



THE BANK OF PUNJAB

Passion Reborn

Half Yearly Report

(Un-audited)

January - June

2012

CONTENTS

Corporate Information	2
Directors' Review	3
Auditors' Review Report to the Members on Condensed Interim Financial Information	5
Condensed Interim Financial Information	7
Condensed Interim Consolidated Financial Information	25

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Ghafoor Mirza
Mr. Naemuddin Khan
Mr. Tariq Bajwa
Mr. Tariq Mahmood Pasha
Mr. Junaid Ashraf Khawaja

Chairman
President
Director
Director
Director

Mr. Raza Saeed

Secretary to the Board

CENTRAL AUDIT COMMITTEE

Mr. Ghafoor Mirza
Mr. Tariq Mahmood Pasha
Mr. Junaid Ashraf Khawaja

Chairman
Member
Member

AUDITORS

M. Yousuf Adil Saleem & Co.
Chartered Accountants
(Member of Deloitte Touche Tohmatsu)

REGISTERED OFFICE

The Bank of Punjab,
BOP Tower,
10-B,E-II, Main Boulevard,
Gulberg III, Lahore.

Website: www.bop.com.pk

REGISTRAR

M/s. Corplink (Pvt) Limited
Wings Arcade, 1-K, Commercial,
Model Town, Lahore.

DIRECTORS' REVIEW

On behalf of the Board of Directors, I am pleased to present the Un-audited Condensed Interim Financial Statements of The Bank of Punjab for the quarter and half year ended June 30, 2012.

Although, FY12 has shown some improvements over the previous year, the economy is continuing to face challenges. A persistent decline in investment, surging inflation along-with the prolonged energy and power crisis are the major impediments. GDP growth rate increased from 3.0 to 3.7 percent by the end of this fiscal year, but is still inadequate considering the high population growth. The Agriculture Sector is holding up well with an estimated 3.1 percent growth as it struggles with the after effects of the floods. The industrial sector has also shown improvement largely on the back of growth in the Mining and Construction Sector despite the aforesaid hardships.

The Bank of Punjab has emerged successful with its robust stance on accelerating resources and thereby registering a pre-tax profit of Rs.602 million in the current half year as against pre-tax profit of Rs.423 million in the corresponding period of last year. The bank continued to focus on reducing cost of funds and encouraging low cost CASA (Current Account and Saving Account) deposits. With a reformation of the deposit mix, deposits have now jumped to Rs.261 billion with a rise of Rs.24 billion over December 2011. Focused attention on low risk government securities (particularly treasury bills) has resulted in a boost in investments from Rs.92 billion to Rs.94 billion at close of the half year. Net Advances stood at Rs.136 Billion as against Rs.127 billion as on December 3, 2011. The equity including advance subscription money increased from Rs.10.7 billion to Rs.11.3 billion as at close of the half year.

Financial Highlights:	Rs. In Million
Profit before taxation	602.2
Taxation	196.7
Profit after taxation	405.5
Earnings per share (Rupees)	0.77

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

I am pleased to inform that M/s The Pakistan Credit Rating Agency Limited (PACRA) has withdrawn "negative outlook" earlier assigned to the BOP's credit ratings and has re-affirmed long term and short term entity ratings of "AA-" and "A1+" respectively. The assigned "stable outlook" reflects improvement in the Bank's financial profile.

I would like to acknowledge the support of our customers and shareholders for their unfaltering trust and confidence in our services and the direction we have embarked upon. Also, on behalf of the Board and Management, I would like to extend gratitude to the Government of 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

AUDITORS' REVIEW REPORT TO THE MEMBERS ON CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of The Bank of Punjab (the Bank) as at June 30, 2012, and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement and unconsolidated condensed interim statement of changes in equity together with the explanatory notes forming part thereof, for the six months then ended (here-in-after referred to as "the interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income for the quarters ended June 30, 2012 and June 30, 2011 have not been reviewed, as we are required to review only the cumulative figures for the six months ended June 30, 2012.

Scope of Review

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

Conclusion

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

Emphasis of Matter

We draw attention to Note 1.2 to the condensed interim financial information which fully explains relaxation granted by the State Bank of Pakistan from provisioning against certain advances, and regulatory capital requirements, based on the undertaking by the Government of Punjab in respect of the deficiency in capital. Our conclusion is not qualified in this respect.

Other Matters

The annual financial statements of the Bank for the year ended December 31, 2011 were audited by another firm of Chartered Accountants whose report dated March 29, 2012 expressed an unqualified opinion thereon. The condensed interim financial information of the Bank for the six months ended June 30, 2011 were reviewed by the same firm of Chartered Accountants whose report dated May 29, 2012 expressed an unqualified conclusion thereon.

The conclusion on condensed interim financial information of the Bank for the six months ended June 30, 2011 and the opinion on annual financial statements for the year ended December 31, 2011 included emphasis of matter paragraph (as stated in the above conclusion of our report due to the matter being relevant to the current period also) regarding relaxation granted by the State Bank of Pakistan from provisioning against certain advances, and regulatory capital requirements, based on the undertaking by the Government of Punjab in respect of the deficiency in capital.


M. Yousuf Adil Saleem & Co.

Chartered Accountants

Engagement Partner: Nadeem Yousuf Adil

Karachi

Dated: 29-08-2012



The Bank of Punjab
Condensed Interim Financial Information
For the Half Year Ended June 30, 2012 (Un-Audited)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2012 (UN-AUDITED)

	Note	(Un-audited) June 30, 2012	(Audited) December 31, 2011
(Rupees in thousand)			
ASSETS			
Cash and balances with treasury banks		18,363,332	16,698,333
Balances with other banks		4,202,736	3,607,107
Lendings to financial institutions	5	3,257,429	7,447,375
Investments - net	6	94,513,196	92,581,306
Advances - net	7	136,355,097	127,129,501
Operating fixed assets	8	3,502,608	3,597,483
Deferred tax assets	9	13,723,408	13,886,769
Other assets		14,749,547	16,049,657
		288,667,353	280,997,531
LIABILITIES			
Bills payable		1,294,859	850,569
Borrowings	10	7,014,490	24,963,566
Deposits and other accounts	11	261,663,471	237,896,700
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		6,059	7,831
Deferred tax liabilities		-	-
Other liabilities		7,374,465	6,506,275
		277,353,344	270,224,941
NET ASSETS		11,314,009	10,772,590
REPRESENTED BY			
Share capital		5,287,974	5,287,974
Reserves		1,896,822	1,914,956
Accumulated losses		(13,656,530)	(14,067,841)
Share deposit money	12	(6,471,734) 17,000,000	(6,864,911) 17,000,000
Surplus on revaluation of assets - net of tax	13	10,528,266 785,743	10,135,089 637,501
		11,314,009	10,772,590
Contingencies and commitments	14		

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

President

Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED JUNE 30, 2012 (UN-AUDITED)

Note	Three Months Ended June 30, 2012	Six Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2011
	(Rupees in thousand)			
Mark-up/Return/Interest Earned	5,859,838	11,888,496	4,939,125	9,442,609
Mark-up/Return/Interest Expensed	5,368,124	10,900,691	4,890,148	9,657,247
Net Mark-up/Return/Interest Income	491,714	987,805	48,977	(214,638)
Reversal of Provision against non-performing loans and advances-net (Reversal of provision) / Provision for diminution in the value of investments	(253,404)	(459,260)	(1,417,395)	(1,596,798)
Bad debts written off directly	(10,599)	22,084	20,189	22,774
	-	-	-	-
	(264,003)	(437,176)	(1,397,206)	(1,574,024)
Net Mark-up/Return/Interest income after provisions	755,717	1,424,981	1,446,183	1,359,386
NON MARK-UP/INTEREST INCOME				
Fee, commission and brokerage income	242,115	410,953	146,453	279,470
Dividend income	70,407	156,582	55,860	142,079
Income from dealing in foreign currencies	27,141	58,713	60,914	77,873
Gain on sale and redemption of securities	194,160	334,504	23,447	222,602
Unrealized gain/(loss) on revaluation of investments classified as held for trading	(4,809)	(4,768)	2,063	(2,590)
Other income	186,426	299,999	111,230	227,706
Total non-markup/interest income	715,440	1,255,983	399,967	947,140
	1,471,157	2,680,964	1,846,150	2,306,526
NON MARK-UP/INTEREST EXPENSES				
Administrative expenses	1,121,906	2,119,476	984,513	1,886,798
Reversal of provision against other assets	-	-	(3,216)	(3,216)
Other charges	(40,702)	(40,690)	54	192
Total non-markup/interest expenses	1,081,204	2,078,786	981,351	1,883,774
	389,953	602,178	864,799	422,752
Extra ordinary/unusual items	-	-	-	-
PROFIT BEFORE TAXATION	389,953	602,178	864,799	422,752
Taxation - Current	65,723	65,723	-	-
- Prior years	-	-	-	-
- Deferred	56,185	130,946	310,452	142,016
	121,908	196,669	310,452	142,016
PROFIT AFTER TAXATION	268,045	405,509	554,347	280,736
EARNINGS PER SHARE BASIC AND DILUTED - (Rupees) 15	0.51	0.77	1.05	0.53

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

President

Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2012 (UN-AUDITED)

	Three Months Ended June 30, 2012	Six Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2011
	(Rupees in thousand)			
Profit after taxation	268,045	405,509	554,347	280,736
Other comprehensive income	-	-	-	-
Total comprehensive income	<u>268,045</u>	<u>405,509</u>	<u>554,347</u>	<u>280,736</u>

Surplus arising on revaluation of assets (refer note 13) has been reported in accordance with the requirements of the Companies Ordinance, 1984, and the directives of the SBP in separate account below equity.

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

President

Director

CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED JUNE 30, 2012 (UN-AUDITED)

	Six Months Ended	
	June 30, 2012	June 30, 2011
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	602,178	422,752
Less: Dividend income	(156,582)	(142,079)
	445,596	280,673
Adjustments for non-cash charges:		
Depreciation	166,391	167,800
Amortization on premium on Pakistan Investment Bonds	1,210	18,279
Unrealized loss on revaluation of investments classified as held for trading	4,768	2,590
Reversal of Provision against non-performing loans and advances - net	(459,260)	(1,596,798)
Provision for diminution in the value of investments - net	22,084	22,774
Provision for employees compensated absences	11,468	10,800
Provision for gratuity	38,749	23,400
Gain on sale of property and equipment	(45,873)	(1,088)
Gain on sale and redemption of securities	(334,504)	(222,602)
Finance charges on leased assets	407	826
	(594,560)	(1,574,019)
	(148,964)	(1,293,346)
(Increase)/ Decrease in operating assets:		
Lendings to financial institutions	3,994,946	1,621,173
Net investments in held for trading securities	(13,162,219)	179,464
Advances	(8,784,471)	(4,325,057)
Others assets	1,579,532	(726,321)
	(6,372,212)	(3,250,741)
Increase/ (Decrease) in operating liabilities:		
Bills payable	444,290	93,252
Borrowings	(18,215,703)	(3,820,799)
Deposits and other accounts	23,766,771	22,258,832
Other liabilities	817,973	259,363
	6,813,331	18,790,648
	(9,707,845)	14,246,561
Financial charges paid	(407)	(826)
Income tax paid	(457,230)	(5,773)
Net cash (used in)/ from operating activities	(10,165,482)	14,239,962
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	11,706,729	(12,068,088)
Net investments in held to maturity securities	16,502	223,354
Dividends received	268,668	26,546
Investments in operating fixed assets	(303,568)	(128,722)
Sale proceeds of property and equipment disposed-off	277,925	1,088
Net cash from / (used in) investing activities	11,966,256	(11,945,822)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease obligations	(1,772)	(3,152)
Net cash used in financing activities	(1,772)	(3,152)
Net increase in cash and cash equivalents	1,799,001	2,290,988
Cash and cash equivalents at beginning of the period	20,496,379	17,345,835
Cash and cash equivalents at end of the period	22,295,380	19,636,823
Cash and cash equivalents:		
Cash and balances with treasury banks	18,363,332	15,473,401
Balances with other banks	4,202,736	4,163,528
Overdrawn nostro accounts	(270,688)	(106)
	22,295,380	19,636,823

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

President

Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED JUNE 30, 2012 (UN-AUDITED)

	Share capital	Statutory reserve	Capital Reserves		Revenue Reserve	Total
			Restructuring reserve	Share premium	Accumulated losses	
	(R u p e e s i n t h o u s a n d)					
Balance as at January 01, 2011	5,287,974	-	1,974,610	37,882	(14,352,989)	(7,052,523)
Transfer from provision against NPLs	-	-	(160,464)	-	-	(160,464)
Total comprehensive income for the six months ended June 30, 2011	-	-	-	-	280,736	280,736
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	3,385	3,385
Balance as at June 30, 2011	5,287,974	-	1,814,146	37,882	(14,068,868)	(6,928,866)
Transfer from provision against NPLs	-	-	(6,667)	-	-	(6,667)
Total comprehensive income for the six months ended 31 December 2011	-	-	-	-	67,237	67,237
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	3,385	3,385
Transfer from accumulated losses	-	69,595	-	-	(69,595)	-
Balance as at December 31, 2011	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 six months ended June 30, 2012	-	-	-	-	405,509	405,509
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	5,802	5,802
Balance as at June 30, 2012	5,287,974	69,595	1,789,345	37,882	(13,656,530)	(6,471,734)

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

President

Director

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2012 (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, Block E/II, Main Boulevard, Gulberg III, Lahore. The Bank has 284 branches (December 31, 2011: 284 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 Government of the Punjab.
- 1.2** The paid-up capital, reserves (net of losses) and advance subscription money of the Bank amounts to Rs. 10,528,266 thousand (December 31, 2011 Rs. 10,135,089 thousand) (before considering required provisioning as described below), as against the minimum regulatory capital requirement of Rs. 8,000,000 thousand and Capital Adequacy Ratio (CAR) remained below the prescribed level of 10%. Further, as at the close of the period ended June 30, 2012, net advances aggregating to Rs. 31,889,395 thousand (December 31, 2011 Rs. 33,113,789) requiring additional provision of Rs. 27,818,272 thousand (December 31, 2011 Rs. 28,637,910 thousand) there against, have not been subjected to provisioning criteria as prescribed in State Bank of Pakistan's (SBP) prudential regulations in view of the relaxation provided by SBP vide letter No. OSED/Div-01/SEU-03/010(1)-2012/568 dated March 13, 2012, on the basis of two Letters of Comfort (LOCs) issued by Government of the Punjab (GOPb) as explained in paragraph below.

Government of the Punjab (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. 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 LOC, 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 State Bank of Pakistan has granted the Bank relaxations from provisioning requirements of SBP's prudential regulations and exemption from applicable capital adequacy ratio (CAR) and minimum capital requirements for the years 2009, 2010, 2011 and 2012. However, the minimum level of CAR should not fall below 7% for the years 2011 and 2012. Further, the SBP has also agreed to allow above relaxations for the period of another 3 years including year 2012 based on the business plan to be submitted by the Bank to the SBP by June 30, 2012. The requisite business plan has been submitted to the SBP for consideration.

On the basis of above enduring support of Government of the Punjab, actions as outlined above and the projections prepared by the Bank's management, which have 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 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) 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** The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standards (IAS) 40, "Investment Property" for banking companies till further instructions. Further, according to a notification of Securities and Exchange Commission of Pakistan dated April 28, 2008, IFRS 7 "Financial Instruments: Disclosure" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of this condensed interim financial information. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

The condensed interim financial information is separate interim financial information of the Bank in which the investments in subsidiary is stated at cost and has not been accounted for on the basis of reported results and net assets of the investees.

- 2.3** The disclosures made in this condensed interim financial information have been limited based on the format prescribed by the SBP vide BSD Circular Letter No. 2, dated May 12, 2004 and IAS 34 "Interim Financial Reporting" and do not include all the information required for the annual financial statements. Accordingly, this condensed interim financial information should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2011. This condensed interim financial information is being submitted to the shareholders in accordance with section 245 of the Companies Ordinance, 1984 and is un-audited but subject to limited scope review by the auditors.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

The accounting policies, underlying estimates and judgments and methods of computation followed in the preparation of this condensed interim financial information are consistent with those disclosed in annual financial statements of the Bank for the year ended December 31, 2011.

4. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies by the Bank are consistent with those disclosed in the annual financial statements of the Bank for the year ended December 31, 2011.

(Un-audited) (Audited)
June 30, December 31,
2012 2011
 (Rupees in thousand)

5. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	-	195,000
Repurchase agreement lendings (Reverse Repo)	2,457,429	5,369,042
Certificate of investment	500,000	1,383,333
Placements	300,000	500,000
	3,257,429	7,447,375

6. INVESTMENTS - NET

Note	(Un-audited)			(Audited)		
	June 30, 2012			December 31, 2011		
	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)					
Held for trading securities						
Ordinary shares of listed companies	86,285	-	86,285	-	-	-
Pakistan Investment Bonds	-	-	-	99,966	-	99,966
Market Treasury Bills	13,170,518	-	13,170,518	-	-	-
Available for sale securities						
Market Treasury Bills	61,558,809	-	61,558,809	54,770,060	18,770,327	73,540,387
Pakistan Investment Bonds	9,325,407	-	9,325,407	8,500,711	-	8,500,711
Ordinary Shares / Certificates of Listed Companies and Modarabas	2,641,873	-	2,641,873	3,114,790	-	3,114,790
Preference Shares of Listed Companies	520,451	-	520,451	195,454	-	195,454
Ordinary Shares of Unlisted Company	25,000	-	25,000	25,000	-	25,000
Mutual Fund Units	3,954,928	-	3,954,928	3,804,928	-	3,804,928
Listed Term Finance Certificates	426,737	-	426,737	518,085	-	518,085
Unlisted Term Finance Certificates	4,392,696	-	4,392,696	4,757,551	-	4,757,551
Held to maturity securities						
Pakistan Investment Bonds	1,965,884	-	1,965,884	1,983,596	-	1,983,596
WAPDA Bonds	400	-	400	400	-	400
Subsidiary						
Punjab Modaraba Services (Private) Limited	164,945	-	164,945	164,945	-	164,945
Total investment at cost	98,233,933	-	98,233,933	77,935,486	18,770,327	96,705,813
Less: Provision for diminution in value of investment	(3,502,772)	-	(3,502,772)	(3,719,469)	-	(3,719,469)
Investments net of provisions	94,731,161	-	94,731,161	74,216,017	18,770,327	92,986,344
Less: Deficit on revaluation of available for sale securities	(213,197)	-	(213,197)	(399,655)	-	(399,655)
Less: Deficit on revaluation of held for trading securities	(4,768)	-	(4,768)	(5,383)	-	(5,383)
Total investment at market value	94,513,196	-	94,513,196	73,810,979	18,770,327	92,581,306

6.1 As per BSD 23/2008 dated 13 October 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. 1,776,083 (thousand) {31 December 2011: Rs. 1,744,023 (thousand)}.

	Note	(Un-audited) June 30, 2012	(Audited) December 31, 2011
(Rupees in thousand)			
7. ADVANCES - NET			
Loans, cash credits, running finances, etc. - in Pakistan		149,058,297	149,043,501
Net investment in finance lease - in Pakistan		9,050,411	2,003,152
Repurchase agreement lendings to Non Financial Institutions		902,347	902,347
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		1,967,408	968,419
Payable outside Pakistan		1,258,869	535,443
		3,226,277	1,503,862
Advances - gross		162,237,332	153,452,862
Provision for non-performing advances	7.1 & 7.2	(25,865,583)	(26,303,094)
-Specific		(16,652)	(20,267)
-General		(25,882,235)	(26,323,361)
Advances - net of provision		136,355,097	127,129,501

- 7.1** Provision against certain net advances amounting to Rs. 31,889,395 thousand {2011: Rs.33,113,789 (thousand)} requiring additional provisioning of Rs. 27,818,272 thousand {2011: Rs. 28,637,910 (thousand)} has not been considered necessary in this condensed interim financial information on the basis of undertaking given by Government of the Punjab and relaxation given by SBP as stated in Note 1.2.
- 7.2** Advances include Rs. 71,709,767 thousand (2011: Rs. 73,665,672 thousand) which have been placed under non-performing status as on June 30, 2012 as detailed below:

Category of classification	June 30, 2012 (Un-audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
(Rupees in thousand)					
Other assets especially mentioned	42,444	-	42,444	-	-
Substandard	9,591,100	-	9,591,100	2,252,404	2,252,404
Doubtful	2,054,774	-	2,054,774	267,368	267,368
Loss	60,021,449	-	60,021,449	23,345,811	23,345,811
	71,709,767	-	71,709,767	25,865,583	25,865,583
December 31, 2011 (Audited)					
Category of classification	Domestic	Overseas	Total	Provision Required	Provision Held
(Rupees in thousand)					
Other assets especially mentioned	243,838	-	243,838	-	-
Substandard	10,809,335	-	10,809,335	2,217,735	2,217,735
Doubtful	1,964,381	-	1,964,381	236,867	236,867
Loss	60,648,118	-	60,648,118	23,848,492	23,848,492
	73,665,672	-	73,665,672	26,303,094	26,303,094

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

7.4 The State Bank of Pakistan amended the Prudential Regulations vide BSD Circular No. 1 of 2011 dated October 21, 2011 in relation to provision for loans and advances, thereby allowing benefit of Forced Sale Value (FSV) of pledged stocks, mortgaged residential, commercial and industrial properties (land and building only) and plant and machinery under charge held as collateral against non performing advances. The FSV benefit has resulted in enhanced charge for specific provision for the half year by Rs. 429,232 thousand due to expiry of prescribed period of the FSV benefit. Had the FSV benefit not expired in the current half year, profit before tax and profit after tax for the half year would have been higher by Rs. 429,232 thousand (June 30, 2011: Rs. 78,228 thousand) and Rs. 279,001 thousand (June 30, 2011: Rs. 50,848 thousand) respectively.

8. OPERATING FIXED ASSETS

During the period, additions to / disposals from operating fixed assets amounted to Rs.102,374 thousand (June 30, 2011: Rs. 126,150 thousand) and Rs. 19,543 thousand (June 30, 2011: 10,994 thousand), respectively.

(Un-audited) June 30, 2012	(Audited) December 31, 2011
(Rupees in thousand)	

9. DEFERRED TAX ASSETS

Taxable temporary differences

Surplus on revaluation of fixed assets

(121,842)	(124,966)
------------------	-----------

Deductible temporary differences

Accelerated Depreciation

49,463	37,318
---------------	--------

Deficit on available for sale securities

89,497	121,912
---------------	---------

Loan loss provision

9,871,938	9,859,804
------------------	-----------

Others

3,834,352	3,992,701
------------------	-----------

13,723,408	13,886,769
-------------------	------------

Based on the future projections, the Management expects that the future taxable income would be sufficient to allow the benefit of the deductible temporary differences.

10. BORROWINGS

Secured

Borrowings from SBP

- Export refinance scheme (ERF)

5,353,890	4,550,210
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- Long term financing - export oriented projects (LTF-EOP)

450,314	582,840
----------------	---------

- Long term financing facility (LTFF)

939,598	983,665
----------------	---------

Repurchase agreement borrowings

-	18,842,790
---	------------

6,743,802	24,959,505
------------------	------------

Unsecured

Over drawn nostro account

270,688	4,061
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7,014,490	24,963,566
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	Note	(Un-audited) June 30, 2012	(Audited) December 31, 2011
11. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		108,756,718	107,046,786
Savings deposits		99,381,996	85,967,327
Current Accounts		46,660,628	39,229,738
Sundry deposits, margin accounts, etc.		2,436,374	1,702,147
		257,235,716	233,945,998
Financial Institutions			
Remunerative deposits		4,244,134	3,689,326
Non-remunerative deposits		183,621	261,376
		4,427,755	3,950,702
		261,663,471	237,896,700
11.1 Particulars of deposits			
In local currency		256,922,435	234,648,265
In foreign currencies		4,741,036	3,248,435
		261,663,471	237,896,700
12. SHARE DEPOSIT MONEY			
Share deposit money - I	12.1	10,000,000	10,000,000
Share deposit money - II	12.2	7,000,000	7,000,000
		17,000,000	17,000,000
12.1	This represents Rs.10,000,000 thousand deposited by the Government of the Punjab in 2009 as advance subscription money as explained in Note 1.2. Return on share deposit money is payable at the rate equal to 3 months weighted average T Bill rate applicable during the period.		
12.2	This represents Rs.7,000,000 thousand deposited by the Government of the Punjab in 2011 as advance subscription money as explained in Note 1.2.		
13. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus on revaluation of fixed assets		909,442	915,244
Deficit on revaluation of securities		(123,699)	(277,743)
		785,743	637,501

14. CONTINGENCIES AND COMMITMENTS

14.1 Direct Credit Substitutes

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

	(Un-audited) June 30, 2012	(Audited) December 31, 2011
	(Rupees in thousand)	
Government	14,151	-
Financial institutions	-	-
Others	929,723	664,723
	<u>943,874</u>	<u>664,723</u>

14.2 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) June 30, 2012	(Audited) December 31, 2011
	(Rupees in thousand)	
Government	239,323	84,510
Financial institutions	31,705	31,705
Others	11,242,014	10,135,048
	<u>11,513,042</u>	<u>10,251,263</u>

14.3 Trade related contingent liabilities

Government	2,182,723	1,353,579
Financial institutions	-	-
Others	5,679,043	5,467,269
	<u>7,861,766</u>	<u>6,820,848</u>

14.4 Other contingencies

Claims against the bank not acknowledged as debt	<u>30,515,278</u>	<u>20,456,767</u>
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14.5 Income tax related contingency

For the tax year 2007, the department has amended the assessment on certain issues against which the Bank filed an appeal before Commissioner of Inland Revenue Appeals (CIR (A)). CIR (A) has deleted addition under the head "provision for compensated absences" while confirmed others. The Bank has filed an appeal before Appellate Tribunal Inland Revenue (ATIR) against the order of CIR (A). The expected tax liability which may arise in respect of aforesaid tax year amounts to Rs. 333,727 thousand. The Management of the Bank, based on the past case history of the Bank and on advice of its tax consultant, is confident that the appeal filed for the aforementioned tax year will be decided in the Bank's favor.

	(Un-audited) June 30, 2012	(Audited) December 31, 2011
	(Rupees in thousand)	
14.6 Commitments in respect of forward exchange contracts		
Purchase	3,660,050	2,780,846
Sale	2,533,949	1,824,957
	6,193,999	4,605,803
14.7 Commitments for the acquisition of operating fixed assets	762	14,293

15. EARNINGS PER SHARE BASIC AND DILUTED

	----- (Un-audited) -----			
	Three Months Ended June 30, 2012	Six Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2011
Profit after taxation (Rupees in thousand)	268,045	405,509	554,347	280,736
Weighted Average Number of Ordinary Shares (thousand)	528,797	528,797	528,797	528,797
Earnings per share - Basic and Diluted (Rupees)	0.51	0.77	1.05	0.53

16. 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
Six Months Ended						
June 30, 2012 (Un-audited)						
(Rupees in thousand)						
Total income	6,094,810	737,297	6,077,096	199,676	35,600	13,144,478
Total expenses	1,724,524	1,816,505	8,963,379	32,164	5,729	12,542,301
Income taxes	-	-	-	-	-	196,668
Net income / (loss)	4,370,286	(1,079,208)	(2,886,283)	167,512	29,871	405,509
Segment assets (Gross)	121,366,813	16,391,160	165,303,045	-	-	303,061,018
Segment non performing advances / investments	3,502,772	2,304,262	69,405,505	-	-	75,212,539
Segment provision required	3,502,772	1,550,840	24,331,395	-	-	29,385,007
Segment liabilities	7,441,735	41,671,630	228,239,979	-	-	277,353,344
Segment return on net assets (ROA) (%)	14.74%	12.73%	18.30%			
Segment cost of funds (%)	14.57%	9.40%	9.99%			
Six Months Ended						
June 30, 2011 (Un-audited)						
Total income	4,259,516	503,825	5,404,465	183,549	38,394	10,389,749
Total expenses	1,216,058	1,771,574	6,939,095	33,307	6,963	9,966,997
Income taxes	-	-	-	-	-	142,016
Net income / (loss)	3,043,458	(1,267,749)	(1,534,630)	150,242	31,431	280,736
Segment assets (Gross)	95,332,594	9,661,303	159,427,713	-	-	264,421,610
Segment non performing advances / investments	3,210,588	2,534,795	71,568,438	-	-	77,313,821
Segment provision required	3,210,588	1,234,932	26,649,199	-	-	31,094,719
Segment liabilities	7,874,355	37,586,761	198,882,489	-	-	244,343,605
Segment return on net assets (ROA) (%)	13.08%	16.82%	16.29%			
Segment cost of funds (%)	13.56%	9.68%	10.29%			

17. RELATED PARTY TRANSACTIONS

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

	(Un-audited) June 30, 2012	(Audited) December 31, 2011
	(Rupees in thousand)	
Punjab Modaraba Services (Private) Limited (wholly owned subsidiary of the Bank)		
Deposits in current account	<u>60</u>	<u>8</u>
Advances		
Outstanding at beginning of the period / year	22,000	21,258
Made during the period / year	11,081	1,217
Repaid/matured during the period / year	-	(475)
	<u>33,081</u>	<u>22,000</u>
First Punjab Modaraba (Modaraba floated by the wholly owned subsidiary of the Bank)		
Advances		
Outstanding at beginning of the period / year	1,000,820	941,625
Made during the period / year	1,231,035	2,738,966
Repaid/matured during the period / year	(1,190,324)	(2,679,771)
	<u>1,041,531</u>	<u>1,000,820</u>
Deposits in current account	<u>15,536</u>	<u>32,365</u>
Placement		
Outstanding at beginning of the period / year	300,000	300,000
Made during the period / year	300,000	300,000
Repaid/matured during the period / year	(300,000)	(300,000)
	<u>300,000</u>	<u>300,000</u>
Lease liability		
Outstanding at beginning of the period / year	7,831	13,887
Lease contracts entered into during the period / year	-	5
Repayments of lease rentals	(1,772)	(6,061)
	<u>6,059</u>	<u>7,831</u>
Key Management Personnel Deposits		
Opening balances	22,571	12,384
Received during the period / year	87,641	169,698
Withdrawal during the period / year	(94,306)	(159,511)
	<u>15,906</u>	<u>22,571</u>

	(Un-audited) June 30, 2012	(Audited) December 31, 2011
	(Rupees in thousand)	
Bankers Avenue Co-operative Housing Society (A co-operative society managed by key management personnel of the Bank)		
Deposits in saving account	<u>916</u>	<u>2,536</u>
Punjab Modaraba Services (Private) Limited (wholly owned subsidiary of the Bank)		
	(Un-audited)	
	Six Months Ended	
	June 30,	June 30,
	2012	2011
	(Rupees in thousand)	
Advances		
Mark-up/return earned	<u>1,774</u>	<u>1,575</u>
First Punjab Modaraba (Modaraba floated by the wholly owned subsidiary of the Bank)		
Advances		
Mark-up/return earned	<u>50,829</u>	<u>67,333</u>
Placement		
Mark-up/return earned	<u>19,073</u>	<u>21,205</u>
Key Management Personnel		
Deposits		
Mark-up / interest expensed	<u>126</u>	<u>154</u>
Contribution to employees provident fund	<u>26,040</u>	<u>30,062</u>

Although Government of the Punjab (GOPb) holds 51% shares of the Bank (December 31, 2011: 51%) transactions with GOPb have not been treated party transactions for the purpose of this disclosure.

18. DATE OF AUTHORIZATION FOR ISSUE

The interim financial information was authorized for issuance on 29 August, 2012 by the Board of Directors of the Bank.

19. GENERAL

19.1 Figures have been rounded off to the nearest thousand.

President

Director

The Bank of Punjab

Condensed Interim Consolidated Financial Information

For the Half Year Ended June 30, 2012 (Un-Audited)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2012 (UN-AUDITED)

	Note	(Un-audited) June 30, 2012	(Audited) December 31, 2011
(Rupees in thousand)			
ASSETS			
Cash and balances with treasury banks		18,363,332	16,698,333
Balances with other banks		4,202,736	3,607,107
Lendings to financial institutions	5	3,257,429	7,447,375
Investments - net	6	94,417,562	92,492,813
Advances - net	7	136,322,016	127,107,501
Operating fixed assets	8	3,502,608	3,597,483
Deferred tax assets	9	13,723,408	13,886,769
Other assets		14,754,957	16,052,311
		288,544,048	280,889,692
LIABILITIES			
Bills payable		1,294,859	850,569
Borrowings	10	7,014,490	24,963,566
Deposits and other accounts	11	261,663,466	237,896,692
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		6,059	7,831
Deferred tax liabilities		-	-
Other liabilities		7,374,641	6,510,013
		277,353,515	270,228,671
NET ASSETS		11,190,533	10,661,021
REPRESENTED BY			
Share capital		5,287,974	5,287,974
Reserves		1,896,822	1,914,956
Accumulated losses		(13,780,006)	(14,179,410)
Share deposit money	12	(6,595,210) 17,000,000	(6,976,480) 17,000,000
Surplus on revaluation of assets - net of tax	13	10,404,790 785,743	10,023,520 637,501
		11,190,533	10,661,021
Contingencies and commitments	14		

The annexed notes from 1 to 19 form an integral part of this condensed interim consolidated financial information.

President

Director

CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED JUNE 30, 2012 (UN-AUDITED)

Note	Three Months Ended June 30, 2012	Six Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2011
	(Rupees in thousand)			
Mark-up/Return/Interest Earned	5,859,838	11,886,718	4,938,323	9,441,030
Mark-up/Return/Interest Expensed	5,368,124	10,900,691	4,890,148	9,657,247
Net Mark-up/Return/Interest Income	491,714	986,027	48,175	(216,217)
Reversal of Provision against non-performing loans and advances-net (Reversal of provision) / Provision for diminution in the value of investments	(253,404)	(459,260)	(1,417,395)	(1,596,798)
Bad debts written off directly	(10,599)	29,225	20,189	22,774
	-	-	-	-
	(264,003)	(430,035)	(1,397,206)	(1,574,024)
Net Mark-up/Return/Interest income after provisions	755,717	1,416,062	1,445,381	1,357,807
NON MARK-UP/INTEREST INCOME				
Fee, commission and brokerage income	242,115	410,953	146,453	279,470
Dividend income	70,407	156,582	55,860	142,079
Income from dealing in foreign currencies	27,141	58,713	60,914	77,873
Gain on sale and redemption of securities	194,160	334,504	23,447	222,602
Unrealized gain/(loss) on revaluation of investments classified as held for trading	(4,809)	(4,768)	2,063	(2,590)
Other income	186,426	299,999	111,230	227,707
Total non-markup/interest income	715,440	1,255,983	399,967	947,141
	1,471,157	2,672,045	1,845,348	2,304,948
NON MARK-UP/INTEREST EXPENSES				
Administrative expenses	1,124,894	2,122,464	984,225	1,888,625
Reversal of provision against other assets	-	-	(3,216)	(3,216)
Other charges	(40,702)	(40,690)	54	192
Total non-markup/interest expenses	1,084,192	2,081,774	981,063	1,885,601
	386,965	590,271	864,285	419,347
Extra ordinary/unusual items	-	-	-	-
PROFIT BEFORE TAXATION	386,965	590,271	864,285	419,347
Taxation - Current	65,723	65,723	-	-
- Prior years	-	-	-	-
- Deferred	56,185	130,946	310,452	142,016
	121,908	196,669	310,452	142,016
PROFIT AFTER TAXATION	265,057	393,602	553,833	277,331
EARNINGS PER SHARE BASIC AND DILUTED - (Rupees) 15	0.50	0.74	1.05	0.52

The annexed notes from 1 to 19 form an integral part of this condensed interim consolidated financial information.

President

Director

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2012 (UN-AUDITED)

	Three Months Ended June 30, 2012	Six Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2011
			(Rupees in thousand)	
Profit after taxation	265,057	393,602	553,833	277,331
Other comprehensive income	-	-	-	-
Total comprehensive income	<u>265,057</u>	<u>393,602</u>	<u>553,833</u>	<u>277,331</u>

Surplus arising on revaluation of assets (refer note 13) has been reported in accordance with the requirements of the Companies Ordinance, 1984, and the directives of the SBP in separate account below equity.

The annexed notes from 1 to 19 form an integral part of this condensed interim consolidated financial information.

President

Director

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2012 (UN-AUDITED)

	Six Months Ended June 30, 2012	June 30, 2011
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	590,271	419,347
Less: Dividend income	(156,582)	(142,079)
	433,689	277,268
Adjustments for non-cash charges:		
Depreciation	166,391	167,800
Amortization on premium on Pakistan Investment Bonds	1,210	18,279
Unrealized loss on revaluation of investments classified as held for trading	4,768	2,590
Reversal of Provision against non-performing loans and advances - net	(459,260)	(1,596,798)
Provision for diminution in the value of investments - net	29,225	22,774
Provision for employees compensated absences	11,468	10,800
Provision for gratuity	38,749	23,400
Gain on sale of property and equipment	(45,873)	(1,088)
Gain on sale and redemption of securities	(334,504)	(222,602)
Finance charges on leased assets	407	826
	(587,419)	(1,574,019)
	(153,730)	(1,296,751)
(Increase)/ Decrease in operating assets:		
Lendings to financial institutions	3,994,946	1,621,173
Net investments in held for trading securities	(13,162,220)	179,464
Advances	(8,773,389)	(4,324,384)
Others assets	1,576,776	(723,978)
	(16,363,887)	(3,247,725)
Increase/ (Decrease) in operating liabilities:		
Bills payable	444,290	93,252
Borrowings	(18,215,703)	(3,820,799)
Deposits and other accounts	23,766,774	22,258,911
Other liabilities	814,411	259,673
	6,809,772	18,791,037
	(9,707,845)	14,246,561
Financial charges paid	(407)	(826)
Income tax paid	(457,230)	(5,773)
Net cash (used in)/ from operating activities	(10,165,482)	14,239,962
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	11,706,728	(12,068,088)
Net investments in held to maturity securities	16,502	223,354
Dividends received	268,668	26,546
Investments in operating fixed assets	(303,568)	(128,722)
Sale proceeds of property and equipment disposed-off	277,925	1,088
Net cash from / (used in) investing activities	11,966,255	(11,945,822)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease obligations	(1,772)	(3,152)
Net cash used in financing activities	(1,772)	(3,152)
Net increase in cash and cash equivalents	1,799,001	2,290,988
Cash and cash equivalents at beginning of the period	20,496,379	17,345,835
Cash and cash equivalents at end of the period	22,295,380	19,636,823
Cash and cash equivalents:		
Cash and balances with treasury banks	18,363,332	15,473,401
Balances with other banks	4,202,736	4,163,528
Overdrawn nostro accounts	(270,688)	(106)
	22,295,380	19,636,823

The annexed notes from 1 to 19 form an integral part of this condensed interim consolidated financial information.

President

Director

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2012 (UN-AUDITED)

	Share capital	Statutory reserve	Capital Reserves		Revenue Reserve	Total
			Restructuring reserve	Share premium	Accumulated losses	
	(R u p e e s i n t h o u s a n d)					
Balance as at January 01, 2011	5,287,974	-	1,974,610	37,882	(14,411,509)	(7,111,043)
Transfer from provision against NPLs	-	-	(160,464)	-	-	(160,464)
Total comprehensive income for the six months ended June 30, 2011	-	-	-	-	277,331	277,331
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	3,385	3,385
Balance as at June 30, 2011	5,287,974	-	1,814,146	37,882	(14,130,793)	(6,990,791)
Transfer from provision against NPLs	-	-	(6,667)	-	-	(6,667)
Total comprehensive income for the six months ended 31 December 2011	-	-	-	-	17,593	17,593
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	3,385	3,385
Transfer from accumulated losses	-	69,595	-	-	(69,595)	-
Balance as at December 31, 2011	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 six months ended June 30, 2012	-	-	-	-	393,602	393,602
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	5,802	5,802
Balance as at June 30, 2012	5,287,974	69,595	1,789,345	37,882	(13,780,006)	(6,595,210)

The annexed notes from 1 to 19 form an integral part of this condensed interim consolidated financial information.

President

Director

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED JUNE 30, 2012 (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 19 September 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 284 branches (2011: 284 branches) in Pakistan and Azad Jammu and Kashmir at the year end. The Bank is listed on Lahore, Karachi and Islamabad Stock Exchanges. The majority shares of the Bank are held by Government of the Punjab.

Punjab Modaraba Services (Private) Limited is a wholly owned subsidiary of The Bank of Punjab 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. 10,404,790 thousand (December 31, 2011 Rs. 10,023,520 thousand) (before considering required provisioning as described below), as against the minimum regulatory capital requirement of Rs. 8,000,000 thousand and Capital Adequacy Ratio (CAR) remained below the prescribed level of 10%. Further, as at the close of the period ended June 30, 2012, net advances aggregating to Rs. 31,856,314 thousand (December 31, 2011 Rs. 33,091,789) requiring additional provision of Rs. 27,785,191 thousand (December 31, 2011 Rs. 28,615,910 thousand) there against, have not been subjected to provisioning criteria as prescribed in State Bank of Pakistan's (SBP) prudential regulations in view of the relaxation provided by SBP vide letter No. OSED/Div-01/SEU-03/010(1)-2012/568 dated March 13, 2012, on the basis of two Letters of Comfort (LOCs) issued by Government of the Punjab (GOPb) as explained in paragraph below.

Government of the Punjab (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. 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 LOC, 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 State Bank of Pakistan has granted the Bank relaxations from provisioning requirements of SBP's prudential regulations and exemption from applicable capital adequacy ratio (CAR) and minimum capital requirements for the years 2009, 2010, 2011 and 2012. However, the minimum level of CAR should not fall below 7% for the years 2011 and 2012. Further, the SBP has also agreed to allow above relaxations for the period of another 3 years including year 2012 based on the business plan to be submitted by the Bank to the SBP by June 30, 2012. The requisite business plan has been submitted to the SBP for consideration.

On the basis of above enduring support of Government of the Punjab, actions as outlined above and the projections prepared by the Bank's management, which have 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 condensed interim consolidated 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) 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** The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standards (IAS) 40, "Investment Property" for banking companies till further instructions. Further, according to a notification of Securities and Exchange Commission of Pakistan dated April 28, 2008, IFRS 7 "Financial Instruments: Disclosure" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of this condensed interim consolidated financial information. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

The condensed interim consolidated financial information is separate interim financial information of the Bank in which the investments in subsidiary is stated at cost and has not been accounted for on the basis of reported results and net assets of the investees.

- 2.3** The disclosures made in this condensed interim consolidated financial information have been limited based on the format prescribed by the SBP vide BSD Circular Letter No. 2, dated May 12, 2004 and IAS 34 "Interim Financial Reporting" and do not include all the information required for the annual financial statements. Accordingly, this condensed interim consolidated financial information should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2011. This condensed interim consolidated 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 JUDGEMENTS

The accounting policies, underlying estimates and judgments and methods of computation followed in the preparation of this condensed interim consolidated financial information are consistent with those disclosed in annual financial statements of the Group for the year ended December 31, 2011.

4. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies by the Group are consistent with those disclosed in the annual financial statements of the Group for the year ended December 31, 2011.

(Un-audited) (Audited)
June 30, December 31,
2012 2011
(Rupees in thousand)

5. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	-	195,000
Repurchase agreement lendings (Reverse Repo)	2,457,429	5,369,042
Certificate of investment	500,000	1,383,333
Placements	300,000	500,000
	3,257,429	7,447,375

6. INVESTMENTS - NET

Note	(Un-audited)			(Audited)		
	June 30, 2012			December 31, 2011		
	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)					
Held for trading securities						
Ordinary shares of listed companies	86,285	-	86,285	-	-	-
Pakistan Investment Bonds	-	-	-	99,966	-	99,966
Market Treasury Bills	13,170,518	-	13,170,518	-	-	-
Available for sale securities						
Market Treasury Bills	61,558,809	-	61,558,809	54,770,060	18,770,327	73,540,387
Pakistan Investment Bonds	9,325,407	-	9,325,407	8,500,711	-	8,500,711
Ordinary Shares / Certificates of Listed Companies and Modarabas	2,806,816	-	2,806,816	3,279,733	-	3,279,733
Preference Shares of Listed Companies	520,451	-	520,451	195,454	-	195,454
Ordinary Shares of Unlisted Company	25,000	-	25,000	25,000	-	25,000
Mutual Fund Units	3,954,928	-	3,954,928	3,804,928	-	3,804,928
Listed Term Finance Certificates	426,737	-	426,737	518,085	-	518,085
Unlisted Term Finance Certificates	4,392,696	-	4,392,696	4,757,551	-	4,757,551
Held to maturity securities						
Pakistan Investment Bonds	1,965,884	-	1,965,884	1,983,596	-	1,983,596
WAPDA Bonds	400	-	400	400	-	400
Total investment at cost	98,233,931	-	98,233,931	77,935,484	18,770,327	96,705,811
Less: Provision for diminution in value of investment	(3,598,404)	-	(3,598,404)	(3,807,960)	-	(3,807,960)
Investments net of provisions	94,635,527	-	94,635,527	74,127,524	18,770,327	92,897,851
Less: Deficit on revaluation of available for sale securities	(213,197)	-	(213,197)	(399,655)	-	(399,655)
Less: Deficit on revaluation of held for trading securities	(4,768)	-	(4,768)	(5,383)	-	(5,383)
Total investment at market value	94,417,562	-	94,417,562	73,722,486	18,770,327	92,492,813

- 6.1 As per BSD 23/2008 dated 13 October 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. 1,776,083 (thousand) [31 December 2011: Rs. 1,744,023 (thousand)].

	Note	(Un-audited) June 30, 2012	(Audited) December 31, 2011
(Rupees in thousand)			
7. ADVANCES - NET			
Loans, cash credits, running finances, etc. - in Pakistan		149,025,216	149,021,501
Net investment in finance lease - in Pakistan		9,050,411	2,003,152
Repurchase agreement lendings to Non Financial Institutions		902,347	902,347
Bills discounted and purchased (excluding treasury bills)			
- Payable in Pakistan		1,967,408	968,419
- Payable outside Pakistan		1,258,869	535,443
		3,226,277	1,503,862
Advances - gross		162,204,251	153,430,862
Provision for non-performing advances	7.1 & 7.2	(25,865,583)	(26,303,094)
- Specific		(16,652)	(20,267)
- General		(25,882,235)	(26,323,361)
Advances - net of provision		136,322,016	127,107,501

7.1 Provision against certain net advances amounting to Rs. 31,856,314 thousand {2011: Rs.33,091,789 (thousand)} requiring additional provisioning of Rs. 27,785,191 thousand {2011: Rs. 28,615,910 (thousand)} has not been considered necessary in this condensed interim consolidated financial information on the basis of undertaking given by Government of the Punjab and relaxation given by SBP as stated in Note 1.2.

7.2 Advances include Rs. 71,676,686 thousand (2011: Rs. 73,643,672 thousand) which have been placed under non-performing status as on June 30, 2012 as detailed below:

Category of classification	June 30, 2012 (Un-audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	(Rupees in thousand)				
Other assets especially mentioned	42,444	-	42,444	-	-
Substandard	9,591,100	-	9,591,100	2,252,404	2,252,404
Doubtful	2,054,774	-	2,054,774	267,368	267,368
Loss	59,988,368	-	59,988,368	23,345,811	23,345,811
	71,676,686	-	71,676,686	25,865,583	25,865,583
	December 31, 2011 (Audited)				
Category of classification	Domestic	Overseas	Total	Provision Required	Provision Held
	(Rupees in thousand)				
Other assets especially mentioned	243,838	-	243,838	-	-
Substandard	10,809,335	-	10,809,335	2,217,735	2,217,735
Doubtful	1,964,381	-	1,964,381	236,867	236,867
Loss	60,648,118	-	60,648,118	23,848,492	23,848,492
	73,665,672	-	73,665,672	26,303,094	26,303,094

- 7.3** General provision represents provision against consumer financing portfolio as required by the Prudential Regulations issued by the SBP.
- 7.4** The State Bank of Pakistan amended the Prudential Regulations vide BSD Circular No. 1 of 2011 dated October 21, 2011 in relation to provision for loans and advances, thereby allowing benefit of Forced Sale Value (FSV) of pledged stocks, mortgaged residential, commercial and industrial properties (land and building only) and plant and machinery under charge held as collateral against non performing advances. The FSV benefit has resulted in enhanced charge for specific provision for the half year by Rs. 429,232 thousand due to expiry of prescribed period of the FSV benefit. Had the FSV benefit not expired in the current half year, profit before tax and profit after tax for the half year would have been higher by Rs. 429,232 thousand (June 30, 2011: Rs. 78,228 thousand) and Rs. 279,001 thousand (June 30, 2011: Rs. 50,848 thousand) respectively.

8. OPERATING FIXED ASSETS

During the period, additions to / disposals from operating fixed assets amounted to Rs.102,374 thousand (June 30, 2011: Rs. 126,150 thousand) and Rs. 19,543 thousand (June 30, 2011: 10,994 thousand), respectively.

(Un-audited) June 30, 2012	(Audited) December 31, 2011
(Rupees in thousand)	

9. DEFERRED TAX ASSETS

Taxable temporary differences		
Surplus on revaluation of fixed assets	(121,842)	(124,966)
Deductible temporary differences		
Accelerated Depreciation	49,463	37,318
Deficit on available for sale securities	89,497	121,912
Loan loss provision	9,871,938	9,859,804
Others	3,834,352	3,992,701
	13,723,408	13,886,769

Based on the future projections, the Management expects that the future taxable income would be sufficient to allow the benefit of the deductible temporary differences.

10. BORROWINGS

Secured

Borrowings from SBP		
- Export refinance (ERF)	5,353,890	4,550,210
- Long term financing - export oriented projects (LTF-EOP)	450,314	582,840
- Long term financing facility (LTFF)	939,598	983,665
Repurchase agreement borrowings	-	18,842,790
	6,743,802	24,959,505

Unsecured

Over drawn nostro accounts	270,688	4,061
	7,014,490	24,963,566

		(Un-audited) June 30, 2012	(Audited) December 31, 2011
		(Rupees in thousand)	
11. DEPOSITS AND OTHER ACCOUNTS	Note		
Customers			
Fixed deposits		108,756,718	107,046,786
Savings deposits		99,381,996	85,967,327
Current Accounts		46,660,623	39,229,730
Sundry deposits, margin accounts, etc.		2,436,374	1,702,147
		257,235,711	233,945,990
Financial Institutions			
Remunerative deposits		4,244,134	3,689,326
Non-remunerative deposits		183,621	261,376
		4,427,755	3,950,702
		261,663,466	237,896,792
11.1 Particulars of deposits			
In local currency		256,922,430	234,648,257
In foreign currencies		4,741,036	3,248,435
		261,663,466	237,896,692
12. SHARE DEPOSIT MONEY			
Share deposit money - I	12.1	10,000,000	10,000,000
Share deposit money - II	12.2	7,000,000	7,000,000
		17,000,000	17,000,000
12.1	This represents Rs.10,000,000 thousand deposited by the Government of the Punjab in 2009 as advance subscription money as explained in Note 1.2. Return on share deposit money is payable at the rate equal to 3 months weighted average T Bill rate applicable during the period.		
12.2	This represents Rs.7,000,000 thousand deposited by the Government of the Punjab in 2011 as advance subscription money as explained in Note 1.2.		
13. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus on revaluation of fixed assets		909,442	915,244
Deficit on revaluation of securities		(123,699)	(277,743)
		785,743	637,501

14. CONTINGENCIES AND COMMITMENTS**14.1 Direct Credit Substitutes**

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

	(Un-audited) June 30, 2012	(Audited) December 31, 2011
	(Rupees in thousand)	
Government	14,151	-
Financial institutions	-	-
Others	929,723	664,723
	943,874	664,723

14.2 Transaction related contingent liabilities

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

Government	239,323	84,510
Financial institutions	31,705	31,705
Others	11,242,014	10,135,048
	11,513,042	10,251,263

14.3 Trade related contingent liabilities

Government	2,182,723	1,353,579
Financial institutions	-	-
Others	5,679,043	5,467,269
	7,861,766	6,820,848

14.4 Other contingencies

Claims against the bank not acknowledged as debt	30,515,278	20,456,767
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14.5 Income tax related contingency

For the tax year 2007, the department has amended the assessment on certain issues against which the Bank filed an appeal before Commissioner of Inland Revenue Appeals ((CIR (A)). CIR (A) has deleted addition under the head "provision for compensated absences" while confirmed others. The Bank has filed an appeal before Appellate Tribunal Inland Revenue (ATIR) against the order of CIR (A). The expected tax liability which may arise in respect of aforesaid tax year amounts to Rs. 333,727 thousand. The Management of the Bank, based on the past case history of the Bank and on advice of its tax consultant, is confident that the appeal filed for the aforementioned tax year will be decided in the Bank's favor.

14.6 Commitments in respect of forward exchange contracts

Purchase	3,660,050	2,780,846
Sale	2,533,949	1,824,957
	6,193,999	4,605,803

14.7 Commitments for the acquisition of operating fixed assets

	762	14,293
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15. EARNINGS PER SHARE BASIC AND DILUTED

	----- (Un-audited) -----			
	Three Months Ended June 30, 2012	Six Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2011
Profit after taxation (Rupees in thousand)	265,057	393,602	553,833	277,331
Weighted Average Number of Ordinary Shares (thousand)	528,797	528,797	528,797	528,797
Earnings per share - Basic and Diluted (Rupees)	0.50	0.74	1.05	0.52

16. 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
Six Months Ended June 30, 2012 (Un-audited)						
Total income	6,094,810	737,297	6,075,318	199,677	35,599	13,142,701
Total expenses	1,731,665	1,816,505	8,966,367	32,164	5,729	12,552,430
Income taxes	-	-	-	-	-	196,669
Net income / (loss)	4,363,145	(1,079,208)	(2,891,049)	167,513	29,870	393,602
Segment assets (Gross)	121,366,811	16,391,311	165,268,756	-	-	303,026,878
Segment non performing advances / investments	3,598,404	2,304,262	69,372,424	-	-	75,275,090
Segment provision required	3,598,404	1,550,840	24,331,395	-	-	29,480,639
Segment liabilities	7,441,739	41,671,657	228,240,119	-	-	277,353,515
Segment return on net assets (ROA) (%)	14.76%	12.72%	18.30%			
Segment cost of funds (%)	14.57%	9.40%	9.99%			
Six Months Ended June 30, 2011 (Un-audited)						
Total income	4,259,516	503,825	5,402,887	183,549	38,394	10,388,171
Total expenses	1,216,925	1,771,676	6,939,909	33,344	6,970	9,968,824
Income taxes	-	-	-	-	-	142,016
Net income / (loss)	3,042,591	(1,267,851)	(1,537,022)	150,205	31,424	277,331
Segment assets (Gross)	95,332,660	9,661,311	159,427,639	-	-	264,421,610
Segment non performing advances / investments	3,254,136	2,534,795	71,568,438	-	-	77,357,369
Segment provision required	3,254,136	1,234,932	26,649,199	-	-	31,138,267
Segment liabilities	7,874,366	37,586,827	198,882,822	-	-	244,344,015
Segment return on net assets (ROA) (%)	13.09%	16.82%	16.29%			
Segment cost of funds (%)	13.57%	9.68%	10.29%			

17. RELATED PARTY TRANSACTIONS

Related parties comprise associate, subsidiary, directors, key management personnel and entities in which key management personnel are office holders / members. The Group in the normal course of business carries out transactions with various related parties.

	(Un-audited) June 30, 2012	(Audited) December 31, 2011
	(Rupees in thousand)	
First Punjab Modaraba (Modaraba floated by the wholly owned subsidiary of the Bank)		
Advances		
Outstanding at beginning of the period / year	1,000,820	941,625
Made during the period / year	1,231,035	2,738,966
Repaid/matured during the period / year	(1,190,324)	(2,679,771)
	1,041,531	1,000,820
Deposits in current account		
	15,536	32,365
Placement		
Outstanding at beginning of the period / year	300,000	300,000
Made during the period / year	300,000	300,000
Repaid/matured during the period / year	(300,000)	(300,000)
	300,000	300,000
Lease liability		
Outstanding at beginning of the period / year	7,831	13,887
Lease contracts entered into during the period / year	-	5
Repayments of lease rentals	(1,772)	(6,061)
	6,059	7,831
Key Management Personnel		
Deposits		
Opening balances	22,728	12,623
Received during the period / year	94,514	177,144
Withdrawal during the period / year	(101,229)	(167,039)
	16,013	22,728
Bankers Avenue Co-operative Housing Society (A co-operative society managed by key management personnel of the Bank)		
Deposits in saving account	916	2,536

(Un-audited)
Six Months Ended
June 30, June 30,
2012 2011
(Rupees in thousand)

**First Punjab Modaraba
(Modaraba floated by the wholly owned
subsidiary of the Bank)**

Advances

Mark-up/return earned

50,829

67,333

Placement

Mark-up/return earned

19,073

21,205

Key Management Personnel

Deposits

Mark-up / interest expensed

126

154

Contribution to employees provident fund

26,040

30,062

Although Government of the Punjab (GOPb) holds 51% shares of the Bank (December 31, 2011: 51%) transactions with GOPb have not been treated party transactions for the purpose of this disclosure.

18. DATE OF AUTHORIZATION FOR ISSUE

The condensed interim consolidated financial information was authorized for issuance on 29 August, 2012 by the Board of Directors of the Bank.

19. GENERAL

19.1 Figures have been rounded off to the nearest thousand.

President

Director



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