

CORPORATE INFORMATION

Board of Directors

Mr. Salman Siddique	Chairman
Mr. Hamesh Khan	President
Mr. Qaisar Zulfaqar Khan	Director
Mian Muhammad Latif	Director
Mr. Shahzad Ali Malik	Director
Mr. Gohar Ejaz	Director
Mr. Khurram Iftikhar	Director
Mr. Fareed Mughis Sheikh	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
Mr. Khurram Iftikhar	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
PABX - 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 Financial Statements of the Bank of Punjab for the half year ended June 30, 2007.

Based on the current economic scenario, it is generally anticipated that Pakistan's economy would achieve a growth rate of around 6.5% to 7.0% in 2007-2008. Constantly, high level of inflation would be restrained under tightening of monetary policy. Inflation is projected at 7.0%, above the central bank's target of 6.5%. Sustained tight money is likely to take inflation down to 6.5% in FY 2008. Production of the major summer crops in FY 2007 has shown improvement. The higher off take fertilizer and substantial increase in production loans of agriculture, as well as greater availability of water, all augur well for winter crops would increase its production. Large-scale manufacturing which constitutes almost half of the value added to industry is expected to grow by 8.6%. Growth in textile and clothing, however, is expected to grow softer, on lower than targeted output of cotton. In the era of privatization and mergers & acquisitions, the financial sector is expected to stay lively. It will be further spurred by the planned flotation of new global depository receipts for some financial institutions.

I am pleased to inform you that during the half year ended June 30, 2007 your bank has earned after tax profit of Rs.1,825 million registering a rise of 49% over the last year's corresponding profit figures of Rs.1,224 million. Earning per share for the period under review comes to Rs.4.74 as compared to Rs.3.21 for the same period of last year. In terms of a recent clarification issued by the Institute of Chartered Accountants of Pakistan, the dividends announced by M/s NIT and other Mutual Funds in July 2007 shall now be recognized in the books of the Bank in 3rd quarter of the year. The said accounting treatment, from now onward, shall merely be a shift of dividend income recognition from 2nd quarter to 3rd quarter of the year and in no way shall affect the annual profitability/financial results of the bank. At the end of the half year, deposits of the Bank rose to a level of Rs.171,968 million and advances portfolio increased to Rs.118,349 million showing 25% and 17% growth respectively over December 31, 2006. The capital and reserves of your bank have now grown up to Rs.12,487 million as compared to Rs.10,659 million as on December 31, 2006.

Keeping in view sound financial performance during the 1st half of the year, the Board of Directors has approved an interim dividend for shareholders of the Bank in the form of 10% stock dividend. The said bonus issue shall also make your Bank compliant with the minimum paid-up capital requirement of Rs.4,000 million well before the specified date.

The Pakistan Credit Rating Agency (PACRA) has maintained "AA" and "A1+" long and short term credit ratings of the bank respectively and has assigned positive outlook to these ratings. The Management Association of Pakistan has adjudged your bank as winner of the 24th Corporate Excellence Award for Commercial Banking Sector being a "Best Managed Banking Company". Management is consistently in pursuit of opportunities to improve the Bank's performance in all areas of operations, benefits of which shall accrue in future.

We extend our utmost appreciation to the management for their record performance. The Board of Directors is also grateful to the Government of Punjab for its consistent support, State Bank of Pakistan for its guidance, valued customers for their patronage and to its staff for their untiring efforts to make the organization a success.

For and on behalf of the Board

Salman Siddique
Chairman

REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying interim condensed balance sheet of The Bank of Punjab as at June 30, 2007 and the related interim condensed profit and loss account, interim condensed cash flow statement and interim condensed statement of changes in equity, together with the notes forming part thereof (hereinafter referred to as "interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Lahore - August 28, 2007

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

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

		(Un-audited) June 30, 2007 (Rupees in thousand)	(Audited) December 31, 2006
	Note		
ASSETS			
Cash and balances with treasury banks		17,746,369	14,054,859
Balances with other banks		3,766,901	3,722,089
Lendings to financial institutions	5	6,594,897	11,846,823
Investments	6	64,044,547	28,233,211
Advances	7	118,349,426	101,319,954
Operating fixed assets		3,418,963	2,068,744
Deferred tax assets		-	-
Other assets		4,115,359	3,609,457
		218,036,462	164,855,137
LIABILITIES			
Bills payable		1,447,396	856,448
Borrowings	8	20,732,276	6,989,424
Deposits and other accounts	9	171,967,661	137,727,606
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		30,064	40,988
Deferred tax liabilities		515,041	298,616
Other liabilities		3,252,399	2,816,341
		197,944,837	148,729,423
NET ASSETS		20,091,625	16,125,714
REPRESENTED BY			
Share capital	10	3,845,799	2,902,490
Reserves		4,537,232	4,537,232
Unappropriated profit		4,103,700	3,219,246
		12,486,731	10,658,968
Surplus on revaluation of assets - net of deferred tax		7,604,894	5,466,746
		20,091,625	16,125,714
Contingencies and commitments	11		

The annexed notes from 1 to 16 form an integral part of these financial statements.

**INTERIM CONDENSED PROFIT AND LOSS ACCOUNT
FOR THE HALF YEAR ENDED JUNE 30, 2007
(Un-audited)**

	Quarter ended June 30, 2007	Half Year ended June 30, 2007	Quarter ended June 30, 2006 (Restated)	Half Year ended June 30, 2006 (Restated)
(Rupees in thousand)				
Mark-up / return / interest earned	4,400,779	8,406,228	2,774,091	5,119,500
Mark-up / return / interest expensed	3,539,814	6,500,594	1,696,507	3,124,717
Net mark-up / return / interest income	860,965	1,905,634	1,077,584	1,994,783
Provision against non-performing loans and advances - net	233,146	281,367	37,751	136,698
Provision for diminution in the value of investments	(8,606)	24,394	-	-
Bad debts written off directly	6	83	(1,050)	1
	224,546	305,844	36,701	136,699
Net mark-up / interest income after provisions	636,419	1,599,790	1,040,883	1,858,084
NON MARK UP / INTEREST INCOME				
Fee, commission and brokerage income	145,948	335,454	160,322	252,539
Dividend income	24,927	55,599	2,622	78,212
Income from dealing in foreign currencies	73,997	136,162	42,266	73,878
Gain on sale of securities	569,789	724,785	3,055	34,783
Unrealized gain on revaluation of investments classified as held for trading	4,473	4,432	-	-
Other income	161,710	364,835	106,087	256,338
Total non mark-up / interest income	980,844	1,621,267	314,352	695,750
	1,617,263	3,221,057	1,355,235	2,553,834
NON MARK UP / INTEREST EXPENSES				
Administrative expenses	564,109	1,011,740	406,606	782,719
Other provisions / write offs / reversals	(260,000)	(130,000)	-	-
Other charges	142	407	7	26
Total non mark-up / interest expenses	304,251	882,147	406,613	782,745
PROFIT BEFORE TAXATION	1,313,012	2,338,910	948,622	1,771,089
Taxation				
- Current	74,523	297,655	245,849	483,349
- Prior years	-	-	-	-
- Deferred	194,357	216,425	63,890	63,890
	268,880	514,080	309,739	547,239
PROFIT AFTER TAXATION	1,044,132	1,824,830	638,883	1,223,850
Unappropriated profit brought forward	3,999,944	3,219,246	2,071,722	1,486,755
Transfer from surplus on revaluation of fixed assets - net of tax	2,933	2,933	3,087	3,087
	4,002,877	3,222,179	2,074,809	1,489,842
Profit available for appropriation	5,047,009	5,047,009	2,713,692	2,713,692
Earnings per share (Rupees)				
- Basic and Diluted	2.71	4.74	1.68	3.21

The annexed notes from 1 to 16 form an integral part of these financial statements.

Chairman

President

Director

Director

**INTERIM CONDENSED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED JUNE 30, 2007
(Un-audited)**

	June 30, 2007	June 30, 2006 (Restated)
	(Rupees in thousand)	
Cash flow from operating activities		
Profit before taxation	2,338,910	1,771,089
Dividend income	(55,599)	(78,212)
Compensation for delayed assessed income tax refunds	-	(43,115)
	2,283,311	1,649,762
Adjustments for non-cash charges		
Depreciation / amortization	96,622	53,647
Provision against non-performing advances	281,367	136,698
Provision for diminution in value of investments	24,394	-
Provision against lending to financial institutions	(130,000)	-
Gain on sale of investment	(724,785)	(34,783)
Gain on sale of fixed assets	(551)	(632)
Other provisions / direct write offs	83	1
	(452,870)	154,931
	1,830,441	1,804,693
(Increase) / decrease in operating assets		
Lendings to financial institutions	6,981,926	937,928
(Net investments) in held for trading securities	(154,432)	50,508
Advances	(17,310,922)	(20,260,460)
Other assets (excluding advance taxation)	(507,902)	(756,138)
	(10,991,330)	(20,028,162)
Increase / (decrease) in operating liabilities		
Bills payable	590,948	327,589
Borrowings from financial institutions	13,742,852	(4,097,664)
Deposits and other accounts	34,240,055	26,006,772
Liability against assets subject to finance lease	(10,924)	(5,406)
Other liabilities (excluding current taxation)	703,348	704,930
	49,266,279	22,936,221
Income tax paid - net	(564,945)	(235,148)
Net cash flow from operating activities	39,540,445	4,477,604
Cash flow from investing activities		
Proceeds in held to maturity securities	34,644	191,540
(Net investments) in available for sale securities	(32,850,075)	(8,778,169)
Dividend income	57,599	70,000
Investment in operating fixed assets	(1,448,033)	(206,010)
Sale proceeds of property and equipment disposed off	1,742	730
Net cash flow from investing activities	(34,204,123)	(8,721,909)
Cash flow from financing activities		
Receipts/ (Payments) of sub-ordinated loan	-	-
Issue of share capital	-	-
Dividend paid	-	-
Net cash flow from financing activities	-	-
Increase in cash and cash equivalents	5,336,322	(4,244,305)
Cash and cash equivalents at beginning of the period	18,276,948	18,654,982
Cash and cash equivalents at end of the period	23,613,270	14,410,677
Cash and cash equivalents:		
Cash and balances with treasury banks	17,746,369	12,163,927
Balances with other banks	3,766,901	2,246,750
Money at call lending	2,100,000	-
	23,613,270	14,410,677

The annexed notes from 1 to 16 form an integral part of these financial statements.

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR JUNE 30, 2007
(Un-audited)**

	Share Capital	Statutory reserve	Capital Reserve		General reserve	Revenue Reserve	Total
			Share Premium	For issue of bonus shares		Unappropriated Profit	
(Rupees in thousand)							
Balance as at January 01, 2006	2,349,719	1,243,000	2,049	-	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)	-	-	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	3,087	3,087
Profit for the half year ended June 30, 2006	-	-	-	-	-	2,431,355	2,431,355
Balance as at June 30, 2006 as previously reported	2,866,657	1,243,000	2,049	-	2,495,350	2,604,259	9,211,315
Effect of rectification in the accounting treatment - net of tax (Note 4)	-	-	-	-	-	(1,207,505)	(1,207,505)
Balance as at June 30, 2006 - restated	2,866,657	1,243,000	2,049	-	2,495,350	1,396,754	8,003,810
Right issue	35,833	-	-	-	-	-	35,833
Premium on issue of shares	-	-	35,833	-	-	-	35,833
Profit for the half year ended December 31, 2006	-	-	-	-	-	2,580,405	2,580,405
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	3,087	3,087
Transfer to statutory reserve	-	761,000	-	-	-	(761,000)	-
Balance as at December 31, 2006	2,902,490	2,004,000	37,882	-	2,495,350	3,219,246	10,658,968
Transfer to reserve for issue of bonus shares	-	-	-	943,309	-	(943,309)	-
Issue of bonus shares	943,309	-	-	(943,309)	-	-	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	2,933	2,933
Profit for the half year ended June 30, 2007	-	-	-	-	-	1,824,830	1,824,830
Balance as at June 30, 2007	3,845,799	2,004,000	37,882	-	2,495,350	4,103,700	12,486,731

The annexed notes from 1 to 16 form an integral part of these financial statements.

Chairman

President

Director

Director

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2007
(Un-audited)**

1. Status and Nature of Business

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 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.

2. Statement of Compliance

These interim condensed 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 have been restated in this respect. Had the Bank continued the same practice the income for the period and retained earnings of the Bank would have been higher by Rs. (thousands) 1,628,629 (net of tax) (2006: Rs. (thousands) 1,207,505 (net of tax)).

		(Un-audited) June 30, 2007	(Audited) December 31, 2006			
		(Rupees in thousand)				
5. Lendings to financial institutions						
Call money lendings		2,100,000	500,000			
Repurchase agreement lendings (Reverse Repo)		809,897	9,281,823			
Certificates of Investment - net		1,950,000	1,700,000			
Placements		1,735,000	365,000			
		6,594,897	11,846,823			
6. Investments						
	Held by bank	Given as collateral	Total			
	(Rupees in thousand)					
June 30, 2007 (Un-audited)	50,417,272	13,627,275	64,044,547			
December 31, 2006 (Audited)	27,945,154	288,057	28,233,211			
6.1 Investments by types						
	(Un-Audited) June 30, 2007			(Audited) Dec 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	23,816,901	13,650,692	37,467,593	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	147,920	-	147,920	147,920	-	147,920
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	3,471,933	-	3,471,933	2,792,859	-	2,792,859
Investment in funds	8,782,030	-	8,782,030	4,382,541	-	4,382,541
Term Finance Certificates (TFCs)	3,186,804	-	3,186,804	3,664,887	-	3,664,887
Held-to-maturity securities						
Pakistan Market Treasury Bills	-	-	-	-	-	-
Pakistan Investment Bonds	2,922,528	-	2,922,528	2,955,518	-	2,955,518
WAPDA Bonds	101,183	-	101,183	101,638	-	101,638
Subsidiary						
Punjab Modaraba Services (Private) Limited	160,000	-	160,000	160,000	-	160,000
Add: Share deposit money	4,943	-	4,943	4,943	-	4,943
	164,943	-	164,943	164,943	-	164,943
Total investments at cost	43,712,247	13,650,692	57,362,939	23,435,153	288,924	23,724,077
Less: Provision for diminution in value of investments	6,440	-	6,440	33,400	-	33,400
Investments - net of provisions	43,705,807	13,650,692	57,356,499	23,401,753	288,924	23,690,677
Add: Surplus on revaluation of available-for-sale securities	6,707,033	(23,417)	6,683,616	4,543,401	(867)	4,542,534
Add: Gain on remeasurement of held for trading investments	4,432	-	4,432	-	-	-
Total investments at market value	50,417,272	13,627,275	64,044,547	27,945,154	288,057	28,233,211

		(Un-audited) June 30, 2007 (Rupees in thousand)	(Audited) December 31, 2006
7. Advances	Note		
Loans, cash credits, running finances etc- in Pakistan		102,354,070	88,533,343
Net investment in finance lease- in Pakistan	7.1	4,054,945	3,828,382
Financing under Continuous Funding System		1,583,225	-
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		9,521,648	8,058,451
Payable outside Pakistan		2,144,895	2,050,544
		11,666,543	10,108,995
		119,658,783	102,470,720
Provision for non-performing advances -Specific	7.2	(1,159,154)	(1,058,717)
-General	7.3	(150,203)	(92,049)
		(1,309,357)	(1,150,766)
		118,349,426	101,319,954

7.1 It includes Rs. 323,306 thousand acquired as part of settlement of advances.

7.2 Advances include Rs. 2,351,896 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 Required	Provision Held
	(Rupees in thousand)				
Other assets especially mentioned	170,612	-	170,612	-	-
Substandard	262,886	-	262,886	32,658	32,658
Doubtful	451,208	-	451,208	110,253	110,253
Loss	1,467,190	-	1,467,190	1,016,243	1,016,243
	2,351,896	-	2,351,896	1,159,154	1,159,154

7.3 General provision includes Rs. 65,000 thousand against the lease portfolio acquired as part of settlement of advances. The remaining Rs. 85,203 thousand represents provision against consumer financing portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan.

			(Un-audited) June 30, 2007 (Rupees in thousand)	(Audited) December 31, 2006
	Note			
8. Borrowings				
Secured				
Borrowings from State Bank of Pakistan				
-Under export refinance scheme			7,081,584	6,000,500
Repurchase agreement borrowings	8.1		13,650,692	288,924
			20,732,276	6,289,424
Unsecured				
Call borrowings			-	700,000
			20,732,276	6,989,424
8.1		Markup is payable on borrowings under repurchase agreement at a rate of 8.88% (2006: 8.75%) per annum.		
9. Deposits and othe accounts				
Customers				
Fixed deposits			69,410,671	54,115,307
Saving deposits			59,251,633	51,699,612
Current accounts - non-remunerative			24,427,188	18,652,922
Sundry deposits, margin accounts etc.			1,388,731	1,138,856
			154,478,223	125,606,697
Financial institution				
Remunerative			17,284,234	11,947,282
Non-remunerative			205,204	173,627
			17,489,438	12,120,909
			171,967,661	137,727,606
9.1 Particulars of deposits				
In local currency			169,821,228	135,264,964
In foreign currency			2,146,433	2,462,642
			171,967,661	137,727,606
10. Share Capital				
			(Un-audited) June 30, 2007 (Rupees in thousand)	(Audited) December 31, 2006
June 30, 2007	December 31, 2006			
(No. of Shares)				
		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

11. Contingencies and commitments

11.1 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) June 30, 2007 (Rupees in thousand)	(Audited) December 31, 2006
Government	-	-
Banks and financial institutions	-	-
Others	11,966,019	10,799,599
	<u>11,966,019</u>	<u>10,799,599</u>

11.2 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	263,313	5,361,747
Banks and financial institutions	2,377	50,000
Others	17,265,972	4,744,689
	<u>17,531,662</u>	<u>10,156,436</u>

11.3 Trade related contingent liabilities

Government	815,870	2,039,822
Financial institutions	-	-
Others	23,011,212	16,225,594
	<u>23,827,082</u>	<u>18,265,416</u>

11.4 Income tax related contingency

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.

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.

11.5 Other contingencies

Claims against the bank not acknowledged as debt	<u>428,812</u>	<u>428,812</u>
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11.6 Commitments for sale of securities

<u>154,432</u>	<u>-</u>
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	(Un-audited) June 30, 2007 (Rupees in thousand)	(Audited) December 31, 2006
11.7 Commitments in respect of forward exchange contracts		
Purchase	1,051,121	783,998
Sale	4,409,335	2,101,934
11.8 Commitments for the acquisition of operating fixed assets	-	8,597

12. 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
2007	Rupees in '000'				
Net income	2,994,212	708,543	6,229,177	81,664	13,899
Total expenses	(1,214,711)	(618,858)	(5,845,330)	(8,282)	(1,404)
Net income	1,779,501	89,685	383,847	73,382	12,495
Segment Assets (Gross)	19,327,414	10,426,399	97,290,577	-	-
Segment Non Performing Loans	6,440	475,210	1,870,544	-	-
Segment Provision Required	6,440	301,227	943,129	-	-
Segment Liabilities	19,327,414	10,426,399	97,290,577	-	-
Segment Return on net Assets (ROA) (%)	15.49	6.80	6.40	N/A	N/A
Segment Cost of funds (%)	6.28	5.94	6.01	N/A	N/A
2006					
Total income	2,513,775	601,967	3,919,351	67,429	8,640
Total expenses	(1,143,203)	(383,983)	(2,533,306)	(7,555)	(968)
Net income	1,370,572	217,984	1,386,045	59,874	7,672
Segment Assets (Gross)	25,985,073	9,442,595	61,803,857	-	-
Segment Non Performing Loans	400	323,227	1,257,319	-	-
Segment Provision Required	400	261,911	701,428	-	-
Segment Liabilities	25,985,073	9,442,595	61,803,857	-	-
Segment Return on net Assets (ROA) (%)	9.67	6.38	6.34	N/A	N/A
Segment Cost of funds (%)	4.40	4.07	4.10	N/A	N/A

Mapping criteria

Return on net assets has been calculated on the basis of weighted average of segment-wise assets deployed during the period. Cost of funds has been calculated on the basis of weighted average of segment-wise liabilities outstanding during the period. Income and expenses have been pro-rated on the basis of management's professional judgment and mapping policy of the same has been approved by the Assets and Liabilities Committee (ALCO).

Common expenses have been allocated to segments on the basis of total income.

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) June 30, 2007 (Rupees in thousand)	(Audited) December 31, 2006
Punjab Modaraba Services (Private) Limited (wholly owned subsidiary of the Bank)		
Deposits in current account	8,431	61
First Punjab Modaraba (Modaraba floated by the wholly owned subsidiary of the Bank)		
Advances		
Outstanding at beginning of the year	564,980	703,360
Made during the year	1,433,002	1,437,838
Repaid/matured during the year	(1,974,058)	(1,576,219)
Outstanding at the end of the year	<u>23,924</u>	<u>564,979</u>
Provision for doubtful debts	-	-
Mark-up/return earned	20,896	64,882
Deposits in current account	1,995	2,732
Lease liability		
Outstanding at beginning of the year	35,061	15,808
Lease contracts entered into during the year	3,771	12,155
Repayments of lease rentals	(8,986)	(13,329)
Outstanding at the end of the year	<u>29,846</u>	<u>14,634</u>
Security deposit receivable in respect of leases	4,110	7,402
Bankers Avenue Co-operative Housing Society (A co-operative society managed by key management personnel of the Bank)		
Deposits in saving account	21,469	17,948
AMTEX (Private) Limited (Common directorship)		
Advances		
Outstanding at beginning of the year	1,939,290	-
Made during the year	2,381,753	-
Repaid/matured during the year	(1,851,919)	-
Outstanding at the end of the year	<u>2,469,124</u>	<u>-</u>
Mark-up/return earned	118,394	-
Deposits in current account	2,006	

	(Un-audited) June 30, 2007 (Rupees in thousand)	(Audited) December 31, 2006
Faisalabad Industrial Estate Development and Management Company (Common directorship)		
Deposits in saving account	1,276,915	-
Colony Mills Limited (Common directorship)		
Advances		
Outstanding at beginning of the year	100,000	-
Made during the year	850,000	-
Repaid/matured during the year	(125,000)	-
	825,000	-
Outstanding at the end of the year	825,000	-
Mark-up/return earned	22,168	-
Deposits in current account	62,645	-

14. Date of authorization for issue

The financial statements were authorized for issue on August 28, 2007 by the Board of Directors of the Bank.

15. Events after balance sheet date

The Board of Directors in their meeting held on August 28, 2007 has approved bonus shares of 10 percent. The condensed interim financial statements ended June 30, 2007 do not include the effect of this appropriation which will be accounted for in the next quarterly financial statements.

16. General

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

16.2 Figures have been rounded off to the nearest thousand.

Chairman

President

Director

Director

THE BANK OF PUNJAB
&
PUNJAB MODARABA SERVICES (PVT.) LIMITED

Consolidated Half yearly Accounts
for the period ended June 30, 2007
(Un- audited)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2006

		(Un-audited) June 30, 2007 (Rupees in thousand)	(Audited) December 31, 2006
	Note		
ASSETS			
Cash and balances with treasury banks		17,746,369	14,054,859
Balances with other banks		3,766,901	3,722,089
Lendings to financial institutions	5	6,594,897	11,846,823
Investments	6	64,044,547	28,233,211
Advances	7	118,352,395	101,324,443
Operating fixed assets		3,418,963	2,068,744
Deferred tax assets		-	-
Other assets		4,121,628	3,612,692
		218,045,700	164,862,861
LIABILITIES			
Bills payable		1,447,396	856,448
Borrowings	8	20,732,276	6,989,424
Deposits and other accounts	9	171,967,588	137,727,544
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		30,064	40,988
Deferred tax liabilities		515,041	298,616
Other liabilities		3,253,187	2,816,412
		197,945,552	148,729,432
NET ASSETS		20,100,148	16,133,429
REPRESENTED BY			
Share capital	10	3,845,799	2,902,490
Reserves		4,537,232	4,537,232
Unappropriated profit		4,112,223	3,226,961
		12,495,254	10,666,683
Surplus on revaluation of assets - net of deferred tax		7,604,894	5,466,746
		20,110,148	16,133,429
Contingencies and commitments	11		

The annexed notes from 1 to 16 form an integral part of these financial statements.

Chairman

President

Director

Director

**INTERIM CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE HALF YEAR ENDED JUNE 30, 2007
(Un-audited)**

	Quarter ended June 30, 2007	Half Year ended June 30, 2007	Quarter ended June 30, 2006 (Restated)	Half Year ended June 30, 2006 (Restated)
	(Rupees in thousand)			
Mark-up / return / interest earned	4,400,779	8,406,228	2,774,091	5,119,500
Mark-up / return / interest earned	3,539,814	6,500,594	1,696,507	3,124,717
Mark-up / return / interest expensed	860,965	1,905,634	1,077,584	1,994,783
Net mark-up / return / interest income				
Provision against non-performing loans and advances - net	233,146	281,367	37,751	136,698
Provision for diminution in the value of investments	(8,606)	24,394	-	-
Bad debts written off directly	6	83	(1,050)	1
	224,546	305,844	36,701	136,699
Net mark-up / interest income after provisions	636,419	1,599,790	1,040,883	1,858,084
NON MARK UP / INTEREST INCOME				
Fee, commission and brokerage income	147,648	337,898	162,633	256,659
Dividend income	24,927	55,599	2,622	78,212
Income from dealing in foreign currencies	73,997	136,162	42,266	73,878
Gain on sale of securities	569,789	724,785	3,055	34,783
Unrealized gain on revaluation of investments classified as held for trading	4,473	4,432	-	-
Other income	161,710	364,835	106,087	256,338
Total non mark-up / interest income	982,544	1,623,711	316,663	699,870
	1,618,963	3,223,501	1,357,546	2,557,954
NON MARK UP / INTEREST EXPENSES				
Administrative expenses	565,109	1,013,376	407,121	783,747
Other provisions / write offs / reversals	(260,000)	(130,000)	-	-
Other charges	142	407	7	26
Total non mark-up / interest expenses	305,251	883,783	407,128	783,773
PROFIT BEFORE TAXATION	1,313,712	2,339,718	950,418	1,774,181
Taxation				
- Current	74,523	297,655	247,247	484,748
- Prior years	-	-	-	-
- Deferred	194,357	216,425	63,890	63,890
	268,880	514,080	311,137	548,638
PROFIT AFTER TAXATION	1,044,832	1,825,638	639,281	1,225,543
Unappropriated profit brought forward	4,007,767	3,226,961	2,081,316	1,495,054
Transfer from surplus on revaluation of fixed assets - net of tax	2,933	2,933	3,087	3,087
	4,010,700	3,229,894	2,084,403	1,498,141
Profit available for appropriation	5,055,532	5,055,532	2,723,684	2,723,684
Earnings per share (Rupees)				
- Basic and Diluted	2.72	4.75	1.68	3.22

The annexed notes from 1 to 16 form an integral part of these financial statements.

**INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED JUNE 30, 2007
(Un-audited)**

	June 30, 2007	June 30, 2006 (Restated)
	(Rupees in thousand)	
Cash flow from operating activities		
Profit before taxation	2,339,718	1,774,181
Less: Dividend income	(55,599)	(78,212)
Compensation for delayed assessed income tax refunds	-	(43,115)
	2,284,119	1,652,854
Adjustments for non-cash charges		
Depreciation / amortization	96,622	53,647
Provision against non-performing advances	281,367	136,698
Provision for diminution in value of investments	24,394	-
Provision against lending to financial institutions	(130,000)	-
Gain on sale of investment	(724,785)	(34,783)
Gain on sale of fixed assets	(551)	(632)
Other provisions / direct write offs	83	1
	(452,870)	154,931
	1,831,249	1,807,785
(Increase) / decrease in operating assets		
Lendings to financial institutions	6,981,926	937,928
(Net investments) in held for trading securities	(154,432)	50,508
Advances	(17,309,402)	(20,257,460)
Other assets (excluding advance taxation)	(487,001)	(760,984)
	(10,968,909)	(20,030,008)
Increase / (decrease) in operating liabilities		
Bills payable	590,948	327,500
Borrowings from financial institutions	13,742,852	(4,097,664)
Deposits and other accounts	34,240,043	26,006,847
Liability against assets subject to finance lease	(10,924)	(5,406)
Other liabilities (excluding current taxation)	682,066	705,201
	49,244,985	22,936,478
Income tax paid - net	(566,880)	(236,651)
Net cash flow from operating activities	39,540,445	4,477,604
Cash flow from investing activities		
Proceeds in held to maturity securities	34,644	191,540
(Net investments) in available for sale securities	(32,850,075)	(8,778,169)
Dividend income	57,599	70,000
Investment in operating fixed assets	(1,448,033)	(206,010)
Sale proceeds of property and equipment disposed off	1,742	730
Net cash flow from investing activities	(34,204,123)	(8,721,909)
Cash flow from financing activities		
Receipts/ (Payments) of sub-ordinated loan	-	-
Issue of share capital	-	-
Dividend paid	-	-
Net cash flow from financing activities		
Increase in cash and cash equivalents	5,336,322	(4,244,305)
Cash and cash equivalents at beginning of the period	18,276,948	18,654,982
Cash and cash equivalents at end of the period	23,613,270	14,410,677
Cash and cash equivalents:		
Cash and balances with treasury banks	17,746,369	12,163,927
Balances with other banks	3,766,901	2,246,750
Money at call lending	2,100,000	-
	23,613,270	14,410,677

The annexed notes from 1 to 16 form an integral part of these financial statements.

Chairman

President

Director

Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR JUNE 30, 2007 (Un-audited)

	Share Capital	Statutory reserve	Capital Reserve		General reserve	Revenue Reserve Unappropriated Profit	Total
			Share Premium	For issue of bonus shares			
(Rupees in thousand)							
Balance as at January 01, 2006	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	-	-	-	-	-	3,087	3,087
Profit for the half year ended June 30, 2006	-	-	-	-	-	2,433,048	2,433,048
Balance as at June 30, 2006 as previously reported	2,866,657	1,243,000	2,049	-	2,495,350	2,614,251	9,221,307
Effect of rectification in the accounting treatment - net of tax (Note 4)	-	-	-	-	-	(1,207,505)	(1,207,505)
Balance as at June 30, 2006 - restated	2,866,657	1,243,000	2,049	-	2,495,350	1,406,746	8,013,802
Right issue	35,833	-	-	-	-	-	35,833
Premium on issue of shares	-	-	35,833	-	-	-	35,833
Profit for the half year ended December 31, 2006	-	-	-	-	-	2,578,128	2,578,128
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	3,087	3,087
Transfer to statutory reserve	-	761,000	-	-	-	(761,000)	-
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	-	-	-	943,309	-	(943,309)	-
Issue of bonus shares	943,309	-	-	(943,309)	-	-	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	2,933	2,933
Profit for the half year ended June 30, 2007	-	-	-	-	-	1,825,638	1,825,638
Balance as at June 30, 2007	3,845,799	2,004,000	37,882	-	2,495,350	4,112,223	12,495,254

The annexed notes from 1 to 16 form an integral part of these financial statements.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 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 floating and managing the business 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 have been restated in this respect. Had the Bank continued the same practice the income for the period and retained earnings of the Bank would have been higher by Rs. (thousands) 1,628,629 (net of tax) (2006: Rs. (thousands) 1,207,505 (net of tax)).

		(Un-audited) June 30, 2007	(Audited) December 31, 2006
		(Rupees in thousand)	
5. Lendings to financial institutions			
Call money lendings		2,100,000	500,000
Repurchase agreement lendings (Reverse Repo)		809,897	9,281,823
Certificates of Investment - net		1,950,000	1,700,000
Placements		1,735,000	365,000
		6,594,897	11,846,823
6. Investments	Held by bank	Given as collateral	Total
	(Rupees in thousand)		
June 30, 2007 (Un-audited)	50,417,272	13,627,275	64,044,547
December 31, 2006 (Audited)	27,945,154	288,057	28,233,211
6.1 Investments by types			
	(Un-Audited) June 30, 2007		
	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	23,816,901	13,650,692	37,467,593
Pakistan Investment Bonds	732,097	-	732,097
Ordinary shares of listed companies and modarabas	312,863	-	312,863
Preference shares of listed companies	210,908	-	210,908
Ordinary shares of unlisted companies	25,000	-	25,000
NIT units	3,471,933	-	3,471,933
Investment in funds	8,782,030	-	8,782,030
Term Finance Certificates (TFCs)	3,186,804	-	3,186,804
Held-to-maturity securities			
Pakistan Market Treasury Bills	-	-	-
Pakistan Investment Bonds	2,922,528	-	2,922,528
WAPDA Bonds	101,183	-	101,183
Total investments at cost	43,712,247	13,650,692	57,362,939
Less: Provision for diminution in value of investments	6,440	-	6,440
Investments - net of provisions	43,705,807	13,650,692	57,356,499
Add: Surplus on revaluation of available-for-sale securities	6,707,033	(23,417)	6,683,616
Add: Gain on remeasurement of held for trading investments	4,432	-	4,432
Total investments at market value	50,417,272	13,627,275	64,044,547

		(Un-audited) June 30, 2007 (Rupees in thousand)	(Audited) December 31, 2006
7. Advances	Note		
Loans, cash credits, running finances etc- in Pakistan		102,357,039	88,537,832
Net investment in finance lease- in Pakistan	7.1	4,054,945	3,828,382
Financing under Continuous Funding System		1,583,225	-
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		9,521,648	8,058,451
Payable outside Pakistan		2,144,895	2,050,544
		11,666,543	10,108,995
		119,661,752	102,475,209
Provision for non-performing advances -Specific	7.2	(1,159,154)	(1,058,717)
-General	7.3	(150,203)	(92,049)
		(1,309,357)	(1,150,766)
		118,352,395	101,324,443

7.1 It includes Rs. 323,306 thousand acquired as part of settlement of advances.

7.2 Advances include Rs. 2,351,896 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 Required	Provision Held
	(Rupees in thousand)				
Other assets especially mentioned	170,612	-	170,612	-	-
Substandard	262,886	-	262,886	32,658	32,658
Doubtful	451,208	-	451,208	110,253	110,253
Loss	1,467,190	-	1,467,190	1,016,243	1,016,243
	2,351,896	-	2,351,896	1,159,154	1,159,154

7.3 General provision includes Rs. 65,000 thousand against the lease portfolio acquired as part of settlement of advances. The remaining Rs. 85,203 thousand represents provision against consumer financing portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan.

	Note	(Un-audited) June 30, 2007 (Rupees in thousand)	(Audited) December 31, 2006
8. Borrowings			
Secured			
Borrowings from State Bank of Pakistan			
-Under export refinance scheme		7,081,584	6,000,500
Repurchase agreement borrowings	8.1	13,650,692	288,924
		<u>20,732,276</u>	<u>6,289,424</u>
Unsecured			
Call borrowings		-	700,000
		<u>20,732,276</u>	<u>6,989,424</u>
8.1	Markup is payable on borrowings under repurchase agreement at a rate of 8.88% (2006: 8.75%) per annum.		
9. Deposits and othe accounts			
Customers			
Fixed deposits		69,410,671	54,115,307
Saving deposits		59,251,633	51,699,612
Current accounts - non-remunerative		24,427,115	18,652,860
Sundry deposits, margin accounts etc.		1,388,731	1,138,856
		<u>154,478,150</u>	<u>125,606,635</u>
Financial institution			
Remunerative		17,284,234	11,947,282
Non-remunerative		205,204	173,627
		<u>17,489,438</u>	<u>12,120,909</u>
		<u>171,967,588</u>	<u>137,727,544</u>
9.1 Particulars of deposits			
In local currency		169,821,155	135,264,902
In foreign currency		2,146,433	2,462,642
		<u>171,967,588</u>	<u>137,727,544</u>
10. Share Capital			
		(Un-audited) June 30, 2007 (Rupees in thousand)	(Audited) December 31, 2006
June 30, 2007 (No. of Shares)	December 31, 2006		
Authorised			
Ordinary shares of Rs. 10/- each	1,000,000,000	10,000,000	10,000,000
Fully paid shares			
Ordinary shares of Rs. 10/- each paid in cash	19,333,340	193,333	193,333
Bonus shares			
Issued as bonus shares	365,246,560	3,652,466	2,709,157
	384,579,900	3,845,799	2,902,490

11. Contingencies and commitments

11.1 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) June 30, 2007 (Rupees in thousand)	(Audited) December 31, 2006
Government	-	-
Banks and financial institutions	-	-
Others	11,966,019	10,799,599
	<u>11,966,019</u>	<u>10,799,599</u>
11.2 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	263,313	5,361,747
Banks and financial institutions	2,377	50,000
Others	17,265,972	4,744,689
	<u>17,531,662</u>	<u>10,156,436</u>
11.3 Trade related contingent liabilities		
Government	815,870	2,039,822
Financial institutions	-	-
Others	23,011,212	16,225,594
	<u>23,827,082</u>	<u>18,265,416</u>
11.4	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.	
	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.	
11.5 Other contingencies		
Claims against the bank not acknowledged as debt	428,812	428,812
11.6 Commitments for sale of securities	<u>154,432</u>	<u>-</u>
11.7 Commitments in respect of forward exchange contracts		
Purchase	1,051,121	783,998
Sale	4,409,335	2,101,934
11.8 Commitments for the acquisition of operating fixed assets	<u>-</u>	<u>8,597</u>

12. Segment details with respect to business account

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

	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services
Rupees in thousands					
2007					
Total income	2,996,656	708,543	6,229,177	81,664	13,899
Total expenses	(1,216,347)	(618,858)	(5,845,330)	(8,282)	(1,404)
Net income	1,780,309	89,685	383,847	73,382	12,495
Segment Assets (Gross)	19,327,414	10,426,399	97,290,577	-	-
Segment Non Performing Loans	6,440	475,210	1,870,544	-	-
Segment Provision Required	6,440	301,227	943,129	-	-
Segment Liabilities	19,327,414	10,426,399	97,290,577	-	-
Segment Return on net Assets (ROA) (%)	15.50	6.80	6.40	N/A	N/A
Segment Cost of funds (%)	6.29	5.94	6.01	N/A	N/A
2006					
Total income	2,513,775	601,967	3,919,351	67,429	8,640
Total expenses	(1,143,203)	(383,983)	(2,533,306)	(7,555)	(968)
Net income	1,370,572	217,984	1,386,045	59,874	7,672
Segment Assets (Gross)	25,985,073	9,442,595	61,803,857	-	-
Segment Non Performing Loans	400	323,227	1,257,319	-	-
Segment Provision Required	400	261,911	701,428	-	-
Segment Liabilities	25,985,073	9,442,595	61,803,857	-	-
Segment Return on net Assets (ROA) (%)	9.67	6.38	6.34	N/A	N/A
Segment Cost of funds (%)	4.40	4.07	4.10	N/A	N/A

Mapping criteria

Return on net assets has been calculated on the basis of weighted average of segment-wise assets deployed during the period. Cost of funds has been calculated on the basis of weighted average of segment-wise liabilities outstanding during the period. Income and expenses have been pro-rated on the basis of management's professional judgment and mapping policy of the same has been approved by the Assets and Liabilities Committee (ALCO).

Common expenses have been allocated to segments on the basis of total income.

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) June 30, 2007 (Rupees in thousand)	(Audited) December 31, 2006
Punjab Modaraba Services (Private) Limited (wholly owned subsidiary of the Bank)		
Deposits in current account	8,431	61
First Punjab Modaraba (Modaraba floated by the wholly owned subsidiary of the Bank)		
Advances		
Outstanding at beginning of the year	564,980	703,360
Made during the year	1,433,002	1,437,838
Repaid/matured during the year	(1,974,058)	(1,576,219)
Outstanding at the end of the year	<u>23,924</u>	<u>564,979</u>
Provision for doubtful debts	-	-
Mark-up/return earned	20,896	64,882
Deposits in current account	1,995	2,732
Lease liability		
Outstanding at beginning of the year	35,061	15,808
Lease contracts entered into during the year	3,771	12,155
Repayments of lease rentals	(8,986)	(13,329)
Outstanding at the end of the year	<u>29,846</u>	<u>14,634</u>
Security deposit receivable in respect of leases	4,110	7,402
Bankers Avenue Co-operative Housing Society (A co-operative society managed by key management personnel of the Bank)		
Deposits in saving account	21,469	17,948
AMTEX (Private) Limited (Common directorship)		
Advances		
Outstanding at beginning of the year	1,939,290	-
Made during the year	2,381,753	-
Repaid/matured during the year	(1,851,919)	-
Outstanding at the end of the year	<u>2,469,124</u>	<u>-</u>
Mark-up/return earned	118,394	-
Deposits in current account	2,006	-

	(Un-audited) June 30, 2007 (Rupees in thousand)	(Audited) December 31, 2006
Faisalabad Industrial Estate Development and Management Company (Common directorship)		
Deposits in saving account	1,276,915	-
Colony Mills Limited (Common directorship)		
Advances		
Outstanding at beginning of the year	100,000	-
Made during the year	850,000	-
Repaid/matured during the year	(125,000)	-
Outstanding at the end of the year	825,000	-
Mark-up/return earned	22,168	-
Deposits in current account	62,645	-

14. Date of authorization for issue

The financial statements were authorized for issue on August 28, 2007 by the Board of Directors of the Bank.

15. Events after balance sheet date

The Board of Directors in their meeting held on August 28, 2007 has approved bonus shares of 10 percent. The condensed interim consolidated financial statements ended June 30, 2007 do not include the effect of this appropriation which will be accounted for in the next quarterly financial statements.

16. General

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

16.2 Figures have been rounded off to the nearest thousand.