



THE BANK OF PUNJAB

Passion Reborn

Quarterly Report

(Un-audited)

January - September

2012

CONTENTS

Corporate Information	2
Directors' Review	3
Condensed Interim Financial Information	5
Condensed Interim Consolidated Financial Information	23

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Ghafoor Mirza	Chairman
Mr. Naeemuddin Khan	President/CEO
Mr. Javaid Aslam	Director
Mr. Tariq Bajwa	Director
Mr. Tariq Mahmood Pasha	Director
Mr. Junaid Ashraf Khawaja	Director
Khawaja Farooq Saeed	Director
Mr. Saeed Anwar	Director
Mr. Raza Saeed	Secretary to the Board

CENTRAL AUDIT COMMITTEE

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

AUDITORS

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

REGISTERED OFFICE

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Fax No : +92-042-35783975

Website: www.bop.com.pk

REGISTRAR

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Wings Arcade, 1-K, Commercial,
Model Town, Lahore.
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DIRECTORS' REVIEW

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, 2012.

During the period under review, inflation remained the most crucial impeding factor for the economy. Although it has reduced to 8.79% yet underlying inflation is still expected to return to double digits and aggravate the current scenario if remedial measures are not taken in due time. With the onset of a new fiscal year, apprehensions regarding the stability of economy have gotten worse as external conditions particularly in Europe and the U.S head towards the possibility of another economic downturn. GDP growth rate increased to 3.7% during the latter half of this nine months period but still missed the target of 4%. Sector-wise growth was seen particularly in the industrial sector but could not help bolster overall economic growth. A large fiscal deficit resulted in a mounting debt burden and the beginning of FY 13 and a fresh federal budget policy could do little to help curtail this trend.

However, given the slight reduction seen in inflation figures over the last few months coupled with meager credit growth, the State Bank of Pakistan resorted to monetary easing and slashed its interest rates by 2.0 % which is likely to translate into more attractive personal financing options for the regular consumer.

Despite this challenging environment, the Bank's financial performance continued to register improvement and it earned a pre-tax profit of Rs. 988 million in the current period as against pre-tax loss of Rs. (255) million in the corresponding period of last year. The Bank continued to focus on reducing cost of funds and encouraging low cost CASA (Current and saving account) deposits, hence the steady growth. As at the period end, deposits stood at Rs. 242 Billion with a rise of Rs. 4 billion over December 31, 2011. Focused attention on low risk government securities (particularly treasury bills) has resulted in a boost in investments from Rs. 92 Billion to Rs. 115 Billion at period end. Net Advances stood at Rs. 137 Billion as against Rs. 127 billion as on December 31, 2011. The equity including advance subscription money increased from Rs. 10.7 billion to Rs. 12.2 billion as at close of the period.

Financial Highlights:

Rs. In Million


Profit before taxation	987.8
Taxation	339.4
Profit after taxation	648.4
Earnings per share (Rupees)	1.23

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 Condensed Interim Financial Statements.

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'd 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



The Bank of Punjab
Condensed Interim Financial Information
For the Period Ended September 30, 2012 (Un-Audited)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2012 (UN-AUDITED)

		(Un-audited) September 30, 2012	(Audited) December 31, 2011
(Rupees in thousand)			
ASSETS			
Cash and balances with treasury banks		14,055,024	16,698,333
Balances with other banks		3,197,771	3,607,107
Lendings to financial institutions	5	3,902,815	7,447,375
Investments - net	6	114,964,404	92,581,306
Advances - net	7	137,078,466	127,129,501
Operating fixed assets	8	3,473,802	3,597,483
Deferred tax assets - net	9	13,230,584	13,886,769
Other assets		12,452,057	16,049,657
		302,354,923	280,997,531
LIABILITIES			
Bills payable		1,897,369	850,569
Borrowings	10	39,061,886	24,963,566
Deposits and other accounts	11	242,112,348	237,896,700
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		5,220	7,831
Deferred tax liabilities		-	-
Other liabilities		6,984,510	6,506,275
		290,061,333	270,224,941
NET ASSETS		12,293,590	10,772,590
REPRESENTED BY			
Share capital		5,287,974	5,287,974
Reserves		1,896,822	1,914,956
Accumulated losses		(13,410,701)	(14,067,841)
		(6,225,905)	(6,864,911)
Share deposit money	12	17,000,000	17,000,000
		10,774,095	10,135,089
Surplus on revaluation of assets - net of tax	13	1,519,495	637,501
		12,293,590	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 PERIOD ENDED SEPTEMBER 30, 2012 (UN-AUDITED)

Note	Quarter Ended September 30, 2012	Period Ended September 30, 2012	Quarter Ended September 30, 2011	Period Ended September 30, 2011
	(Rupees in thousand)			
Mark-up/Return/Interest Earned	6,568,028	18,456,524	5,488,854	14,931,463
Mark-up/Return/Interest Expensed	5,897,289	16,797,980	5,492,236	15,149,483
Net Mark-up/Return/Interest Income	670,739	1,658,544	(3,382)	(218,020)
Provision / (Reversal of provision) against non-performing loans and advances-net	146,207	(313,053)	(27,512)	(1,624,310)
Provision for diminution in the value of investments	911	22,995	169,653	192,427
Bad debts written off directly	-	-	-	-
	147,118	(290,058)	142,141	(1,431,883)
Net Mark-up/Return/Interest income after provisions	523,621	1,948,602	(145,523)	1,213,863
NON MARK-UP/INTEREST INCOME				
Fee, commission and brokerage income	156,283	567,236	144,198	423,668
Dividend income	45,703	202,285	85,086	227,165
Income from dealing in foreign currencies	56,525	115,238	37,611	115,484
Gain on sale and redemption of securities	626,102	960,606	44,409	267,011
Unrealized gain / (loss) on revaluation of investments classified as held for trading	8,462	3,694	2,474	(116)
Other income	107,674	407,673	116,637	344,343
Total non-markup/interest income	1,000,749	2,256,732	430,415	1,377,555
	1,524,370	4,205,334	284,892	2,591,418
NON MARK-UP/INTEREST EXPENSES				
Administrative expenses	1,133,059	3,252,535	962,979	2,849,777
Provision / (Reversal of provision) against other assets	5,623	5,623	-	(3,216)
Other charges	74	(40,616)	8	200
Total non-markup/interest expenses	1,138,756	3,217,542	962,987	2,846,761
Extra ordinary/unusual items	385,614	987,792	(678,095)	(255,343)
	-	-	-	-
PROFIT / (LOSS) BEFORE TAXATION	385,614	987,792	(678,095)	(255,343)
Taxation - Current	37,843	103,566	-	-
- Prior years	-	-	-	-
- Deferred	104,843	235,789	(236,526)	(94,510)
	142,686	339,355	(236,526)	(94,510)
PROFIT / (LOSS) AFTER TAXATION	242,928	648,437	(441,569)	(160,833)
EARNINGS PER SHARE BASIC AND DILUTED - (Rupees) 15	0.46	1.23	(0.84)	(0.30)

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 PERIOD ENDED SEPTEMBER 30, 2012 (UN-AUDITED)

	Quarter Ended September 30, 2012	Period Ended September 30, 2012	Quarter Ended September 30, 2011	Period Ended September 30, 2011
			(Rupees in thousand)	
Profit / (Loss) after taxation	242,928	648,437	(441,569)	(160,833)
Other comprehensive income	-	-	-	-
Total comprehensive income / (loss)	242,928	648,437	(441,569)	(160,833)

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 PERIOD ENDED SEPTEMBER 30, 2012 (UN-AUDITED)

	Period Ended	
	September 30, 2012	September 30, 2011
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	987,792	(255,343)
Less: Dividend income	(202,285)	(227,165)
	785,507	(482,508)
Adjustments for non-cash charges:		
Depreciation	244,821	245,930
Amortization of (discount) / premium on Pakistan Investment Bonds	(2,852)	26,322
Unrealized (gain) / loss on revaluation of investments classified as held for trading	(3,694)	116
Reversal of provision against non-performing loans and advances-net	(313,053)	(1,624,310)
Provision for diminution in the value of investments - net	22,995	192,427
Provision for employees compensated absences	16,868	16,200
Provision for gratuity	58,124	35,100
Provision / (Reversal of provision) against other assets	5,623	(3,216)
Net profit on sale of property and equipment	(4,700)	(1,327)
Net profit on sale of non-banking assets	(41,121)	-
Gain on sale and redemption of securities	(960,606)	(267,011)
Finance charges on leased assets	569	1,171
	(977,026)	(1,378,598)
	(191,519)	(1,861,106)
(Increase) / Decrease in operating assets:		
Lendings to financial institutions	3,349,560	5,101,118
Net investments in held for trading securities	(6,210,786)	204,076
Advances	(9,654,046)	(1,770,552)
Others assets	3,483,767	(1,535,806)
	(9,031,505)	1,998,836
Increase / (Decrease) in operating liabilities:		
Bills Payable	1,046,800	1,411,807
Borrowings	14,102,381	13,769,070
Deposits and other accounts	4,215,648	10,969,843
Other liabilities	397,620	211,859
	19,762,449	26,362,579
	10,539,425	26,500,309
Financial charges paid	(569)	(1,171)
Income tax paid	(459,047)	(9,522)
Net cash flow from operating activities	10,079,809	26,489,616
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(14,005,895)	(28,343,241)
Net investments in held to maturity securities	88,832	109,667
Dividends received	317,817	111,632
Investments in operating fixed assets	(127,189)	(178,566)
Sale proceeds of property and equipment disposed-off	10,749	1,327
Sale proceeds of non-banking assets disposed-off	394,904	-
Net cash used in investing activities	(13,320,782)	(28,299,181)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease obligations	(2,611)	(4,094)
Net cash used in financing activities	(2,611)	(4,094)
Net decrease in cash and cash equivalents	(3,243,584)	(1,813,659)
Cash and cash equivalents at beginning of the period	20,496,379	17,345,835
Cash and cash equivalents at end of the period	17,252,795	15,532,176
Cash and cash equivalents:		
Cash and balances with treasury banks	14,055,024	13,199,834
Balances with other banks	3,197,771	2,248,641
Call money lending	-	195,000
Overdrawn nostro accounts	-	(111,299)
	17,252,795	15,532,176

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 PERIOD ENDED SEPTEMBER 30, 2012 (UN-AUDITED)

	Share capital	Statutory reserve	Capital Reserves		Revenue Reserve	Total
			Share premium	Restructuring reserve	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	-	37,882	1,974,610	(14,352,989)	(7,052,523)
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	5,078	5,078
Loss for the period ended September 30, 2011	-	-	-	-	(160,833)	(160,833)
Transfer from provision against NPLs	-	-	-	(165,857)	-	(165,857)
Balance as at September 30, 2011	5,287,974	-	37,882	1,808,753	(14,508,744)	(7,374,135)
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	1,692	1,692
Profit for the period October 01, 2011 to December 31, 2011	-	-	-	-	508,806	508,806
Transfer from provision against NPLs	-	-	-	(1,274)	-	(1,274)
Transfer from accumulated losses	-	69,595	-	-	(69,595)	-
Balance as at December 31, 2011	5,287,974	69,595	37,882	1,807,479	(14,067,841)	(6,864,911)
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	8,703	8,703
Profit for the period ended September 30, 2012	-	-	-	-	648,437	648,437
Transfer from provision against NPLs	-	-	-	(18,134)	-	(18,134)
Balance as at September 30, 2012	5,287,974	69,595	37,882	1,789,345	(13,410,701)	(6,225,905)

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 PERIOD ENDED SEPTEMBER 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 286 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. 10,774,095 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 September 30, 2012, net advances aggregating to Rs. 30,420,934 thousand (December 31, 2011 Rs. 33,113,789) requiring additional provision of Rs. 27,091,960 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 29 March 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 examination of the business plan to be submitted by the Bank to the SBP by June 30, 2012. The requisite 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.

This 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.

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 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)
September 30, December 31,
2012 2011
(Rupees in thousand)

5. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	-	195,000
Repurchase agreement lendings (Reverse Repo)	1,680,657	5,369,042
Certificate of investment	500,000	1,383,333
Placements	1,722,158	500,000
	<u>3,902,815</u>	<u>7,447,375</u>

6. INVESTMENTS - NET

Note	(Un-audited) September 30, 2012			(Audited) 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						
Pakistan Investment Bonds	46,730	-	46,730	99,966	-	99,966
Market Treasury Bills	6,247,765	-	6,247,765	-	-	-
Ordinary Shares	10,874	-	10,874	-	-	-
Available for sale securities						
Market Treasury Bills	52,191,701	33,593,351	85,785,052	54,770,060	18,770,327	73,540,387
Pakistan Investment Bonds	13,309,912	-	13,309,912	8,500,711	-	8,500,711
Ordinary Shares / Certificates of Listed Companies and Modarabas	2,235,837	-	2,235,837	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 Funds Units	2,669,026	-	2,669,026	3,804,928	-	3,804,928
Listed Term Finance Certificates	380,971	-	380,971	518,085	-	518,085
Unlisted Term Finance Certificates	4,176,894	-	4,176,894	4,757,551	-	4,757,551
Held to maturity securities						
Pakistan Investment Bonds	1,897,616	-	1,897,616	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	<u>83,878,122</u>	<u>33,593,351</u>	<u>117,471,473</u>	<u>77,935,486</u>	<u>18,770,327</u>	<u>96,705,813</u>
Provision for diminution in the value of investment	(3,422,200)	-	(3,422,200)	(3,719,469)	-	(3,719,469)
Investments net of provisions	<u>80,455,922</u>	<u>33,593,351</u>	<u>114,049,273</u>	<u>74,216,017</u>	<u>18,770,327</u>	<u>92,986,344</u>
Surplus / (Deficit) on revaluation of available for sale securities	911,437	-	911,437	(399,655)	-	(399,655)
Surplus / (Deficit) on revaluation of held for trading securities	3,694	-	3,694	(5,383)	-	(5,383)
Total investment at market value	<u>81,371,053</u>	<u>33,593,351</u>	<u>114,964,404</u>	<u>73,810,979</u>	<u>18,770,327</u>	<u>92,581,306</u>

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. 1,787,169 thousand (2011: Rs. 1,744,023 thousand).

	Note	(Un-audited) September 30, 2012	(Audited) December 31, 2011
(Rupees in thousand)			
7. ADVANCES - NET			
Loans, cash credits, running finances, etc. - in Pakistan		148,852,736	149,043,501
Net investment in finance lease - in Pakistan		10,596,923	2,003,152
Repurchase agreement lendings to Non Financial Institutions		902,347	902,347
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		1,666,563	968,419
Payable outside Pakistan		1,088,339	535,443
		2,754,902	1,503,862
Advances - gross		163,106,908	153,452,862
Provision for non-performing advances			
-Specific	7.1 & 7.2	(26,012,375)	(26,303,094)
-General		(16,067)	(20,267)
		(26,028,442)	(26,323,361)
Advances - net of provision		137,078,466	127,129,501

7.1 Provision against certain net advances amounting to Rs. 30,420,934 thousand {2011: Rs.33,113,789 (thousand)} requiring additional provisioning of Rs. 27,091,960 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 as stated in Note 1.2.

7.2 Advances include Rs. 70,799,293 thousand (2011: Rs. 73,665,672 thousand) which have been placed under non-performing status as on 30.09.2012 as detailed below:

Category of classification	September 30, 2012 (Un-audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	(Rupees in thousand)				
Other assets especially mentioned	62,146	-	62,146	-	-
Substandard	10,588,370	-	10,588,370	2,474,014	2,474,014
Doubtful	1,028,364	-	1,028,364	365,631	365,631
Loss	59,120,413	-	59,120,413	23,172,730	23,172,730
	70,799,293	-	70,799,293	26,012,375	26,012,375
	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 period by Rs. 1,013,985 thousand due to expiry of prescribed period of the FSV benefit. Had the FSV benefit not expired in the current period, profit before tax and profit after tax for the period would have been higher by Rs. 1,013,985 thousand (Sep 30, 2011: lower by Rs. 342,180 thousand) and Rs. 659,090 thousand (Sep 30, 2011: lower by Rs. 222,417 thousand) respectively.

8. OPERATING FIXED ASSETS

During the period, additions to / disposals from operating fixed assets amounted to Rs.136,510 thousand (September 30, 2011: Rs. 168,913 thousand) and Rs. 22,412 thousand (September 30, 2011: 10,994 thousand), respectively.

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

9. DEFERRED TAX ASSETS - NET

Taxable temporary differences

Surplus on revaluation of fixed assets	(120,280)	(124,966)
Surplus on available for sale securities	(298,483)	-

Deductible temporary differences

Accelerated depreciation	49,463	37,318
Deficit on available for sale securities	-	121,912
Loan loss provision	9,949,501	9,859,804
Others	3,650,383	3,992,701
	<u>13,230,584</u>	<u>13,886,769</u>

Based on the approved business plan, 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)	4,080,923	4,550,210
-Long term financing - export oriented projects (LTF-EOP)	389,059	582,840
-Long term financing facility (LTFF)	1,038,435	983,665
Repurchase agreement borrowings	33,553,469	18,842,790
	<u>39,061,886</u>	<u>24,959,505</u>

Unsecured

Over drawn nostro accounts	-	4,061
	<u>39,061,886</u>	<u>24,963,566</u>

	Note	(Un-audited) September 30, 2012	(Audited) December 31, 2011
11. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		105,547,401	107,046,786
Savings deposits		93,439,286	85,967,327
Current Accounts		37,775,438	39,229,738
Sundry deposits, margin accounts, etc.		2,503,385	1,702,147
		239,265,510	233,945,998
Financial Institutions			
Remunerative deposits		2,745,392	3,689,326
Non-remunerative deposits		101,446	261,376
		2,846,838	3,950,702
		242,112,348	237,896,700

11.1 Particulars of deposits

In local currency		237,895,770	234,648,265
In foreign currencies		4,216,578	3,248,435
		242,112,348	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.

		(Un-audited) September 30, 2012	(Audited) December 31, 2011
13. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus on revaluation of operating fixed assets - net of tax		906,541	915,244
Surplus / (Deficit) on revaluation of available for sale securities - net of tax		612,954	(277,743)
		1,519,495	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) September 30, 2012	(Audited) December 31, 2011
	(Rupees in thousand)	
Government	5,447	-
Financial institutions	-	-
Others	712,571	664,723
	<u>718,018</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) September 30, 2012	(Audited) December 31, 2011
	(Rupees in thousand)	
Government	342,407	84,510
Financial institutions	36,148	31,705
Others	10,932,785	10,135,048
	<u>11,311,340</u>	<u>10,251,263</u>

14.3 Trade related contingent liabilities

These include letters of credit issued in favour of :

Government	3,222,179	1,353,579
Financial institutions	-	-
Others	4,439,255	5,467,269
	<u>7,661,434</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 and the Department has filed an appeal before Income Tax Appellate Tribunal (ITAT) 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) September 30, 2012	(Audited) December 31, 2011
	(Rupees in thousand)	
14.6 Commitments in respect of forward exchange contracts		
Purchase	2,545,978	2,780,846
Sale	4,481,772	1,824,957
	7,027,750	4,605,803
14.7 Commitments for the acquisition of operating fixed assets	1,696	14,293

15. EARNINGS PER SHARE BASIC AND DILUTED

	----- (Un-audited) -----			
	Quarter Ended September 30, 2012	Period Ended September 30, 2012	Quarter Ended September 30, 2011	Period Ended September 30, 2011
Profit / (Loss) after taxation (Rupees in thousand)	242,928	648,437	(441,569)	(160,833)
Weighted Average Number of Ordinary Shares (Thousand)	528,797	528,797	528,797	528,797
Earnings per share (after tax) - Basic and Diluted (Rupees)	0.46	1.23	(0.84)	(0.30)

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
Nine Months Ended September 30, 2012 (Un-audited)						
(Rupees in thousand)						
Total Income	9,867,902	968,327	9,537,400	286,828	52,799	20,713,256
Total Expenses	2,873,533	2,777,726	14,020,990	44,940	8,275	19,725,464
Income Taxes	-	-	-	-	-	339,355
Net Income / (Loss)	6,994,369	(1,809,399)	(4,483,590)	241,888	44,524	648,437
Segment Assets (Gross)	137,922,401	16,648,421	161,644,779	-	-	316,215,601
Segment Non Performing Advances / Investments	3,522,689	2,310,452	68,488,841	-	-	74,321,982
Segment Provision Required	3,422,200	1,579,080	24,449,362	-	-	29,450,642
Segment Liabilities	7,437,918	39,475,935	243,147,480	-	-	290,061,333
Segment Return on Net Assets (ROA) (%)	14.70%	10.34%	18.26%			
Segment Cost of Funds (%)	10.32%	9.26%	9.89%			
Nine Months Ended September 30, 2011 (Un-audited)						
Total Income	6,925,726	758,784	8,285,233	284,307	54,968	16,309,018
Total Expenses	2,202,094	2,854,612	11,452,801	45,972	8,882	16,564,361
Income Taxes	-	-	-	-	-	(94,510)
Net Income / (Loss)	4,723,632	(2,095,828)	(3,167,568)	238,335	46,086	(160,833)
Segment Assets (Gross)	105,068,778	8,611,962	157,897,975	-	-	271,578,715
Segment Non Performing Advances / Investments	4,048,871	2,534,795	72,633,247	-	-	79,216,913
Segment Provision Required	3,380,241	1,234,932	26,627,080	-	-	31,242,253
Segment Liabilities	5,661,908	39,161,688	207,219,291	-	-	252,042,887
Segment Return on Net Assets (ROA) (%)	14.92%	19.09%	16.26%			
Segment Cost of Funds (%)	9.08%	9.70%	10.30%			

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. Amounts due from and due to related parties are shown under receivables and payables.

	(Un-audited) September 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>3</u>	<u>8</u>
Advances		
Outstanding at beginning of the period	22,000	21,258
Made during the period	17,821	1,217
Repaid/matured during the period	(3,702)	(475)
Outstanding at the end of the period	<u>36,119</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	1,000,820	941,625
Made during the period	1,550,203	2,738,966
Repaid/matured during the period	(1,559,682)	(2,679,771)
Outstanding at the end of the period	<u>991,341</u>	<u>1,000,820</u>
Deposits in current account	<u>443</u>	<u>32,365</u>
Placement		
Outstanding at beginning of the period	300,000	300,000
Made during the period	900,000	300,000
Repaid/matured during the period	(900,000)	(300,000)
Outstanding at the end of the period	<u>300,000</u>	<u>300,000</u>
Lease liability		
Outstanding at beginning of the period	7,831	13,887
Lease contracts entered into during the period	-	5
Repayments of lease rentals	(2,611)	(6,061)
Outstanding at the end of the period	<u>5,220</u>	<u>7,831</u>
Key Management Personnel Deposits		
Opening balance	22,571	12,384
Received during the period	144,460	169,698
Withdrawal during the period	(146,815)	(159,511)
Closing Balance	<u>20,216</u>	<u>22,571</u>

	(Un-audited) September 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>181</u>	<u>2,536</u>
Punjab Modaraba Services (Private) Limited (wholly owned subsidiary of the Bank)		
Advances		
Mark-up/return earned	<u>2,799</u>	<u>2,326</u>
First Punjab Modaraba (Modaraba floated by the wholly owned subsidiary of the Bank)		
Advances		
Mark-up/return earned	<u>81,264</u>	<u>97,510</u>
Placement		
Mark-up/return earned	<u>28,332</u>	<u>24,716</u>
Key Management Personnel		
Deposits		
Mark-up / interest expensed	<u>273</u>	<u>319</u>
Contribution to employees provident fund	<u>49,673</u>	<u>45,082</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

This condensed interim financial information was authorized for issuance on October 30, 2012 by the Board of Directors of the Bank.


19. GENERAL

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

19.2 Figures have been rounded off to the nearest thousand.

President

Director



The Bank of Punjab Group
Condensed Interim Consolidated Financial Information

For the Period Ended September 30, 2012 (Un-Audited)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2012 (UN-AUDITED)

	Note	(Un-audited) September 30, 2012	(Audited) December 31, 2011
(Rupees in thousand)			
ASSETS			
Cash and balances with treasury banks		14,055,024	16,698,333
Balances with other banks		3,197,771	3,607,107
Lendings to financial institutions	5	3,902,815	7,447,375
Investments - net	6	114,868,770	92,492,813
Advances - net	7	137,042,347	127,107,501
Operating fixed assets	8	3,473,802	3,597,483
Deferred tax assets - net	9	13,230,584	13,886,769
Other assets		12,457,510	16,052,311
		302,228,623	280,889,692
LIABILITIES			
Bills payable		1,897,369	850,569
Borrowings	10	39,061,886	24,963,566
Deposits and other accounts	11	242,112,346	237,896,692
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		5,220	7,831
Deferred tax liabilities		-	-
Other liabilities		6,984,694	6,510,013
		290,061,515	270,228,671
NET ASSETS		12,167,108	10,661,021
REPRESENTED BY			
Share capital		5,287,974	5,287,974
Reserves		1,896,822	1,914,956
Accumulated losses		(13,537,183)	(14,179,410)
		(6,352,387)	(6,976,480)
Share deposit money	12	17,000,000	17,000,000
		10,647,613	10,023,520
Surplus on revaluation of assets - net of tax	13	1,519,495	637,501
		12,167,108	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 PERIOD ENDED SEPTEMBER 30, 2012 (UN-AUDITED)

Note	Quarter Ended September 30, 2012	Period Ended September 30, 2012	Quarter Ended September 30, 2011	Period Ended September 30, 2011
	(Rupees in thousand)			
Mark-up/Return/Interest Earned	6,567,072	18,453,790	5,486,630	14,929,239
Mark-up/Return/Interest Expensed	5,897,289	16,797,980	5,492,236	15,149,483
Net Mark-up/Return/Interest Income	669,783	1,655,810	(5,606)	(220,244)
Provision / (Reversal of provision) against non-performing loans and advances-net	146,207	(313,053)	(27,512)	(1,624,310)
Provision for diminution in the value of investments	911	30,136	169,653	192,427
Bad debts written off directly	-	-	-	-
	147,118	(282,917)	142,141	(1,431,883)
Net Mark-up/Return/Interest income after provisions	522,665	1,938,727	(147,747)	1,211,639
NON MARK-UP/INTEREST INCOME				
Fee, commission and brokerage income	156,283	567,236	144,198	423,668
Dividend income	45,703	202,285	85,086	227,165
Income from dealing in foreign currencies	56,525	115,238	37,611	115,484
Gain on sale and redemption of securities	626,102	960,606	44,409	267,011
Unrealized gain / (loss) on revaluation of investments classified as held for trading	8,462	3,694	2,475	(115)
Other income	107,674	407,673	116,637	344,343
Total non-markup/interest income	1,000,749	2,256,732	430,416	1,377,556
	1,523,414	4,195,459	282,669	2,589,195
NON MARK-UP/INTEREST EXPENSES				
Administrative expenses	1,135,109	3,257,573	966,248	2,853,046
Provision / (Reversal of provision) against other assets	5,623	5,623	-	(3,216)
Other charges	74	(40,616)	8	200
Total non-markup/interest expenses	1,140,806	3,222,580	966,256	2,850,030
	382,608	972,879	(683,587)	(260,835)
Extra ordinary/unusual items	-	-	-	-
PROFIT / (LOSS) BEFORE TAXATION	382,608	972,879	(683,587)	(260,835)
Taxation - Current	37,843	103,566	-	-
- Prior years	-	-	-	-
- Deferred	104,843	235,789	(236,526)	(94,510)
	142,686	339,355	(236,526)	(94,510)
PROFIT / (LOSS) AFTER TAXATION	239,922	633,524	(447,061)	(166,325)
EARNINGS PER SHARE BASIC AND DILUTED - (Rupees) 15	0.45	1.20	(0.85)	(0.31)

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 PERIOD ENDED SEPTEMBER 30, 2012 (UN-AUDITED)

	Quarter Ended September 30, 2012	Period Ended September 30, 2012 (Rupees in thousand)	Quarter Ended September 30, 2011	Period Ended September 30, 2011
Profit / (Loss) after taxation	239,922	633,524	(447,061)	(166,325)
Other comprehensive income	-	-	-	-
Total comprehensive income / (loss)	239,922	633,524	(447,061)	(166,325)

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 PERIOD ENDED SEPTEMBER 30, 2012 (UN-AUDITED)

	Period Ended	
	September 30, 2012	September 30, 2011
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	972,879	(260,835)
Less: Dividend income	(202,285)	(227,165)
	770,594	(488,000)
Adjustments for non-cash charges:		
Depreciation	244,821	245,930
Amortization of (discount) / premium on Pakistan Investment Bonds	(2,852)	26,322
Unrealized (gain) / loss on revaluation of investments classified as held for trading	(3,694)	115
Reversal of provision against non-performing loans and advances-net	(313,053)	(1,624,310)
Provision for diminution in the value of investments - net	30,136	192,427
Provision for employees compensated absences	16,868	16,200
Provision for gratuity	58,124	35,100
Provision / (Reversal of provision) against other assets	5,623	(3,216)
Net profit on sale of property and equipment	(4,700)	(1,327)
Net profit on sale of non-banking assets	(41,121)	-
Gain on sale and redemption of securities	(960,606)	(267,011)
Finance charges on leased assets	569	1,171
	(969,885)	(1,378,599)
	(199,291)	(1,866,599)
(Increase) / Decrease in operating assets:		
Lendings to financial institutions	3,349,560	5,101,118
Net investments in held for trading securities	(6,210,786)	204,077
Advances	(9,639,927)	(1,769,879)
Others assets	3,480,968	(1,532,817)
	(9,020,185)	2,002,499
Increase / (Decrease) in operating liabilities:		
Bills Payable	1,046,800	1,411,807
Borrowings	14,102,381	13,769,070
Deposits and other accounts	4,215,654	10,969,922
Other liabilities	394,066	213,610
	19,758,901	26,364,409
	10,539,425	26,500,309
Financial charges paid	(569)	(1,171)
Income tax paid	(459,047)	(9,522)
Net cash flow from operating activities	10,079,809	26,489,616
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(14,005,895)	(28,343,241)
Net investments in held to maturity securities	88,832	109,667
Dividends received	317,817	111,632
Investments in operating fixed assets	(127,189)	(178,566)
Sale proceeds of property and equipment disposed-off	10,749	1,327
Sale proceeds of non-banking assets disposed-off	394,904	-
Net cash used in investing activities	(13,320,782)	(28,299,181)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease obligations	(2,611)	(4,094)
Net cash used in financing activities	(2,611)	(4,094)
Net decrease in cash and cash equivalents	(3,243,584)	(1,813,659)
Cash and cash equivalents at beginning of the period	20,496,379	17,345,835
Cash and cash equivalents at end of the period	17,252,795	15,532,176
Cash and cash equivalents:		
Cash and balances with treasury banks	14,055,024	13,199,834
Balances with other banks	3,197,771	2,248,641
Call money lending	-	195,000
Overdrawn nostro accounts	-	(111,299)
	17,252,795	15,532,176

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 PERIOD ENDED SEPTEMBER 30, 2012 (UN-AUDITED)

	Share capital	Statutory reserve	Capital Reserves		Revenue Reserve	Total
			Share premium	Restructuring reserve	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	-	37,882	1,974,610	(14,411,509)	(7,111,043)
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	5,078	5,078
Loss for the period ended September 30, 2011	-	-	-	-	(166,325)	(166,325)
Transfer from provision against NPLs	-	-	-	(165,857)	-	(165,857)
Balance as at September 30, 2011	5,287,974	-	37,882	1,808,753	(14,572,756)	(7,438,147)
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	1,692	1,692
Profit for the period October 01, 2011 to December 31, 2011	-	-	-	-	461,249	461,249
Transfer from provision against NPLs	-	-	-	(1,274)	-	(1,274)
Transfer from accumulated losses	-	69,595	-	-	(69,595)	-
Balance as at December 31, 2011	5,287,974	69,595	37,882	1,807,479	(14,179,410)	(6,976,480)
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	8,703	8,703
Profit for the period ended September 30, 2012	-	-	-	-	633,524	633,524
Transfer from provision against NPLs	-	-	-	(18,134)	-	(18,134)
Balance as at September 30, 2012	5,287,974	69,595	37,882	1,789,345	(13,537,183)	(6,352,387)

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 PERIOD ENDED SEPTEMBER 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 286 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. 10,647,613 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 September 30, 2012, net advances aggregating to Rs. 30,384,814 thousand (December 31, 2011 Rs. 33,091,789) requiring additional provision of Rs. 27,055,840 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 29 March 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 examination of the business plan to be submitted by the Bank to the SBP by June 30, 2012. The requisite 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.

This condensed interim consolidated financial information of the Group includes the Bank and its wholly owned subsidiary. This condensed interim consolidated financial information has been prepared in accordance with the purchase method.

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 JUDGMENTS

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)
September 30, December 31,
2012 2011
(Rupees in thousand)

5. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	-	195,000
Repurchase agreement lendings (Reverse Repo)	1,680,657	5,369,042
Certificate of investment	500,000	1,383,333
Placements	1,722,158	500,000
	<u>3,902,815</u>	<u>7,447,375</u>

6. INVESTMENTS - NET

Note	(Un-audited)			(Audited)		
	September 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						
Pakistan Investment Bonds	46,730	-	46,730	99,966	-	99,966
Market Treasury Bills	6,247,765	-	6,247,765	-	-	-
Ordinary Shares	10,874	-	10,874	-	-	-
Available for sale securities						
Market Treasury Bills	52,191,701	33,593,351	85,785,052	54,770,060	18,770,327	73,540,387
Pakistan Investment Bonds	13,309,912	-	13,309,912	8,500,711	-	8,500,711
Ordinary Shares / Certificates of Listed Companies and Modarabas	2,400,780	-	2,400,780	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 Funds Units	2,669,026	-	2,669,026	3,804,928	-	3,804,928
Listed Term Finance Certificates	380,971	-	380,971	518,085	-	518,085
Unlisted Term Finance Certificates	4,176,894	-	4,176,894	4,757,551	-	4,757,551
Held to maturity securities						
Pakistan Investment Bonds	1,897,616	-	1,897,616	1,983,596	-	1,983,596
WAPDA Bonds	400	-	400	400	-	400
Total investment at cost	<u>83,878,120</u>	<u>33,593,351</u>	<u>117,471,471</u>	<u>77,935,484</u>	<u>18,770,327</u>	<u>96,705,811</u>
Provision for diminution in the value of investment	(3,517,832)	-	(3,517,832)	(3,807,960)	-	(3,807,960)
Investments net of provisions	<u>80,360,288</u>	<u>33,593,351</u>	<u>113,953,639</u>	<u>74,127,524</u>	<u>18,770,327</u>	<u>92,897,851</u>
Surplus / (Deficit) on revaluation of available for sale securities	911,437	-	911,437	(399,655)	-	(399,655)
Surplus / (Deficit) on revaluation of held for trading securities	3,694	-	3,694	(5,383)	-	(5,383)
Total investment at market value	<u>81,275,419</u>	<u>33,593,351</u>	<u>114,868,770</u>	<u>73,722,486</u>	<u>18,770,327</u>	<u>92,492,813</u>

- 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. 1,787,169 thousand (2011: Rs. 1,744,023 thousand).

	Note	(Un-audited) September 30, 2012	(Audited) December 31, 2011
(Rupees in thousand)			
7. ADVANCES - NET			
Loans, cash credits, running finances, etc. - in Pakistan		148,816,617	149,021,501
Net investment in finance lease - in Pakistan		10,596,923	2,003,152
Repurchase agreement lendings to Non Financial Institutions		902,347	902,347
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		1,666,563	968,419
Payable outside Pakistan		1,088,339	535,443
		2,754,902	1,503,862
Advances - gross		163,070,789	153,430,862
Provision for non-performing advances			
-Specific	7.1 & 7.2	(26,012,375)	(26,303,094)
-General		(16,067)	(20,267)
		(26,028,442)	(26,323,361)
Advances - net of provision		137,042,347	127,107,501

7.1 Provision against certain net advances amounting to Rs. 30,384,814 thousand {2011: Rs.33,091,789 (thousand)} requiring additional provisioning of Rs. 27,055,840 thousand {2011: Rs. 28,615,910 (thousand)} has not been considered necessary in this 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. 70,763,173 thousand (2011: Rs. 73,643,672 thousand) which have been placed under non-performing status as on 30.09.2012 as detailed below:

Category of classification	September 30, 2012 (Un-audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	(Rupees in thousand)				
Other assets especially mentioned	62,146	-	62,146	-	-
Substandard	10,588,370	-	10,588,370	2,474,014	2,474,014
Doubtful	1,028,364	-	1,028,364	365,631	365,631
Loss	59,084,293	-	59,084,293	23,172,730	23,172,730
	70,763,173	-	70,763,173	26,012,375	26,012,375
	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	60,626,118	-	60,626,118	23,848,492	23,848,492
	73,643,672	-	73,643,672	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 period by Rs. 1,013,985 thousand due to expiry of prescribed period of the FSV benefit. Had the FSV benefit not expired in the current period, profit before tax and profit after tax for the period would have been higher by Rs. 1,013,985 thousand (Sep 30, 2011: lower by Rs. 342,180 thousand) and Rs. 659,090 thousand (Sep 30, 2011: lower by Rs. 222,417 thousand) respectively.

8. OPERATING FIXED ASSETS

During the period, additions to / disposals from operating fixed assets amounted to Rs.136,510 thousand (September 30, 2011: Rs. 168,913 thousand) and Rs. 22,412 thousand (September 30, 2011: 10,994 thousand), respectively.

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

9. DEFERRED TAX ASSETS - NET

Taxable temporary differences

Surplus on revaluation of fixed assets	(120,280)	(124,966)
Surplus on available for sale securities	(298,483)	-

Deductible temporary differences

Accelerated depreciation	49,463	37,318
Deficit on available for sale securities	-	121,912
Loan loss provision	9,949,501	9,859,804
Others	3,650,383	3,992,701
	<u>13,230,584</u>	<u>13,886,769</u>

Based on the approved business plan, 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)	4,080,923	4,550,210
-Long term financing - export oriented projects (LTF-EOP)	389,059	582,840
-Long term financing facility (LTFF)	1,038,435	983,665
Repurchase agreement borrowings	33,553,469	18,842,790
	<u>39,061,886</u>	<u>24,959,505</u>

Unsecured

Over drawn nostro accounts	-	4,061
	<u>39,061,886</u>	<u>24,963,566</u>

	Note	(Un-audited) September 30, 2012	(Audited) December 31, 2011
11. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		105,547,401	107,046,786
Savings deposits		93,439,286	85,967,327
Current Accounts		37,775,436	39,229,730
Sundry deposits, margin accounts, etc.		2,503,385	1,702,147
		239,265,508	233,945,990
Financial Institutions			
Remunerative deposits		2,745,392	3,689,326
Non-remunerative deposits		101,446	261,376
		2,846,838	3,950,702
		242,112,346	237,896,692

11.1 Particulars of deposits

In local currency		237,895,768	234,648,257
In foreign currencies		4,216,578	3,248,435
		242,112,346	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.

		(Un-audited) September 30, 2012	(Audited) December 31, 2011
13. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus on revaluation of operating fixed assets - net of tax		906,541	915,244
Surplus / (Deficit) on revaluation of available for sale securities - net of tax		612,954	(277,743)
		1,519,495	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) September 30, 2012	(Audited) December 31, 2011
	(Rupees in thousand)	
Government	5,447	-
Financial institutions	-	-
Others	712,571	664,723
	<u>718,018</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) September 30, 2012	(Audited) December 31, 2011
	(Rupees in thousand)	
Government	342,407	84,510
Financial institutions	36,148	31,705
Others	10,932,785	10,135,048
	<u>11,311,340</u>	<u>10,251,263</u>

14.3 Trade related contingent liabilities

These include letters of credit issued in favour of :

Government	3,222,179	1,353,579
Financial institutions	-	-
Others	4,439,255	5,467,269
	<u>7,661,434</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 and the Department has filed an appeal before Income Tax Appellate Tribunal (ITAT) 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) September 30, 2012	(Audited) December 31, 2011
	(Rupees in thousand)	
14.6 Commitments in respect of forward exchange contracts		
Purchase	2,545,978	2,780,846
Sale	4,481,772	1,824,957
	7,027,750	4,605,803
14.7 Commitments for the acquisition of operating fixed assets	1,696	14,293

15. EARNINGS PER SHARE BASIC AND DILUTED

	----- (Un-audited) -----			
	Quarter Ended September 30, 2012	Period Ended September 30, 2012	Quarter Ended September 30, 2011	Period Ended September 30, 2011
Profit / (Loss) after taxation (Rupees in thousand)	239,922	633,524	(447,061)	(166,325)
Weighted Average Number of Ordinary Shares (Thousand)	528,797	528,797	528,797	528,797
Earnings per share (after tax) - Basic and Diluted (Rupees)	0.45	1.20	(0.85)	(0.31)

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
Nine Months Ended September 30, 2012 (Un-audited)						
(Rupees in thousand)						
Total Income	9,867,902	968,327	9,534,666	286,828	52,799	20,710,522
Total Expenses	2,880,674	2,777,726	14,026,028	44,940	8,275	19,737,643
Income Taxes	-	-	-	-	-	339,355
Net Income / (Loss)	6,987,228	(1,809,399)	(4,491,362)	241,888	44,524	633,524
Segment Assets (Gross)	137,922,428	16,648,502	161,607,536	-	-	316,178,466
Segment Non Performing Advances / Investments	3,618,321	2,310,452	68,452,721	-	-	74,381,494
Segment Provision Required	3,517,832	1,579,080	24,449,362	-	-	29,546,274
Segment Liabilities	7,437,924	39,475,964	243,147,627	-	-	290,061,515
Segment Return on Net Assets (ROA) (%)	14.71%	10.34%	18.25%			
Segment Cost of Funds (%)	10.34%	9.26%	9.90%			
Nine Months Ended September 30, 2011 (Un-audited)						
Total Income	6,925,726	758,784	8,283,010	284,307	54,968	16,306,795
Total Expenses	2,202,094	2,854,612	11,456,070	45,972	8,882	16,567,630
Income Taxes	-	-	-	-	-	(94,510)
Net Income / (Loss)	4,723,632	(2,095,828)	(3,173,060)	238,335	46,086	(166,325)
Segment Assets (Gross)	105,068,847	8,611,838	157,872,137	-	-	271,552,822
Segment Non Performing Advances / Investments	4,092,419	2,534,795	72,633,247	-	-	79,260,461
Segment Provision Required	3,423,789	1,234,932	26,627,080	-	-	31,285,801
Segment Liabilities	5,661,908	39,161,688	207,221,142	-	-	252,044,738
Segment Return on Net Assets (ROA) (%)	14.92%	19.09%	16.26%			
Segment Cost of Funds (%)	9.08%	9.70%	10.30%			

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. Amounts due from and due to related parties are shown under receivables and payables.

	(Un-audited) September 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	1,000,820	941,625
Made during the period	1,550,203	2,738,966
Repaid/matured during the period	(1,559,682)	(2,679,771)
	<u>991,341</u>	<u>1,000,820</u>
Deposits in current account	<u>443</u>	<u>32,365</u>
Placement		
Outstanding at beginning of the period	300,000	300,000
Made during the period	900,000	300,000
Repaid/matured during the period	(900,000)	(300,000)
	<u>300,000</u>	<u>300,000</u>
Lease liability		
Outstanding at beginning of the period	7,831	13,887
Lease contracts entered into during the period	-	5
Repayments of lease rentals	(2,611)	(6,061)
	<u>5,220</u>	<u>7,831</u>
Key Management Personnel		
Deposits		
Opening balance	22,728	12,623
Received during the period	153,259	177,144
Withdrawal during the period	(155,757)	(167,039)
	<u>20,230</u>	<u>22,728</u>
Bankers Avenue Co-operative Housing Society		
(A co-operative society managed by key management personnel of the Bank)		
Deposits in saving account	<u>181</u>	<u>2,536</u>

	(Un-audited) September 30, 2012	(Un-audited) September 30, 2011
	(Rupees in thousand)	
First Punjab Modaraba (Modaraba floated by the wholly owned subsidiary of the Bank)		
Advances		
Mark-up/return earned	<u>81,264</u>	<u>97,510</u>
Placement		
Mark-up/return earned	<u>28,332</u>	<u>24,716</u>
Key Management Personnel		
Deposits		
Mark-up / interest expensed	<u>275</u>	<u>319</u>
Contribution to employees provident fund	<u>49,673</u>	<u>45,082</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

This condensed interim consolidated financial information was authorized for issuance on October 30, 2012 by the Board of Directors of the Bank.

19. GENERAL

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

19.2 Figures have been rounded off to the nearest thousand.

President

Director



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