Nine months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2013
Rupees in '000				
Mark-up/return/interest earned	7,392,132	21,200,318	5,775,398	17,298,796
Mark-up/return/interest expensed	5,522,019	16,548,012	4,746,003	15,166,887
Net mark-up/interest income	1,870,113	4,652,306	1,029,395	2,131,909
(Reversal of provision) / provision against non-performing loans and advances-net	(141,221)	(1,212,030)	50,284	(882,380)
Provision for diminution in the value of investments - net	13,701	71,347	11,841	26,283
Bad debts written off directly	-	-	106	241
	(127,520)	(1,140,683)	62,231	(855,856)
Net mark-up/return/interest income after provisions	1,997,633	5,792,989	967,164	2,987,765
NON MARK-UP/INTEREST INCOME				
Fee, commission and brokerage income	227,196	599,784	210,622	617,787
Dividend income	11,355	34,291	13,725	117,919
Income from dealing in foreign currencies	52,457	146,547	58,475	111,812
Gain on sale and redemption of securities - net	63,018	306,782	331,878	1,250,925
Unrealized loss on revaluation of investments classified as held for trading	(4,763)	(2,298)	(7,239)	(14,280)
Other income	341,962	868,877	248,368	821,906
Total non-markup/interest income	691,225	1,953,983	855,829	2,906,069
	2,688,858	7,746,972	1,822,993	5,893,834
NON MARK-UP/INTEREST EXPENSES				
Administrative expenses	1,604,213	4,543,274	1,316,142	3,863,632
(Reversal) / Charge of provision against other assets	-	(2,422)	1,583	(1,168)
Provision against off balance sheet obligations	18,200	18,200	-	325
Other charges	-	19,479	9,810	9,846
Total non-markup/interest expenses	1,622,413	4,578,531	1,327,535	3,872,635
	1,066,445	3,168,441	495,458	2,021,199
Extra ordinary/unusual items	-	-	-	-
PROFIT BEFORE TAXATION	1,066,445	3,168,441	495,458	2,021,199
Taxation - Current	80,834	231,477	66,324	202,080
- Deferred	302,676	881,921	115,741	518,034
	383,510	1,113,398	182,065	720,114
PROFIT AFTER TAXATION	682,935	2,055,043	313,393	1,301,085
Earnings per share - basic and diluted (Rupees) - Note 16	0.49	1.47	0.42	1.74

The annexed notes from 1 to 20 and Annexure - I form an integral part of this consolidated condensed interim financial information.

President

Director

CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the Nine Months Ended September 30, 2014 (Un-audited)

	Three months ended September 30, 2014	Nine months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2013
	Rupees in '000			
Profit after taxation	682,935	2,055,043	313,393	1,301,085
Other comprehensive income	-	-	-	-
Total comprehensive income	682,935	2,055,043	313,393	1,301,085

The annexed notes from 1 to 20 and Annexure - I form an integral part of this consolidated condensed interim financial information.

President

Director

CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT

For the Nine Months Ended September 30, 2014 (Un-audited)

	Nine Months Ended	
	September 30, 2014	September 30, 2013
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	3,168,441	2,021,199
Less: Dividend income	(34,291)	(117,919)
	3,134,150	1,903,280
Adjustments for :		
Depreciation	284,103	247,323
Amortization on intangible assets	3,058	1,673
Amortization of (discount) /premium on securities	(105,265)	20,957
Unrealized loss on revaluation of investments classified as held for trading	2,298	14,280
Reversal of provision against non-performing loans and advances - net	(1,212,030)	(882,380)
Bad debts written-off directly	-	241
Provision for diminution in the value of investments - net	71,347	26,283
Provision for employees compensated absences	12,418	5,568
Provision for gratuity	62,157	65,498
Provision against off balance sheet obligations	18,200	325
Reversal of provision against other assets	(2,422)	(1,168)
Net profit on sale of property and equipment	(22,324)	(20,809)
Net profit on sale of non-banking assets acquired in satisfaction of claims	(14,122)	(407,672)
Gain on sale and redemption of securities - net	(306,782)	(1,250,925)
Finance charges on leased assets	128	194
	(1,209,236)	(2,180,612)
	1,924,914	(277,332)
(Increase) / Decrease in operating assets:		
Lendings to financial institutions	(2,240,737)	(985,453)
Net investments in held for trading securities	9,804,905	3,259,630
Advances - net	(5,717,010)	7,203,021
Others assets - net	(4,585,822)	(1,000,945)
	(2,738,664)	8,476,253
Increase / (Decrease) in operating liabilities:		
Bills Payable	542,871	5,458,069
Borrowings	(8,964,380)	(29,425,539)
Deposits and other accounts	20,679,467	9,265,832
Other liabilities	708,730	(395,243)
	12,966,688	(15,096,881)
Financial charges paid	12,152,938	(6,897,960)
Income tax paid	(128)	(194)
	(228,685)	(232,492)
Net cash flow from / (used in) operating activities	11,924,125	(7,130,646)

	Nine Months ended	
	September 30, 2014	September 30, 2013
	Rupees in '000	
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(3,481,807)	6,165,578
Net investments in held to maturity securities	(13,695,487)	401,081
Dividends received	30,117	106,811
Investments in operating fixed assets	(363,421)	(303,779)
Sale proceeds of property and equipment disposed-off	58,336	27,383
Sale proceeds of non-banking assets disposed-off	267,199	1,928,388
Net cash (used in) / flow from investing activities	(17,185,063)	8,325,462
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease obligations	(950)	(863)
Right shares issue cost	(103,620)	(78,484)
Net cash used in financing activities	(104,570)	(79,347)
Net (decrease) / increase in cash and cash equivalents	(5,365,508)	1,115,469
Cash and cash equivalents at beginning of the period	28,854,680	20,398,252
Cash and cash equivalents at end of the period	23,489,172	21,513,721
Cash and cash equivalents:		
Cash and balances with treasury banks	20,789,008	18,525,810
Balances with other banks	2,365,318	2,744,440
Call money lendings	475,000	300,000
Overdrawn nostro accounts	(140,154)	(56,529)
	23,489,172	21,513,721

The annexed notes from 1 to 20 and Annexure - I form an integral part of this consolidated condensed interim financial information.

President

Director

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the Nine Months Ended September 30, 2014 (Un-audited)

	Share capital	Discount on issue of shares	Statutory reserve	Share premium	Capital Reserves Restructuring reserve	Revenue Reserve Accumulated losses	Total
	Rupees in '000'						
Balance as at January 01, 2013	5,287,974	-	396,364	37,882	753,187	(12,743,218)	(6,267,811)
Transfer from restructuring reserve against NPLs	-	-	-	-	-	-	-
Total comprehensive income for the nine months ended September 30, 2013	-	-	-	-	-	1,301,085	1,301,085
Transfer from surplus on revaluation of fixed assets to accumulated losses - net of tax	-	-	-	-	-	7,714	7,714
Transactions with owners, recorded directly in equity:							
Issue of right shares during the period	5,263,158	-	-	-	-	-	5,263,158
Discount on issue of right shares	-	(263,158)	-	-	-	-	(263,158)
Right shares issue cost	-	-	-	-	-	(78,484)	(78,484)
	5,263,158	(263,158)	-	-	-	(78,484)	4,921,516
Balance as at September 30, 2013	10,551,132	(263,158)	396,364	37,882	753,187	(11,512,903)	(37,496)
Transfer from restructuring reserve against NPLs	-	-	-	-	(35,375)	-	(35,375)
Total comprehensive income for the three months ended December 31, 2013	-	-	-	-	-	622,026	622,026
Transfer from surplus on revaluation of fixed assets to accumulated losses - net of tax	-	-	-	-	-	2,638	2,638
Transfer from surplus on revaluation of fixed assets to accumulated losses on disposal	-	-	-	-	-	814	814
Transfer to statutory reserve	-	-	387,601	-	-	(387,601)	-
Balance as at December 31, 2013	10,551,132	(263,158)	783,965	37,882	717,812	(11,275,026)	552,607
Transfer from restructuring reserve against NPLs	-	-	-	-	-	-	-
Total comprehensive income for the nine months ended September 30, 2014	-	-	-	-	-	2,055,043	2,055,043
Transfer from surplus on revaluation of fixed assets to accumulated losses - net of tax	-	-	-	-	-	7,426	7,426
Transfer from surplus on revaluation of fixed assets to accumulated losses on disposal	-	-	-	-	-	(980)	(980)
Transactions with owners, recorded directly in equity:							
Issue of right shares during the period	5,000,000	-	-	-	-	-	5,000,000
Right shares issue cost	-	-	-	-	-	(103,620)	(103,620)
	5,000,000	-	-	-	-	(103,620)	4,896,380
Balance as at September 30, 2014	15,551,132	(263,158)	783,965	37,882	717,812	(9,317,157)	7,510,476

The annexed notes from 1 to 20 and Annexure - I form an integral part of this consolidated condensed interim financial information.

President

Director

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION

For the Nine Months Ended September 30, 2014 (Un-audited)

1. STATUS AND NATURE OF BUSINESS

1.1 The Bank of Punjab Group comprises The Bank of Punjab (the Bank) and Punjab Modaraba Services (Private) Limited (PMSL). The Bank of Punjab (the Bank) was constituted pursuant to The Bank of Punjab Act, 1989. It was given the status of a scheduled bank by the State Bank of Pakistan (SBP) on September 19, 1994. It is principally engaged in commercial banking and related services with its registered office at BOP Tower, 10-B, Block E-2, Main Boulevard, Gulberg III, Lahore. The Bank has 341 branches including 16 Islamic banking branches (December 31, 2013: 334 branches including 07 Islamic banking branches) in Pakistan and Azad Jammu and Kashmir at the period end. The Bank is listed on Lahore, Karachi and Islamabad Stock Exchanges. The majority shares of the Bank are held by Government of the Punjab (GOPb).

1.2 Punjab Modaraba Services (Private) Limited is a wholly owned subsidiary of the Bank and is primarily engaged in the business of floating and managing modarabas.

The paid-up capital, reserves (net of losses) and advance subscription money of the Group amounts to Rs. 14,510,476 thousand and Capital Adequacy Ratio (CAR) remained at the prescribed level of 10% with relaxations granted by SBP in respect of provisioning requirements. Further, as at the close of the nine months ended September 30, 2014, net advances aggregating to Rs. 23,769,097 thousand (December 31, 2013: Rs. 26,139,925 thousand) requiring additional provision of Rs. 22,389,100 thousand (December 31, 2013: Rs. 24,302,207 thousand) there against have not been subjected to provisioning criteria as prescribed in SBP prudential regulations in view of the relaxation provided by SBP vide letter No.OSED/Div-01/SEU-03/010(01)-2014/3432 dated March 03, 2014, on the basis of two Letters of Comfort (LOCs) issued by the GOPb as explained in para 2 below.

The GOPb being the majority shareholder, in order to support the Bank, deposited Rs.10,000,000 thousand and Rs. 7,000,000 thousand as advance subscription money in the year 2009 and 2011 respectively against future issue of shares by the Bank. Further, the GOPb vide two LOCs issued on March 29, 2012 has also undertaken to inject necessary funds to make good the capital shortfall to the satisfaction of SBP up to a maximum amount of Rs. 5,800,000 thousand (net of tax @ 35%) and Rs. 12,940,000 thousand (net of tax @ 35%) within a period of 90 days after close of the year ending December 31, 2014 and December 31, 2016 respectively if the Bank fails to make provision of Rs. 28,840,000 thousand or if there is a shortfall in meeting the prevailing regulatory capital requirements as a result of the said provisioning. In addition, in terms of aforesaid LOCs, the GOPb being majority shareholder and sponsor of the Bank, has also extended its commitment to support and assist the Bank in ensuring that it remains compliant with the regulatory requirements at all times.

Based on above, the SBP has granted the Bank relaxations from provisioning requirements of SBP's prudential regulations, minimum capital requirement and capital adequacy ratio (CAR) which should not fall below 8% during first two quarters and 10% during last two quarters of the year 2014. During the year 2014, the Bank is also required to record provisioning in staggered manner against outstanding amounts of borrowers covered under the above LOCs to at least 4% by June 30, 2014 and 11% during the last two quarter of the year 2014. In this regard, any account adjustment following the cash recovery/settlement against these borrowers will reduce the said required provisioning covered under the LOCs. Going forward, further extension in these relaxations would be considered upon satisfactory compliance of the conditions / requirements of SBP as well as Bank's future performance.

During the period, in 2nd phase, against share deposit money – I, the Bank has issued 500,000,000 right shares for Rs. 5,000,000 thousand (47.39%) at par. Accordingly, the entire amount of advance subscription money deposited in year 2009 has been converted in paid up capital of the Bank.

On the basis of enduring support of GoPb, the arrangements as outlined above and the business plan prepared by the management which has been approved by the Board of Directors, the Board is of the view that the Bank would have adequate resources to continue its business on a sustainable basis in the foreseeable future.

2. STATEMENT OF COMPLIANCE

2.1 This consolidated condensed interim financial information has been prepared in accordance with the directives issued by the SBP, requirements of the Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the provisions of the Companies Ordinance, 1984. Wherever the

requirements of the directives issued by the SBP and Securities and Exchange Commission of Pakistan (SECP), the Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 differ with the requirements of these standards, the requirements of the said directives, the Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 take precedence.

- 2.2** SBP as per BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, “Financial Instruments: Recognition and Measurement” and International Accounting Standard (IAS) 40, “Investment Property” for banking companies till further instructions. Further, according to the notification of SECP dated April 28, 2008, the IFRS – 7 “Financial Instruments: Disclosures” has not been made applicable for banks. Accordingly, the requirements of these Standards have not been considered in the preparation of this consolidated condensed interim financial information.
- 2.3** The financial results of Islamic banking business have been consolidated in this consolidated condensed interim financial information for reporting purposes, after eliminating inter-branch transactions / balances. Key financial figures of the Islamic banking business are disclosed in Annexure-I to this consolidated condensed interim financial information.
- 2.4** The disclosures made in this consolidated condensed interim financial information have, however, been limited based on the format prescribed by the SBP vide BSD Circular letter No. 2 dated May 12, 2004, BSD Circular letter No. 7 dated April 20, 2010 and International Accounting Standard – 34 Interim Financial Reporting. They do not include all of the disclosures required for annual financial statements, and this consolidated condensed interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2013. This consolidated condensed interim financial information is being submitted to the shareholders in accordance with the listing regulations of stock exchanges of Pakistan and Section 245 of the Companies Ordinance, 1984.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The accounting policies, underlying estimates and judgments and methods of computation followed in the preparation of this consolidated condensed interim financial information are consistent with those applied in the preparation of annual financial statements of the Group for the year ended December 31, 2013, except for depreciable life of bank owned and lease vehicles from 5 years on straight line basis to 3 years on straight line basis which qualifies as change in accounting estimate in accordance with the requirements of International Accounting Standards 8 – “Accounting Policies, Changes in Accounting Estimates and Errors” and the same is applied on prospective basis with effect from January 01, 2014.

The effect of this change on depreciation expense in current and future periods is as follows:

	Nine Months Ended Sep. 30, 2014	Three Months Ending Dec. 31, 2014	Year Ending 2015	Year Ending 2016	Year Ending 2017	Year Ending 2018
	Rupees in thousand					
Increase / (decrease) in depreciation expense	14,505	(673)	(3,083)	(4,437)	(4,706)	(1,606)

4. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies of the Bank are consistent with those disclosed in the annual financial statements of the Bank for the year ended December 31, 2013.

	Note	(Un-audited) September 30, 2014	(Audited) December 31, 2013
		Rupees in '000	
5. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings		475,000	800,000
Repurchase agreement lendings (Reverse Repo)	5.1	11,376,185	10,030,448
Certificates of investment		300,000	-
Placements		1,172,000	577,000
		13,323,185	11,407,448

5.1 Securities held as collateral against lendings to financial institutions

	(Un-audited) September 30, 2014			(Audited) December 31, 2013		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	Rupees in '000			Rupees in '000		
Market treasury bills	7,886,090	-	7,886,090	9,530,448	-	9,530,448
Pakistan investment bonds	3,490,095	-	3,490,095	500,000	-	500,000
	11,376,185	-	11,376,185	10,030,448	-	10,030,448

Market value of securities held as collateral as at September 30, 2014 amounted to Rs. 11,388,308 thousand (December 31, 2013: 10,037,115 thousand). These carry mark-up at rate ranging from 9.95% to 10.50% per annum (December 31, 2013: 9.45% to 11.00 % per annum) with maturities up to October 30, 2014.

	Note	(Un-audited) September 30, 2014			(Audited) December 31, 2013		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
		Rupees in '000			Rupees in '000		
6. INVESTMENTS - NET							
Held for trading securities:							
Ordinary shares of listed companies		42,445	-	42,445	22,456	-	22,456
Market treasury bills		-	-	-	9,829,190	-	9,829,190
		42,445	-	42,445	9,851,646	-	9,851,646
Available for sale securities:							
Market treasury bills		64,305,115	3,587,316	67,892,431	89,161,279	14,759,734	103,921,013
Pakistan investment bonds		44,218,181	-	44,218,181	4,161,633	-	4,161,633
Ordinary shares / certificates of listed companies and modarabas		1,314,093	-	1,314,093	1,432,169	-	1,432,169
Preference shares of listed companies		495,451	-	495,451	495,451	-	495,451
Ordinary shares of unlisted company		25,000	-	25,000	25,000	-	25,000
Mutual funds units		399,001	-	399,001	1,123,087	-	1,123,087
Listed term finance certificates		556,513	-	556,513	307,240	-	307,240
Pre IPO - Listed term finance certificates		300,000	-	300,000	-	-	-
Unlisted term finance certificates		3,679,845	-	3,679,845	3,930,979	-	3,930,979
Government of Pakistan ijarah sukuk bonds		852,573	-	852,573	701,442	-	701,442
		116,145,772	3,587,316	119,733,088	101,338,280	14,759,734	116,098,014
Held to maturity securities:							
Pakistan investment bonds	6.1	15,063,584	-	15,063,584	1,262,832	-	1,262,832
WAPDA bonds		400	-	400	400	-	400
		15,063,984	-	15,063,984	1,263,232	-	1,263,232
Total investments at cost		131,252,201	3,587,316	134,839,517	112,453,158	14,759,734	127,212,892

	(Un-audited) September 30, 2014			(Audited) December 31, 2013		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	Rupees in '000			Rupees in '000		
Less: Provision for diminution in value of investments - net	(3,066,779)	-	(3,066,779)	(3,148,947)	-	(3,148,947)
Investments net of provisions	128,185,422	3,587,316	131,772,738	109,304,211	14,759,734	124,063,945
Less: Deficit on revaluation of available for sale securities	(242,395)	-	(242,395)	(85,758)	-	(85,758)
Less: Deficit on revaluation of held for trading securities	(2,298)	-	(2,298)	(4,296)	-	(4,296)
Total investments at market value	127,940,729	3,587,316	131,528,045	109,214,157	14,759,734	123,973,891

6.1 Market value of held to maturity investments is Rs. 15,148,636 thousand (December 31, 2013: Rs. 1,210,098 thousand).

	Note	(Un-audited) September 30, 2014	(Audited) December 31, 2013
Rupees in '000			
7. ADVANCES - NET			
Loans, cash credits, running finances, etc. - in Pakistan		166,953,508	164,150,576
Islamic financing and related assets	7.1	1,524,155	385,000
Net investment in finance lease - in Pakistan		16,167,048	14,060,985
Bills discounted and purchased (excluding treasury bills)			
-Payable in Pakistan		2,217,829	1,747,073
-Payable outside Pakistan		1,769,327	2,571,223
		3,987,156	4,318,296
Advances - gross		188,631,867	182,914,857
Provision for non-performing advances			
-Specific	7.2 & 7.3	(24,391,252)	(25,633,504)
-General	7.4	(71,977)	(41,755)
		(24,463,229)	(25,675,259)
Advances - net of provision		164,168,638	157,239,598
7.1 Islamic financing and related assets			
Against murabaha		454,411	135,000
Against diminishing musharaka		700,901	250,000
Against ijarah		368,843	-
		1,524,155	385,000

7.2 Provision against certain net advances amounting to Rs. 23,769,097 thousand (December 31, 2013: Rs. 26,139,925 thousand) requiring additional provisioning of Rs. 22,389,100 thousand (December 31, 2013: Rs. 24,302,207 thousand) has not been considered necessary in this consolidated condensed interim financial information on the basis of undertaking given by Government of the Punjab as stated in Note 1.2.

- 7.3 Advances include Rs. 55,822,581 thousand (December 31, 2013: Rs. 59,914,726 thousand) which have been placed under non-performing status as on September 30, 2014 as detailed below:

Category of classification	September 30, 2014 (Un-audited)				
	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000				
Other assets especially mentioned	98,785	-	98,785	287	287
Substandard	8,842,678	-	8,842,678	2,216,169	2,216,169
Doubtful	430,350	-	430,350	80,323	80,323
Loss	46,450,768	-	46,450,768	22,094,473	22,094,473
	55,822,581	-	55,822,581	24,391,252	24,391,252

Category of classification	December 31, 2013 (Audited)				
	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000				
Other assets especially mentioned	52,936	-	52,936	2,388	2,388
Substandard	8,552,333	-	8,552,333	2,041,981	2,041,981
Doubtful	707,666	-	707,666	300,763	300,763
Loss	50,601,791	-	50,601,791	23,288,372	23,288,372
	59,914,726	-	59,914,726	25,633,504	25,633,504

- 7.4 General provision represents provision against consumer financing portfolio as required by the Prudential Regulations issued by the SBP.
- 7.5 The SBP amended the prudential regulations vide BSD Circular No.1 of 2011 dated October 21, 2011 in relation to provision for loans and advances; there by allowing benefit of Forced Sale Value (FSV) of pledged stocks, mortgaged residential, commercial and industrial properties (land and buildings only) and plant and machinery under charge held as collateral against non-performing advances. The FSV benefit availed in last years have been reduced by Rs. 941,180 thousand (net of FSV benefit availed during the period), which has resulted in increased charge for specific provision for the period ended by the same amount., The FSV benefit is not available for cash or stock dividend. Had the FSV benefit not recognized, before and after tax profits for the period ended would have been higher by Rs. 941,180 thousand (September 30, 2013: higher by Rs.1,668,461 thousand) and Rs. 611,767 thousand (September 30, 2013: higher by Rs. 1,084,500 thousand) respectively.

8. OPERATING FIXED ASSETS

During the nine months ended, additions to / disposals from operating fixed assets amounted to Rs. 363,421 thousand (September 30, 2013: Rs. 336,884 thousand) and Rs. 99,446 thousand (September 30, 2013: Rs. 7,060 thousand), respectively.

	(Un-audited) September 30, 2014	(Audited) December 31, 2013
	Rupees in '000	
9. DEFERRED TAX ASSETS - NET		
Taxable temporary differences:		
Surplus on revaluation of operating fixed assets	(100,764)	(107,558)
Accelerated tax depreciation	(213,967)	(216,786)
Deductible temporary differences:		
Deficit on available for sale securities	107,246	99,049
Loan loss provision	8,026,320	8,026,320
Business loss	3,937,587	4,826,327
	11,756,422	12,627,352

9.1 The management has prepared a business plan on the basis of the arrangements as disclosed in Note 1.2. The business plan includes certain key assumptions such as deposit composition, growth of deposits and advances, investment returns, potential provision against assets, branch expansion plan etc. Any significant change in the key assumptions may have an impact on the projections, however, the management believes that it is probable that the Bank will be able to achieve the projections as per the business plan and future taxable income would be sufficient to allow the benefit of the deductible temporary differences.

	(Un-audited) September 30, 2014	(Audited) December 31, 2013
	Rupees in '000	
10. BORROWINGS		
Secured:		
Borrowings from SBP:		
-Export refinance (ERF)	8,572,892	6,722,490
-Long term financing - export oriented projects (LTF-EOP)	73,606	154,401
-Long term financing facility (LTFF)	1,404,226	1,161,695
Repurchase agreement borrowings	3,545,428	14,732,416
	13,596,152	22,771,002
Unsecured:		
Foreign placements	210,470	-
Overdrawn nostro accounts	140,154	31,480
	13,946,776	22,802,482

		(Un-audited) September 30, 2014	(Audited) December 31, 2013
		Rupees in '000	
11.	DEPOSITS AND OTHER ACCOUNTS		
	Customers		
	Fixed deposits	115,926,251	125,857,124
	Savings deposits	139,830,633	110,019,779
	Current accounts	60,348,847	60,096,224
	Sundry deposits, margin accounts, etc.	7,649,248	2,320,299
		323,754,979	298,293,426
	Financial institutions :		
	Remunerative deposits	2,250,321	7,227,752
	Non-remunerative deposits	1,234,861	1,039,516
		3,485,182	8,267,268
		327,240,161	306,560,694
11.1	Particulars of deposits		
	In local currency	320,331,420	300,587,729
	In foreign currencies	6,908,741	5,972,965
		327,240,161	306,560,694
12.	SHARE CAPITAL		
12.1	Authorized capital		
		(Un-audited) September 30, 2014	(Audited) December 31, 2013
		Rupees in '000	
		(No. of shares)	
		5,000,000,000	5,000,000,000
	Ordinary or preference shares of Rs. 10/- each	50,000,000	50,000,000

The authorized capital of the Bank is fifty thousand million rupees divided into five thousand million ordinary or preference shares of Rupees ten each.

12.2 Issued, Subscribed and Paid up Capital

	(Un-audited) September 30, 2014 (No. of shares)	(Audited) December 31, 2013		(Un-audited) September 30, 2014	(Audited) December 31, 2013
				Rupees in '000	
			Opening balance		
	19,333,340	19,333,340	Ordinary shares of Rs. 10/- each paid in cash	193,333	193,333
	526,315,789	-	Ordinary shares of Rs. 10/- each issued at discount	5,263,158	-
	509,464,036	509,464,036	Issued as bonus shares	5,094,641	5,094,641
	1,055,113,165	528,797,376		10,551,132	5,287,974
			During the period / year		
	500,000,000	-	Issuance of right shares at par value	5,000,000	-
	-	526,315,789	Issuance of right shares at discount	-	5,263,158
	500,000,000	526,315,789		5,000,000	5,263,158
			Closing balance		
	519,333,340	19,333,340	Ordinary shares of Rs. 10/- each paid in cash	5,193,333	193,333
	526,315,789	526,315,789	Ordinary shares of Rs. 10/- each issued at discount	5,263,158	5,263,158
	509,464,036	509,464,036	Issued as bonus shares	5,094,641	5,094,641
	1,555,113,165	1,055,113,165		15,551,132	10,551,132

12.3 Government of the Punjab (GOPb) held 57.47% shares in the Bank as at September 30, 2014 (December 31, 2013: 52.67 %).

	Note	(Un-audited) September 30, 2014	(Audited) December 31, 2013
		Rupees in '000	
13. SHARE DEPOSIT MONEY			
Share deposit money - I		-	5,000,000
Share deposit money - II		7,000,000	7,000,000
	13.1	7,000,000	12,000,000

	(Un-audited) September 30, 2014	(Audited) December 31, 2013
	Rupees in '000	
13.1 Reconciliation of share deposit money		
Opening balance	12,000,000	17,000,000
Right shares issued during the period / year	(5,000,000)	(5,000,000)
Closing balance	7,000,000	12,000,000
14. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX		
Surplus on revaluation of fixed assets - net of tax	887,607	891,259
(Deficit) / surplus on revaluation of securities - net of tax	(135,149)	13,291
	752,458	904,550
15. CONTINGENCIES AND COMMITMENTS		
15.1 Direct credit substitutes		
These include general guarantees of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favor of:		
	(Un-audited) September 30, 2014	(Audited) December 31, 2013
	Rupees in '000	
Government	-	-
Financial institutions	-	-
Others	1,746,342	1,176,561
	1,746,342	1,176,561

15.2 Transaction related contingent liabilities

These include performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credit related to particular transactions issued in favor of:

	(Un-audited) September 30, 2014	(Audited) December 31, 2013
	Rupees in '000	
Government	392,510	298,272
Financial institutions	14,469	33,872
Others	15,468,693	12,729,479
	15,875,672	13,061,623
15.3 Trade related contingent liabilities		
Government	12,325,837	970,207
Financial institutions	-	-
Others	9,150,402	7,420,631
	21,476,239	8,390,838
15.4 Other contingencies		
Claims against the Bank not acknowledged as debt	37,372,986	40,353,802

The amount involved in the claims filed against the Bank are yet to be adjudicated by the concerned courts as the same have been filed as outburst to Bank's recovery suits. Uptill now, in no case, any claim has been adjudicated, determined or decreed by the courts against the Bank. Moreover, there is no likelihood of decreeing the suits against the Bank because, the claims are frivolous.

15.5 Commitments to extend credit

The Bank makes commitments to extend credit in the normal course of business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

15.6 Income tax related contingency

For the tax year 2012 Income Tax Department has amended the assessment orders on the issue of turnover tax against which the Bank has filed appeals before Appellate Tribunal Inland Revenue. The expected tax liability in respect of aforesaid tax year amounts to Rs 257,967 thousand under minimum tax. The Management of the Bank, as per the opinion of its tax consultant, is confident that the appeal filed for the aforementioned tax year will be decided in Bank's favour.

	(Un-audited) September 30, 2014	(Audited) December 31, 2013
	Rupees in '000	
15.7 Commitments in respect of forward exchange contracts		
Purchase	6,149,572	4,433,928
Sale	4,664,241	5,382,084
	10,813,813	9,816,012
15.8 Commitments for the acquisition of operating fixed assets	35,666	18,199

16. EARNINGS PER SHARE - BASIC AND DILUTED

	Three months ended September 30, 2014	----- (Un-audited) ----- Nine months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2013
	Rupees in '000			
Profit after taxation (Rupees in thousand)	682,935	2,055,043	313,393	1,301,085
Weighted average number of ordinary shares (thousand)	1,400,746	1,400,746	749,058	749,058
Earnings per share - basic and diluted (Rupees)	0.49	1.47	0.42	1.74

Earnings per share for the nine months ended September 30, 2013 have been restated to give effect of bonus element included in issuance of right shares made during the period.

17. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:-

	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
	Rupees in '000					
Nine Months Ended September 30, 2014 (Un-audited)						
Total income	10,945,318	2,139,790	9,690,286	317,393	61,514	23,154,301
Total expenses	965,689	3,109,011	15,911,160	-	-	19,985,860
Inter segment revenue / (cost) transfer	(8,316,151)	1,235,353	7,080,798	-	-	-
Income taxes	-	-	-	-	-	1,113,398
Net income	1,663,478	266,132	859,924	317,393	61,514	2,055,043
Segment assets (gross)	171,842,353	21,936,150	187,912,041	-	-	381,690,544
Segment non performing advances / investments	3,207,772	2,192,575	53,630,006			59,030,353
Segment provision required	3,066,779	1,837,631	22,625,598			27,530,008
Segment liabilities	5,869,199	51,489,486	295,025,602			352,384,287
Segment return on net assets (ROA) (%)	10.91%	16.02%	13.11%			
Segment cost of funds (%)	8.35%	8.93%	8.81%			

	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
	Rupees in '000					
Nine Months Ended September 30, 2013 (Un-audited)						
Total income	9,642,047	1,529,793	8,670,422	305,241	57,362	20,204,865
Total expenses	1,241,780	2,866,509	14,075,377	-	-	18,183,666
Inter segment revenue / (cost) transfer	(6,613,307)	1,004,325	5,608,982	-	-	-
Income taxes	-	-	-	-	-	720,114
Net income / (loss)	1,786,960	(332,391)	204,027	305,241	57,362	1,301,085
Segment assets (gross)	146,021,388	17,058,391	168,272,169			331,351,948
Segment non performing advances / investments	3,287,916	2,623,393	60,323,704			66,235,013
Segment provision required	3,190,854	2,043,348	23,387,205			28,621,407
Segment liabilities	15,441,871	42,863,925	246,463,036			304,768,832
Segment return on net assets (ROA) (%)	11.15%	15.86%	13.32%			
Segment cost of funds (%)	9.43%	9.14%	8.84%			

18. RELATED PARTY TRANSACTIONS

Related parties comprise key management personnel and entities in which key management personnel are office holders / members. The Group carries out transactions with various related parties in the normal course of business. Amounts due from and due to related parties are shown under receivables and payables.

	September 30, 2014 (Un-audited)				December 31, 2013 (Audited)			
	Key management personnel	Modaraba floated by the wholly owned subsidiary of the Bank	Employee funds	Others	Key management personnel	Modaraba floated by the wholly owned subsidiary of the Bank	Employee funds	Others
	Rupees in '000				Rupees in '000			
Advances								
Opening balance	91,202	1,045,975	-	-	95,070	1,030,397	-	-
Loans granted during the period / year	70,882	447,739	-	-	28,158	1,720,007	-	-
Repayments received during the period / year	(28,370)	(637,036)	-	-	(32,026)	(1,704,429)	-	-
Closing balance	133,714	856,678	-	-	91,202	1,045,975	-	-
Placements	-	100,000	-	-	-	100,000	-	-
Deposits								
Opening balance	27,878	26,123	805,346	29,603	40,179	2,352	1,627,249	288
Placements made during the period / year	237,611	610,024	5,132,891	61,887	227,619	1,122,655	1,454,256	62,796
Withdrawals during the period / year	(245,690)	(636,022)	(3,914,694)	(49,939)	(239,920)	(1,098,884)	(2,276,159)	(33,481)
Closing balance	19,799	125	2,023,543	41,551	27,878	26,123	805,346	29,603
Lease liability	-	1,436	-	-	-	2,386	-	-

	September 30, 2014 (Un-audited)				September 30, 2013 (Un-audited)			
	Key management personnel	Modaraba floated by the wholly owned subsidiary of the Bank	Employee funds	Others	Key management personnel	Modaraba floated by the wholly owned subsidiary of the Bank	Employee funds	Others
	Rupees in '000				Rupees in '000			
Transactions during the period :								
Mark-up/return earned	8,151	58,007	-	-	5,717	88,961	-	-
Mark-up/interest expensed	447	-	129,389	1,891	656	-	112,292	432
Contribution to employees funds	-	-	57,731	-	-	-	37,840	-

18.1 Balances pertaining to parties that were related at the beginning of the year but ceased to be so related during any part of the current period are not reflected as part of closing balance. The same are accounted for through the movement presented above.

18.2 Although GoPb holds 57.47% shares of the Bank (December 31, 2013: 52.67%) transactions with GoPb have not been treated as related party transactions for the purpose of this disclosure.

19. DATE OF AUTHORIZATION FOR ISSUE

This consolidated condensed interim financial information was authorized for issuance on October 29, 2014 by the Board of Directors of the Bank.

20. GENERAL

20.1 The corresponding figures have been restated, where necessary, for the purpose of comparison. However, no significant reclassification has been made during the period.

20.2 Figures have been rounded off to the nearest thousand.

President

Director

ISLAMIC BANKING BUSINESS - STATEMENT OF FINANCIAL POSITION

Annexure - I

As at September 30, 2014

The Bank is operating 16 Islamic banking branches at close of September 30, 2014 (December 31, 2013: 07 branches).

	Note	(Un-audited) September 30, 2014	(Audited) December 31, 2013
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		371,186	157,253
Balance with other banks		20,845	19,239
Due from financial institutions		1,072,000	477,000
Investments		783,459	631,876
Islamic financing and related assets	A	1,524,155	385,000
Operating fixed assets		43,234	31,218
Deferred tax assets		-	-
Other assets		50,405	40,200
TOTAL ASSETS		3,865,284	1,741,786
LIABILITIES			
Bills payable		13,263	1,422
Due to financial institutions		-	-
Deposit and other accounts			
- Current accounts		1,158,949	660,556
- Saving accounts		1,776,697	425,985
- Term deposits		145,250	7,100
- Others		132,859	12,846
- Deposits from financial institutions - remunerative		3,139	-
- Deposits from financial institutions - non - remunerative		-	-
Due to head office		62,711	109,565
Other liabilities		16,303	5,784
		3,309,171	1,223,258
NET ASSETS		556,113	518,528
REPRESENTED BY			
Islamic banking fund		500,000	500,000
Reserves		-	-
Unappropriated profit		50,227	13,095
		550,227	513,095
Surplus on revaluation of assets		5,886	5,433
		556,113	518,528
Remuneration to Shariah Advisor / Board		1,492	2,126

	Note	(Un-audited) September 30, 2014	(Audited) December 31, 2013
		Rupees in '000	
CHARITY FUND			
Opening balance		19	-
Additions during the period		1	19
Payments / utilization during the period		-	-
Closing balance		20	19
A. Islamic financing and related assets			
Islamic mode of financing	A.1	1,524,155	385,000
A.1 Islamic mode of financing			
Murabaha		454,411	135,000
Diminishing musharaka		700,901	250,000
Ijarah		368,843	-
		1,524,155	385,000

ISLAMIC BANKING BUSINESS - PROFIT AND LOSS ACCOUNT

Annexure - I

For the Nine Months Ended September 30, 2014 (Un-audited)

	Three months ended September 30, 2014	Nine months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2013
	Rupees in '000			
Profit/return earned on financing, investment and placements	62,475	138,385	27,294	54,336
Return on deposits and other dues expensed	13,020	26,535	5,216	9,334
Net spread earned	49,455	111,850	22,078	45,002
Provision against non-performing loans and advances	-	-	-	-
Provision against consumer financings	-	-	-	-
Provision for diminution in the value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
Income after provisions	49,455	111,850	22,078	45,002
Other Income				
Fee, commission and brokerage income	749	3,077	287	615
Dividend income	-	-	-	-
Income from dealing in foreign currencies	(8)	18	1,615	1,706
Gain on sale and redemption of securities	-	-	-	-
Unrealized loss on revaluation of investments classified as held for trading	-	-	-	-
Other income	1,009	28,660	498	942
Total other income	1,750	31,755	2,400	3,263
	51,205	143,605	24,478	48,265
Other expenses				
Administrative expenses	53,319	106,473	18,378	34,782
Other provisions/write offs/reversals	-	-	-	-
Other charges	-	-	-	-
Total other expenses	53,319	106,473	18,378	34,782
Extra ordinary/unusual items	(2,114)	37,132	6,100	13,483
	-	-	-	-
PROFIT BEFORE TAXATION	(2,114)	37,132	6,100	13,483

