

CORPORATE INFORMATION

Board of Directors

Mr. Shahzad Hassan Pervez	Chairman
Mr. Hamesh Khan	President
Mr. Salman Siddique	Director
Mr. Qaisar Zulfaqar Khan	Director
Mian Muhammad Latif	Director
Mr. Shahzad Ali Malik	Director
Mr. Gohar Ejaz	Director

Mr. Azizul Hameed	Secretary to the Board
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Audit Committee

Mr. Qaisar Zulfaqar Khan	Chairman
Mr. Salman Siddique	Member
Mr. Shahzad Ali Malik	Member

Ford Rhodes Sidat Hyder & Co. Chartered Accountants	Auditors
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Credit Ratings by PACRA

Long term	AA
Short term	A1+

Registered Office

7- Egerton Road, Lahore - Pakistan
PBX - 9200421 - 433

Registrar

M/s Corplink (Pvt) Ltd.
Wings Arcade, 1-K (Commercial)
Model Town, Lahore.
Ph: 042-5839182

DIRECTORS' REPORT

On behalf of the Board of Directors', I am pleased to present Un-Audited Financial Statements of the Bank of Punjab for the period ended September 30, 2006.

The economic cycle of Pakistan has been stirring as the inspiration of clear dual mandate of State Bank of Pakistan to ensure price stability and to support growth has been fairly successful so far. The solid steps taken to tighten monetary policy along-with Government's administrative measures helped in bringing down the inflation rate around seven and a half percent by the end of June 2006. Since July 2006 the State Bank of Pakistan has taken many additional measures including enhancement in Cash Reserve and Statutory Liquidity Requirements (CRR & SLR) to contain and contract the money supply in line with the GDP growth in the country. There are significant indications that Pakistan's economy has moved out of a liquidity cycle into a real investment cycle due to strong domestic demand. This strong domestic demand driven by rising middle class, a growing consumer culture and rising real disposable income can be expected to further improve investor confidence.

I am pleased to inform you that during the period your bank has earned a pre-tax profit of Rs. 3,854 million as compared to Rs. 2,662 million for the similar period last year indicating 45% growth. Earning per share for the period comes to Rs.10.50 exceeding by 50% from last year's corresponding figure of Rs. 6.98. Bank's deposits rose to a level of Rs. 114,898 million at the end of the third quarter and advances portfolio increased to Rs. 87,974 million showing 30% and 38% growth respectively over December 31, 2005. The capital and reserves of your bank have now grown up to Rs. 9,793 million with a rise of 45% over the level as of December 31, 2005.

The Board of Directors is grateful to the Government of Punjab for its enduring support, to the State Bank of Pakistan for valuable guidance, to the customers for their trust and to the shareholders for their confidence reposed in the Management of the Bank. The staff of the Bank also deserves for an appreciation for their untiring efforts to achieve the targeted results.

For and on behalf of the Board

**Shahzad Hassan
Pervez**
Chairman

THE BANK OF PUNJAB

***Quarterly Accounts
for the period ended
September 30, 2006
(Un-audited)***



**INTERIM CONDENSED BALANCE SHEET AS AT SEPTEMBER 30, 2006
(Un-audited)**

		September 30, 2006	December 31, 2005 Restated
	Note	(Rupees in thousand)	
ASSETS			
Cash and bank balances with treasury banks		9,689,462	8,787,387
Balances with other banks		453,570	9,367,595
Lendings to financial institutions		7,390,417	7,593,681
Investments	6	27,361,538	18,026,181
Advances	7	87,974,381	63,623,705
Other assets		4,357,057	2,040,568
Operating fixed assets		1,996,815	1,715,061
		139,223,240	111,154,178
LIABILITIES			
Bills payable		1,118,665	478,001
Borrowings from financial institutions		5,021,087	6,791,007
Deposits and other accounts		114,897,954	88,465,051
Sub-ordinated loans		-	-
Liability against assets subject to finance lease		43,032	55,403
Other liabilities		2,065,143	1,474,425
Deferred tax liability		297,891	220,177
		123,443,772	97,484,064
NET ASSETS		15,779,468	13,670,114
REPRESENTED BY			
Share capital	8	2,866,657	2,349,719
Reserves		3,740,399	2,940,399
Unappropriated profit		3,185,779	1,486,755
		9,792,835	6,776,873
Surplus on revaluation of assets		5,986,633	6,893,241
Contingencies and commitments	9	15,779,468	13,670,114

The annexed notes from 1 to 12 form an integral part of these financial statements.

PRESIDENT

DIRECTOR

**INTERIM CONDENSED PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED SEPTEMBER 30, 2006
(Un-audited)**

	Quarter ended Sep. 30, 2006	Period ended Sep. 30, 2006	Quarter ended Sep. 30, 2005	Period ended Sep. 30, 2005
	(Rupees in thousand)			
Mark-up/return/interest earned	3,138,645	8,258,145	1,691,092	4,095,464
Mark-up/return/interest expensed	2,046,084	5,170,801	766,800	1,600,451
Net mark-up/return/interest income	1,092,561	3,087,344	924,292	2,495,013
Provision against non-performing advances	148,645	285,343	-	48,521
Provision for diminution in the value of investments	-	-	-	-
Bad debts written off directly	-	1	1,773	2,231
	148,645	285,344	1,773	50,752
Net mark-up/return/interest income after provisions	943,916	2,802,000	922,519	2,444,261
NON MARK UP/INTEREST INCOME				
Fee, commission and brokerage income	110,609	363,148	71,075	169,099
Dividend income	6,770	1,356,040	3,750	728,625
Income from dealing in foreign currencies	76,108	149,986	20,059	45,799
Other income	116,453	407,574	78,316	177,194
Total non mark-up/interest income	309,940	2,276,748	173,200	1,120,717
	1,253,856	5,078,748	1,095,719	3,564,978
NON MARK UP/INTEREST EXPENSES				
Administrative expenses	441,670	1,224,390	344,514	910,509
Other provisions/write offs	175	175	(2,594)	(7,690)
Other charges	-	26	90	151
Total non mark-up/interest expenses	441,845	1,224,591	342,010	902,970
PROFIT BEFORE TAXATION	812,011	3,854,157	753,709	2,662,008
Taxation - Current	218,210	765,112	285,100	725,100
- Prior years	-	-	-	(55,527)
- Deferred	13,824	77,714	-	(7,591)
	232,034	842,826	285,100	661,982
PROFIT AFTER TAXATION	579,977	3,011,331	468,609	2,000,026
Unappropriated profit brought forward	2,604,258	1,486,755	1,675,007	944,836
Transfer from Surplus on Revaluation of Fixed Assets - Net of Tax	1,544	4,631	-	-
	2,605,802	1,491,386	1,675,007	944,836
Profit available for appropriation	3,185,779	4,502,717	2,143,616	2,944,862
Appropriations				
Transfer to:				
Statutory reserve	-	-	-	-
Capital reserve	-	-	-	-
Reserve for the issue of bonus shares	-	(516,938)	(542,243)	(843,489)
General reserve	-	(800,000)	-	(500,000)
	-	(1,316,938)	(542,243)	(1,343,489)
Unappropriated profit brought forward	3,185,779	3,185,779	1,601,373	1,601,373
Earnings per share (Rupees)	2.02	10.50	1.63	6.98

The annexed notes from 1 to 12 form an integral part of these financial statements.

**INTERIM CONDENSED CASH FLOW STATEMENT
FOR THE PERIOD ENDED SEPTEMBER 30, 2006
(Un-audited)**

	September 30, 2006	September 30, 2005
	(Rupees in thousand)	
Cash flow from operating activities		
Profit before taxation	3,854,157	2,662,008
Less: Dividend income	(1,356,040)	(728,625)
Compensation for delayed assessed Income Tax Refunds	(43,115)	-
	<u>2,455,002</u>	<u>1,933,383</u>
Adjustments for non-cash charges		
Depreciation/amortization	78,731	44,762
Provision against non-performing advances	285,343	48,521
Provision for investments	-	-
(Gain) on sale of fixed assets	(166)	(461)
(Gain) on sale of investment	(35,815)	(15,995)
Other provisions/direct write offs	1	(5,459)
	<u>328,094</u>	<u>71,368</u>
	<u>2,783,096</u>	<u>2,004,751</u>
(Increase)/decrease in operating assets		
Lendings to financial institutions	(296,736)	(7,474,868)
Advances	(24,636,020)	(10,623,295)
Other assets (excluding advance taxation)	(2,302,547)	(808,377)
	<u>(27,235,303)</u>	<u>(18,906,540)</u>
Increase/(decrease) in operating liabilities		
Bills payable	640,664	256,884
Borrowings from financial institutions	(1,769,919)	1,254,743
Deposits	26,432,903	16,111,418
Liability against assets subject to finance lease	(12,372)	(25,614)
Other liabilities (excluding current taxation)	305,329	473,856
	<u>25,596,605</u>	<u>18,071,287</u>
Income tax paid - net	(436,605)	(40,832)
Net cash flow from operating activities	<u>707,793</u>	<u>1,128,666</u>
Cash flow from investing activities		
Net investments	(10,201,519)	1,471,835
Dividend income	1,342,098	694,526
Investment in operating fixed assets	(360,488)	(58,474)
Sale proceeds of property and equipment disposed off	166	951
Net cash flow from investing activities	<u>(9,219,743)</u>	<u>2,108,838</u>
Increase in cash and cash equivalents	<u>(8,511,950)</u>	<u>3,237,504</u>
Cash and cash equivalents at beginning of the period	<u>18,654,982</u>	<u>7,797,808</u>
Cash and cash equivalents at end of the period	<u>10,143,032</u>	<u>11,035,312</u>
Cash and cash equivalents:		
Cash and balances with treasury banks	9,689,462	5,682,969
Balances with other banks	453,570	4,782,343
Money at call lending	-	570,000
	<u>10,143,032</u>	<u>11,035,312</u>

The annexed notes from 1 to 12 form an integral part of these financial statements.

PRESIDENT

DIRECTOR

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2006
(Un-audited)**

	Share Capital	Capital	Reserve		Issue of bonus shares	Unappropriated Unremitted Profit/(loss)	Total
			Statutory	General			
(Rupees in thousand)							
Balance as at January 01, 2005 previously reported	1,506,230	2,049	772,000	1,695,350	301,246	143,590	4,420,465
Effect of change in accounting policy with respect to appropriation	-	-	-	(500,000)	(301,246)	801,246	-
Balance as at January 01, 2005 restated	1,506,230	2,049	772,000	1,195,350	-	944,836	4,420,465
Profit for the period ended September 30, 2005	-	-	-	-	-	2,000,026	2,000,026
Transfer to General reserve	-	-	-	500,000	-	(500,000)	-
Transfer to reserve for issue of bonus shares	-	-	-	-	301,246	(301,246)	-
Issue of bonus shares	301,246	-	-	-	(301,246)	-	-
Transfer to reserve for issue of bonus shares	-	-	-	-	542,243	(542,243)	-
Closing Balance as at September 30, 2005	1,807,476	2,049	772,000	1,695,350	542,243	1,601,373	6,420,491
Profit for the period October - December 31, 2005	-	-	-	-	-	353,216	353,216
Transfer from surplus on Revaluation of Fixed Assets to unappropriated Profit - Net of Tax	-	-	-	-	-	3,166	3,166
Transfer to Statutory Reserve	-	-	471,000	-	-	(471,000)	-
Transfer to General Reserve	-	-	-	800,000	-	(800,000)	-
Transfer to reserve for issue of bonus shares	-	-	-	-	516,938	(516,938)	-
Issue of bonus shares	542,243	-	-	-	(542,243)	-	-
Balance as at December 31, 2005	2,349,719	2,049	1,243,000	2,495,350	516,938	169,817	6,776,873
Effect of change in accounting policy with respect to appropriation	-	-	-	(800,000)	(516,938)	1,316,938	-
Balance as at December 31, 2005 as restated	2,349,719	2,049	1,243,000	1,695,350	-	1,486,755	6,776,873
Transfer to General Reserve	-	-	-	800,000	-	(800,000)	-
Transfer to reserve for issue of bonus shares	-	-	-	-	516,938	(516,938)	-
Issue of bonus shares	516,938	-	-	-	(516,938)	-	-
Profit for the period ended September 30, 2006	-	-	-	-	-	3,011,331	3,011,331
Transfer from surplus on Revaluation of Fixed Assets to unappropriated Profit - Net of Tax	-	-	-	-	-	4,631	4,631
Closing Balance as at September 30, 2006	2,866,657	2,049	1,243,000	2,495,350	-	3,185,779	9,792,835

The annexed notes from 1 to 12 form an integral part of these financial statements.

**INTERIM CONDENSED SELECTED NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2006
(Un-audited)**

1. Status and Nature of Business

The Bank of Punjab 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 on September 19, 1994. It is principally engaged in commercial banking and related services with its registered office at 7-Egerton Road, Lahore. The Bank has 266 branches (2005: 266 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 the Government of Punjab.

2. Statement of Compliance

The financial statements are unaudited and are being presented in a condensed form in accordance with the requirements of International Accounting Standard 34 - "Interim Financial Reporting" and BSD Circular Letter No. 02 dated May 12, 2004, issued by the State Bank of Pakistan. These financial statements are unaudited and are circulated to the shareholders in accordance with section 245 of the Companies Ordinance, 1984.

3. Basis of measurement

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4. Summary of Significant accounting policies

The same accounting policies and methods of computation are followed in the interim condensed financial statements as compared with the most recent annual financial statements except for:

The Institute of Chartered Accountants of Pakistan issued a circular number 06-2006 dated June 19, 2006 which requires that all declarations of dividends to holders of equity instruments including declaration of bonus issues and other appropriations except appropriations which are required by law after the balance sheet date, should not be recognised as liabilities or change in reserves at the balance sheet date. Previously all declarations of dividend to holders of equity instruments and transfers to reserves relating to profit for the year although declared subsequent to year end, were accounted for in the year to which those related. This change has been applied retrospectively and comparatives have been restated and impact of change has been reflected in the statement of changes in equity.

5. Taxation

Provision for taxation has been made on an estimated basis in these financial statements.

6. Investments	Held by bank	Given as collateral	Total
	(Rupees in thousand)		
As at September 30, 2006 (Un-audited) -note 6.1	27,361,538	-	27,361,538
As at December 31, 2005 (Audited)	17,676,181	350,000	18,026,181
6.1 Investments by types			
Held-for-Trading securities	354	-	354
Available-for-sale securities	19,057,128	-	19,057,128
Held-to-maturity securities	3,073,605	-	3,073,605
Subsidiary	164,943	-	164,943
	22,296,030	-	22,296,030
Less : Provision for diminution in value of investments	(400)	-	(400)
Add : Surplus on revaluation of investments	5,065,908	-	5,065,908
Investments (Net of Provisions)	27,361,538	-	27,361,538
		(Un-audited)	(Audited)
		September 30,	December 31,
		2006	2005
		(Rupees in thousand)	
7. Advances			
Loans, cash credits, running finances- in Pakistan	76,750,010		58,771,710
Net investment in finance lease- in Pakistan	3,753,954		3,026,657
Financing under Continuous Funding System	321,425		371,874
Bills discounted and purchased (excluding Treasury Bills)			
- Payable in Pakistan	6,002,630		809,892
- Payable outside Pakistan	2,241,949		1,473,375
	8,244,579		2,283,267
	89,069,968		64,453,508
Provision for non-performing advances			
- Specific	(1,000,288)		(732,673)
- General	(95,299)		(97,130)
	(1,095,587)		(829,803)
	87,974,381		63,623,705

- 7.1 Advances include Rs.1,973,036 thousand (2005:1,359,567 thousand) which have been placed under non-performing status as detailed below:

Category of classification	Domestic	Provision Required	Provision Held
	(Rupees in thousand)		
Other assets especially mentioned	187,414	-	-
Substandard	303,202	34,515	34,515
Doubtful	351,712	117,378	117,378
Loss	1,130,708	848,395	848,395
	<u>1,973,036</u>	<u>1,000,288</u>	<u>1,000,288</u>

- 7.2 General provision represents provision against consumer financing portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan.

8. Share Capital

September 30, 2006	December 31, 2005		(Un-audited) September 30, 2006	(Audited) December 31, 2005
(No. of Shares)			(Rupees in thousand)	
		Authorised		
<u>1,000,000,000</u>	<u>1,000,000,000</u>	Ordinary shares of Rs. 10/- each	<u>10,000,000</u>	<u>10,000,000</u>
		Fully paid shares		
<u>15,750,000</u>	<u>15,750,000</u>	Ordinary shares of Rs. 10/- each paid in cash	<u>157,500</u>	<u>157,500</u>
		Bonus shares		
<u>219,221,860</u>	<u>134,872,988</u>	Opening balance of fully paid bonus shares of Rs. 10/- each	<u>2,192,219</u>	<u>1,348,730</u>
<u>51,693,809</u>	<u>84,348,872</u>	Issued during the year of Rs. 10/- each	<u>516,938</u>	<u>843,489</u>
<u>286,665,669</u>	<u>234,971,860</u>		<u>2,866,657</u>	<u>2,349,719</u>

	(Un-audited) September 30, 2006	(Audited) December 31, 2005
	(Rupees in thousand)	
9. Contingencies and Commitments		
9.1 Transaction related contingent liabilities		
Guarantees favouring		
Government	5,453,458	4,252,433
Banks and financial institutions	176,100	73,495
Others	3,961,413	1,102,738
	9,590,971	5,428,666
Stand by letters of credit favouring others	-	-
	9,590,971	5,428,666
9.2 Trade related contingent liabilities		
Letters of credit	16,037,473	10,740,452
Acceptances	10,002,481	2,576,582
	26,039,954	13,317,034
9.3 Other contingencies		
Claims against the bank not acknowledged as debt	399,230	403,484
9.4 Commitments in respect of forward lending		
The Bank makes commitments to extend credit in normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		
9.5 Commitments for sale of securities	349	43,558
9.6 Commitments in respect of forward exchange contracts		
Purchase	592,975	268,336
Sale	2,501,888	1,569,803
	3,094,863	1,838,139
9.7 Commitments for acquisition of operating fixed assets	-	8,839

10. Related party transactions

Related parties comprise associated undertakings, subsidiary, directors, key management personnel and Bankers Avenue Co-operative Housing Society Limited in which key management personnel are office holders / members. The bank in the normal course of business carries out transactions with various related parties. Amount due from and due to related parties are shown under receivable and payable.

		(Un-audited) September 30, 2006 (Rupees in thousand)	
		Advances	Lending to
10.1	Transactions with associated undertaking/ related parties		
	Advances / Lending to financial institutions		
	Outstanding at the beginning of the period	704,084	-
	Made during the quarter	1,029,894	11,291,982
	Repaid/matured during the period	1,206,194	11,291,982
	Outstanding at the end of quarter	527,784	-
	Markup earned	51,300	4,615
	Deposits in current/corporate premier account at the end of quarter	35,180	-
	Security Deposits in respect of finance lease	743	-
	Lease finance arrangements	7,427	-
	Markup paid on deposits during the period	1,225	-

No provision has been recognised in respect of advances given to related parties

10.2

The Transactions were carried out at an arm's length in accordance with the accounting policy of the Bank.

Contributions to and accruals in respect of staff retirement plans are made in accordance with actuarial valuation/ terms of contribution plan.

Remuneration to chief executive and executives was paid in accordance with their terms of employment.

Vehicles were sold to certain executives as per the Bank's Policy.

11. Date of authorisation for issue

The Board of Directors have authorized the accounts for issuance on 27th day of October 2006.

12. General

12.1

The corresponding figures have been restated due to change in accounting policy as explained in note 4. However, no other significant reclassification has been made during the period.

12.2

Figures have been rounded off to the nearest thousand.

