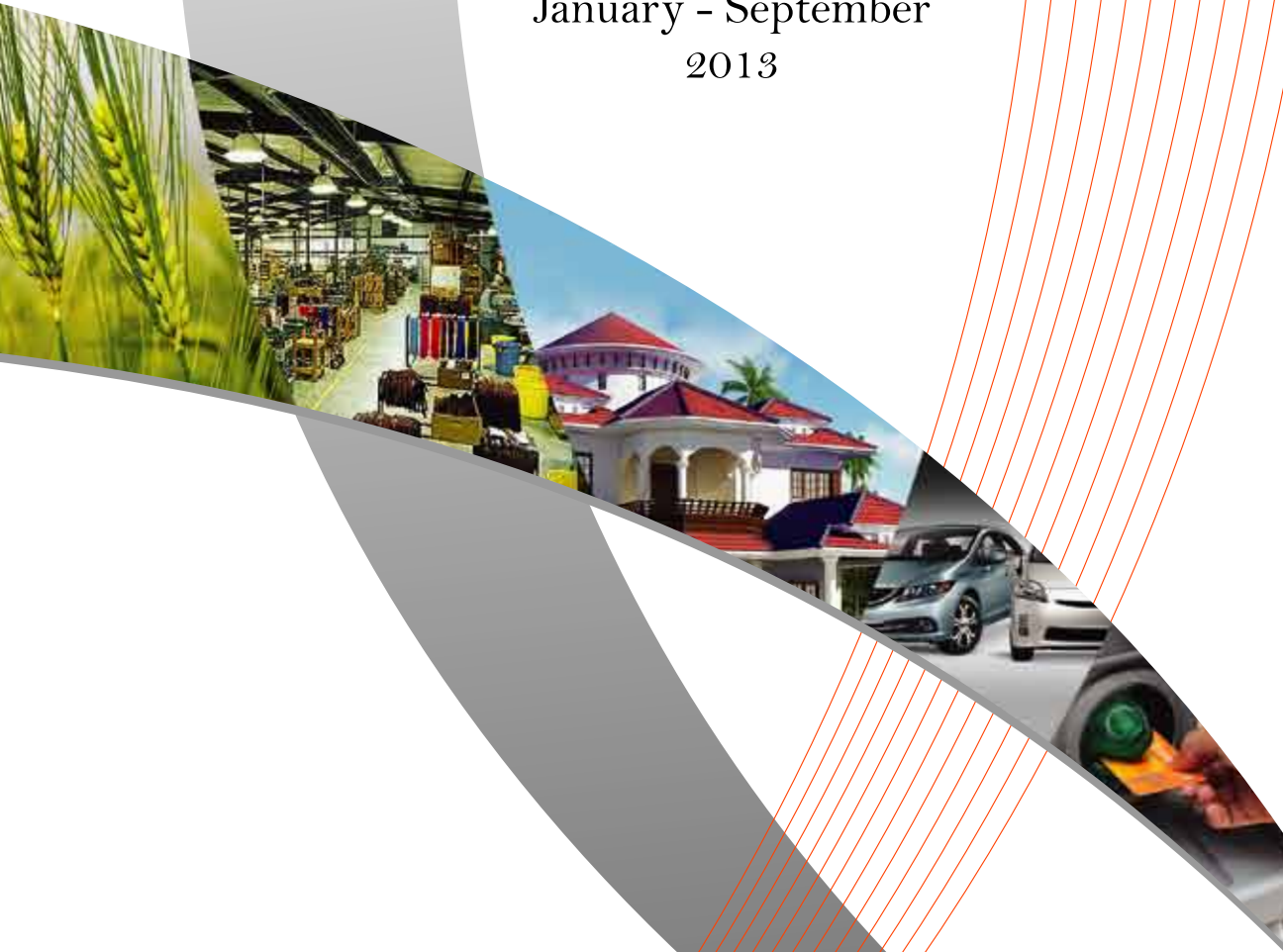


Quarterly Report  
(Un-audited)  
January - September  
2013



*Passion Reborn*



# Contents

- 02** Corporate Information
- 03** Directors' Review
- 05** Unconsolidated Condensed Interim Financial Information
- 25** Consolidated Condensed Interim Financial Information

## Corporate Information

### Board of Directors

Mr. Ghafoor Mirza	Chairman
Mr. Naeemuddin Khan	President/CEO
Mr. Javaid Aslam	Director
Mr. Tariq Mahmood Pasha	Director
Khawaja Farooq Saeed	Director
Mr. Saeed Anwar	Director
Mr. Junaid Ashraf Khawaja	Director
Dr. Umar Saif	Director
Mr. Syed Muratib Ali	Director
Mr. Raza Saeed	Secretary to the Board

### Central Audit Committee (CAC)

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

### Board Risk Management Committee (BRMC)

Mr. Tariq Mahmood Pasha	Chairman
Mr. Junaid Ashraf Khawaja	Member
Mr. Saeed Anwar	Member

### Human Resource & Remuneration Committee (HR&RC)

Khawaja Farooq Saeed	Chairman
Mr. Saeed Anwar	Member
Mr. Naeemuddin Khan	Ex-officio Member

### Auditors

M. Yousuf Adil Saleem & Co.,  
Chartered Accountants

### Credit Ratings by PACRA

Long term	AA-
Short term	A1+

### Registered Office:

BOP Tower, 10-B, Block-E-II,  
Main Boulevard,  
Gulberg-III, Lahore.  
Telephones: +92 - 42-35783700-10  
Fax No. +92 - 42 - 35783975  
UAN: 111-200-100

### Website:

[www.bop.com.pk](http://www.bop.com.pk)

### Registrar:

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

## Directors' Review

### Quarterly Financial Statements - September 30, 2013

On behalf of the Board of Directors, I am pleased to present Un-audited Condensed Interim Financial Statements of The Bank of Punjab for the nine months period ended on September 30, 2013.

The economy continued to struggle with domestic and external deficits. During the 3rd quarter of the year, the SBP discount rate has been increased by 50 basis points, while the minimum profit rate on saving and term deposits has also been pegged at 50 basis points below the SBP Repo rate, which will squeeze the available banking spread.

#### Financial Highlights:

	Rs. In Million
Profit before taxation	2,048
Taxation	720
Profit after taxation	1,328
Earnings per share (Rupees)	1.79

During the nine months period ended September 30, 2013, your Bank continued to post better results despite volatile economic conditions and extreme competition. During the period, your Bank was able to earn a pre-tax profit of Rs. 2,048 million as against Rs. 988 million for corresponding period last year. As a result of strenuous efforts, during the period, the NPLs registered a decrease of Rs. 6.4 billion with a net reduction of Rs. 2.8 billion in required provision. The Net Interest Margin for the period stood at Rs. 2,135 million as against Rs. 1,659 million for corresponding period last year, while the Tier-1 Equity improved to Rs. 12.0 billion as against Rs. 10.7 billion as on December 31, 2012.

As at September 30, 2013, the deposits stood at Rs. 275.3 billion, while investments and Gross Advances stood at Rs. 119.7 billion and Rs. 168.7 billion, respectively.

During the 1st half 2013, the process for issuance of Right Shares of Rs.5.0 billion (99.53%) at a discount of Rs.0.50 per share was initiated. Owing to the enduring support and confidence of shareholders, the Bank was able to successfully complete the Right Issue during 3rd quarter 2013.

M/s Pakistan Credit Rating Agency Limited (PACRA) has maintained the long term and short term entity

ratings of AA- and A1+, respectively, owing to the improved financial position of the bank. Further, State Bank of Pakistan has also granted licenses to your bank for opening of 28 new branches and upgradation of 4 sub-branches into full fledged branches in year 2013.

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

I would like to acknowledge the support of our customers and shareholders for their persistent trust and confidence in our services and the strategies employed for growth of the bank. I also wish to extend my gratitude to the Government of the Punjab and the State Bank of Pakistan for their constant support and guidance to the Bank. Furthermore, I complement the staff of the Bank for their hard work and consistent commitment in achieving the targeted goals.

For and on behalf of the Board

**Ghafoor Mirza**  
Chairman

The Bank of Punjab  
**Unconsolidated Condensed Interim  
Financial Information**

for the nine months ended September 30, 2013 (Un-Audited)



## Unconsolidated Condensed Interim Statement of Financial Position as at September 30, 2013 (un-audited)

	Note	(Un-audited) September 30, 2013 (Rupees in thousand)	(Audited) December 31, 2012
<b>ASSETS</b>			
Cash and balances with treasury banks		18,525,810	17,298,251
Balances with other banks		2,744,440	3,101,170
Lendings to financial institutions	5	2,848,399	1,562,946
Investments - net	6	119,731,688	129,518,999
Advances - net	7	143,291,003	149,605,002
Operating fixed assets	8	3,521,700	3,473,491
Deferred tax assets	9	12,903,310	13,070,614
Other assets		14,003,548	14,480,581
		<b>317,569,898</b>	<b>332,111,054</b>
<b>LIABILITIES</b>			
Bills payable		6,958,778	1,500,709
Borrowings	10	15,313,647	44,683,826
Deposits and other accounts	11	275,321,714	266,055,781
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		2,738	3,601
Deferred tax liabilities		-	-
Other liabilities		7,171,932	7,495,634
		<b>304,768,809</b>	<b>319,739,551</b>
<b>NET ASSETS</b>		<b>12,801,089</b>	<b>12,371,503</b>
<b>REPRESENTED BY</b>			
Share capital	12	10,551,132	5,287,974
Discount on issue of shares		(263,158)	-
Reserves		1,187,433	1,187,433
Accumulated loss		(11,485,052)	(12,742,364)
		<b>(9,645)</b>	<b>(6,266,957)</b>
Share deposit money	13	12,000,000	17,000,000
		<b>11,990,355</b>	<b>10,733,043</b>
Surplus on revaluation of assets - net of tax	14	810,734	1,638,460
		<b>12,801,089</b>	<b>12,371,503</b>
Contingencies and commitments	15		

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

President

Director

## Unconsolidated Condensed Interim Profit and Loss Account for the nine months ended September 30, 2013 (un-audited)

	Three months ended September 30, 2013	Nine months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2012
	(Rupees in thousand)			
<b>Mark-up / return / interest earned</b>	5,776,560	17,301,901	6,568,028	18,456,524
<b>Mark-up / return / interest expensed</b>	4,746,003	15,166,887	5,897,289	16,797,980
Net mark-up / return / interest income	1,030,557	2,135,014	670,739	1,658,544
Provision / (reversal of provision) against non-performing loans and advances-net	50,284	(882,380)	146,207	(313,053)
Provision for diminution in the value of investments-net	3,258	5,968	911	22,995
Bad debts written off directly	106	241	-	-
	53,648	(876,171)	147,118	(290,058)
Net mark-up/return/interest income after provisions	(976,909)	3,011,185	523,621	1,948,602
<b>NON MARK-UP / INTEREST INCOME</b>				
Fee, commission and brokerage income	210,622	617,787	156,283	567,236
Dividend income	13,725	117,919	45,703	202,285
Income from dealing in foreign currencies	58,475	111,812	56,525	115,238
Gain on sale and redemption of securities	331,878	1,250,925	626,102	960,606
Unrealized (loss) / gain on revaluation of investments classified as held for trading	(7,239)	(14,280)	8,462	3,694
Other income	248,368	821,906	107,674	407,673
Total non-markup / interest income	855,829	2,906,069	1,000,749	2,256,732
	1,832,738	5,917,254	1,524,370	4,205,334
<b>NON MARK-UP / INTEREST EXPENSES</b>				
Administrative expenses	1,314,674	3,860,055	1,133,059	3,252,535
Charge / (reversal) of provision against other assets	1,583	(1,168)	5,623	5,623
Provision against off balance sheet obligations	-	325	-	-
Other charges	9,810	9,846	74	(40,616)
Total non-markup / interest expenses	1,326,067	3,869,058	1,138,756	3,217,542
	506,671	2,048,196	385,614	987,792
Extra ordinary / unusual items	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	506,671	2,048,196	385,614	987,792
Taxation - Current	66,324	202,080	37,843	103,566
- Prior years	-	-	-	-
- Deferred	115,741	518,034	104,843	235,789
	182,065	720,114	142,686	339,355
<b>PROFIT AFTER TAXATION</b>	324,606	1,328,082	242,928	648,437
<b>Earnings per share - basic and diluted (Rupees) - Note 16</b>	0.44	1.79	0.39	1.04

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

President

Director



## Unconsolidated Condensed Interim Statement of Comprehensive Income for the nine months ended September 30, 2013 (un-audited)

	Three months ended September 30, 2013	Nine months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2012
	(Rupees in thousand)			
<b>Profit after taxation</b>	324,606	1,328,082	242,928	648,437
<b>Other comprehensive income</b>	-	-	-	-
<b>Total comprehensive income</b>	<u>324,606</u>	<u>1,328,082</u>	<u>242,928</u>	<u>648,437</u>

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

**President**

**Director**

## Unconsolidated Condensed Interim Cash Flow Statement for the nine months ended September 30, 2013 (un-audited)

	Nine months ended	
	September 30, 2013 (Rupees in thousand)	September 30, 2012 (Rupees in thousand)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	2,048,196	987,792
Less: dividend income	(117,919)	(202,285)
	1,930,277	785,507
Adjustments for non-cash charges:		
Depreciation	247,323	244,821
Amortization on intangible assets	1,673	-
Amortization of premium / (discount) on Pakistan investment bonds	20,957	(2,852)
Unrealized loss / (gain) on revaluation of investments classified as held for trading	14,280	(3,694)
Reversal of provision against non-performing loans and advances-net	(882,380)	(313,053)
Bad debts written-off directly	241	-
Provision for diminution in the value of investments - net	5,968	22,995
Provision for employees compensated absences	5,568	16,868
Provision for gratuity	65,498	58,124
Provision against off balance sheet obligations	325	-
(Reversal) / charge of provision against other assets	(1,168)	5,623
Net profit on sale of property and equipment	(20,809)	(4,700)
Net profit on sale of non-banking assets acquired in satisfaction of claims	(407,672)	(41,121)
Gain on sale and redemption of securities	(1,250,925)	(960,606)
Finance charges on leased assets	194	569
	(2,200,927)	(977,026)
	(270,650)	(191,519)
(Increase) / decrease in operating assets:		
Lendings to financial institutions	(985,453)	3,349,560
Net investments in held for trading securities	3,259,630	(6,210,786)
Advances - net	7,196,138	(9,654,046)
Other assets	(1,000,995)	3,483,767
	8,469,320	(9,031,505)
Increase / (decrease) in operating liabilities:		
Bills payable	5,458,069	1,046,800
Borrowings	(29,425,539)	14,102,381
Deposits and other accounts	9,265,933	4,215,648
Other liabilities	(395,093)	397,620
	(15,096,630)	19,762,449
	(6,897,960)	10,539,425
Financial charges paid	(194)	(569)
Income tax paid	(232,492)	(459,047)
<b>Net cash (used in) / flow from operating activities</b>	(7,130,646)	10,079,809
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	6,165,578	(14,005,895)
Net investments in held to maturity securities	401,081	88,832
Dividends received	106,811	317,817
Investments in operating fixed assets	(303,779)	(127,189)
Sale proceeds of property and equipment disposed-off	27,383	10,749
Sale proceeds of non-banking assets disposed-off	1,928,388	394,904
<b>Net cash flow from / (used in) investing activities</b>	8,325,462	(13,320,782)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Right shares issue cost	(78,484)	-
Payment of lease obligations	(863)	(2,611)
<b>Net cash used in financing activities</b>	(79,347)	(2,611)
<b>Net increase / (decrease) in cash and cash equivalents</b>	1,115,469	(3,243,584)
Cash and cash equivalents at beginning of the period	20,398,252	20,496,379
Cash and cash equivalents at end of the period	21,513,721	17,252,795
<b>Cash and cash equivalents:</b>		
Cash and balances with treasury banks	18,525,810	14,055,024
Balances with other banks	2,744,440	3,197,771
Call money lendings	300,000	-
Overdrawn nostro accounts	(56,529)	-
	21,513,721	17,252,795

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

## Unconsolidated Condensed Interim Statement of Changes in Equity for the nine months ended September 30, 2013 (un-audited)

	Capital Reserves				Revenue Reserve		
	Share capital	Discount on issue of shares	Statutory reserve	Restructuring reserve (Rupees in thousand)	Share premium	Accumulated loss	Total
<b>Balance as at January 1, 2012</b>	5,287,974	-	69,595	1,807,479	37,882	(14,067,841)	(6,864,911)
Transfer from provision against NPLs	-	-	-	(18,134)	-	-	(18,134)
Total comprehensive income for the nine months ended September 30, 2012	-	-	-	-	-	648,437	648,437
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	-	8,703	8,703
<b>Balance as at September 30, 2012</b>	5,287,974	-	69,595	1,789,345	37,882	(13,410,701)	(6,225,905)
Transfer from provision against NPLs	-	-	-	(1,036,158)	-	-	(1,036,158)
Total comprehensive income for the three months ended December 31, 2012	-	-	-	-	-	985,404	985,404
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	-	2,901	2,901
Transfer from surplus on revaluation of fixed assets to accumulated loss on disposal	-	-	-	-	-	6,801	6,801
Transfer to statutory reserve	-	-	326,769	-	-	(326,769)	-
<b>Balance as at December 31, 2012</b>	5,287,974	-	396,364	753,187	37,882	(12,742,364)	(6,266,957)
Transfer from provision against NPLs	-	-	-	-	-	-	-
Total comprehensive income for the nine months ended September 30, 2013	-	-	-	-	-	1,328,082	1,328,082
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	-	7,714	7,714
<b>Transactions with owners, recorded directly in equity</b>							
Issue of right shares during the period	5,263,158	-	-	-	-	-	5,263,158
Discount on issue of right shares	-	(263,158)	-	-	-	-	(263,158)
Right shares issue cost	-	(263,158)	-	-	-	(78,484)	(78,484)
<b>Balance as at September 30, 2013</b>	10,551,132	(263,158)	396,364	753,187	37,882	(11,485,052)	(9,645)

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

**President**

**Director**

## Notes to the Unconsolidated Condensed Interim Financial Information for the nine months ended September 30, 2013 (un-audited)

### 1. STATUS AND NATURE OF BUSINESS

- 1.1** The Bank of Punjab (the Bank) was constituted pursuant to The Bank of Punjab Act, 1989. It was given the status of a scheduled bank by the State Bank of Pakistan (SBP) on September 19, 1994. It is principally engaged in commercial banking and related services with its registered office at BOP Tower, 10-B, Block E-2, Main Boulevard, Gulberg III, Lahore. The Bank has 312 branches including 04 sub branches and 05 Islamic branches (2012: 306 branches) in Pakistan and Azad Jammu and Kashmir at the period ended September 30, 2013. The Bank is listed on Lahore, Karachi and Islamabad Stock Exchanges. The majority shares of the Bank are held by Government of the Punjab (GOPb).
- 1.2** The paid-up capital, reserves (net of losses) and advance subscription money of the Bank amounts to Rs. 11,990,355 thousand. The Capital Adequacy Ratio (CAR) remained below the prescribed level of 10%. Further, as at the close of the period ended September 30, 2013, net advances aggregating to Rs. 27,535,634 thousand (2012: Rs. 30,080,298 thousand) requiring additional provision of Rs. 25,161,600 thousand (2012: Rs. 27,055,529 thousand) there against have not been subjected to provisioning criteria as prescribed in SBP prudential regulations in view of the relaxation provided by SBP vide letter No. OSED/Div-01/SEU-03/010(1)-2013/3254 dated March 18, 2013, on the basis of two Letters of Comfort (LOC) issued by the GOPb as explained in paragraph below.

The GOPb being the majority shareholder, in order to support the Bank, deposited Rs.10,000,000 thousand and Rs. 7,000,000 thousand as advance subscription money in the year 2009 and 2011 respectively against future issue of shares by the Bank. During the period, the Bank has issued 526,315,789 right shares for Rs 5,000,000 thousand (99.53%) at a discount of Rs 0.5 per share in line with the recommendation of the Board of Directors and approval of shareholders of the Bank. Further, the GOPb vide two Letters of Comfort (LOCs) issued on March 29, 2012 has undertaken to inject the necessary funds to make good the capital shortfall to the satisfaction of SBP up to a maximum amount of Rs. 5,800,000 thousand (net of tax @ 35%) and Rs.12,940,000 thousand (net of tax @ 35%) within a period of 90 days after close of the year ending December 31, 2014 and December 31, 2016 respectively in event of the Bank failing to make provision of Rs.28,840,000 thousand or if there is a shortfall in meeting the prevailing regulatory capital requirements as a result of the said provisioning.

In addition, in terms of above LOCs, the GOPb being majority shareholder and sponsor of the Bank, has also extended its commitment to support and assist the Bank in ensuring that it remains compliant with the regulatory requirements at all times.

Based on above, the SBP has granted the Bank relaxation from provisioning requirements of SBP's prudential regulations and exemptions from minimum paid up capital net of losses and applicable adequacy ratio (CAR) which should not fall below 7% upto December 31, 2013. During the year 2013, the Bank will be required to record provisioning in staggered manner against outstanding amounts of borrowers covered under above LOCs to at least 4% by June 30, 2013, further 3%

during quarter ending September 30, 2013 and another 3% during quarter ending December 31, 2013. However, any account adjustment following the cash recovery/ settlement/ restructuring against these borrowers will reduce the said required provisioning covered under the LOCs. Staggering requirement of 7% upto September 30, 2013 has been complied with by the Bank. Going forward, further extension in these relaxations beyond 2013 would be considered upon satisfactory compliance of the conditions / requirements of SBP.

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

## **2. STATEMENT OF COMPLIANCE**

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

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

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

**2.3** The disclosures made in this unconsolidated condensed interim financial information have,

however, been limited based on the format prescribed by the SBP vide BSD Circular letter No. 2 dated May 12, 2004, BSD Circular letter No. 7 dated April 20, 2010 and International Accounting Standard – 34 Interim Financial Reporting. They do not include all of the disclosures required for annual financial statements, and this unconsolidated condensed interim financial information should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2012. This unconsolidated condensed interim financial information is being submitted to the shareholders in accordance with Section 245 of the Companies Ordinance, 1984.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The accounting policies, underlying estimates and judgments and methods of computation followed in the preparation of this unconsolidated condensed interim financial information are consistent with those disclosed in annual financial statements of the Bank for the year ended December 31, 2012.

The revised IAS 19 amends the accounting of defined benefit plans including actuarial gains and losses that are now required to be recognized in other comprehensive income (OCI) and permanently excluded from profit and loss account. Since the Bank already recognizes actuarial gains and losses in the profit and loss account, this change would have no impact on Bank's equity and will merely result in presentational change of actuarial gains and losses from profit and loss account to OCI. Hence the impact of any restatement has not been incorporated in this unconsolidated condensed interim financial information.

### 4. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies of the Bank are consistent with those disclosed in the annual financial statements of the Bank for the year ended December 31, 2012.

### 5. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	(Un-audited) September 30, 2013	(Audited) December 31, 2012
(Rupees in thousand)			
Call money lendings		300,000	-
Repurchase agreement lendings (Reverse Repo)	5.1	1,673,352	-
Certificate of investment		-	-
Placements		875,047	1,562,946
		<u>2,848,399</u>	<u>1,562,946</u>

## 5.1 Securities held as collateral against lendings to financial institutions

	(Un-audited)			(Audited)		
	September 30, 2013			December 31, 2012		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	(R u p e e s i n t h o u s a n d )					
Market Treasury Bills	1,473,352	-	1,473,352	-	-	-
Pakistan Investment Bonds	200,000	-	200,000	-	-	-
	<u>1,673,352</u>	<u>-</u>	<u>1,673,352</u>	<u>-</u>	<u>-</u>	<u>-</u>

Market value of securities held as collateral amounted to Rs. 1,677,717 thousand (December 31, 2012: Nil). These carry mark-up at rate ranging from 8.25% to 9.45% per annum (December 31, 2012: Nil per annum) with maturities up to November 26, 2013.

## 6. INVESTMENTS - NET

Note	(Un-audited)			(Audited)		
	September 30, 2013			December 31, 2012		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	(R u p e e s i n t h o u s a n d )					
<b>Held for trading securities</b>						
Ordinary Shares of Listed Companies	143,552	-	143,552	22,447	-	22,447
Pakistan Investment Bonds	-	-	-	102,487	-	102,487
Market Treasury Bills	9,817,730	-	9,817,730	10,303,206	2,784,152	13,087,358
	<u>9,961,282</u>	<u>-</u>	<u>9,961,282</u>	<u>10,428,140</u>	<u>2,784,152</u>	<u>13,212,292</u>
<b>Available for sale securities</b>						
Market Treasury Bills	88,675,947	8,105,077	96,781,024	53,284,273	34,852,255	88,136,528
Pakistan Investment Bonds	6,375,444	-	6,375,444	19,096,422	-	19,096,422
Ordinary Shares / Certificates of Listed Companies and Modarabas	1,364,394	-	1,364,394	2,315,182	-	2,315,182
Preference Shares of Listed Companies	520,451	-	520,451	520,451	-	520,451
Ordinary Shares of Unlisted Company	25,000	-	25,000	25,000	-	25,000
Mutual Funds Units	1,123,137	-	1,123,137	2,642,873	-	2,642,873
Listed Term Finance Certificates	321,018	-	321,018	365,308	-	365,308
Unlisted Term Finance Certificates	4,025,775	-	4,025,775	3,823,583	-	3,823,583
Sukuk Bonds	1,012,046	-	1,012,046	-	-	-
	<u>103,443,212</u>	<u>8,105,077</u>	<u>111,548,289</u>	<u>82,073,092</u>	<u>34,852,255</u>	<u>116,925,347</u>
<b>Held to maturity securities</b>						
Pakistan Investment Bonds	1,466,620	-	1,466,620	1,888,658	-	1,888,658
WAPDA Bonds	400	-	400	400	-	400
	<u>1,467,020</u>	<u>-</u>	<u>1,467,020</u>	<u>1,889,058</u>	<u>-</u>	<u>1,889,058</u>
<b>Subsidiary</b>						
Punjab Modaraba Services (Pvt) Ltd.	164,945	-	164,945	164,945	-	164,945
<b>Total investment at cost</b>	<u>115,036,459</u>	<u>8,105,077</u>	<u>123,141,536</u>	<u>94,555,235</u>	<u>37,636,407</u>	<u>132,191,642</u>
Less: Provision for diminution in value of investment	(3,203,586)	-	(3,203,586)	(3,660,023)	-	(3,660,023)
<b>Investments net of provisions</b>	<u>111,832,873</u>	<u>8,105,077</u>	<u>119,937,950</u>	<u>90,895,212</u>	<u>37,636,407</u>	<u>128,531,619</u>
(Less) add: (deficit) / surplus on revaluation of available for sale securities	(191,982)	-	(191,982)	978,760	-	978,760
(Less) add: (deficit) / surplus on revaluation of held for trading securities	(14,280)	-	(14,280)	8,620	-	8,620
<b>Total investment at market value</b>	<u>111,626,611</u>	<u>8,105,077</u>	<u>119,731,688</u>	<u>91,882,592</u>	<u>37,636,407</u>	<u>129,518,999</u>

**6.1** As per BSD 23/2008 dated October 13, 2008 securities classified as held to maturity cannot be sold. However, these can be used for borrowing under SBP repo facility / discount window. Market value of held to maturity investments is Rs. 1,408,083 thousand (December 31, 2012: Rs. 1,804,468 thousand).

	Note	(Un-audited) September 30, 2013	(Audited) December 31, 2012
(Rupees in thousand)			
<b>7. ADVANCES - NET</b>			
Loans, cash credits, running finances, etc. - in Pakistan		152,236,300	158,099,476
Net investment in finance lease - in Pakistan		13,338,145	12,145,701
Bills discounted and purchased (excluding treasury bills)			
- Payable in Pakistan		1,520,353	4,374,559
- Payable outside Pakistan		1,626,758	1,299,427
		3,147,111	5,673,986
Advances - gross		168,721,556	175,919,163
Provision for non-performing advances			
- Specific	7.1 & 7.2	(25,399,218)	(26,299,268)
- General	7.3	(31,335)	(14,893)
		(25,430,553)	(26,314,161)
Advances - net of provision		143,291,003	149,605,002

**7.1** Provision against certain net advances amounting to Rs. 27,535,634 thousand (December 31, 2012: Rs.30,080,298 thousand) requiring additional provisioning of Rs. 25,161,600 thousand (December 31, 2012: Rs. 27,055,529 thousand) has not been considered necessary in this unconsolidated condensed interim financial information on the basis of undertaking given by Government of the Punjab as stated in Note 1.2.

**7.2** Advances include Rs. 62,993,097 thousand (December 31, 2012: Rs. 69,367,815 thousand ) which have been placed under non-performing status as on September 30, 2013 as detailed below:

Category of classification	September 30, 2013 (Un-audited)				
	Domestic	Overseas	Total	Provision required	Provision held
(Rupees in thousand)					
Other assets especially mentioned	150,759	-	150,759	-	-
Substandard	8,519,905	-	8,519,905	2,063,865	2,063,865
Doubtful	869,366	-	869,366	371,296	371,296
Loss	53,453,067	-	53,453,067	22,964,057	22,964,057
	62,993,097	-	62,993,097	25,399,218	25,399,218
December 31, 2012 (Audited)					
Category of classification	Domestic	Overseas	Total	Provision required	Provision held
(Rupees in thousand)					
Other assets especially mentioned	60,226	-	60,226	-	-
Substandard	9,172,405	-	9,172,405	2,193,856	2,193,856
Doubtful	1,682,456	-	1,682,456	526,074	526,074
Loss	58,452,728	-	58,452,728	23,579,338	23,579,338
	69,367,815	-	69,367,815	26,299,268	26,299,268



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

**7.4** The SBP amended the prudential regulations vide BSD Circular No.1 of 2011 dated October 21, 2011 in relation to provision for loans and advances; there by allowing benefit of Forced Sale Value (FSV) of pledged stocks, mortgaged residential, commercial and industrial properties (land and buildings only) and plant and machinery under charge held as collateral against non-performing advances. The FSV benefit availed in last years have been reduced by Rs. 1,668,461 thousand (net of FSV benefit availed during the period), which has resulted in increased charge for specific provision for the period ended by the same amount. The FSV benefit is not available for cash or stock dividend. Had the FSV benefit not recognized, before and after tax profits for the period ended would have been higher by Rs. 1,668,461 thousand (September 30, 2012: higher by Rs.1,013,985 thousand) and Rs. 1,084,500 thousand (September 30, 2012: higher by Rs. 659,090 thousand ) respectively.

## 8. OPERATING FIXED ASSETS

During the period, additions to / disposals from operating fixed assets amounted to Rs. 336,884 thousand (September 30, 2012: Rs. 136,510 thousand) and Rs. 7,060 thousand (September 30, 2012: Rs. 22,412 thousand), respectively.

## 9. DEFERRED TAX ASSETS

### Taxable temporary differences

Surplus on revaluation of operating fixed assets	(109,161)	(115,222)
Surplus on available for sale securities	-	(240,635)
Accelerated tax depreciation	(210,727)	(219,673)

### Deductible temporary differences

Loan loss provision	8,026,320	8,026,320
Deficit on available for sale securities	110,095	-
Business loss	5,086,783	5,619,824
	<u>12,903,310</u>	<u>13,070,614</u>

(Un-audited)      (Audited)  
September      December  
30, 2013      31, 2012  
(Rupees in thousand)

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

	(Un-audited) September 30, 2013	(Audited) December 31, 2012
	(Rupees in thousand)	
<b>10. BORROWINGS</b>		
<b>Secured</b>		
Borrowings from SBP:		
-Export refinance (ERF)	5,790,511	5,775,034
-Long term financing - export oriented projects (LTF-EOP)	182,457	322,947
-Long term financing facility (LTF)	1,181,184	962,931
Repurchase agreement borrowings	8,102,966	37,621,745
	<u>15,257,118</u>	<u>44,682,657</u>
<b>Unsecured</b>		
Over drawn nostro account	56,529	1,169
	<u>15,313,647</u>	<u>44,683,826</u>
<b>11. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	105,708,414	111,143,862
Savings deposits	112,961,797	100,934,185
Current accounts	43,683,184	47,209,428
Sundry deposits, margin accounts, etc.	2,517,835	2,854,198
	<u>264,871,230</u>	<u>262,141,673</u>
<b>Financial Institutions</b>		
Remunerative deposits	9,558,081	3,131,640
Non-remunerative deposits	892,403	782,468
	<u>10,450,484</u>	<u>3,914,108</u>
	<u>275,321,714</u>	<u>266,055,781</u>
<b>11.1 Particulars of deposits</b>		
In local currency	267,105,862	260,635,041
In foreign currencies	8,215,852	5,420,740
	<u>275,321,714</u>	<u>266,055,781</u>

## 12. SHARE CAPITAL

(Un-audited) September 30, 2013	(Audited) December 31, 2012		(Un-audited) September 30, 2013	(Audited) December 31, 2012
(No. of Shares)			(Rupees in thousand)	

### 12.1 Authorized Capital

<u>5,000,000,000</u>	<u>5,000,000,000</u>	Ordinary shares of Rs. 10 each	<u>50,000,000</u>	<u>50,000,000</u>
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The authorized capital of the Bank is fifty thousand million rupees divided into five thousand million ordinary or preference shares of Rupees ten each.

### 12.2 Issued, subscribed and paid up capital

(Un-audited) September 30, 2013	(Audited) December 31, 2012		(Un-audited) September 30, 2013	(Audited) December 31, 2012
(No. of shares)			(Rupees in thousand)	

#### Opening balance

19,333,340	19,333,340	Ordinary shares of Rs.10 each paid in cash	193,333	193,333
<u>509,464,036</u>	<u>509,464,036</u>	Issued as bonus shares	<u>5,094,641</u>	<u>5,094,641</u>
<u>528,797,376</u>	<u>528,797,376</u>		<u>5,287,974</u>	<u>5,287,974</u>

#### During the period

526,315,789	-	Issuance of right shares at discount	5,263,158	-
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#### Closing balance

19,333,340	19,333,340	Ordinary shares of Rs.10 each paid in cash	193,333	193,333
526,315,789	-	Ordinary shares of Rs.10 each issued at discount	5,263,158	-
<u>509,464,036</u>	<u>509,464,036</u>	Issued as bonus shares	<u>5,094,641</u>	<u>5,094,641</u>
<u>1,055,113,165</u>	<u>528,797,376</u>		<u>10,551,132</u>	<u>5,287,974</u>

12.3 Government of the Punjab (GOPb) held 52.76% shares in the Bank as at September 30, 2013 (December 31, 2012: 51.00 %).

## 13. SHARE DEPOSIT MONEY

	Note	(Un-audited) September 30, 2013	(Audited) December 31, 2012
		(Rupees in thousand)	
Share deposit money - I		5,000,000	10,000,000
Share deposit money - II		<u>7,000,000</u>	<u>7,000,000</u>
	13.1	<u>12,000,000</u>	<u>17,000,000</u>

### 13.1 Reconciliation of share deposit money

Opening balance	17,000,000	17,000,000
Right shares issued during the period	(5,000,000)	-
Closing balance	<u>12,000,000</u>	<u>17,000,000</u>

This represents Rs. 10,000,000 thousand and Rs. 7,000,000 thousand deposited by the Government of the Punjab in 2009 & 2011 respectively. During the period, the Bank has issued 526,315,789 right shares at a discount of Rs.0.50 per share as explained in Note 1.2.

	(Un-audited) September 30, 2013	(Audited) December 31, 2012
	(Rupees in thousand)	

#### 14. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Surplus on revaluation of fixed assets	892,621	900,335
(Deficit) / Surplus on revaluation of securities	(81,887)	738,125
	<u>810,734</u>	<u>1,638,460</u>

#### 15. CONTINGENCIES AND COMMITMENTS

##### 15.1 Direct credit substitutes

These include general guarantees of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favor of:

	(Un-audited) September 30, 2013	(Audited) December 31, 2012
	(Rupees in thousand)	
Government	-	2,568,646
Financial institutions	-	-
Others	1,369,442	1,225,406
	<u>1,369,442</u>	<u>3,794,052</u>

##### 15.2 Transaction related contingent liabilities

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

	(Un-audited) September 30, 2013	(Audited) December 31, 2012
	(Rupees in thousand)	
Note		
Government	278,482	242,575
Financial institutions	33,872	36,148
Others	12,305,265	11,270,360
	<u>12,617,619</u>	<u>11,549,083</u>

##### 15.3 Trade related contingent liabilities

Government	1,074,108	3,688,374
Financial institutions	-	-
Others	6,134,567	8,378,817
	<u>7,208,675</u>	<u>12,067,191</u>

##### 15.4 Other contingencies

Claims against the bank not acknowledged as debt	15.4.1 <u>38,199,438</u>	<u>33,968,741</u>
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**15.4.1** The amount involved in the claims filed against the Bank are yet to be adjudicated by the concerned courts as the same have been filed as outburst to Bank's recovery suits. Uptill now, in no case, any claim has been adjudicated, determined or decreed by the courts against the Bank. Moreover, there is no likelihood of decreeing the suits against the Bank because, the claims are frivolous.

#### 15.5 Income tax related contingency

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

#### 15.6 Commitments to extend credit

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

(Un-audited) September 30, 2013	(Audited) December 31, 2012
(Rupees in thousand)	

#### 15.7 Commitments in respect of forward exchange contracts

Purchase	4,481,449	3,358,739
Sale	2,076,045	3,150,622

<u>6,557,494</u>	<u>6,509,361</u>
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#### 15.8 Commitments for the acquisition of operating fixed assets

<u>25,011</u>	<u>45,411</u>
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### 16. EARNINGS PER SHARE BASIC AND DILUTED

	----- (Un-audited) -----			
	Three months ended September 30, 2013	Nine months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2012
Profit after taxation (Rupees in thousand)	<u>324,606</u>	<u>1,328,082</u>	<u>242,928</u>	<u>648,437</u>
Weighted average number of ordinary shares (thousand)	<u>742,043</u>	<u>742,043</u>	<u>621,264</u>	<u>621,264</u>
Earnings per share (after tax) - basic and diluted (Rupees)	<u>0.44</u>	<u>1.79</u>	<u>0.39</u>	<u>1.04</u>

Prior periods earnings per share have been adjusted to give effect of bonus element included in the right issue made during the period.

## 17. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
(Rupees in thousand)						
<b>Nine months ended September 30, 2013 (un-audited)</b>						
Total income	9,642,047	1,534,467	8,668,853	305,241	57,362	20,207,970
Total expenses	3,732,373	2,558,658	11,799,812	58,031	10,900	18,159,774
Inter segment transfer revenue / (cost)	(4,312,904)	1,352,341	2,960,563	-	-	-
Income taxes	-	-	-	-	-	720,114
Net income / (loss)	<u>1,596,770</u>	<u>328,150</u>	<u>(170,396)</u>	<u>247,210</u>	<u>46,462</u>	<u>1,328,082</u>
Segment assets (gross)	<u>146,021,339</u>	<u>17,058,237</u>	<u>168,319,399</u>	<u>-</u>	<u>-</u>	<u>331,398,975</u>
Segment non performing advances / investments	<u>3,300,648</u>	<u>2,623,393</u>	<u>60,369,704</u>	<u>-</u>	<u>-</u>	<u>66,293,745</u>
Segment provision required	<u>3,203,586</u>	<u>2,043,348</u>	<u>23,387,205</u>	<u>-</u>	<u>-</u>	<u>28,634,139</u>
Segment liabilities	<u>34,108,207</u>	<u>42,863,925</u>	<u>227,796,677</u>	<u>-</u>	<u>-</u>	<u>304,768,809</u>
Segment return on net assets (ROA) (%)	<u>11.15%</u>	<u>15.91%</u>	<u>13.32%</u>			
Segment cost of funds (%)	<u>10.51%</u>	<u>8.10%</u>	<u>8.16%</u>			
<b>Nine months ended September 30, 2012 (un-audited)</b>						
Total income	9,867,902	1,295,502	9,210,225	286,828	52,799	20,713,256
Total expenses	3,012,388	2,828,988	13,830,873	44,940	8,275	19,725,464
Inter segment transfer revenue / (cost)	(5,489,248)	1,697,867	3,791,381	-	-	-
Income taxes	-	-	-	-	-	339,355
Net income / (loss)	<u>1,366,266</u>	<u>164,381</u>	<u>(829,267)</u>	<u>241,888</u>	<u>44,524</u>	<u>648,437</u>
Segment assets (gross)	<u>137,923,528</u>	<u>16,655,562</u>	<u>161,636,511</u>	<u>-</u>	<u>-</u>	<u>316,215,601</u>
Segment non performing advances / investments	<u>3,522,689</u>	<u>2,310,452</u>	<u>68,488,841</u>	<u>-</u>	<u>-</u>	<u>74,321,982</u>
Segment provision required	<u>3,422,200</u>	<u>1,579,080</u>	<u>24,449,362</u>	<u>-</u>	<u>-</u>	<u>29,450,642</u>
Segment liabilities	<u>9,607,460</u>	<u>40,430,199</u>	<u>240,023,674</u>	<u>-</u>	<u>-</u>	<u>290,061,333</u>
Segment return on net assets (ROA) (%)	<u>14.70%</u>	<u>13.84%</u>	<u>17.64%</u>			
Segment cost of funds (%)	<u>10.24%</u>	<u>9.44%</u>	<u>9.87%</u>			

## 18. RELATED PARTY TRANSACTIONS

Related parties comprise 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 on arm's length basis. Amounts due from and due to related parties are shown under receivables and payables.

	September 30, 2013 (Un-audited)				December 31, 2012 (Audited)			
	Key management personnel	Subsidiary company and managed modaraba	Employee funds	Others	Key management personnel	Subsidiary company and managed modaraba	Employee funds	Others
	(Rupees in thousand)				(Rupees in thousand)			
<b>Advances</b>								
Opening balance	94,554	1,069,513	-	-	60,770	1,022,820	-	-
Loans granted during the period	19,969	562,776	-	-	48,755	1,846,313	-	-
Repayments received during the period	(27,948)	(722,292)	-	-	(14,971)	(1,799,620)	-	-
Closing balance	86,575	909,997	-	-	94,554	1,069,513	-	-
<b>Deposits</b>								
Opening balance	39,996	2,369	1,627,249	288	22,571	32,373	1,187,328	2,536
Placements made during the period	151,404	599,978	369,301	53,876	257,537	2,053,870	504,423	5,848
Withdrawals during the period	(162,789)	(600,991)	(1,210,826)	(30,798)	(240,112)	(2,083,874)	(64,502)	(8,096)
Closing balance	28,611	1,356	785,724	23,366	39,996	2,369	1,627,249	288
<b>Placements</b>	-	300,000	-	-	-	300,000	-	-
<b>Lease liability</b>	-	2,738	-	-	-	3,601	-	-
	September 30, 2013 (Un-audited)				September 30, 2012 (Un-audited)			
	(Rupees in thousand)				(Rupees in thousand)			
<b>Transactions during the period :</b>								
Mark-up/return earned	5,717	91,937	-	-	3,621	112,395	-	-
Mark-up/interest expensed	656	-	112,292	432	273	-	112,952	52
Contribution to employees funds	-	-	37,840	-	-	-	49,673	-

## 19. DATE OF AUTHORIZATION FOR ISSUE

This unconsolidated condensed interim financial information was authorized for issuance on October 29, 2013 by the Board of Directors of the Bank.

## 20. GENERAL

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

**20.2** Figures have been rounded off to the nearest thousand.

President

Director

## Islamic Banking Business-Statement of Financial Position as at September 30, 2013 (Un-audited)

The Bank has started Islamic banking operations during the period ended September 30, 2013. As at close of September 2013, 05 Islamic banking branches were operating.

	Note	September 30, 2013	December 31, 2012
(Rupees in thousand)			
<b>ASSETS</b>			
Cash and balances with treasury banks		78,541	-
Balance with other banks		9,055	-
Due from financial institutions		-	-
Investments		936,549	-
Islamic financing and related assets	A	150,000	-
Operating fixed assets		14,365	-
Deferred tax assets		-	-
Other assets		86,036	-
<b>TOTAL ASSETS</b>		<b>1,274,546</b>	<b>-</b>
<b>LIABILITIES</b>			
Bills payable		2,268	-
Due to financial institutions		-	-
Deposit and other accounts		-	-
- Current accounts		418,625	-
- Saving accounts		319,294	-
- Term deposits		4,749	-
- Others		5,433	-
- Deposits from financial institutions - remunerative		-	-
- Deposits from financial institutions - non - remunerative		-	-
Due to head office		-	-
Other liabilities		11,191	-
		761,560	-
<b>NET ASSETS</b>		<b>512,986</b>	<b>-</b>
<b>REPRESENTED BY</b>			
Islamic banking fund		500,000	-
Reserves		-	-
Unappropriated profit		13,483	-
		513,483	-
Surplus on revaluation of assets		(497)	-
		512,986	-
<b>Remuneration to Shariah Advisor / Board</b>		<b>1,568</b>	<b>-</b>
<b>CHARITY FUND</b>			
Opening balance		-	-
Additions during the period		-	-
Payments / utilization during the period		-	-
Closing balance		-	-
<b>A. Islamic financing and related assets</b>			
Islamic mode of financing	A.1	150,000	-
<b>A.1 Islamic mode of financing</b>			
Murabaha		150,000	-
		150,000	-



## Islamic Banking Business-Profit and Loss Account for the nine months ended September 30, 2013 (Un-audited)

Annexure 1

	Three months ended September 30, 2013	Nine months ended September 30, 2013
	(Rupees in thousand)	
Profit / Return earned on financing, investment and placements	27,294	54,336
Return on deposits and other dues expensed	5,216	9,334
Net spread earned	22,078	45,002
Provision against non-performing advances	-	-
Provision against consumer financings	-	-
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	-	-
Income after provisions	22,078	45,002
Other income		
Fee, commission and brokerage income	287	615
Dividend income	-	-
Income from dealing in foreign currencies	1,615	1,706
Gain on sale and redemption of securities	-	-
Unrealized (loss) / gain on revaluation of investments classified as held for trading	-	-
Other income	498	942
Total other income	2,400	3,263
	24,478	48,265
Other expenses		
Administrative expenses	18,378	34,782
Other provisions/write offs/reversals	-	-
Other charges	-	-
Total other expenses	18,378	34,782
	6,100	13,483
Extra ordinary / unusual items	-	-
<b>PROFIT BEFORE TAXATION</b>	<b>6,100</b>	<b>13,483</b>

The Bank of Punjab  
**Consolidated Condensed Interim  
Financial Information**  
for the nine months ended September 30, 2013 (Un-Audited)



## Consolidated Condensed Interim Statement of Financial Position

as at September 30, 2013 (un-audited)

		(Un-audited) September 30, 2013	(Audited) December 31, 2012
	Note	(Rupees in thousand)	
<b>ASSETS</b>			
Cash and balances with treasury banks		18,525,810	17,298,251
Balances with other banks		2,744,440	3,101,170
Lendings to financial institutions	5	2,848,399	1,562,946
Investments - net	6	119,744,418	129,552,044
Advances - net	7	143,245,003	149,565,885
Operating fixed assets	8	3,521,700	3,473,491
Deferred tax assets	9	12,903,310	13,070,614
Other assets		14,008,990	14,486,073
		317,542,070	332,110,474
<b>LIABILITIES</b>			
Bills payable		6,958,778	1,500,709
Borrowings	10	15,313,647	44,683,826
Deposits and other accounts	11	275,321,593	266,055,761
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		2,738	3,601
Deferred tax liabilities		-	-
Other liabilities		7,172,076	7,495,928
		304,768,832	319,739,825
<b>NET ASSETS</b>		12,773,238	12,370,649
<b>REPRESENTED BY</b>			
Share capital	12	10,551,132	5,287,974
Discount on issue of shares		(263,158)	-
Reserves		1,187,433	1,187,433
Accumulated loss		(11,512,903)	(12,743,218)
		(37,496)	(6,267,811)
Share deposit money	13	12,000,000	17,000,000
		11,962,504	10,732,189
Surplus on revaluation of assets - net of tax	14	810,734	1,638,460
		12,773,238	12,370,649
Contingencies and commitments	15		

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

**President**

**Director**

## Consolidated Condensed Interim Profit and Loss Account for the nine months ended September 30, 2013 (un-audited)

	Three months ended September 30, 2013	Nine months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2012
(Rupees in thousand)				
<b>Mark-up / return / interest earned</b>	5,775,398	17,298,796	6,567,072	18,453,790
<b>Mark-up / return / interest expensed</b>	4,746,003	15,166,887	5,897,289	16,797,980
Net mark-up / return / interest income	1,029,395	2,131,909	669,783	1,655,810
Provision / (reversal of provision) against non-performing loans and advances-net	50,284	(882,380)	146,207	(313,053)
Provision for diminution in the value of investments-net	11,841	26,283	911	30,136
Bad debts written off directly	106	241	-	-
	62,231	(855,856)	147,118	(282,917)
Net mark-up/return/interest income after provisions	967,164	2,987,765	522,665	1,938,727
<b>NON MARK-UP / INTEREST INCOME</b>				
Fee, commission and brokerage income	210,622	617,787	156,283	567,236
Dividend income	13,725	117,919	45,703	202,285
Income from dealing in foreign currencies	58,475	111,812	56,525	115,238
Gain on sale and redemption of securities	331,878	1,250,925	626,102	960,606
Unrealized (loss) / gain on revaluation of investments classified as held for trading	(7,239)	(14,280)	8,462	3,694
Other income	248,368	821,906	107,674	407,673
Total non-markup / interest income	855,829	2,906,069	1,000,749	2,256,732
	1,822,993	5,893,834	1,523,414	4,195,459
<b>NON MARK-UP / INTEREST EXPENSES</b>				
Administrative expenses	1,316,142	3,863,632	1,135,109	3,257,573
Charge / (reversal) of provision against other assets	1,583	(1,168)	5,623	5,623
Provision against off balance sheet obligations	-	325	-	-
Other charges	9,810	9,846	74	(40,616)
Total non-markup / interest expenses	1,327,535	3,872,635	1,140,806	3,222,580
	495,458	2,021,199	382,608	972,879
Extra ordinary / unusual items	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	495,458	2,021,199	382,608	972,879
Taxation - Current	66,324	202,080	37,843	103,566
- Prior years	-	-	-	-
- Deferred	115,741	518,034	104,843	235,789
	182,065	720,114	142,686	339,355
<b>PROFIT AFTER TAXATION</b>	313,393	1,301,085	239,922	633,524
<b>Earnings per share - basic and diluted (Rupees) - Note 16</b>	0.42	1.75	0.39	1.02

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

**President**

**Director**

## Consolidated Condensed Interim Statement of Comprehensive Income for the nine months ended September 30, 2013 (un-audited)

	Three months ended September 30, 2013	Nine months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2012
	(Rupees in thousand)			
<b>Profit after taxation</b>	313,393	1,301,085	239,922	633,524
<b>Other comprehensive income</b>	-	-	-	-
<b>Total comprehensive income</b>	<u>313,393</u>	<u>1,301,085</u>	<u>239,922</u>	<u>633,524</u>

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

**President**

**Director**

## Consolidated Condensed Interim Cash Flow Statement for the nine months ended September 30, 2013 (un-audited)

	Nine months ended	
	September 30, 2013	September 30, 2012
	(Rupees in thousand)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	2,021,199	972,879
Less: dividend income	(117,919)	(202,285)
	1,903,280	770,594
Adjustments for non-cash charges:		
Depreciation	247,323	244,821
Amortization on intangible assets	1,673	-
Amortization of premium / (discount) on Pakistan investment bonds	20,957	(2,852)
Unrealized loss / (gain) on revaluation of investments classified as held for trading	14,280	(3,694)
Reversal of provision against non-performing loans and advances-net	(882,380)	(313,053)
Bad debts written-off directly	241	-
Provision for diminution in the value of investments - net	26,283	30,136
Provision for employees compensated absences	5,568	16,868
Provision for gratuity	65,498	58,124
Provision against off balance sheet obligations	325	-
(Reversal) / charge of provision against other assets	(1,168)	5,623
Net profit on sale of property and equipment	(20,809)	(4,700)
Net profit on sale of non-banking assets acquired in satisfaction of claims	(407,672)	(41,121)
Gain on sale and redemption of securities	(1,250,925)	(960,606)
Finance charges on leased assets	194	569
	(2,180,612)	(969,885)
	(277,332)	(199,291)
(Increase) / Decrease in operating assets:		
Lendings to financial institutions	(985,453)	3,349,560
Net investments in held for trading securities	3,259,630	(6,210,786)
Advances - net	7,203,021	(9,639,927)
Other assets	(1,000,945)	3,480,968
	8,476,253	(9,020,185)
Increase / (Decrease) in operating liabilities:		
Bills payable	5,458,069	1,046,800
Borrowings	(29,425,539)	14,102,381
Deposits and other accounts	9,265,832	4,215,654
Other liabilities	(395,243)	394,066
	(15,096,881)	19,758,901
	(6,897,960)	10,539,425
Financial charges paid	(194)	(569)
Income tax paid	(232,492)	(459,047)
<b>Net cash (used in) / flow from operating activities</b>	(7,130,646)	10,079,809
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	6,165,578	(14,005,895)
Net investments in held to maturity securities	401,081	88,832
Dividends received	106,811	317,817
Investments in operating fixed assets	(303,779)	(127,189)
Sale proceeds of property and equipment disposed-off	27,383	10,749
Sale proceeds of non-banking assets disposed-off	1,928,388	394,904
<b>Net cash flow from / (used in) investing activities</b>	8,325,462	(13,320,782)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Right shares issue cost	(78,484)	-
Payment of lease obligations	(863)	(2,611)
<b>Net cash used in financing activities</b>	(79,347)	(2,611)
<b>Net increase / (decrease) in cash and cash equivalents</b>	1,115,469	(3,243,584)
Cash and cash equivalents at beginning of the period	20,398,252	20,496,379
Cash and cash equivalents at end of the period	21,513,721	17,252,795
<b>Cash and cash equivalents:</b>		
Cash and balances with treasury banks	18,525,810	14,055,024
Balances with other banks	2,744,440	3,197,771
Call money lendings	300,000	-
Overdrawn nostro accounts	(56,529)	-
	21,513,721	17,252,795

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

## Consolidated Condensed Interim Statement of Changes in Equity for the nine months ended September 30, 2013 (un-audited)

	Capital Reserves				Revenue Reserve		Total
	Share capital	Discount on issue of shares	Statutory reserve	Restructuring reserve <small>(Rupees in thousand)</small>	Share premium	Accumulated loss	
<b>Balance as at January 1, 2012</b>	5,287,974	-	69,595	1,807,479	37,882	(14,179,410)	(6,976,480)
Transfer from provision against NPLs	-	-	-	(18,134)	-	-	(18,134)
Total comprehensive income for the nine months ended September 30, 2012	-	-	-	-	-	633,524	633,524
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	-	8,703	8,703
<b>Balance as at September 30, 2012</b>	5,287,974	-	69,595	1,789,345	37,882	(13,537,183)	(6,352,387)
Transfer from provision against NPLs	-	-	-	(1,036,158)	-	-	(1,036,158)
Total comprehensive income for the three months ended December 31, 2012	-	-	-	-	-	1,111,032	1,111,032
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	-	2,901	2,901
Transfer from surplus on revaluation of fixed assets to accumulated loss on disposal	-	-	-	-	-	6,801	6,801
Transfer to statutory reserve	-	-	326,769	-	-	(326,769)	-
<b>Balance as at December 31, 2012</b>	5,287,974	-	396,364	753,187	37,882	(12,743,219)	(6,287,811)
Transfer from provision against NPLs	-	-	-	-	-	-	-
Total comprehensive income for the nine months ended September 30, 2013	-	-	-	-	-	1,301,085	1,301,085
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	-	7,714	7,714
<b>Transactions with owners, recorded directly in equity</b>							
Issue of right shares during the period	5,263,158	-	-	-	-	-	5,263,158
Discount on issue of right shares	-	(263,158)	-	-	-	-	(263,158)
Right shares issue cost	5,263,158	(263,158)	-	-	-	(78,484)	4,921,516
<b>Balance as at September 30, 2013</b>	10,551,132	(263,158)	396,364	753,187	37,882	(11,512,903)	(37,496)

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

**President**

**Director**

## Notes to the Consolidated Condensed Interim Financial Information for the nine months ended September 30, 2013 (un-audited)

### 1. STATUS AND NATURE OF BUSINESS

**1.1** The Bank of Punjab Group comprises The Bank of Punjab (the Bank) and Punjab Modaraba Services (Private) Limited. The Bank was constituted pursuant to The Bank of Punjab Act, 1989. It was given the status of a scheduled bank by the State Bank of Pakistan (SBP) on September 19, 1994. It is principally engaged in commercial banking and related services with its registered office at BOP Tower, 10-B, Block E-2, Main Boulevard, Gulberg III, Lahore. The Bank has 312 branches including 04 sub branches and 05 Islamic branches (2012: 306 branches) in Pakistan and Azad Jammu and Kashmir at the period ended September 30, 2013. The Bank is listed on Lahore, Karachi and Islamabad Stock Exchanges. The majority shares of the Bank are held by Government of the Punjab (GOPb).

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

**1.2** The paid-up capital, reserves (net of losses) and advance subscription money of the Group amounts to Rs. 11,962,504 thousand. The Capital Adequacy Ratio (CAR) remained below the prescribed level of 10%. Further, as at the close of the period ended September 30, 2013, net advances aggregating to Rs. 27,489,634 thousand (2012: Rs. 30,041,181 thousand) requiring additional provision of Rs. 25,115,600 thousand (2012: Rs. 27,016,412 thousand) there against have not been subjected to provisioning criteria as prescribed in SBP prudential regulations in view of the relaxation provided by SBP vide letter No. OSED/Div-01/SEU-03/010(1)-2013/3254 dated March 18, 2013, on the basis of two Letters of Comfort (LOC) issued by the GOPb as explained in paragraph below.

The GOPb being the majority shareholder, in order to support the Bank, deposited Rs.10,000,000 thousand and Rs. 7,000,000 thousand as advance subscription money in the year 2009 and 2011 respectively against future issue of shares by the Bank. During the period, the Bank has issued 526,315,789 right shares for Rs 5,000,000 thousand (99.53%) at a discount of Rs 0.5 per share in line with the recommendation of the Board of Directors and approval of shareholders of the Bank. Further, the GOPb vide two Letters of Comfort (LOCs) issued on March 29, 2012 has undertaken to inject the necessary funds to make good the capital shortfall to the satisfaction of SBP up to a maximum amount of Rs. 5,800,000 thousand (net of tax @ 35%) and Rs.12,940,000 thousand (net of tax @ 35%) within a period of 90 days after close of the year ending December 31, 2014 and December 31, 2016 respectively in event of the Bank failing to make provision of Rs.28,840,000 thousand or if there is a shortfall in meeting the prevailing regulatory capital requirements as a result of the said provisioning.

In addition, in terms of above LOCs, the GOPb being majority shareholder and sponsor of the Bank, has also extended its commitment to support and assist the Bank in ensuring that it remains compliant with the regulatory requirements at all times.



Based on above, the SBP has granted the Bank relaxation from provisioning requirements of SBP's prudential regulations and exemptions from minimum paid up capital net of losses and applicable adequacy ratio (CAR) which should not fall below 7% upto December 31, 2013. During the year 2013, the Bank will be required to record provisioning in staggered manner against outstanding amounts of borrowers covered under above LOCs to at least 4% by June 30, 2013, further 3% during quarter ending September 30, 2013 and another 3% during quarter ending December 31, 2013. However, any account adjustment following the cash recovery/ settlement/ restructuring against these borrowers will reduce the said required provisioning covered under the LOCs. Staggering requirement of 7% upto September 30, 2013 has been complied with by the Bank. Going forward, further extension in these relaxations beyond 2013 would be considered upon satisfactory compliance of the conditions / requirements of SBP.

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

## **2. STATEMENT OF COMPLIANCE**

- 2.1** This consolidated condensed interim financial information has been prepared in accordance with the directives issued by the SBP, requirements of The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standard (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the directives issued by the SBP and Securities and Exchange Commission of Pakistan (SECP), The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 differ with the requirements of these standards, the requirements of the said directives, The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 take precedence.
- 2.2** SBP as per BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, Financial Instruments: "Recognition and Measurement" and International Accounting Standard (IAS) 40, "Investment Property" for banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, The IFRS – 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these Standards have not been considered in the preparation of this consolidated condensed interim financial information. However, investments have been classified in accordance with requirements prescribed by the SBP through various circulars.
- 2.3** The disclosures made in this consolidated condensed interim financial information have, however,

been limited based on the format prescribed by the SBP vide BSD Circular letter No. 2 dated May 12, 2004, BSD Circular letter No. 7 dated April 20, 2010 and International Accounting Standard – 34 Interim Financial Reporting. They do not include all of the disclosures required for annual financial statements, and this consolidated condensed interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2012. This consolidated condensed interim financial information is being submitted to the shareholders in accordance with Section 245 of the Companies Ordinance, 1984.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The accounting policies, underlying estimates and judgments and methods of computation followed in the preparation of this consolidated condensed interim financial information are consistent with those disclosed in annual financial statements of the Group for the year ended December 31, 2012.

The revised IAS 19 amends the accounting of defined benefit plans including actuarial gains and losses that are now required to be recognized in other comprehensive income (OCI) and permanently excluded from profit and loss account. Since the Bank already recognizes actuarial gains and losses in the profit and loss account, this change would have no impact on Bank's equity and will merely result in presentational change of actuarial gains and losses from profit and loss account to OCI. Hence the impact of any restatement has not been incorporated in this consolidated condensed interim financial information.

### 4. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies of the Group are consistent with those disclosed in the annual financial statements of the Group for the year ended December 31, 2012.

### 5. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	(Un-audited) September 30, 2013	(Audited) December 31, 2012
(Rupees in thousand)			
Call money lendings		300,000	-
Repurchase agreement lendings (Reverse Repo)	5.1	1,673,352	-
Certificate of investment		-	-
Placements		875,047	1,562,946
		<u>2,848,399</u>	<u>1,562,946</u>

## 5.1 Securities held as collateral against lendings to financial institutions

	(Un-audited)			(Audited)		
	September 30, 2013			December 31, 2012		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	(R u p e e s i n t h o u s a n d )					
Market Treasury Bills	1,473,352	-	1,473,352	-	-	-
Pakistan Investment Bonds	200,000	-	200,000	-	-	-
	<u>1,673,352</u>	<u>-</u>	<u>1,673,352</u>	<u>-</u>	<u>-</u>	<u>-</u>

Market value of securities held as collateral amounted to Rs. 1,677,717 thousand (December 31, 2012: Nil). These carry mark-up at rate ranging from 8.25% to 9.45% per annum (December 31, 2012: Nil per annum) with maturities up to November 26, 2013.

## 6. INVESTMENTS - NET

Note	(Un-audited)			(Audited)		
	September 30, 2013			December 31, 2012		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	(R u p e e s i n t h o u s a n d )					
<b>Held for trading securities</b>						
Ordinary Shares of Listed Companies	143,552	-	143,552	22,447	-	22,447
Pakistan Investment Bonds	-	-	-	102,487	-	102,487
Market Treasury Bills	9,817,730	-	9,817,730	10,303,206	2,784,152	13,087,358
	<u>9,961,282</u>	<u>-</u>	<u>9,961,282</u>	<u>10,428,140</u>	<u>2,784,152</u>	<u>13,212,292</u>
<b>Available for sale securities</b>						
Market Treasury Bills	88,675,947	8,105,077	96,781,024	53,284,273	34,852,255	88,136,528
Pakistan Investment Bonds	6,375,444	-	6,375,444	19,096,422	-	19,096,422
Ordinary Shares / Certificates of Listed Companies and Modarabas	1,529,337	-	1,529,337	2,480,125	-	2,480,125
Preference Shares of Listed Companies	520,451	-	520,451	520,451	-	520,451
Ordinary Shares of Unlisted Company	25,000	-	25,000	25,000	-	25,000
Mutual Funds Units	1,123,137	-	1,123,137	2,642,873	-	2,642,873
Listed Term Finance Certificates	321,018	-	321,018	365,308	-	365,308
Unlisted Term Finance Certificates	4,025,775	-	4,025,775	3,823,583	-	3,823,583
Sukuk Bonds	1,012,046	-	1,012,046	-	-	-
	<u>103,608,155</u>	<u>8,105,077</u>	<u>111,713,232</u>	<u>82,238,035</u>	<u>34,852,255</u>	<u>117,090,290</u>
<b>Held to maturity securities</b>						
Pakistan Investment Bonds	1,466,620	-	1,466,620	1,888,658	-	1,888,658
WAPDA Bonds	400	-	400	400	-	400
	<u>1,467,020</u>	<u>-</u>	<u>1,467,020</u>	<u>1,889,058</u>	<u>-</u>	<u>1,889,058</u>
<b>Total investment at cost</b>	<b>115,036,457</b>	<b>8,105,077</b>	<b>123,141,534</b>	<b>94,555,233</b>	<b>37,636,407</b>	<b>132,191,640</b>
Less: Provision for diminution in value of investment	(3,190,854)	-	(3,190,854)	(3,626,976)	-	(3,626,976)
<b>Investments net of provisions</b>	<b>111,845,603</b>	<b>8,105,077</b>	<b>119,950,680</b>	<b>90,928,257</b>	<b>37,636,407</b>	<b>128,564,664</b>
(Less) add: (deficit) / surplus on revaluation of available for sale securities	(191,982)	-	(191,982)	978,760	-	978,760
(Less) add: (deficit) / surplus on revaluation of held for trading securities	(14,280)	-	(14,280)	8,620	-	8,620
<b>Total investment at market value</b>	<b>111,639,341</b>	<b>8,105,077</b>	<b>119,744,418</b>	<b>91,915,637</b>	<b>37,636,407</b>	<b>129,552,044</b>

**6.1** As per BSD 23/2008 dated October 13, 2008 securities classified as held to maturity cannot be sold. However, these can be used for borrowing under SBP repo facility / discount window. Market value of held to maturity investments is Rs. 1,408,083 thousand (December 31, 2012: Rs. 1,804,468 thousand).

	Note	(Un-audited) September 30, 2013	(Audited) December 31, 2012
(Rupees in thousand)			
<b>7. ADVANCES - NET</b>			
Loans, cash credits, running finances, etc. - in Pakistan		152,190,300	158,060,359
Net investment in finance lease - in Pakistan		13,338,145	12,145,701
Bills discounted and purchased (excluding treasury bills)			
- Payable in Pakistan		1,520,353	4,374,559
- Payable outside Pakistan		1,626,758	1,299,427
		3,147,111	5,673,986
Advances - gross		168,675,556	175,880,046
Provision for non-performing advances			
- Specific	7.1 & 7.2	(25,399,218)	(26,299,268)
- General	7.3	(31,335)	(14,893)
		(25,430,553)	(26,314,161)
Advances - net of provision		143,245,003	149,565,885

**7.1** Provision against certain net advances amounting to Rs. 27,489,634 thousand (December 31, 2012: Rs.30,041,181 thousand) requiring additional provisioning of Rs. 25,115,600 thousand (December 31, 2012: Rs. 27,016,412 thousand) has not been considered necessary in this consolidated condensed interim financial information on the basis of undertaking given by Government of the Punjab as stated in Note 1.2.

**7.2** Advances include Rs. 62,947,097 thousand (December 31, 2012: Rs. 69,328,698 thousand ) which have been placed under non-performing status as on September 30, 2013 as detailed below:

Category of classification	September 30, 2013 (Un-audited)				
	Domestic	Overseas	Total	Provision required	Provision held
(Rupees in thousand)					
Other assets especially mentioned	150,759	-	150,759	-	-
Substandard	8,519,905	-	8,519,905	2,063,865	2,063,865
Doubtful	869,366	-	869,366	371,296	371,296
Loss	53,407,067	-	53,407,067	22,964,057	22,964,057
	62,947,097	-	62,947,097	25,399,218	25,399,218
December 31, 2012 (Audited)					
Category of classification	Domestic	Overseas	Total	Provision required	Provision held
(Rupees in thousand)					
Other assets especially mentioned	60,226	-	60,226	-	-
Substandard	9,172,405	-	9,172,405	2,193,856	2,193,856
Doubtful	1,682,456	-	1,682,456	526,074	526,074
Loss	58,413,611	-	58,413,611	23,579,338	23,579,338
	69,328,698	-	69,328,698	26,299,268	26,299,268

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

**7.4** The SBP amended the prudential regulations vide BSD Circular No.1 of 2011 dated October 21, 2011 in relation to provision for loans and advances; there by allowing benefit of Forced Sale Value (FSV) of pledged stocks, mortgaged residential, commercial and industrial properties (land and buildings only) and plant and machinery under charge held as collateral against non-performing advances. The FSV benefit availed in last years have been reduced by Rs. 1,668,461 thousand (net of FSV benefit availed during the period), which has resulted in increased charge for specific provision for the period ended by the same amount. The FSV benefit is not available for cash or stock dividend. Had the FSV benefit not recognized, before and after tax profits for the period ended would have been higher by Rs. 1,668,461 thousand (September 30, 2012: higher by Rs.1,013,985 thousand) and Rs. 1,084,500 thousand (September 30, 2012: higher by Rs. 659,090 thousand ) respectively.

## 8. OPERATING FIXED ASSETS

During the period, additions to / disposals from operating fixed assets amounted to Rs. 336,884 thousand (September 30, 2012: Rs. 136,510 thousand) and Rs. 7,060 thousand (September 30, 2012: Rs. 22,412 thousand), respectively.

## 9. DEFERRED TAX ASSETS

### Taxable temporary differences

	(Un-audited) September 30, 2013	(Audited) December 31, 2012
Surplus on revaluation of operating fixed assets	(109,161)	(115,222)
Surplus on available for sale securities	-	(240,635)
Accelerated tax depreciation	(210,727)	(219,673)

### Deductible temporary differences

Loan loss provision	8,026,320	8,026,320
Deficit on available for sale securities	110,095	-
Business loss	5,086,783	5,619,824
	12,903,310	13,070,614

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

	(Un-audited) September 30, 2013	(Audited) December 31, 2012
	(Rupees in thousand)	
<b>10. BORROWINGS</b>		
<b>Secured</b>		
Borrowings from SBP:		
-Export refinance (ERF)	5,790,511	5,775,034
-Long term financing - export oriented projects (LTF-EOP)	182,457	322,947
-Long term financing facility (LTF)	1,181,184	962,931
Repurchase agreement borrowings	8,102,966	37,621,745
	<u>15,257,118</u>	<u>44,682,657</u>
<b>Unsecured</b>		
Over drawn nostro account	56,529	1,169
	<u>15,313,647</u>	<u>44,683,826</u>
<b>11. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	105,708,414	111,143,862
Savings deposits	112,961,797	100,934,185
Current accounts	43,683,063	47,209,408
Sundry deposits, margin accounts, etc.	2,517,835	2,854,198
	<u>264,871,109</u>	<u>262,141,653</u>
<b>Financial Institutions</b>		
Remunerative deposits	9,558,081	3,131,640
Non-remunerative deposits	892,403	782,468
	<u>10,450,484</u>	<u>3,914,108</u>
	<u>275,321,593</u>	<u>266,055,761</u>
<b>11.1 Particulars of deposits</b>		
In local currency	267,105,741	260,635,021
In foreign currencies	8,215,852	5,420,740
	<u>275,321,593</u>	<u>266,055,761</u>

## 12. SHARE CAPITAL

(Un-audited) September 30, 2013	(Audited) December 31, 2012		(Un-audited) September 30, 2013	(Audited) December 31, 2012
(No. of Shares)			(Rupees in thousand)	

### 12.1 Authorized Capital

<u>5,000,000,000</u>	<u>5,000,000,000</u>	Ordinary shares of Rs. 10 each	<u>50,000,000</u>	<u>50,000,000</u>
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The authorized capital of the Bank is fifty thousand million rupees divided into five thousand million ordinary or preference shares of Rupees ten each.

### 12.2 Issued, subscribed and paid up capital

(Un-audited) September 30, 2013	(Audited) December 31, 2012		(Un-audited) September 30, 2013	(Audited) December 31, 2012
(No. of shares)			(Rupees in thousand)	

#### Opening balance

19,333,340	19,333,340	Ordinary shares of Rs.10 each paid in cash	193,333	193,333
<u>509,464,036</u>	<u>509,464,036</u>	Issued as bonus shares	<u>5,094,641</u>	<u>5,094,641</u>
<u>528,797,376</u>	<u>528,797,376</u>		<u>5,287,974</u>	<u>5,287,974</u>

#### During the period

526,315,789	-	Issuance of right shares at discount	5,263,158	-
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#### Closing balance

19,333,340	19,333,340	Ordinary shares of Rs.10 each paid in cash	193,333	193,333
526,315,789	-	Ordinary shares of Rs.10 each issued at discount	5,263,158	-
<u>509,464,036</u>	<u>509,464,036</u>	Issued as bonus shares	<u>5,094,641</u>	<u>5,094,641</u>
<u>1,055,113,165</u>	<u>528,797,376</u>		<u>10,551,132</u>	<u>5,287,974</u>

**12.3** Government of the Punjab (GOPb) held 52.76% shares in the Bank as at September 30, 2013 (December 31, 2012: 51.00 %).

Note	(Un-audited) September 30, 2013	(Audited) December 31, 2012
	(Rupees in thousand)	

## 13. SHARE DEPOSIT MONEY

Share deposit money - I	5,000,000	10,000,000
Share deposit money - II	<u>7,000,000</u>	<u>7,000,000</u>
	<u>12,000,000</u>	<u>17,000,000</u>

### 13.1 Reconciliation of share deposit money

Opening balance	17,000,000	17,000,000
Right shares issued during the period	<u>(5,000,000)</u>	-
Closing balance	<u>12,000,000</u>	<u>17,000,000</u>

This represents Rs. 10,000,000 thousand and Rs. 7,000,000 thousand deposited by the Government of the Punjab in 2009 & 2011 respectively. During the period, the Bank has issued 526,315,789 right shares at a discount of Rs.0.50 per share as explained in Note 1.2.

	(Un-audited) September 30, 2013	(Audited) December 31, 2012
	(Rupees in thousand)	

#### 14. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Surplus on revaluation of fixed assets	892,621	900,335
(Deficit) / Surplus on revaluation of securities	(81,887)	738,125
	<u>810,734</u>	<u>1,638,460</u>

#### 15. CONTINGENCIES AND COMMITMENTS

##### 15.1 Direct credit substitutes

These include general guarantees of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favor of:

	(Un-audited) September 30, 2013	(Audited) December 31, 2012
	(Rupees in thousand)	
Government	-	2,568,646
Financial institutions	-	-
Others	1,369,442	1,225,406
	<u>1,369,442</u>	<u>3,794,052</u>

##### 15.2 Transaction related contingent liabilities

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

	(Un-audited) September 30, 2013	(Audited) December 31, 2012
	(Rupees in thousand)	
Note		
Government	278,482	242,575
Financial institutions	33,872	36,148
Others	12,305,265	11,270,360
	<u>12,617,619</u>	<u>11,549,083</u>

##### 15.3 Trade related contingent liabilities

Government	1,074,108	3,688,374
Financial institutions	-	-
Others	6,134,567	8,378,817
	<u>7,208,675</u>	<u>12,067,191</u>

##### 15.4 Other contingencies

Claims against the bank not acknowledged as debt	15.4.1	<u>38,199,438</u>	<u>33,968,741</u>
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**15.4.1** The amount involved in the claims filed against the Bank are yet to be adjudicated by the concerned courts as the same have been filed as outburst to Bank's recovery suits. Uptill now, in no case, any claim has been adjudicated, determined or decreed by the courts against the Bank. Moreover, there is no likelihood of decreeing the suits against the Bank because, the claims are frivolous.

**15.5 Income tax related contingency**

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

The PMSL's Tax Advisors has certified total refunds due from the Tax Department aggregating Rs. 6,333 thousand. Refund application of the Company for the Tax Year 2007, 2008 and 2009 amounting to Rs 1,648 thousand, Rs 1,863 thousand and Rs 426,000 respectively were rejected by the Deputy Commissioner of Inland Revenue (DCIR). The Company has filed an appeal before the Commissioner of Inland Revenue Appeals (CIR Appeals) against the said order. CIR Appeals vide its order dated June 21, 2011 has vacated the order issued by the DCIR and referred the case back for denovo proceeding which have been initiated and pending for adjudication.

The Company's assessments, except for the assessment year 1995-96 and 1996-97, have been finalised upto assessment year 2002-03. The Taxation Officer issued notices for finalisation of the set-aside assessment for the assessment years 1995-96 and 1996-97, which were complied with but the orders have not yet been received.

Returns filed by the Company for tax years 2003 to 2012 have been assessed under the self assessment scheme envisaged in section 120 of the Income Tax Ordinance, 2001.

**15.6 Commitments to extend credit**

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

(Un-audited) September 30, 2013	(Audited) December 31, 2012
(Rupees in thousand)	

**15.7 Commitments in respect of forward exchange contracts**

Purchase	4,481,449	3,358,739
Sale	2,076,045	3,150,622

<u>6,557,494</u>	<u>6,509,361</u>
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**15.8 Commitments for the acquisition of operating fixed assets**

<u>25,011</u>	<u>45,411</u>
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**16. EARNINGS PER SHARE BASIC AND DILUTED**

	(Un-audited)			
	Three months ended September 30, 2013	Nine months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2012
Profit after taxation (Rupees in thousand)	<u>313,393</u>	<u>1,301,085</u>	<u>239,922</u>	<u>633,524</u>
Weighted average number of ordinary shares (thousand)	<u>742,043</u>	<u>742,043</u>	<u>621,264</u>	<u>621,264</u>
Earnings per share (after tax) - basic and diluted (Rupees)	<u>0.42</u>	<u>1.75</u>	<u>0.39</u>	<u>1.02</u>

Prior periods earnings per share have been adjusted to give effect of bonus element included in the right issue made during the period.

## 17. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
(Rupees in thousand)						
<b>Nine months ended September 30, 2013 (un-audited)</b>						
Total income	9,642,047	1,534,467	8,665,748	305,241	57,362	20,204,865
Total expenses	3,732,373	2,558,659	11,823,703	58,031	10,900	18,183,666
Inter segment transfer revenue / (cost)	(4,314,126)	1,352,337	2,961,789	-	-	-
Income taxes	-	-	-	-	-	720,114
Net income / (loss)	<u>1,595,548</u>	<u>328,145</u>	<u>(196,166)</u>	<u>247,210</u>	<u>46,462</u>	<u>1,301,085</u>
Segment assets (gross)	<u>146,021,388</u>	<u>17,058,391</u>	<u>168,272,169</u>	<u>-</u>	<u>-</u>	<u>331,351,948</u>
Segment non performing advances / investments	<u>3,287,916</u>	<u>2,623,393</u>	<u>60,323,704</u>	<u>-</u>	<u>-</u>	<u>66,235,013</u>
Segment provision required	<u>3,190,854</u>	<u>2,043,348</u>	<u>23,387,205</u>	<u>-</u>	<u>-</u>	<u>28,621,407</u>
Segment liabilities	<u>34,108,206</u>	<u>42,863,926</u>	<u>227,796,700</u>	<u>-</u>	<u>-</u>	<u>304,768,832</u>
Segment return on net assets (ROA) (%)	<u>11.15%</u>	<u>15.90%</u>	<u>13.31%</u>			
Segment cost of funds (%)	<u>10.51%</u>	<u>8.10%</u>	<u>8.17%</u>			
<b>Nine months ended September 30, 2012 (un-audited)</b>						
Total income	9,867,902	1,295,502	9,207,491	286,828	52,799	20,710,522
Total expenses	3,019,529	2,828,989	13,835,909	44,940	8,276	19,737,643
Inter segment transfer revenue / (cost)	(5,489,248)	1,697,867	3,791,381	-	-	-
Income taxes	-	-	-	-	-	339,355
Net income / (loss)	<u>1,359,125</u>	<u>164,380</u>	<u>(837,037)</u>	<u>241,888</u>	<u>44,523</u>	<u>633,524</u>
Segment assets (gross)	<u>137,923,584</u>	<u>16,655,647</u>	<u>161,599,235</u>	<u>-</u>	<u>-</u>	<u>316,178,466</u>
Segment non performing advances / investments	<u>3,618,321</u>	<u>2,310,452</u>	<u>68,452,721</u>	<u>-</u>	<u>-</u>	<u>74,381,494</u>
Segment provision required	<u>3,517,832</u>	<u>1,579,080</u>	<u>24,449,362</u>	<u>-</u>	<u>-</u>	<u>29,546,274</u>
Segment liabilities	<u>9,607,468</u>	<u>40,430,227</u>	<u>240,023,820</u>	<u>-</u>	<u>-</u>	<u>290,061,515</u>
Segment return on net assets (ROA) (%)	<u>14.71%</u>	<u>13.84%</u>	<u>17.62%</u>			
Segment cost of funds (%)	<u>10.26%</u>	<u>9.44%</u>	<u>9.87%</u>			

## 18. RELATED PARTY TRANSACTIONS

Related parties comprise 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 on arm's length basis. Amounts due from and due to related parties are shown under receivables and payables.

	September 30, 2013 (Un-audited)				December 31, 2012 (Audited)			
	Key management personnel	Modaraba floated by the wholly owned subsidiary of the Bank	Employee funds	Others	Key management personnel	Modaraba floated by the wholly owned subsidiary of the Bank	Employee funds	Others
	(Rupees in thousand)				(Rupees in thousand)			
<b>Advances</b>								
Opening balance	94,554	1,030,397	-	-	60,770	1,000,820	-	-
Loans granted during the period	19,969	562,776	-	-	48,755	1,824,474	-	-
Repayments received during the period	(27,948)	(722,292)	-	-	(14,971)	(1,794,897)	-	-
Closing balance	86,575	870,881	-	-	94,554	1,030,397	-	-
<b>Deposits</b>								
Opening balance	40,179	2,352	1,627,249	288	22,728	32,365	1,187,328	2,536
Placements made during the period	158,839	593,095	369,301	53,876	268,600	2,035,939	504,423	5,848
Withdrawals during the period	(170,313)	(594,212)	(1,210,826)	(30,798)	(251,149)	(2,065,952)	(64,502)	(8,096)
Closing balance	28,705	1,235	785,724	23,366	40,179	2,352	1,627,249	288
<b>Placements</b>	-	300,000	-	-	-	300,000	-	-
<b>Lease liability</b>	-	2,738	-	-	-	3,601	-	-
	September 30, 2013 (Un-audited)				September 30, 2012 (Un-audited)			
	(Rupees in thousand)				(Rupees in thousand)			
<b>Transactions during the period :</b>								
Mark-up/return earned	5,717	88,961	-	-	3,621	109,596	-	-
Mark-up/interest expensed	656	-	112,292	432	273	-	112,952	52
Contribution to employees funds	-	-	37,840	-	-	-	49,673	-

## 19. DATE OF AUTHORIZATION FOR ISSUE

This consolidated condensed interim financial information was authorized for issuance on October 29, 2013 by the Board of Directors of the Bank.

## 20. GENERAL

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

**20.2** Figures have been rounded off to the nearest thousand.

President

Director



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