

## CORPORATE INFORMATION

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### Board of Directors

Mr. Shahzad Hassan Pervez	Chairman
Mr. Hamesh Khan	President
Mr. Salman Siddique	Director
Mian Muhammad Latif	Director
Mr. Gohar Ejaz	Director
Mr. Qaisar Zulfaqar Khan	Director
Mr. Shahzad Ali Malik	Director
Mian Ikram-ul-Haq	Director
Mr. Khurram Iftikhar	Director
Mr. Fareed Mughis Sheikh	Director

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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

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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

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On behalf of Board of Directors, I am pleased to present the Un-Audited Financial Statements of the Bank of Punjab for the period ended March 31, 2007.

The economy is expected to grow by around 7 percent in FY07, as agriculture & manufacturing performance improved in the first half of the FY07 and services appear to be growing robustly. The Government's tight monetary policy resulted into an ease in inflationary pressures. The large-scale manufacturing sector has also performed well and is expected to depict a growth of 8.6 % thereby strengthening the outlook of 11% for the overall manufacturing sector. The services sector, during the first half of FY07, has maintained its usual showering performance trend and the financial sector has also grown steadily endorsing more weight to future high growth expectations.

I feel pleasure in presenting the performance of your bank during the first quarter of the year 2007. During this period, the Bank earned a pre-tax profit of Rs.1,026 Million as against Rs.822 Million earned during corresponding quarter of the previous year, registering an increase of 24.8%. The earning per share of the bank has been Rs.2.03 with an increase of 31.8% over previous corresponding figure. Bank's deposits rose to Rs.163,539 million at the end of the quarter showing a rise of 18.7% over December 31, 2006. Advances portfolio of the bank has increased to Rs.106,600 million and total assets stand at Rs.191,293 million at the end of the quarter. The capital and reserves of your bank have now grown to Rs.11,441 Million.

The Board of Directors is grateful to the Government of Punjab for providing constant support, to the State Bank of Pakistan for continuous guidance, to the clients and shareholders for their trust and confidence in the management of the Bank, and to the bank's entire staff whose dedication and diligence has produced enviable results not only in this quarter but for the past three years

For and on behalf of the Board

**Shahzad Hassan Pervez**  
Chairman

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***THE BANK OF PUNJAB***

***Quarterly Accounts  
for the quarter ended  
March 31, 2007  
(Un-audited)***

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**INTERIM CONDENSED BALANCE SHEET**  
**AS AT MARCH 31, 2007**  
**(Un-audited)**

		(Audited)
	March 31, 2007	December 31, 2006
	(Rupees in thousand)	
<b>ASSETS</b>		
Cash and bank balances with treasury banks	12,954,430	14,054,859
Balances with other banks	2,728,477	3,722,089
Lendings to financial institutions	19,341,103	11,846,823
Investments	6 43,208,270	28,233,211
Advances	7 106,599,795	101,319,954
Other assets	4,339,450	3,609,457
Operating fixed assets	2,121,642	2,068,744
	<b>191,293,167</b>	164,855,137
<b>LIABILITIES</b>		
Bills payable	583,897	856,448
Borrowings from financial institutions	6,537,807	6,989,424
Deposits and other accounts	163,538,809	137,727,606
Sub-ordinated loans	-	-
Liability against assets subject to finance lease	33,277	40,988
Other liabilities	3,210,684	2,816,341
Deferred tax liability	321,474	298,616
	<b>174,225,948</b>	148,729,423
<b>NET ASSETS</b>	<b>17,067,219</b>	16,125,714
<b>REPRESENTED BY</b>		
Share capital	8 2,902,490	2,902,490
Reserves	5,480,541	4,537,232
Unappropriated profit	3,058,100	3,219,246
	<b>11,441,131</b>	10,658,968
Surplus on revaluation of assets	5,626,088	5,466,746
Contingencies and commitments	9	
	<b>17,067,219</b>	16,125,714

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 QUARTER ENDED MARCH 31, 2007  
(Un-audited)**

	<b>March 31, 2007</b>	March 31, 2006
	(Rupees in thousand)	
Mark-up/return/interest earned	<b>4,005,449</b>	2,345,409
Mark-up/return/interest expensed	<b>2,960,780</b>	1,420,936
Net mark-up/return/interest income	<b>1,044,669</b>	924,473
Provision against non-performing advances	<b>48,221</b>	98,947
Provision for diminution in the value of investments	<b>33,000</b>	-
Bad debts written off directly	<b>77</b>	1,051
	<b>81,298</b>	99,998
Net mark-up/return/interest income after provisions	<b>963,371</b>	824,475
<b>NON MARK UP/INTEREST INCOME</b>		
Fee, commission and brokerage income	<b>189,506</b>	92,217
Dividend income	<b>30,672</b>	75,590
Income from dealing in foreign currencies	<b>62,165</b>	31,612
Gain on sale of securities	<b>154,996</b>	31,729
Unrealized gain/(loss) on revaluation of investments classified as held for trading	<b>(41)</b>	-
Other income	<b>203,125</b>	150,250
Total non mark-up/interest income	<b>640,423</b>	381,398
	<b>1,603,794</b>	1,205,873
<b>NON MARK UP/INTEREST EXPENSES</b>		
Administrative expenses	<b>447,631</b>	383,388
Provision against lending to financial institutions	<b>130,000</b>	-
Other provisions/write offs	<b>-</b>	-
Other charges	<b>265</b>	19
Total non mark-up/interest expenses	<b>577,896</b>	383,407
<b>PROFIT BEFORE TAXATION</b>	<b>1,025,898</b>	822,466
Taxation - Current	<b>223,133</b>	237,500
- Deferred	<b>22,068</b>	-
	<b>245,201</b>	237,500
<b>PROFIT AFTER TAXATION</b>	<b>780,697</b>	584,966
Unappropriated profit brought forward	<b>3,219,246</b>	1,486,755
Profit available for appropriation	<b>3,999,943</b>	2,071,721
Earnings per share (Rupees)	<b>2.03</b>	1.54

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

**INTERIM CONDENSED CASH FLOW STATEMENT  
FOR THE QUARTER ENDED MARCH 31, 2007  
(Un-audited)**

	<b>March 31, 2007</b>	March 31, 2006
	(Rupees in thousand)	
<b>Cash flow from operating activities</b>		
Profit before taxation	1,025,898	822,466
Less: Dividend income	(30,672)	(75,590)
Compensation for delayed assessed Income Tax Refunds	-	(43,115)
	995,226	703,761
Depreciation/amortization	42,820	23,988
Provision against non-performing advances	48,221	98,947
Provision for investments/lending to FIs	163,000	-
(Gain) on sale of fixed assets	(641)	(480)
(Gain) on sale of investment	(154,996)	(31,729)
Other provisions/direct write offs	77	1,051
	98,481	91,777
	1,093,707	795,538
(Increase)/decrease in operating assets		
Lendings to financial institutions	(7,724,280)	1,233,805
Advances	(5,328,138)	(7,861,096)
Other assets (excluding advance taxation)	(699,321)	(478,322)
	(13,751,739)	(7,105,613)
Increase/(decrease) in operating liabilities		
Bills payable	(272,551)	874,406
Borrowings from financial institutions	(451,617)	(279,931)
Deposits	25,811,203	1,623,497
Liability against assets subject to finance lease	(7,711)	(6,232)
Other liabilities (excluding current taxation)	354,134	226,267
	25,433,458	2,438,007
Income tax paid - net	(182,927)	(210,558)
<b>Net cash flow from operating activities</b>	12,592,499	(4,082,626)
<b>Cash flow from investing activities</b>		
Net investments	(14,691,462)	(4,839,728)
Dividend income	-	35,386
Investment in operating fixed assets	(95,719)	(53,233)
Sale proceeds of property and equipment disposed off	641	480
Net cash flow from investing activities	(14,786,540)	(4,857,095)
<b>Increase in cash and cash equivalents</b>	(2,194,041)	(8,939,721)
<b>Cash and cash equivalents at beginning of the period</b>	18,276,948	18,654,982
<b>Cash and cash equivalents at end of the period</b>	16,082,907	9,715,261
Cash and cash equivalents:		
Cash and balances with treasury banks	12,954,430	7,844,447
Balances with other banks	2,728,477	1,870,814
Money at call lending	400,000	-
	16,082,907	9,715,261

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

**PRESIDENT**

**DIRECTOR**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE QUARTER ENDED MARCH 31, 2007  
(Un-audited)**

	Share capital	Statutory reserve	Reserve		Revenue Reserve		Total
			Share premium	For issue of bonus shares	General reserve	Unappropriated Profit/(loss)	
( Rupees in thousand )							
Balance as at January 01, 2006 previously reported	2,349,719	1,243,000	2,049	516,938	2,495,350	169,817	6,776,873
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	1,486,755	6,776,873
Transfer to General Reserve	-	-	-	-	800,000	(800,000)	-
Transfer to reserve for issue of bonus shares	-	-	-	516,938	-	(516,938)	-
Profit for the quarter ended March 31, 2006	-	-	-	-	-	584,966	584,966
Balance as at March 31, 2006	2,349,719	1,243,000	2,049	516,938	2,495,350	754,783	7,361,839
Issue of bonus shares	516,938	-	-	(516,938)	-	-	-
Issue of right shares	35,833	-	-	-	-	-	35,833
Premium on issue of right shares	-	-	35,833	-	-	-	35,833
Profit for the period April-December 2006	-	-	-	-	-	3,219,289	3,219,289
Transfer from surplus on Revaluation of Fixed Assets to unappropriated Profit - Net of Tax	-	-	-	-	-	6,174	6,174
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)	-
Transfer from surplus on revaluation of fixed assets net of tax	-	-	-	-	-	1,466	1,466
Profit for the quarter ended March 31, 2007	-	-	-	-	-	780,697	780,697
<b>Closing Balance as at March 31, 2007</b>	<b>2,902,490</b>	<b>2,004,000</b>	<b>37,882</b>	<b>943,309</b>	<b>2,495,350</b>	<b>3,058,100</b>	<b>11,441,131</b>

**PRESIDENT**

**DIRECTOR**



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED MARCH 31, 2007  
(Un-audited)**

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**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 (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 266 branches (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**

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 SBP. 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**

These financial statements have been prepared under the historical cost convention, except for certain investments that are carried at fair value and certain staff retirement benefits carried at present value.

The preparation of financial statements in conformity with International Financial Reporting Standards and statutory requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the Bank's accounting policies. 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.

**5. Taxation**

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

<b>6. Investments</b>	<b>Held by bank</b>	<b>Given as collateral</b>	<b>Total</b>
	<b>(Rupees in thousand)</b>		
As at March 31, 2007 (Un-audited) -note 6.1	<b>43,208,270</b>	-	<b>43,208,270</b>
As at December 31, 2006 (Audited)	27,944,287	288,924	28,233,211
<b>6.1 Investments by types</b>			
Held-for-Trading securities	99,959	-	99,959
Available-for-sale securities	35,258,035	-	35,258,035
Held-to-maturity securities	3,047,598	-	3,047,598
Subsidiary	164,943	-	164,943
	38,570,535	-	38,570,535
Less : Provision for diminution in value of investments	(66,400)	-	(66,400)
Add : Surplus on revaluation of investments	4,704,135	-	4,704,135
Investments ( Net of Provisions )	43,208,270	-	43,208,270
		<b>(Un-audited) March 31, 2007</b>	<b>(Audited) December 31, 2006</b>
		<b>(Rupees in thousand)</b>	
<b>7. Advances</b>			
Loans, cash credits, running finances- in Pakistan	<b>92,065,550</b>		88,533,343
Net investment in finance lease- in Pakistan	<b>5,172,470</b>		3,828,382
Financing under Continuous Funding System		-	-
Bills discounted and purchased (excluding Treasury Bills )			
- Payable in Pakistan	<b>8,725,024</b>		8,058,451
- Payable outside Pakistan	<b>1,811,244</b>		2,050,544
	<b>10,536,268</b>		10,108,995
	<b>107,774,288</b>		102,470,720
Provision for non-performing advances - Specific	<b>(1,085,132)</b>		(1,058,717)
- General	<b>(89,361)</b>		(92,049)
	<b>(1,174,493)</b>		(1,150,766)
	<b>106,599,795</b>		101,319,954

- 7.1 Advances include Rs. 2,370,209 thousand (2006: 2,345,754 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	204,440	-	-
Substandard	152,043	25,514	25,514
Doubtful	553,576	193,535	193,535
Loss	1,460,150	866,083	866,083
	<u>2,370,209</u>	<u>1,085,132</u>	<u>1,085,132</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

March 31, 2007 (No. of Shares)	December 31, 2006		(Un-audited) March 31, 2007 (Rupees in thousand)	(Audited) December 31, 2006
		<b>Authorised</b>		
<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>
		<b>Fully paid shares</b>		
<u>19,333,340</u>	<u>19,333,340</u>	Ordinary shares of Rs. 10/- each paid in cash	<u>193,333</u>	<u>193,333</u>
		<b>Bonus shares</b>		
<u>270,915,660</u>	<u>270,915,660</u>	Opening balance of fully paid bonus shares of Rs. 10/- each	<u>2,709,157</u>	<u>2,709,157</u>
<u>290,249,000</u>	<u>290,249,000</u>		<u>2,902,490</u>	<u>2,902,490</u>

	<b>(Un-audited)</b> <b>March 31,</b> <b>2007</b> <b>(Rupees in thousand)</b>	(Audited) December 31, 2006
<b>9. Contingencies and Commitments</b>		
<b>9.1 Transaction related contingent liabilities</b>		
Guarantees favouring:		
Government	3,964,893	5,361,747
Banks and financial institutions	4,418,659	50,000
Others	5,882,748	4,744,689
	<u>14,266,300</u>	<u>10,156,436</u>
<b>9.2 Trade related contingent liabilities</b>		
Letters of credit	19,730,670	18,265,416
Acceptances	12,404,248	10,799,599
	<u>32,134,918</u>	<u>29,065,015</u>
<b>9.3 Other contingencies</b>		
Claims against the bank not acknowledged as debt	443,812	428,812
<b>9.4 Commitments in respect of forward lending</b>		
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.		
<b>9.5 Commitments in respect of forward exchange contracts</b>		
Purchase	222,985	783,998
Sale	1,947,131	2,101,934
	<u>2,170,116</u>	<u>2,885,932</u>
<b>9.6 Commitments for acquisition of operating fixed assets</b>	-	8,597

## 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)  
March 31, 2007  
(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	3,094,619	-
Made during the quarter	2,443,328	-
Repaid/matured during the period	(1,349,019)	-
Outstanding at the end of quarter	4,188,928	-
Markup earned	91,655	-
Deposits in current/corporate premier account at the end of quarter	73,426	-
Security Deposits in respect of finance lease	-	-
Lease finance arrangements	-	-
Markup paid on deposits during the period	627	-

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.

Rumeration 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 April 2007.

**12. General**

Figures have been rounded off to the nearest thousand.

PRESIDENT

DIRECTOR

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

***Consolidated Quarterly Accounts***  
***for the quarter ended March 31, 2007***  
***(Un- audited)***

**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET  
AS AT MARCH 31, 2007  
(Un-audited)**

		(Audited) December 31, 2006
	Note	March 31, 2007 (Rupees in thousand)
<b>ASSETS</b>		
Cash and bank balances with treasury banks		14,054,859
Balances with other banks		3,722,089
Lendings to financial institutions		11,846,823
Investments	6	28,233,211
Advances	7	101,324,443
Other assets		3,612,692
Operating fixed assets		2,068,744
		<b>191,291,492</b>
<b>LIABILITIES</b>		
Bills payable		856,448
Borrowings from financial institutions		6,989,424
Deposits and other accounts		137,727,544
Sub-ordinated loans		-
Liability against assets subject to finance lease		40,988
Other liabilities		2,816,412
Deferred tax liability		298,616
		<b>174,216,449</b>
<b>NET ASSETS</b>		<b>16,133,429</b>
<b>REPRESENTED BY</b>		
Share capital	8	2,902,490
Reserves		4,537,232
Unappropriated profit		3,226,961
		<b>11,448,955</b>
Surplus on revaluation of assets		10,666,683
Contingencies and commitments	9	5,466,746
		<b>17,075,043</b>

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

**PRESIDENT**

**DIRECTOR**

**INTERIM CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE QUARTER ENDED MARCH 31, 2007  
(Un-audited)**

	<b>March 31, 2007</b>	March 31, 2006
	(Rupees in thousand)	
Mark-up/return/interest earned	<b>4,005,449</b>	2,345,409
Mark-up/return/interest expensed	<b>2,960,780</b>	1,420,936
Net mark-up/return/interest income	<b>1,044,669</b>	924,473
Provision against non-performing advances	<b>48,221</b>	98,947
Provision for diminution in the value of investments	<b>33,000</b>	-
Bad debts written off directly	<b>77</b>	1,051
	<b>81,298</b>	99,998
Net mark-up/return/interest income after provisions	<b>963,371</b>	824,475
<b>NON MARK UP/INTEREST INCOME</b>		
Fee, commission and brokerage income	<b>190,250</b>	94,025
Dividend income	<b>30,672</b>	75,590
Income from dealing in foreign currencies	<b>62,165</b>	31,612
Gain on sale of securities	<b>154,996</b>	31,729
Unrealized gain/(loss) on revaluation of investments classified as held for trading	<b>(41)</b>	-
Other income	<b>203,125</b>	150,250
Total non mark-up/interest income	<b>641,167</b>	383,206
	<b>1,604,538</b>	1,207,681
<b>NON MARK UP/INTEREST EXPENSES</b>		
Administrative expenses	<b>448,267</b>	383,900
Provision against lending to financial institutions	<b>130,000</b>	-
Other provisions/write offs	<b>-</b>	-
Other charges	<b>265</b>	19
Total non mark-up/interest expenses	<b>578,532</b>	383,919
<b>PROFIT BEFORE TAXATION</b>	<b>1,026,006</b>	823,762
Taxation - Current	<b>223,132</b>	237,500
- Deferred	<b>22,068</b>	-
	<b>245,200</b>	237,500
<b>PROFIT AFTER TAXATION</b>	<b>780,806</b>	586,262
Unappropriated profit brought forward	<b>3,226,961</b>	1,495,054
Profit available for appropriation	<b>4,007,767</b>	2,081,316
Earnings per share (Rupees)	<b>2.03</b>	1.54

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



**INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE QUARTER ENDED MARCH 31, 2007  
(Un-audited)**

	<b>March 31, 2007</b>	March 31, 2006
	(Rupees in thousand)	
<b>Cash flow from operating activities</b>		
Profit before taxation	1,026,006	823,761
Less: Dividend income	(30,672)	(75,590)
Compensation for delayed assessed Income Tax Refunds	-	(43,115)
	995,334	705,056
Adjustments for non-cash charges		
Depreciation/amortization	42,820	23,988
Provision against non-performing advances	48,221	98,947
Provision for investments/lending to FIs	163,000	-
(Gain) on sale of fixed assets	(641)	(480)
(Gain) on sale of investment	(154,996)	(31,729)
Other provisions/direct write offs	77	1,051
	98,481	91,777
	1,093,815	796,833
(Increase)/decrease in operating assets		
Lendings to financial institutions	(7,724,280)	1,233,805
Advances	(5,325,007)	(7,868,596)
Other assets (excluding advance taxation)	(697,254)	(472,230)
	(13,746,541)	(7,107,021)
Increase/(decrease) in operating liabilities		
Bills payable	(272,551)	874,406
Borrowings from financial institutions	(451,617)	(279,931)
Deposits	25,806,736	1,623,377
Liability against assets subject to finance lease	(7,711)	(6,232)
Other liabilities (excluding current taxation)	354,155	226,500
	25,429,012	2,438,120
Income tax paid - net	(183,787)	(210,558)
	12,592,499	(4,082,626)
<b>Net cash flow from operating activities</b>		
<b>Cash flow from investing activities</b>		
Net investments	(14,691,462)	(4,839,728)
Dividend income	-	35,386
Investment in operating fixed assets	(95,719)	(53,233)
Sale proceeds of property and equipment disposed off	641	480
<b>Net cash flow from investing activities</b>	(14,786,540)	(4,857,095)
<b>Increase in cash and cash equivalents</b>	(2,194,041)	(8,939,721)
<b>Cash and cash equivalents at beginning of the period</b>	18,276,948	18,654,982
<b>Cash and cash equivalents at end of the period</b>	16,082,907	9,715,261
Cash and cash equivalents:		
Cash and balances with treasury banks	12,954,430	7,844,447
Balances with other banks	2,728,477	1,870,814
Money at call lending	400,000	-
	16,082,907	9,715,261

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

**PRESIDENT**

**DIRECTOR**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE QUARTER ENDED MARCH 31, 2007  
(Un-audited)**

	Share capital	Statutory reserve	Reserve		Revenue Reserve		Total
			Share premium	For issue of bonus shares	General reserve	Unappropriated Profit/(loss)	
	( 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)	-
Profit for the quarter ended March 31, 2006	-	-	-	-	-	586,262	586,262
Balance as at March 31, 2006	2,349,719	1,243,000	2,049	516,938	2,495,350	764,378	7,371,434
Issue of bonus shares	516,938	-	-	(516,938)	-	-	-
Issue of right shares	35,833	-	-	-	-	-	35,833
Premium on issue of right shares	-	-	35,833	-	-	-	35,833
Profit for the period April-December 2006	-	-	-	-	-	3,217,409	3,217,409
Transfer from surplus on Revaluation of Fixed Assets to unappropriated Profit - Net of Tax	-	-	-	-	-	6,174	6,174
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)	-
Transfer from surplus on revaluation of fixed assets net of tax	-	-	-	-	-	1,466	1,466
Profit for the quarter ended March 31, 2007	-	-	-	-	-	780,806	780,806
<b>Closing Balance as at March 31, 2007</b>	<b>2,902,490</b>	<b>2,004,000</b>	<b>37,882</b>	<b>943,309</b>	<b>2,495,350</b>	<b>3,065,924</b>	<b>11,448,955</b>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2007  
(Un-audited)**

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**1. Status and Nature of Business**

The Bank of Punjab Group comprises of The Bank of Punjab and Punjab Modaraba Services (Pvt.) Ltd. 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 (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 266 branches (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 of Punjab and is primarily engaged in the business of floating and managing modarabas.

**2. Statement of Compliance**

These consolidated financial statements of the Bank of Punjab Group include the Bank of Punjab and its wholly subsidiary Punjab Modaraba Services (Pvt.) Ltd. These 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 SBP. 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**

These consolidated financial statements have been prepared under the historical cost convention, except for certain investments that are carried at fair value and certain staff retirement benefits carried at present value.

The preparation of financial statements in conformity with International Financial Reporting Standards and statutory requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the Bank's accounting policies. 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 consolidated financial statements as compared with the most recent annual consolidated financial statements.

**5. Taxation**

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

## 6. Investments

	Held by bank	Given as collateral	Total
	(Rupees in thousand)		
As at March 31, 2007 (Un-audited) -note 6.1	<b>43,208,270</b>	-	<b>43,208,270</b>
As at December 31, 2006 (Audited)	27,944,287	288,924	28,233,211

### 6.1 Investments by types

Held-for-Trading securities	99,959	-	99,959
Available-for-sale securities	35,258,035	-	35,258,035
Held-to-maturity securities	3,047,598	-	3,047,598
Subsidiary	164,943	-	164,943
	38,570,535	-	38,570,535
Less : Provision for diminution in value of investments	(66,400)	-	(66,400)
Add : Surplus on revaluation of investments	4,704,135	-	4,704,135
Investments ( Net of Provisions )	43,208,270	-	43,208,270

(Un-audited) (Audited)  
March 31, December 31,  
2007 2006  
(Rupees in thousand)

## 7. Advances

Loans, cash credits, running finances- in Pakistan	<b>92,073,021</b>	88,537,832
Net investment in finance lease- in Pakistan	<b>5,172,470</b>	3,828,382
Financing under Continuous Funding System	-	-
Bills discounted and purchased (excluding Treasury Bills )		
- Payable in Pakistan	<b>8,725,024</b>	8,058,451
- Payable outside Pakistan	<b>1,811,244</b>	2,050,544
	<b>10,536,268</b>	10,108,995
	<b>107,781,759</b>	102,475,209
Provision for non-performing advances - Specific	<b>(1,085,132)</b>	(1,058,717)
- General	<b>(89,361)</b>	(92,049)
	<b>(1,174,493)</b>	(1,150,766)
	<b>106,607,266</b>	101,324,443

- 7.1 Advances include Rs. 2,370,209 thousand (2006: 2,345,754 thousand) which have been placed under non-performing status as detailed below:

Category of classification	Domestic	Provision	Provision
	Required		Held
	(Rupees in thousand)		
Other assets especially mentioned	204,440	-	-
Substandard	152,043	25,514	25,514
Doubtful	553,576	193,535	193,535
Loss	1,460,150	866,083	866,083
	<u>2,370,209</u>	<u>1,085,132</u>	<u>1,085,132</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

March 31, 2007 (No. of Shares)	December 31, 2006		(Un-audited) March 31, 2007 (Rupees in thousand)	(Audited) December 31, 2006
		<b>Authorised</b>		
<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>
		<b>Fully paid shares</b>		
<u>19,333,340</u>	<u>19,333,340</u>	Ordinary shares of Rs. 10/- each paid in cash	<u>193,333</u>	<u>193,333</u>
		<b>Bonus shares</b>		
<u>270,915,660</u>	<u>270,915,660</u>	Opening balance of fully paid bonus shares of Rs. 10/- each	<u>2,709,157</u>	<u>2,709,157</u>
<u>290,249,000</u>	<u>290,249,000</u>		<u>2,902,490</u>	<u>2,902,490</u>

	<b>(Un-audited)</b> <b>March 31,</b> <b>2007</b> <b>(Rupees in thousand)</b>	(Audited) December 31, 2006
<b>9. Contingencies and Commitments</b>		
<b>9.1 Transaction related contingent liabilities</b>		
Guarantees favouring:		
Government	<b>3,964,893</b>	5,361,747
Banks and financial institutions	<b>4,418,659</b>	50,000
Others	<b>5,882,748</b>	4,744,689
	<b>14,266,300</b>	10,156,436
<b>9.2 Trade related contingent liabilities</b>		
Letters of credit	<b>19,730,670</b>	18,265,416
Acceptances	<b>12,404,248</b>	10,799,599
	<b>32,134,918</b>	29,065,015
<b>9.3 Other contingencies</b>		
Claims against the bank not acknowledged as debt	<b>443,812</b>	428,812
<b>9.4 Commitments in respect of forward lending</b>		
The Group makes commitments to extend credit in normal course of its bussiness but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		
<b>9.5 Commitments in respect of forward exchange contracts</b>		
Purchase	<b>222,985</b>	783,998
Sale	<b>1,947,131</b>	2,101,934
	<b>2,170,116</b>	2,885,932
<b>9.6 Commitments for acquisition of operating fixed assets</b>	<b>-</b>	8,597
<b>10. Related party transactions</b>		
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) March 31, 2007 (Rupees in thousand)	
		Advances	Lending to
<b>10.1</b>	<b>Transactions with associated undertaking/ related parties</b>		
	<b>Advances / Lending to financial institutions</b>		
	Outstanding at the beginning of the period	3,094,619	-
	Made during the quarter	2,443,328	-
	Repaid/matured during the period	(1,349,019)	-
	Outstanding at the end of quarter	4,188,928	-
	Markup earned	91,655	-
	Deposits in current/corporate premier account at the end of quarter	73,426	-
	Security Deposits in respect of finance lease	-	-
	Lease finance arrangements	-	-
	Markup paid on deposits during the period	627	-

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 Group.

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

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

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

**11. Date of authorisation for issue**

The Board of Directors have authorized the accounts for issuance on 27th April 2007.

**12. General**

Figures have been rounded off to the nearest thousand.

