



---

THE BANK OF PUNJAB

---

*Passion Reborn*

Quarterly Report  
(Un-audited)

January - March

2012

# CONTENTS

Corporate Information	2
Directors' Report	3
Interim Condensed Financial Statements	5
Interim Condensed Consolidated Financial Statements	21

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Mr. Ghafoor Mirza	Chairman
Mr. Naeemuddin Khan	President
Mr. Tariq Mahmood Pasha	Director
Mr. Tariq Bajwa	Director
Mr. Junaid Ashraf Khawaja	Director
Mr. Farooq Ahmed Awan	Director
Mr. Raza Saeed	Secretary to the Board

### AUDIT COMMITTEE

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

### Credit Ratings by PACRA

Long term	AA-
Short term	A1+

### REGISTERED OFFICE

BOP Tower, 10-B, Block-E-II,  
Main Boulevard, Gulberg-III, Lahore.  
Telephones: +92 - 042 - 35783700-10  
Fax No. +92 - 042 - 35783975

WEBSITE: [www.bop.com.pk](http://www.bop.com.pk)  
UAN: 111-200-100

### REGISTRAR

M/s. Corplink (Pvt) Limited  
Wings Arcade, 1-K, Commercial,  
Model Town, Lahore.  
Telephones: +92 – 042 – 35916714, 3589182, 35916719  
Fax No. +92 – 042- 35869037

## DIRECTORS' REPORT

On behalf of the Board of Directors, I am pleased to present un-audited Financial Statements of The Bank of Punjab for the quarter ended March 31, 2012.

The economy of the country is showing signs of modest improvement toward the end of FY12. The agriculture sector is recovering the impacts of the devastating floods of last two years. Further, the services sector is showing positive outlook mainly due to enhanced retail trade activities, transportation and improved profitability of the banking sector of the country. However, despite these positive indicators, decline in financial and capital inflow exerted pressure on foreign exchange reserves of the country. Further, enhanced government borrowing from State Bank of Pakistan adversely affected the liquidity position in the market. The persistent energy crises also kept on hampering the industrial production of the country. However, the reduction in policy rate by State Bank of Pakistan could not yield desired results as the advances to private sector increased only by 3.5% in first half of FY12.

The economy is still expected to grow in the range of 3 to 4 percent. The inflationary outlook has improved slightly on account of supply side factors (food). It is expected that FY12 inflation will fall within the range of 11.0 to 12.0 percent. In spite of the lower fiscal deficit during H1-FY12, containing the overall fiscal deficit to its revised target of 4.7 percent of GDP seems to be challenging. The burden of financing this deficit will fall on the banking system, specifically on commercial banks.

### Financial Highlights:

	Rs. In '000
Profit before taxation	212,225
Taxation	(74,761)
Profit after taxation	137,464
Earnings per share-Rupees	0.26

During 1st quarter of the year 2012, the Bank's management continued following the strategies of consolidation and steady growth. The main focus remained on improving the assets' quality and operational performance of the Bank. During the quarter, the Bank earned before tax profit of Rs. 212.2 Million as against before tax loss of Rs. (442.0) Million during 1st quarter of 2011. Active follow-up for regularization of NPLs portfolio and reduction in Cost of Deposits enabled the Bank to register a positive Net Interest Margin (NIM) of Rs. 496.1 Million as against a negative NIM of Rs. (263.6) Million during 1st quarter of 2011. The earnings per share (EPS) of the Bank for the quarter stood at Rs. 0.26 as against loss per share (LPS) of Rs. (0.52) for the quarter ended on March 31, 2011.

In order to rationalize the deposits mix with a view to reduce the average cost, high cost deposits were re-priced/shed-off during the 1st quarter of 2012. The Deposits at the close of 1st quarter 2012 stood at Rs. 230.6 Billion.


In order to improve the risk profile of the assets, major concentration of investments remained in government securities. As at March 31, 2012, the investments of the Bank stood at Rs. 88.0 Billion, while the gross advances of the Bank stood at Rs. 151.7 Billion.

The Management is hopeful that as a result of the stringent measures taken in all areas of operation, the Bank will continue to maintain the growth trends and show improved results in future.

We wish to acknowledge and appreciate the guidance and support from Government of Punjab and the State Bank of Pakistan. We are grateful to our valued customers and shareholders for their support, trust and confidence reposed in us. We also wish to thank all our employees for their commitment, dedication and contribution towards growth of the Bank.

For and on behalf of the Board

**Ghafoor Mirza**  
**Chairman**



The Bank of Punjab

**Interim Condensed Financial Statements**

---

For the Quarter ended March 31, 2012 (Un-Audited)

## INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

### AS AT MARCH 31, 2012 (UN-AUDITED)

	Note	(Un-audited) March 31, 2012	(Audited) December 31, 2011
(Rupees in thousand)			
<b>ASSETS</b>			
Cash and balances with treasury banks		13,200,946	16,698,333
Balances with other banks		2,893,407	3,607,107
Lendings to financial institutions	5	7,024,373	7,447,375
Investments	6	88,045,333	92,581,306
Advances	7	125,548,513	127,129,501
Operating fixed assets	8	3,564,393	3,597,483
Deferred tax assets	9	13,780,908	13,886,769
Other assets		15,792,542	16,049,657
		<b>269,850,415</b>	280,997,531
<b>LIABILITIES</b>			
Bills payable		1,031,552	850,569
Borrowings	10	21,162,802	24,963,566
Deposits and other accounts	11	230,579,882	237,896,700
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		6,960	7,831
Deferred tax liabilities		-	-
Other liabilities		5,964,502	6,506,275
		<b>258,745,698</b>	270,224,941
<b>NET ASSETS</b>		<b>11,104,717</b>	10,772,590
<b>REPRESENTED BY</b>			
Share capital	12	5,287,974	5,287,974
Reserves		1,896,822	1,914,956
Accumulated loss		(13,927,476)	(14,067,841)
		<b>(6,742,680)</b>	(6,864,911)
Share deposit money	13	17,000,000	17,000,000
		<b>10,257,320</b>	10,135,089
Surplus on revaluation of assets	14	847,397	637,501
		<b>11,104,717</b>	10,772,590
Contingencies and commitments	15		

The annexed notes from 1 to 18 form an integral part of these interim condensed financial statements.

**President**

**Director**

## INTERIM CONDENSED PROFIT AND LOSS ACCOUNT FOR THE QUARTER ENDED MARCH 31, 2012 (UN-AUDITED)

	Quarter ended	
	<b>March 31, 2012</b>	March 31, 2011
	(Rupees in thousand)	
Mark-up/Return/Interest Earned	<b>6,028,658</b>	4,503,484
Mark-up/Return/Interest Expensed	<b>5,532,567</b>	4,767,099
Net Mark-up/ Interest Income	<b>496,091</b>	(263,615)
Reversal of provision against non-performing loans and advances-net	<b>(205,856)</b>	(179,403)
Provision for diminution in the value of investments	<b>32,683</b>	2,585
Bad debts written off directly	<b>-</b>	-
	<b>(173,173)</b>	(176,818)
Net Mark-up/Interest income after provisions	<b>669,264</b>	(86,797)
<b>NON MARK-UP/INTEREST INCOME</b>		
Fee, commission and brokerage income	<b>168,838</b>	133,017
Dividend income	<b>86,175</b>	86,219
Income from dealing in foreign currencies	<b>31,572</b>	16,959
Gain on sale and redemption of securities	<b>140,344</b>	199,155
Unrealized gain / (loss) on revaluation of investments classified as held for trading	<b>41</b>	(4,653)
Other income	<b>113,573</b>	116,476
Total non-markup/interest income	<b>540,543</b>	547,173
	<b>1,209,807</b>	460,376
<b>NON MARK-UP/INTEREST EXPENSES</b>		
Administrative expenses	<b>997,570</b>	902,285
Other provisions/write offs/reversals	<b>-</b>	-
Other charges	<b>12</b>	138
Total non-markup/interest expenses	<b>997,582</b>	902,423
<b>PROFIT / (LOSS) BEFORE TAXATION</b>	<b>212,225</b>	(442,047)
Taxation - Current	<b>-</b>	-
- Prior years	<b>-</b>	-
- Deferred	<b>74,761</b>	(168,436)
	<b>74,761</b>	(168,436)
<b>PROFIT / (LOSS) AFTER TAXATION</b>	<b>137,464</b>	(273,611)
<b>Earnings / (Loss) per share -Basic and diluted (Rupees)</b>	<b>0.26</b>	(0.52)

The annexed notes from 1 to 18 form an integral part of these interim condensed financial statements.

President

Director



**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE QUARTER ENDED MARCH 31, 2012 (UN-AUDITED)**

	Quarter ended <b>March 31,</b> <b>2012</b>	March 31, 2011 (Rupees in thousand)
<b>Profit / (Loss) after taxation</b>	<b>137,464</b>	(273,611)
<b>Other comprehensive income</b>	-	-
<b>Total comprehensive income / (loss)</b>	<b>137,464</b>	(273,611)

The annexed notes from 1 to 18 form an integral part of these interim condensed financial statements.

**President**

**Director**

## INTERIM CONDENSED CASH FLOW STATEMENT FOR THE QUARTER ENDED MARCH 31, 2012 (UN-AUDITED)

	Quarter ended March 31, 2012	Quarter ended March 31, 2011
	(Rupees in thousand)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (Loss) before taxation	212,225	(442,047)
Less: Dividend income	(86,175)	(86,219)
	126,050	(528,266)
Adjustments for non-cash charges:		
Depreciation	78,671	83,185
Amortization on premium on Pakistan Investment Bonds	571	10,021
Unrealized (gain) / loss on revaluation of investments classified as held for trading	(41)	4,653
Reversal of provision against non-performing loans and advances - net	(205,856)	(179,403)
Provision for diminution in the value of investments - net	32,683	2,585
Provision for employees compensated absences	6,068	5,400
Provision for gratuity	19,375	11,700
Net profit on sale of property and equipment	(4,111)	(324)
Gain on sale and redemption of securities	(140,344)	(199,155)
Finance charges on leased assets	219	439
	(212,765)	(260,899)
	(86,715)	(789,165)
(Increase) / Decrease in operating assets:		
Lendings to financial institutions	228,002	3,511,887
Net investments in held for trading securities	94,542	153,435
Advances	1,768,710	1,380,756
Other assets	298,718	55,783
	2,389,972	5,101,861
Increase / (Decrease) in operating liabilities:		
Bills Payable	180,983	33,014
Borrowings	(3,798,127)	(2,734,966)
Deposits and other accounts	(7,316,818)	474,053
Other liabilities	(567,217)	(556,281)
	(11,501,179)	(2,784,180)
	(9,197,922)	1,528,516
Financial charges paid	(219)	(439)
Income tax paid	(1,652)	(40,440)
	(9,199,793)	1,487,637
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	4,784,249	(5,133,681)
Net investments in held to maturity securities	8,210	(39,472)
Dividends received	46,224	112,489
Investments in operating fixed assets	(48,077)	(62,678)
Sale proceeds of property and equipment disposed-off	6,608	467
	4,797,214	(5,122,875)
<b>Net cash flow / (used in) investing activities</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of lease obligations	(871)	(1,282)
	(871)	(1,282)
<b>Net cash used in financing activities</b>		
<b>Net decrease in cash and cash equivalents during the period</b>	(4,403,450)	(3,636,520)
Cash and cash equivalents at beginning of the period	20,496,379	17,345,835
	16,092,929	13,709,315
Cash and balances with treasury banks	13,200,946	10,993,631
Balance with other banks	2,893,407	2,615,684
Call money lending	-	100,000
Overdrawn nostro accounts	(1,424)	-
	16,092,929	13,709,315

The annexed notes from 1 to 18 form an integral part of these interim condensed financial statements.

**President**

**Director**

## INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED MARCH 31, 2012 (UN-AUDITED)

	Share capital	Statutory reserve	Capital Reserves		Revenue Reserve	Total
			Share premium	Restructuring reserve	Accumulated loss	
	(R u p e e s i n t h o u s a n d)					
<b>Balance as at January 01, 2011</b>	<b>5,287,974</b>	-	<b>37,882</b>	<b>1,974,610</b>	<b>(14,352,989)</b>	<b>(7,052,523)</b>
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	1,694	<b>1,694</b>
Loss for the quarter ended March 31, 2011	-	-	-	-	(273,611)	<b>(273,611)</b>
<b>Balance as at March 31, 2011</b>	<b>5,287,974</b>	-	<b>37,882</b>	<b>1,974,610</b>	<b>(14,624,906)</b>	<b>(7,324,440)</b>
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	5,076	<b>5,076</b>
Profit for the period April 01, 2011 to December 31, 2011	-	-	-	-	621,584	<b>621,584</b>
Transfer from provision against NPLs	-	-	-	(167,131)	-	<b>(167,131)</b>
Transfer from accumulated loss	-	69,595	-	-	(69,595)	-
<b>Balance as at December 31, 2011</b>	<b>5,287,974</b>	<b>69,595</b>	<b>37,882</b>	<b>1,807,479</b>	<b>(14,067,841)</b>	<b>(6,864,911)</b>
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	2,901	<b>2,901</b>
Profit for the quarter ended March 31, 2012	-	-	-	-	137,464	<b>137,464</b>
Transfer from provision against NPLs	-	-	-	(18,134)	-	<b>(18,134)</b>
<b>Balance as at March 31, 2012</b>	<b>5,287,974</b>	<b>69,595</b>	<b>37,882</b>	<b>1,789,345</b>	<b>(13,927,476)</b>	<b>(6,742,680)</b>

The annexed notes from 1 to 18 form an integral part of these interim condensed financial statements.

**President**

**Director**

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 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 (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. 10,257,320 thousand, 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 31 March 2012, net advances aggregating to Rs. 33,215,128 thousand requiring additional provision of Rs. 28,696,312 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 13 March 2012, on the basis of two Letters of Comfort (LOCs) issued by Government of the Punjab (GOPb) as explained in para 2 below.

Government of Punjab (GOPb) being the majority shareholder, in order to support the Bank, deposited Rs. 7,000,000 thousand as advance subscription money in the year 2011 in addition to Rs. 10,000,000 thousand already deposited in year 2009 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 31 December 2014 and 31 December 2016 respectively in event of the Bank failing to make provision of Rs. 28,840,000 thousand or if there is a shortfall in meeting the prevailing regulatory capital requirements as a result of the said provisioning.

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

Based on above, the SBP has granted the Bank 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 30 June 2012.

On the basis of above enduring support GOPb, 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

These interim condensed financial statements have 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.

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

These interim condensed financial statements are being submitted to shareholders in accordance with the requirements of listing regulations of Stock Exchanges in Pakistan.

The disclosures made in these interim condensed financial statements have, however, been limited based on the format prescribed by the SBP vide BSD Circular letter No. 2 dated May 12, 2004, BSD Circular letter No. 7 dated April 20, 2010 and International Accounting Standard – 34 Interim Financial Reporting. They do not include all of the disclosures required for annual financial statements, and these interim condensed financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2011.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those applied in the preparation of annual financial statements of the Bank for the year ended December 31, 2011.

### 4. TAXATION

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

Note	(Un-audited) March 31, 2012	(Audited) December 31, 2011
	(Rupees in thousand)	

### 5. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings		-	195,000
Repurchase agreement lendings (Reverse Repo)	5.1	5,224,373	5,369,042
Certificate of investment		1,500,000	1,383,333
Placements		300,000	500,000
		<u>7,024,373</u>	<u>7,447,375</u>

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

	(Un-audited)			(Audited)		
	March 31, 2012			December 31, 2011		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	(R u p e e s i n t h o u s a n d )					
Market Treasury Bills	4,317,910	-	4,317,910	5,171,377	-	5,171,377
Pakistan Investment Bonds	906,463	-	906,463	197,665	-	197,665
	<b>5,224,373</b>	<b>-</b>	<b>5,224,373</b>	<b>5,369,042</b>	<b>-</b>	<b>5,369,042</b>

## 6. INVESTMENTS

	Note	(Un-audited)			(Audited)		
		March 31, 2012			December 31, 2011		
		Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
		(R u p e e s i n t h o u s a n d )					
<b>Held for trading securities</b>							
Pakistan Investment Bonds		-	-	-	99,966	-	99,966
Market Treasury Bills		5,111,053	-	5,111,053	-	-	-
<b>Available for sale securities</b>							
Market Treasury Bills		47,018,357	16,359,973	63,378,330	54,770,060	18,770,327	73,540,387
Pakistan Investment Bonds		8,598,387	-	8,598,387	8,500,711	-	8,500,711
Ordinary Shares / Certificates of Listed Companies and Modarabas		2,677,234	-	2,677,234	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		4,454,928	-	4,454,928	3,804,928	-	3,804,928
Listed Term Finance Certificates		475,650	-	475,650	518,085	-	518,085
Unlisted Term Finance Certificates		4,504,914	-	4,504,914	4,757,551	-	4,757,551
<b>Held to maturity securities</b>							
Pakistan Investment Bonds	6.1	1,974,815	-	1,974,815	1,983,596	-	1,983,596
WAPDA Bonds		400	-	400	400	-	400
<b>Subsidiary</b>							
Punjab Modaraba Services (Private) Limited		164,945	-	164,945	164,945	-	164,945
<b>Total investment at cost</b>		<b>75,526,134</b>	<b>16,359,973</b>	<b>91,886,107</b>	<b>77,935,486</b>	<b>18,770,327</b>	<b>96,705,813</b>
Provision for diminution in the value of investment		(3,685,057)	-	(3,685,057)	(3,719,469)	-	(3,719,469)
<b>Investments net of provisions</b>		<b>71,841,077</b>	<b>16,359,973</b>	<b>88,201,050</b>	<b>74,216,017</b>	<b>18,770,327</b>	<b>92,986,344</b>
Deficit on revaluation of available for sale securities		(155,758)	-	(155,758)	(399,655)	-	(399,655)
Surplus / (Deficit) on revaluation of held for trading securities		41	-	41	(5,383)	-	(5,383)
<b>Total investment at market value</b>		<b>71,685,360</b>	<b>16,359,973</b>	<b>88,045,333</b>	<b>73,810,979</b>	<b>18,770,327</b>	<b>92,581,306</b>

- 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. 1,760,933 thousand (2011: Rs. 1,744,023 thousand).

Note	(Un-audited) March 31, 2012	(Audited) December 31, 2011
	(Rupees in thousand)	
<b>7. ADVANCES</b>		
Loans, cash credits, running finances, etc. - in Pakistan	<b>142,226,084</b>	149,043,501
Net investment in finance lease - in Pakistan	<b>5,312,826</b>	2,003,152
Repurchase agreement lendings to Non Financial Institutions	<b>902,347</b>	902,347
Bills discounted and purchased (excluding treasury bills)		
Payable in Pakistan	<b>2,285,747</b>	968,419
Payable outside Pakistan	<b>957,148</b>	535,443
	<b>3,242,895</b>	1,503,862
Advances - gross	<b>151,684,152</b>	153,452,862
Provision for non-performing advances		
-Specific	<b>(26,117,994)</b>	(26,303,094)
-General	<b>(17,645)</b>	(20,267)
	<b>(26,135,639)</b>	(26,323,361)
Advances - net of provision	<b>125,548,513</b>	127,129,501

- 7.1 Provision against certain net advances amounting to Rs. 33,215,128 thousand {2011: Rs.33,113,789 (thousand)} requiring additional provisioning of Rs. 28,696,312 thousand {2011: Rs. 28,637,910 (thousand)} has not been considered necessary in these financial statements on the basis of undertaking given by Government of the Punjab as stated in Note 1.2.

- 7.2 Advances include Rs. 73,383,627 thousand (2011: Rs. 73,665,672 thousand ) which have been placed under non-performing status as on 31.03.2012 as detailed below:

Category of classification	March 31, 2012 (Un-audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	(Rupees in thousand)				
Other assets especially mentioned	141,741	-	141,741	-	-
Substandard	9,582,666	-	9,582,666	2,302,725	2,302,725
Doubtful	2,760,090	-	2,760,090	187,823	187,823
Loss	60,899,130	-	60,899,130	23,627,446	23,627,446
	<b>73,383,627</b>	<b>-</b>	<b>73,383,627</b>	<b>26,117,994</b>	<b>26,117,994</b>

- 7.3 General provision includes provision against consumer financing as required by the Prudential Regulations issued by the SBP.

	<b>(Un-audited)</b> <b>March 31,</b> <b>2012</b>	(Audited) December 31, 2011
	(Rupees in thousand)	
<b>8. OPERATING FIXED ASSETS</b>		
Capital work in progress	<b>65,671</b>	82,797
Property and equipment	<b>3,498,722</b>	3,514,686
	<b>3,564,393</b>	3,597,483
<b>9. DEFERRED TAX ASSETS</b>		
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.		
<b>10. BORROWINGS</b>		
<b>Secured</b>		
Borrowings from SBP		
- Export refinance scheme	<b>4,648,461</b>	4,550,210
- LTF-export oriented projects	<b>523,095</b>	582,840
- LTFF	<b>965,566</b>	983,665
Repurchase agreement borrowings	<b>15,024,256</b>	18,842,790
	<b>21,161,378</b>	24,959,505
<b>Unsecured</b>		
Over drawn nostro account	<b>1,424</b>	4,061
	<b>21,162,802</b>	24,963,566
<b>11. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	<b>106,318,574</b>	107,046,786
Savings deposits	<b>84,975,744</b>	85,967,327
Current Accounts	<b>33,598,239</b>	39,229,738
Sundry deposits, margin accounts, etc.	<b>3,388,670</b>	1,702,147
	<b>228,281,227</b>	233,945,998
<b>Financial Institutions</b>		
Remunerative deposits	<b>2,265,108</b>	3,689,326
Non-remunerative deposits	<b>33,547</b>	261,376
	<b>2,298,655</b>	3,950,702
	<b>230,579,882</b>	237,896,700
<b>11.1 Particulars of deposits</b>		
In local currency	<b>227,353,024</b>	234,648,265
In foreign currencies	<b>3,226,858</b>	3,248,435
	<b>230,579,882</b>	237,896,700



**12. SHARE CAPITAL**

<b>(Un-audited) March 31, 2012</b>	(Audited) December 31, 2011		<b>(Un-audited) March 31, 2012</b>	(Audited) December 31, 2011
(No. of Shares)			(Rupees in thousand)	

**12.1 Authorized Capital**

<b>2012 Number</b>	2011 Number		<b>2012</b>	2011
<u>5,000,000,000</u>	5,000,000,000	Ordinary shares of Rs. 10 each	<u>50,000,000</u>	50,000,000

**12.2 Issued, subscribed and paid up share capital**

<b>2012 Number</b>	2011 Number	<b>Ordinary shares of Rs.10 each</b>	<b>2012</b>	2011
<u>19,333,340</u>	19,333,340	Fully paid in cash	<u>193,333</u>	193,333
<u>509,464,036</u>	509,464,036	Issued as bonus shares	<u>5,094,641</u>	5,094,641
<u><u>528,797,376</u></u>	<u><u>528,797,376</u></u>		<u><u>5,287,974</u></u>	<u><u>5,287,974</u></u>

**12.3** Government of the Punjab (GOPb) held 51% shares in the Bank as at March 31, 2012 (2011: 51 %).

Note	<b>(Un-audited) March 31, 2012</b>	(Audited) December 31, 2011
	(Rupees in thousand)	

**13. SHARE DEPOSIT MONEY**

Share deposit money - I	13.1	<u>10,000,000</u>	10,000,000
Share deposit money - II	13.2	<u>7,000,000</u>	7,000,000
		<u><u>17,000,000</u></u>	<u><u>17,000,000</u></u>

**13.1** This represents amount deposited by Government of the Punjab (GOPb) 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.

**13.2** This represents advance subscription money deposited by GOPb in 2011 as explained in Note 1.2.

**14. SURPLUS ON REVALUATION OF ASSETS**

Surplus on revaluation of operating fixed assets - net of tax	<u>912,342</u>	915,244
Deficit on revaluation of available for sale securities - net of tax	<u>(64,945)</u>	(277,743)
	<u><u>847,397</u></u>	<u><u>637,501</u></u>

## 15. CONTINGENCIES AND COMMITMENTS

### 15.1 Direct Credit Substitutes

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

	<b>(Un-audited) March 31, 2012</b>	(Audited) December 31, 2011
	(Rupees in thousand)	
Government	<b>782,303</b>	-
Financial institutions	-	-
Others	<b>669,598</b>	664,723
	<b>1,451,901</b>	664,723

### 15.2 Transaction related contingent liabilities

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

	<b>(Un-audited) March 31, 2012</b>	(Audited) December 31, 2011
	(Rupees in thousand)	
Government	<b>136,659</b>	84,510
Financial institutions	<b>31,705</b>	31,705
Others	<b>10,882,913</b>	10,135,048
	<b>11,051,277</b>	10,251,263

### 15.3 Trade related contingent liabilities

Government	<b>3,246,870</b>	1,353,579
Financial institutions	-	-
Others	<b>7,937,200</b>	5,467,269
	<b>11,184,070</b>	6,820,848

### 15.4 Other contingencies

Claims against the bank not acknowledged as debt	<b>25,932,149</b>	20,456,767
--	-------------------	------------

### 15.5 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.

	<b>(Un-audited) March 31, 2012</b>	(Audited) December 31, 2011
	(Rupees in thousand)	
<b>15.6 Commitments in respect of forward exchange contracts</b>		
Purchase	<b>1,241,189</b>	2,780,846
Sale	<b>1,582,080</b>	1,824,957
	<b>2,823,269</b>	4,605,803
<b>15.7 Commitments for the acquisition of operating fixed assets</b>	<b>2,129</b>	14,293

## 16. 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.

	<b>(Un-audited) March 31, 2012</b>	(Audited) December 31, 2011
	(Rupees in thousand)	
<b>Punjab Modaraba Services (Private) Limited (wholly owned subsidiary of the Bank)</b>		
Deposits in current account	<b>14</b>	8
<b>Advances</b>		
Outstanding at beginning of the period	<b>22,000</b>	21,258
Made during the period	<b>9,090</b>	1,217
Repaid/matured during the period	<b>-</b>	(475)
Outstanding at the end of the period	<b>31,090</b>	22,000
Mark-up/return earned	<b>818</b>	3,053
<b>First Punjab Modaraba (Modaraba floated by the wholly owned subsidiary of the Bank)</b>		
<b>Advances</b>		
Outstanding at beginning of the period	<b>1,000,820</b>	941,625
Made during the period	<b>388,004</b>	2,738,966
Repaid/matured during the period	<b>(643,464)</b>	(2,679,771)
Outstanding at the end of the period	<b>745,360</b>	1,000,820
Provision for doubtful debts	<b>-</b>	-
Mark-up/return earned	<b>24,095</b>	128,429

	<b>(Un-audited) March 31, 2012</b>	(Audited) December 31, 2011
	(Rupees in thousand)	
<b>Deposits in current account</b>	<b>2,700</b>	32,365
<b>Placement</b>		
Outstanding at beginning of the period	300,000	300,000
Made during the period	300,000	300,000
Repaid/matured during the period	(300,000)	(300,000)
Outstanding at the end of the period	<b>300,000</b>	300,000
Mark-up/return earned	<b>9,536</b>	31,786
<b>Lease liability</b>		
Outstanding at beginning of the period	<b>7,831</b>	13,887
Lease contracts entered into during the period	-	5
Repayments of lease rentals	(871)	(6,061)
Outstanding at the end of the period	<b>6,960</b>	7,831
<b>Key Management Personnel</b>		
Deposits		
Opening balances	<b>22,571</b>	12,384
Received during the year	<b>37,898</b>	169,698
Withdrawal during the year	<b>(42,915)</b>	(159,511)
Closing Balances	<b>17,554</b>	22,571
Mark-up / interest expensed	<b>126</b>	316
<b>Bankers Avenue Co-operative Housing Society (A co-operative society managed by key management personnel of the Bank)</b>		
Deposits in saving account	<b>2,469</b>	2,536
<b>Contribution to employees provident fund</b>	<b>15,230</b>	60,310

## 17. DATE OF AUTHORIZATION FOR ISSUE

These interim condensed financial statements were authorized for issuance on April 27, 2012 by the Board of Directors of the Bank.

## 18. GENERAL

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

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

President

Director





The Bank of Punjab  
**Interim Condensed Consolidated  
Financial Statements**

---

For the Quarter ended March 31, 2012 (Un-Audited)

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2012 (UN-AUDITED)

	Note	(Un-audited) March 31, 2012	(Audited) December 31, 2011
(Rupees in thousand)			
<b>ASSETS</b>			
Cash and balances with treasury banks		13,200,946	16,698,333
Balances with other banks		2,893,407	3,607,107
Lendings to financial institutions	5	7,024,373	7,447,375
Investments	6	87,949,699	92,492,813
Advances	7	125,517,423	127,107,501
Operating fixed assets	8	3,564,393	3,597,483
Deferred tax assets	9	13,780,908	13,886,769
Other assets		15,798,409	16,052,311
		<b>269,729,558</b>	280,889,692
<b>LIABILITIES</b>			
Bills payable		1,031,552	850,569
Borrowings	10	21,162,802	24,963,566
Deposits and other accounts	11	230,579,868	237,896,692
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		6,960	7,831
Deferred tax liabilities		-	-
Other liabilities		5,964,678	6,510,013
		<b>258,745,860</b>	270,228,671
<b>NET ASSETS</b>		<b>10,983,698</b>	10,661,021
<b>REPRESENTED BY</b>			
Share capital	12	5,287,974	5,287,974
Reserves		1,896,822	1,914,956
Accumulated loss		(14,048,495)	(14,179,410)
		<b>(6,863,699)</b>	(6,976,480)
Share deposit money	13	17,000,000	17,000,000
		<b>10,136,301</b>	10,023,520
Surplus on revaluation of assets	14	847,397	637,501
		<b>10,983,698</b>	10,661,021
Contingencies and commitments	15		

The annexed notes from 1 to 18 form an integral part of these interim condensed consolidated financial statements.

President

Director

## INTERIM CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE QUARTER ENDED MARCH 31, 2012 (UN-AUDITED)

	Quarter ended	
	March 31, 2012	March 31, 2011
	(Rupees in thousand)	
Mark-up/Return/Interest Earned	<b>6,027,836</b>	4,502,707
Mark-up/Return/Interest Expensed	<b>5,532,567</b>	4,767,099
Net Mark-up/ Interest Income	<b>495,269</b>	(264,392)
Reversal of provision against non-performing loans and advances-net	<b>(205,856)</b>	(179,403)
Provision for diminution in the value of investments	<b>39,824</b>	2,585
Bad debts written off directly	<b>-</b>	-
	<b>(166,032)</b>	(176,818)
Net Mark-up/Interest income after provisions	<b>661,301</b>	(87,574)
<b>NON MARK-UP/INTEREST INCOME</b>		
Fee, commission and brokerage income	<b>168,838</b>	133,017
Dividend income	<b>86,175</b>	86,219
Income from dealing in foreign currencies	<b>31,572</b>	16,959
Gain on sale and redemption of securities	<b>140,344</b>	199,155
Unrealized gain / (loss) on revaluation of investments classified as held for trading	<b>41</b>	(4,653)
Other income	<b>113,573</b>	116,477
Total non-markup/interest income	<b>540,543</b>	547,174
	<b>1,201,844</b>	459,600
<b>NON MARK-UP/INTEREST EXPENSES</b>		
Administrative expenses	<b>999,057</b>	904,400
Other provisions/write offs/reversals	<b>-</b>	-
Other charges	<b>12</b>	138
Total non-markup/interest expenses	<b>999,069</b>	904,538
<b>PROFIT / (LOSS) BEFORE TAXATION</b>	<b>202,775</b>	(444,938)
Taxation - Current	<b>-</b>	-
- Prior years	<b>-</b>	-
- Deferred	<b>74,761</b>	(168,436)
	<b>74,761</b>	(168,436)
<b>PROFIT / (LOSS) AFTER TAXATION</b>	<b>128,014</b>	(276,502)
<b>Earnings / (Loss) per share -Basic and diluted (Rupees)</b>	<b>0.24</b>	(0.52)

The annexed notes from 1 to 18 form an integral part of these interim condensed consolidated financial statements.

**President**

**Director**



**INTERIM CONDENSED CONSOLIDATED  
STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE QUARTER ENDED MARCH 31, 2012 (UN-AUDITED)

	Quarter ended	
	<b>March 31, 2012</b>	March 31, 2011
	(Rupees in thousand)	
<b>Profit / (Loss) after taxation</b>	<b>128,014</b>	(276,502)
<b>Other comprehensive income</b>	-	-
<b>Total comprehensive income / (loss)</b>	<b>128,014</b>	(276,502)

The annexed notes from 1 to 18 form an integral part of these interim condensed consolidated financial statements.

**President**

**Director**

## INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE QUARTER ENDED MARCH 31, 2012 (UN-AUDITED)

	Quarter ended March 31, 2012	Quarter ended March 31, 2011
	(Rupees in thousand)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (Loss) before taxation	202,775	(444,938)
Less: Dividend income	(86,175)	(86,219)
	116,600	(531,157)
Adjustments for non-cash charges:		
Depreciation	78,671	83,185
Amortization on premium on Pakistan Investment Bonds	571	10,021
Unrealized (gain) / loss on revaluation of investments classified as held for trading	(41)	(4,653)
Reversal of provision against non-performing loans and advances - net	(205,856)	(179,403)
Provision for diminution in the value of investments - net	39,824	2,585
Provision for employees compensated absences	6,068	5,400
Provision for gratuity	19,375	11,700
Net profit on sale of property and equipment	(4,111)	(324)
Gain on sale and redemption of securities	(140,344)	(199,155)
Finance charges on leased assets	219	439
	(205,624)	(270,205)
	(89,024)	(801,362)
(Increase) / Decrease in operating assets:		
Lendings to financial institutions	228,002	3,511,887
Net investments in held for trading securities	94,542	162,741
Advances	1,777,800	1,381,411
Other assets	295,505	57,068
	2,395,849	5,113,107
Increase / (Decrease) in operating liabilities:		
Bills Payable	180,983	33,014
Borrowings	(3,798,127)	(2,734,966)
Deposits and other accounts	(7,316,824)	474,136
Other liabilities	(570,779)	(555,413)
	(11,504,747)	(2,783,229)
	(9,197,922)	1,528,516
Financial charges paid	(219)	(439)
Income tax paid	(1,652)	(40,440)
<b>Net cash (used in) / flow from operating activities</b>	<b>(9,199,793)</b>	<b>1,487,637</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	4,784,249	(5,133,681)
Net investments in held to maturity securities	8,210	(39,472)
Dividends received	46,224	112,489
Investments in operating fixed assets	(48,077)	(62,678)
Sale proceeds of property and equipment disposed-off	6,608	467
<b>Net cash flow / (used in) investing activities</b>	<b>4,797,214</b>	<b>(5,122,875)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of lease obligations	(871)	(1,282)
<b>Net cash used in financing activities</b>	<b>(871)</b>	<b>(1,282)</b>
<b>Net decrease in cash and cash equivalents during the period</b>	<b>(4,403,450)</b>	<b>(3,636,520)</b>
Cash and cash equivalents at beginning of the period	20,496,379	17,345,835
Cash and cash equivalents at end of the period	16,092,929	13,709,315
Cash and balances with treasury banks	13,200,946	10,993,631
Balance with other banks	2,893,407	2,615,684
Call money lending	-	100,000
Overdrawn nostro accounts	(1,424)	-
	16,092,929	13,709,315

The annexed notes from 1 to 18 form an integral part of these interim condensed consolidated financial statements.

**President**

**Director**

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED MARCH 31, 2012 (UN-AUDITED)

	Share capital	Statutory reserve	Capital Reserves		Revenue Reserve	Total
			Share premium	Restructuring reserve	Accumulated loss	
	(R u p e e s i n t h o u s a n d)					
<b>Balance as at January 01, 2011</b>	<b>5,287,974</b>	-	<b>37,882</b>	<b>1,974,610</b>	<b>(14,411,509)</b>	<b>(7,111,043)</b>
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	1,694	<b>1,694</b>
Loss for the quarter ended March 31, 2011	-	-	-	-	(276,502)	<b>(276,502)</b>
<b>Balance as at March 31, 2011</b>	<b>5,287,974</b>	-	<b>37,882</b>	<b>1,974,610</b>	<b>(14,686,317)</b>	<b>(7,385,851)</b>
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	5,076	<b>5,076</b>
Profit for the period April 01, 2011 to December 31, 2011	-	-	-	-	571,426	<b>571,426</b>
Transfer from provision against NPLs	-	-	-	(167,131)	-	<b>(167,131)</b>
Transfer from accumulated loss	-	69,595	-	-	(69,595)	-
<b>Balance as at December 31, 2011</b>	<b>5,287,974</b>	<b>69,595</b>	<b>37,882</b>	<b>1,807,479</b>	<b>(14,179,410)</b>	<b>(6,976,480)</b>
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	2,901	<b>2,901</b>
Profit for the quarter ended March 31, 2012	-	-	-	-	128,014	<b>128,014</b>
Transfer from provision against NPLs	-	-	-	(18,134)	-	<b>(18,134)</b>
<b>Balance as at March 31, 2012</b>	<b>5,287,974</b>	<b>69,595</b>	<b>37,882</b>	<b>1,789,345</b>	<b>(14,048,495)</b>	<b>(6,863,699)</b>

The annexed notes from 1 to 18 form an integral part of these interim condensed financial statements.

**President**

**Director**

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 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. 10,136,301 thousand, 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 31 March 2012, net advances aggregating to Rs. 33,215,218 thousand requiring additional provision of Rs.28,696,312 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 13 March 2012, on the basis of two Letters of Comfort (LOCs) issued by Government of the Punjab (GOPb) as explained in para 2 below.

Government of Punjab (GOPb) being the majority shareholder, in order to support the Bank, deposited Rs.7,000,000 thousand as advance subscription money in the year 2011 in addition to Rs.10,000,000 thousand already deposited in year 2009 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 31 December 2014 and 31 December 2016 respectively in event of the Bank failing to make provision of Rs.28,840,000 thousand or if there is a shortfall in meeting the prevailing regulatory capital requirements as a result of the said provisioning.

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

Based on above, the SBP has granted the Bank 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 30 June 2012.

On the basis of above enduring support GOPb, 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.



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

	(Un-audited)			(Audited)		
	March 31, 2012			December 31, 2011		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	(R u p e e s i n t h o u s a n d )					
Market Treasury Bills	4,317,910	-	4,317,910	5,171,377	-	5,171,377
Pakistan Investment Bonds	906,463	-	906,463	197,665	-	197,665
	<b>5,224,373</b>	<b>-</b>	<b>5,224,373</b>	<b>5,369,042</b>	<b>-</b>	<b>5,369,042</b>

## 6. INVESTMENTS

Note	(Un-audited)			(Audited)		
	March 31, 2012			December 31, 2011		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	(R u p e e s i n t h o u s a n d )					
<b>Held for trading securities</b>						
Pakistan Investment Bonds	-	-	-	99,966	-	99,966
Market Treasury Bills	5,111,053	-	5,111,053	-	-	-
Available for sale securities						
Market Treasury Bills	47,018,357	16,359,973	63,378,330	54,770,060	18,770,327	73,540,387
Pakistan Investment Bonds	8,598,387	-	8,598,387	8,500,711	-	8,500,711
Ordinary Shares / Certificates of Listed Companies and Modarabas	2,842,177	-	2,842,177	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	4,454,928	-	4,454,928	3,804,928	-	3,804,928
Listed Term Finance Certificates	475,650	-	475,650	518,085	-	518,085
Unlisted Term Finance Certificates	4,504,914	-	4,504,914	4,757,551	-	4,757,551
<b>Held to maturity securities</b>						
Pakistan Investment Bonds	1,974,815	-	1,974,815	1,983,596	-	1,983,596
WAPDA Bonds	400	-	400	400	-	400
<b>Total investment at cost</b>	<b>75,526,132</b>	<b>16,359,973</b>	<b>91,886,105</b>	<b>77,935,484</b>	<b>18,770,327</b>	<b>96,705,811</b>
Provision for diminution in the value of investment	(3,780,689)	-	(3,780,689)	(3,807,960)	-	(3,807,960)
<b>Investments net of provisions</b>	<b>71,745,443</b>	<b>16,359,973</b>	<b>88,105,416</b>	<b>74,127,524</b>	<b>18,770,327</b>	<b>92,897,851</b>
Deficit on revaluation of available for sale securities	(155,758)	-	(155,758)	(399,655)	-	(399,655)
Surplus / (Deficit) on revaluation of held for trading securities	41	-	41	(5,383)	-	(5,383)
<b>Total investment at market value</b>	<b>71,589,726</b>	<b>16,359,973</b>	<b>87,949,699</b>	<b>73,722,486</b>	<b>18,770,327</b>	<b>92,492,813</b>

- 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. 1,760,933 thousand (2011: Rs. 1,744,023 thousand).

	Note	(Un-audited) March 31, 2012	(Audited) December 31, 2011
(Rupees in thousand)			
<b>7. ADVANCES</b>			
Loans, cash credits, running finances, etc. - in Pakistan		142,194,994	149,021,501
Net investment in finance lease - in Pakistan		5,312,826	2,003,152
Repurchase agreement lendings to Non Financial Institutions		902,347	902,347
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		2,285,747	968,419
Payable outside Pakistan		957,148	535,443
		3,242,895	1,503,862
Advances - gross		151,653,062	153,430,862
Provision for non-performing advances			
- Specific	7.2	(26,117,994)	(26,303,094)
- General		(17,645)	(20,267)
		(26,135,639)	(26,323,361)
Advances - net of provision		125,517,423	127,107,501

**7.1** Provision against certain net advances amounting to Rs. 33,215,128 thousand {2011: Rs.33,113,789 (thousand)} requiring additional provisioning of Rs. 28,696,312 thousand {2011: Rs. 28,637,910 (thousand)} has not been considered necessary in these financial statements on the basis of undertaking given by Government of the Punjab as stated in Note 1.2.

**7.2** Advances include Rs.73,383,627 thousand (2011: Rs. 73,665,672 thousand ) which have been placed under non-performing status as on 31.03.2012 as detailed below:

Category of classification	March 31, 2012 (Un-audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
(Rupees in thousand)					
Other assets especially mentioned	141,741	-	141,741	-	-
Substandard	9,582,666	-	9,582,666	2,302,725	2,302,725
Doubtful	2,760,090	-	2,760,090	187,823	187,823
Loss	60,899,130	-	60,899,130	23,627,446	23,627,446
	<b>73,383,627</b>	<b>-</b>	<b>73,383,627</b>	<b>26,117,994</b>	<b>26,117,994</b>

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

	<b>(Un-audited)</b> <b>March 31,</b> <b>2012</b>	(Audited) December 31, 2011
	(Rupees in thousand)	
<b>8. OPERATING FIXED ASSETS</b>		
Capital work in progress	<b>65,671</b>	82,797
Property and equipment	<b>3,498,722</b>	3,514,686
	<b>3,564,393</b>	3,597,483
<b>9. DEFERRED TAX ASSETS</b>		
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.		
<b>10. BORROWINGS</b>		
<b>Secured</b>		
Borrowings from SBP		
- Export refinance scheme	<b>4,648,461</b>	4,550,210
- LTF-export oriented projects	<b>523,095</b>	582,840
- LTFF	<b>965,566</b>	983,665
Repurchase agreement borrowings	<b>15,024,256</b>	18,842,790
	<b>21,161,378</b>	24,959,505
<b>Unsecured</b>		
Over drawn nostro account	<b>1,424</b>	4,061
	<b>21,162,802</b>	24,963,566
<b>11. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	<b>106,318,574</b>	107,046,786
Savings deposits	<b>84,975,744</b>	85,967,327
Current Accounts	<b>33,598,225</b>	39,229,730
Sundry deposits, margin accounts, etc.	<b>3,388,670</b>	1,702,147
	<b>228,281,213</b>	233,945,990
<b>Financial Institutions</b>		
Remunerative deposits	<b>2,265,108</b>	3,689,326
Non-remunerative deposits	<b>33,547</b>	261,376
	<b>2,298,655</b>	3,950,702
	<b>230,579,868</b>	237,896,692
<b>11.1 Particulars of deposits</b>		
In local currency	<b>227,353,010</b>	234,648,257
In foreign currencies	<b>3,226,858</b>	3,248,435
	<b>230,579,868</b>	237,896,692



**12. SHARE CAPITAL**

<b>(Un-audited) March 31, 2012</b>	(Audited December 31, 2011 (No. of Shares)	<b>(Un-audited) March 31, 2012</b>	(Audited) December 31, 2011 (Rupees in thousand)
--	---	--	---

**12.1 Authorized Capital**

<b>2012 Number</b>	2011 Number		<b>2012</b>	2011
<u>5,000,000,000</u>	<u>5,000,000,000</u>	Ordinary shares of Rs. 10 each	<u>50,000,000</u>	<u>50,000,000</u>

**12.2 Issued, subscribed and paid up share capital**

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

**12.3** Government of the Punjab (GOPb) held 51% shares in the Bank as at March 31, 2012 (2011: 51 %).

Note	<b>(Un-audited) March 31, 2012</b>	(Audited) December 31, 2011
	(Rupees in thousand)	

**13. SHARE DEPOSIT MONEY**

Share deposit money - I	13.1	<b>10,000,000</b>	10,000,000
Share deposit money - II	13.2	<b>7,000,000</b>	7,000,000
		<u><b>17,000,000</b></u>	<u>17,000,000</u>

**13.1** This represents amount deposited by Government of the Punjab (GOPb) 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.

**13.2** This represents advance subscription money deposited by GOPb in 2011 as explained in Note 1.2.

**14. SURPLUS ON REVALUATION OF ASSETS**

Surplus on revaluation of operating fixed assets - net of tax	<b>912,342</b>	915,244
Deficit on revaluation of available for sale securities - net of tax	<b>(64,945)</b>	(277,743)
	<u><b>847,397</b></u>	<u>637,501</u>

## 15. CONTINGENCIES AND COMMITMENTS

### 15.1 Direct Credit Substitutes

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

	<b>(Un-audited)</b> <b>March 31,</b> <b>2012</b>	(Audited) December 31, 2011
	(Rupees in thousand)	
Government	<b>782,303</b>	-
Financial institutions	-	-
Others	<b>669,598</b>	664,723
	<b>1,451,901</b>	664,723

### 15.2 Transaction related contingent liabilities

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

	<b>(Un-audited)</b> <b>March 31,</b> <b>2012</b>	(Audited) December 31, 2011
	(Rupees in thousand)	
Government	<b>136,659</b>	84,510
Financial institutions	<b>31,705</b>	31,705
Others	<b>10,882,913</b>	10,135,048
	<b>11,051,277</b>	10,251,263

### 15.3 Trade related contingent liabilities

Government	<b>3,246,870</b>	1,353,579
Financial institutions	-	-
Others	<b>7,937,200</b>	5,467,269
	<b>11,184,070</b>	6,820,848

### 15.4 Other contingencies

Claims against the bank not acknowledged as debt	<b>25,932,149</b>	20,456,767
--	-------------------	------------

### 15.5 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.

	<b>(Un-audited) March 31, 2012</b>	(Audited) December 31, 2011
	(Rupees in thousand)	
<b>15.6 Commitments in respect of forward exchange contracts</b>		
Purchase	<b>1,241,189</b>	2,780,846
Sale	<b>1,582,080</b>	1,824,957
	<b><u>2,823,269</u></b>	<u>4,605,803</u>
<b>15.7 Commitments for the acquisition of operating fixed assets</b>	<b><u>2,129</u></b>	<u>14,293</u>

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

	<b>(Un-audited) March 31, 2012</b>	(Audited) December 31, 2011
	(Rupees in thousand)	
<b>First Punjab Modaraba (Modaraba floated by the wholly owned subsidiary of the Bank)</b>		
<b>Advances</b>		
Outstanding at beginning of the period	<b>1,000,820</b>	941,625
Made during the period	<b>388,004</b>	2,738,966
Repaid/matured during the period	<b>(643,464)</b>	(2,679,771)
Outstanding at the end of the period	<b><u>745,360</u></b>	<u>1,000,820</u>
Provision for doubtful debts	-	-
Mark-up/return earned	<b><u>24,095</u></b>	<u>128,429</u>
<b>Deposits in current account</b>	<b><u>2,700</u></b>	<u>32,365</u>
<b>Placement</b>		
Outstanding at beginning of the period	<b>300,000</b>	300,000
Made during the period	<b>300,000</b>	300,000
Repaid/matured during the period	<b>(300,000)</b>	(300,000)
Outstanding at the end of the period	<b><u>300,000</u></b>	<u>300,000</u>
Mark-up/return earned	<b><u>9,536</u></b>	<u>31,786</u>

	<b>(Un-audited)</b> <b>March 31,</b> <b>2012</b>	(Audited) December 31, 2011
	(Rupees in thousand)	
<b>Lease liability</b>		
Outstanding at beginning of the period	<b>7,831</b>	13,887
Lease contracts entered into during the period	-	5
Repayments of lease rentals	<b>(871)</b>	(6,061)
	<u><b>6,960</b></u>	<u>7,831</u>
<b>Key Management Personnel</b>		
Deposits		
Opening balances	<b>22,728</b>	12,623
Received during the year	<b>43,159</b>	177,144
Withdrawal during the year	<b>(47,997)</b>	(167,039)
	<u><b>17,890</b></u>	<u>22,728</u>
Closing Balances		
Mark-up / interest expensed	<u><b>127</b></u>	<u>319</u>
<b>Bankers Avenue Co-operative Housing Society (A co-operative society managed by key management personnel of the Bank)</b>		
Deposits in saving account	<u><b>2,469</b></u>	<u>2,536</u>
<b>Contribution to employees provident fund</b>	<u><b>15,230</b></u>	<u>60,310</u>

**17. DATE OF AUTHORIZATION FOR ISSUE**

These interim condensed consolidated financial statements were authorized for issuance on April 27, 2012 by the Board of Directors of the Bank.

**18. GENERAL**

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

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

President

Director





BOP Tower, 10-B, Block E/II, Main Boulevard, Gulberg III, Lahore-Pakistan  
UAN: 111 200 100  
[www.bop.com.pk](http://www.bop.com.pk)