

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT SEPTEMBER 30, 2007
(Un-audited)

		(Un-audited) September 30, 2007	(Audited) December 31, 2006
	Note	(Rupees in thousand)	
ASSETS			
Cash and balances with treasury banks		14,254,857	14,054,859
Balances with other banks		3,656,264	3,722,089
Lendings to financial institutions	6	5,995,628	11,846,823
Investments	7	69,967,282	28,233,211
Advances	8	120,588,510	101,324,443
Operating fixed assets		3,485,905	2,068,744
Deferred tax assets		-	-
Other assets		5,102,365	3,612,692
		223,050,811	164,862,861
LIABILITIES			
Bills payable		1,122,134	856,448
Borrowings	9	6,312,142	6,989,424
Deposits and other accounts	10	191,418,781	137,727,544
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		26,653	40,988
Deferred tax liabilities		550,157	298,616
Other liabilities		2,755,333	2,816,412
		202,185,200	148,729,432
NET ASSETS		20,865,611	16,133,429
REPRESENTED BY			
Share capital	11	3,845,799	2,902,490
Reserves		4,921,812	4,537,232
Unappropriated profit		5,963,481	3,226,961
		14,731,092	10,666,683
Surplus on revaluation of assets - net of deferred tax		6,134,519	5,466,746
		20,865,611	16,133,429
Contingencies and commitments	12		

The annexed notes from 1 to 15 form an integral part of these financial statements.

Chairman

President

Director

Director

**INTERIM CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED SEPTEMBER 30, 2007
(Un-audited)**

	Quarter ended Sep. 30, 2007	Period ended Sep. 30, 2007	Quarter ended Sep 30, 2006 (Restated)	Period ended Sep 30, 2006
(Rupees in thousand)				
Mark-up / return / interest earned	4,702,235	13,077,058	3,138,645	8,258,145
Mark-up / return / interest expensed	3,759,852	10,182,440	2,046,084	5,170,801
Net mark-up / return / interest income	942,383	2,894,618	1,092,561	3,087,344
Provision against non-performing loans and advances - net	110,151	391,518	148,645	285,343
Provision for diminution in the value of investments	-	24,394	-	-
Bad debts written off directly	66	149	-	1
Net mark-up / interest income after provisions	110,217	416,061	148,645	285,344
	832,166	2,478,557	943,916	2,802,000
NON MARK UP / INTEREST INCOME				
Fee, commission and brokerage income	110,346	448,244	112,214	368,873
Dividend income	1,737,828	1,793,427	1,277,828	1,356,040
Income from dealing in foreign currencies	110,087	246,249	76,108	149,986
Gain on sale of securities	53,382	778,167	1,031	35,814
Unrealized loss on revaluation of investments classified as held for trading	(12,829)	(8,397)	-	-
Other income	120,646	438,882	115,422	371,760
Total non mark-up / interest income	2,119,460	3,696,572	1,582,603	2,282,473
	2,951,626	6,175,129	2,526,519	5,084,473
NON MARK UP / INTEREST EXPENSES				
Administrative expenses	511,347	1,524,723	442,193	1,225,942
Other provisions / write offs / reversals	-	(130,000)	175	175
Other charges	589	996	-	26
Total non mark-up / interest expenses	511,936	1,395,719	442,368	1,226,143
PROFIT BEFORE TAXATION	2,439,690	4,779,410	2,084,151	3,858,330
Taxation				
Current	170,204	467,859	282,151	765,951
Prior years	-	-	-	-
Deferred	35,116	251,541	13,824	77,714
	205,320	719,400	295,975	843,665
PROFIT AFTER TAXATION	2,234,370	4,060,010	1,788,176	3,014,665
Unappropriated profit brought forward	5,055,534	3,226,961	2,724,630	1,495,054
Transfer from surplus on revaluation of fixed assets - net of tax	1,466	4,399	1,544	4,631
	5,057,000	3,231,360	2,726,174	1,499,685
Profit available for appropriation	7,291,370	7,291,370	4,514,350	4,514,350
Earnings per share (Rupees)				
Basic and Diluted	5.28	9.60	4.26	7.19

The annexed notes from 1 to 15 form an integral part of these financial statements.

Chairman

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**INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED SEPTEMBER 30, 2007
(Un-audited)**

	September 30, 2007	September 30, 2006
	(Rupees in thousand)	
Cash flow from operating activities		
Profit before taxation	4,779,410	3,858,330
Less: Dividend income	(1,793,427)	(1,356,040)
Compensation for delayed income tax refunds	-	(43,115)
	<u>2,985,983</u>	<u>2,459,175</u>
Adjustments for non-cash charges and irrelevant items		
Depreciation / amortization	115,714	78,731
Provision against non-performing advances	391,518	285,343
Provision for diminution in value of investments	24,394	-
Provision against lending to financial institutions	(130,000)	-
(Gain) on sale of investment	(769,770)	(35,815)
(Gain) / Loss on sale of fixed assets	471	(166)
Other provisions / direct write offs	149	1
	<u>(367,524)</u>	<u>328,094</u>
	<u>2,618,459</u>	<u>2,787,269</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	5,851,195	(296,736)
Advances	(19,525,412)	(24,633,020)
Other assets (excluding advance taxation)	(772,141)	(2,291,747)
	<u>(14,446,358)</u>	<u>(27,221,503)</u>
Increase / (decrease) in operating liabilities		
Bills payable	265,686	640,664
Borrowings from financial institutions	(677,282)	(1,769,919)
Deposits and other accounts	53,691,232	26,432,839
Liability against assets subject to finance lease	(14,335)	(12,372)
Other liabilities (excluding current taxation)	(63,184)	288,471
	<u>53,202,117</u>	<u>25,579,683</u>
Income tax paid - net	(1,178,625)	(437,656)
Net cash flow from operating activities	<u>40,195,593</u>	<u>707,793</u>
Cash flow from investing activities		
Net investments	(40,316,524)	(10,201,519)
Dividend income	1,788,445	1,342,098
Investment in operating fixed assets	(1,533,576)	(360,488)
Sale proceeds of property and equipment disposed off	230	166
Net cash flow from investing activities	<u>(40,061,425)</u>	<u>(9,219,743)</u>
Cash flow from financing activities		
Receipts/ (Payments) of sub-ordinated loan	-	-
Issue of share capital	-	-
Dividend paid	-	-
Net cash flow from financing activities	<u>-</u>	<u>-</u>
Increase in cash and cash equivalents	<u>134,168</u>	<u>(8,511,950)</u>
Cash and cash equivalents at beginning of the period	<u>18,276,953</u>	<u>18,654,982</u>
Cash and cash equivalents at end of the period	<u>18,411,121</u>	<u>10,143,032</u>
Cash and cash equivalents:		
Cash and balances with treasury banks	14,254,857	9,689,462
Balances with other banks	3,656,264	453,570
Money at call lending	500,000	-
	<u>18,411,121</u>	<u>10,143,032</u>

The annexed notes from 1 to 15 form an integral part of these financial statements.

Chairman

President

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Director

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2007
(Un-audited)**

	Share Capital	Statutory	Reserve		General	Unappropriated Profit	Total
			Share Premium	For issue of bonus shares			
(Rupees in thousand)							
Balance as at January 01, 2006 previously reported	2,349,719	1,243,000	2,049	516,938	2,495,350	178,116	6,785,172
Effect of change in accounting policy with respect to appropriation	-	-	-	(516,938)	(800,000)	1,316,938	-
Balance as at January 01, 2006 restated	2,349,719	1,243,000	2,049	-	1,695,350	1,495,054	6,785,172
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)	-	-	-
Transfer from surplus on Revaluation of Fixed Assets to unappropriated Profit - Net of Tax	-	-	-	-	-	4,631	4,631
Profit for the period ended September 30, 2006	-	-	-	-	-	3,014,665	3,014,665
Balance as at Sep 30, 2006	2,866,657	1,243,000	2,049	-	2,495,350	3,197,412	9,804,468
Issue of right shares	35,833	-	-	-	-	-	35,833
Premium on issue of right shares	-	-	35,833	-	-	-	35,833
Transfer from surplus on Revaluation of Fixed Assets to unappropriated Profit - Net of Tax	-	-	-	-	-	1,543	1,543
Transfer to Statutory Reserve	-	761,000	-	-	-	(761,000)	-
Profit for the period October -December 2006	-	-	-	-	-	789,006	789,006
Balance as at December 31, 2006	2,902,490	2,004,000	37,882	-	2,495,350	3,226,961	10,666,683
Transfer to reserve for issue of bonus shares (Final December 2006)	-	-	-	943,309	-	(943,309)	-
Issue of bonus shares	943,309	-	-	(943,309)	-	-	-
Transfer to reserve for issue of bonus shares (Interim June 2007)	-	-	-	384,580	-	(384,580)	-
Transfer from surplus on Revaluation of Fixed Assets to unappropriated Profit - Net of Tax	-	-	-	-	-	4,399	4,399
Profit for the period ended September 30, 2007	-	-	-	-	-	4,060,010	4,060,010
Balance as at September 30, 2007	3,845,799	2,004,000	37,882	384,580	2,495,350	5,963,481	14,731,092

The annexed notes from 1 to 15 form an integral part of these financial statements.

Chairman

President

Director

Director

**NOTES TO THE INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2007 (Un-audited)**

1. Status and Nature of Business

The Bank of Punjab Group comprises of The Bank of Punjab (the Bank) and Punjab Modaraba Services (Pvt) Ltd. 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 7-Egerton Road, Lahore. The Bank has 271 branches (December 31, 2006: 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. Punjab Modaraba Services (Pvt) Ltd. is wholly owned subsidiary of the Bank and is primarily engaged in business of floating and managing of modarabas.

2. Statement of Compliance

These interim condensed consolidated financial statements of The Bank of Punjab Group include The Bank of Punjab and its wholly owned subsidiary, Punjab Modaraba Services (Pvt) Ltd. The condensed consolidated financial statements have been prepared in accordance with approved accounting standards as applicable to banks in Pakistan and the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, The Bank of Punjab Act, 1989, and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and State Bank of Pakistan (SBP). Approved accounting standards comprise of such International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the said directives take precedence.

The State Bank of Pakistan as per BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of IAS-39 'Financial Instruments: Recognition and Measurement' and IAS-40 'Investment Property' for banking companies till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these interim condensed financial statements. However, investments have been classified and valued in accordance with the requirement of various circulars issued by SBP.

The disclosures made in these financial statements have, however, been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular letter No. 2 dated May 12, 2004. International Accounting Standard 34 - Interim Financial Reporting and should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2006.

3. Summary of significant accounting policies

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

4. Dividend income

In accordance with recent clarification issued by the Institute of Chartered Accountants of Pakistan (ICAP) vide letter No. CA/DTS/TAC-2007-587 dated June 8, 2007, the Bank has rectified its accounting treatment for dividend income from investment in mutual funds. Hence the comparative figures for the period July-September 2006 have been restated in this respect.

5. Taxation

Provision for taxation has been made on estimated bases in these interim financial statements.

			(Un-audited) September 30, 2007	(Audited) December 31, 2006		
(Rupees in thousand)						
6. Lendings to financial institutions						
Call money lendings			500,000	500,000		
Repurchase agreement lendings (Reverse Repo)			3,870,628	9,281,823		
Certificates of Investment - net			950,000	1,700,000		
Placements			675,000	365,000		
			<u>5,995,628</u>	<u>11,846,823</u>		
7. Investments	Held by bank	Given as collateral	Total			
	(Rupees in thousand)					
September 30, 2007 (Un-audited)	<u>69,694,143</u>	<u>273,139</u>	<u>69,967,282</u>			
December 31, 2006 (Audited)	<u>27,945,154</u>	<u>288,057</u>	<u>28,233,211</u>			
7.1 Investments by types						
	(Un-Audited) September 30, 2007			(Audited) December 31, 2006		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
(Rupees in thousand)						
Held-for-trading securities						
Investment in funds	150,000	-	150,000	-	-	-
Available-for-sale securities						
Pakistan Market Treasury Bills	43,523,411	282,873	43,806,284	8,200,261	288,924	8,489,185
Pakistan Investment Bonds	732,097	-	732,097	788,678	-	788,678
Ordinary shares of listed companies and modarabas	312,863	-	312,863	312,863	-	312,863
Preference shares of listed companies	210,908	-	210,908	210,908	-	210,908
Ordinary shares of unlisted companies	25,000	-	25,000	25,000	-	25,000
NIT units	3,699,249	-	3,699,249	2,792,859	-	2,792,859
Investment in funds	10,042,030	-	10,042,030	4,382,541	-	4,382,541
Term Finance Certificates (TFCs)	2,782,632	-	2,782,632	3,664,887	-	3,664,887
Held-to-maturity securities						
Pakistan Market Treasury Bills	-	-	-	-	-	-
Pakistan Investment Bonds	2,905,399	-	2,905,399	2,955,518	-	2,955,518
WAPDA Bonds	100,951	-	100,951	101,638	-	101,638
Total investments at cost	<u>64,484,540</u>	<u>282,873</u>	<u>64,767,413</u>	<u>23,435,153</u>	<u>288,924</u>	<u>23,724,077</u>
Less: Provision for diminution in value of investments	6,440	-	6,440	33,400	-	33,400
Investments - net of provisions	<u>64,478,100</u>	<u>282,873</u>	<u>64,760,973</u>	<u>23,401,753</u>	<u>288,924</u>	<u>23,690,677</u>
Add/(Less): Surplus/(Loss) on revaluation of available-for-sale securities	5,224,440	(9,734)	5,214,706	4,543,401	(867)	4,542,534
Less: Loss on remeasurement of held for trading investments	8,397	-	8,397	-	-	-
Total investments at market value	<u>69,694,143</u>	<u>273,139</u>	<u>69,967,282</u>	<u>27,945,154</u>	<u>288,057</u>	<u>28,233,211</u>

	Note	(Un-audited)	(Audited)
		September 30, 2007	December 31, 2006
(Rupees in thousand)			
8. Advances			
Loans, cash credits, running finances etc- in Pakistan		109,109,499	88,537,832
Net investment in finance lease- in Pakistan		4,194,049	3,828,382
Financing under Continuous Funding System		1,153,173	-
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		5,651,433	8,058,451
Payable outside Pakistan		1,899,044	2,050,544
		7,550,477	10,108,995
		122,007,198	102,475,209
Provision for non-performing advances -Specific	8.1	(1,269,158)	(1,058,717)
-General	8.2	(149,530)	(92,049)
		(1,418,688)	(1,150,766)
		120,588,510	101,324,443

8.1 Advances include Rs. 2,492,772 thousand (2006 : 2,345,754 thousand) which have been classified as non-performing in various categories as detailed below:

Category of classification	Domestic	Overseas	Total	Provision	Provision
				Required	Held
(Rupees in thousand)					
Other assets especially mentioned	245,966	-	245,966	-	-
Substandard	171,430	-	171,430	32,294	32,294
Doubtful	449,394	-	449,394	139,741	139,741
Loss	1,625,982	-	1,625,982	1,097,123	1,097,123
	2,492,772	-	2,492,772	1,269,158	1,269,158

8.2 General provision includes Rs. 84,528 thousand that represents provision against consumer financing portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan.

	(Un-audited) September 30, 2007 (Rupees in thousand)	(Audited) December 31, 2006
9. Borrowings		
Secured		
Borrowings from State Bank of Pakistan		
-Under export refinance scheme	6,029,269	6,000,500
Repurchase agreement borrowings	9.1 282,873	288,924
	6,312,142	6,289,424
Unsecured		
Call borrowings	-	700,000
	6,312,142	6,989,424
9.1	Markup is payable on borrowings under repurchase agreement at a rate of 8.84% (2006: 8.75%) per annum.	
10. Deposits and othe accounts		
Customers		
Fixed deposits	75,472,094	54,115,307
Saving deposits	75,455,553	51,699,612
Current accounts - non-remunerative	13,099,741	18,652,860
Sundry deposits, margin accounts etc.	1,462,311	1,138,856
	165,489,642	125,606,635
Financial institution		
Remunerative	21,312,348	11,947,282
Non-remunerative	4,616,791	173,627
	25,929,139	12,120,909
	191,418,781	137,727,544
10.1 Particulars of deposits		
In local currency	189,845,660	135,264,902
In foreign currency	1,573,121	2,462,642
	191,418,781	137,727,544

11. Share Capital

September 30, 2007	December 31, 2006		(Un-audited) September 30, 2007	(Audited) December 31, 2006
(No. of Shares)			(Rupees in thousand)	
		Authorised		
		Ordinary shares of		
1,000,000,000	1,000,000,000	Rs. 10/- each	10,000,000	10,000,000
		Fully paid shares		
		Ordinary shares of		
19,333,340	19,333,340	Rs. 10/- each paid in cash	193,333	193,333
		Bonus shares		
		Issued as bonus shares		
365,246,560	270,915,660		3,652,466	2,709,157
384,579,900	290,249,000		3,845,799	2,902,490

12. Contingencies and commitments

12.1 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, 2007	(Audited) December 31, 2006
	(Rupees in thousand)	
Government	-	-
Banks and financial institutions	-	-
Others	8,608,734	10,799,599
	8,608,734	10,799,599

12.2 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:

Government	274,539	5,361,747
Banks and financial institutions	9,111	50,000
Others	18,884,176	4,744,689
	19,167,826	10,156,436

	(Un-audited) September 30, 2007	(Audited) December 31, 2006
	(Rupees in thousand)	
12.3 Trade related contingent liabilities		
Government	2,076,503	2,039,822
Financial institutions	18,487	-
Others	23,277,875	16,225,594
	25,372,865	18,265,416
12.4 Income tax related contingency		
<p>The Income Tax Department has filed an appeal with the Honorable Income Tax Appellate Tribunal (ITAT) against the order of Commissioner of Income Tax (Appeals) disallowing add-back of charge for the 'tax years' 2003, 2004 and 2005 in respect of provision for doubtful debts. The stated appeal is currently in process in the ITAT. However, the management of the Bank, based on the opinion of tax advisors, is confident of a favorable outcome of the decision and has therefore, not made any provision in these financial statements.</p> <p>In the event that the appeals are decided against the Bank, a further tax liability of Rs. 70,505 thousand (2006: Rs.70,505 thousand) may arise in these financial statements.</p>		
12.5 Other contingencies		
Claims against the bank not acknowledged as debt	427,358	428,812
12.6 Commitments for sale of securities	141,603	-
12.7 Commitments in respect of forward exchange contracts		
Purchase	627,984	783,998
Sale	5,346,091	2,101,934
12.8 Commitments for the acquisition of operating fixed assets	-	8,597

13. Related party transactions

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

	(Un-audited) September 30, 2007	(Audited) December 31, 2006
	(Rupees in thousand)	
Punjab Modaraba Services (Private) Limited (wholly owned subsidiary of the Bank)		
Deposits in current account	57	61
First Punjab Modaraba (Modaraba floated by the wholly owned subsidiary of the Bank)		
Advances		
Outstanding at beginning of the period	564,980	703,360
Made during the period	2,165,253	1,437,838
Repaid/matured during the period	(1,254,320)	(1,576,219)
Outstanding at the end of the period	<u>1,475,913</u>	<u>564,979</u>
Provision for doubtful debts	-	-
Mark-up/return earned	26,474	64,882
Deposits in current account	2,085	2,732
Lease liability		
Outstanding at beginning of the period	35,061	15,808
Lease contracts entered into during the period	3,771	12,155
Repayments of lease rentals	(12,317)	(13,329)
Outstanding at the end of the period	<u>26,515</u>	<u>14,634</u>
Security deposit receivable in respect of leases	3,918	7,402
Bankers Avenue Co-operative Housing Society (A co-operative society managed by key management personnel of the Bank)		
Deposits in saving account	13,554	17,948
AMTEX (Private) Limited* (Common directorship)		
Advances		
Outstanding at beginning of the period	1,939,290	-
Made during the period	2,981,753	-
Repaid/matured during the period	(2,215,425)	-
Outstanding at the end of the period	<u>2,705,618</u>	-
Mark-up/return earned	167,047	-
Deposits in current account	674,000	

	(Un-audited) September 30, 2007 (Rupees in thousand)	(Audited) December 31, 2006
Faisalabad Industrial Estate Development and Management Company * (Common directorship)		
Deposits in saving account	1,072,005	-
Colony Mills Limited* (Common directorship)		
Advances		
Outstanding at beginning of the period	100,000	-
Made during the period	2,350,000	-
Repaid/matured during the period	(940,000)	-
Outstanding at the end of the period	1,510,000	-
Mark-up/return earned	1,461	-
Deposits in current account	107,499	-

* These entities became related parties of the Bank during the period ended September 30, 2007.

14. Date of authorization for issue

The Financial Statements were authorized for issuance on October 26, 2007 by the Board of Directors of the Bank.

15. General

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

15.2 Figures have been rounded off to the nearest thousand.

Chairman

President

Director

Director