

## CORPORATE INFORMATION

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### Board of Directors

Mr. Shahzad Hassan Pervez	Chairman
Mr. Hamesh Khan	President
Mr. Salman Siddique	Director
Mr. Qaisar Zulfaqar Khan	Director
Mr. Sikandar Mustafa Khan	Director
Mian Muhammad Latif	Director
Syed Salman Ali Shah	Director
Mr. Shahzad Ali Malik	Director
Mr. Gohar Ejaz	Director
Mr. Jahangir Siddiqui	Director

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Mr. Azizul Hameed	Secretary to the Board
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### Audit Committee

Mr. Qaisar Zulfaqar Khan	Chairman
Mr. Salman Siddique	Member
Mr. Shahzad Ali Malik	Member
Syed Salman Ali Shah	Member

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Ford Rhodes Siddat Hyder & Co. Chartered Accountants	Auditors
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### Credit Ratings by PACRA

Long term	AA-
Short term	A1+

### Registered Office

7- Egerton Road, Lahore - Pakistan  
PBX - 9200421 - 433

## DIRECTORS' REPORT

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On behalf of the Board of Directors, I am pleased to present accounts of the Bank of Punjab for the 1st quarter of the year ended March 31, 2006.

Pakistan's economy is on a high growth trajectory with GDP expanding by 8.4% during FY 2005. While growth has tapered during the first half of FY 2006, most macroeconomic indicators suggest that the economy is in good shape and real GDP growth of 6.0% during FY 2006 is forecasted. Policy makers are faced with the unenviable task of boosting economic growth potential while keeping inflationary pressures under check. The overall balance of payments situation remains manageable as growing remittances and an encouraging jump in both FDI and portfolio investment have helped eased the burden of a large trade deficit. Inflation has picked up after hitting an all time low in FY 2003 and is presently uncomfortably close to double digit levels, driving the SBP to maintain its tightened monetary stance.

The performance of your Bank remained satisfactory during the 1st quarter of the year. The Bank earned a pre-tax profit of Rs.822 million during the quarter as compared to Rs.565 million for the similar period last year indicating 46% growth. Profit after tax of Rs.585 million is 61% higher than the figure of last year's corresponding period. Despite accounting for the dilution impact of about 58% bonus issue made by the bank for the year 2005, earning per share for the 1st quarter comes to Rs.2.04. Bank's deposits rose to a level of Rs. 90,089 million at the end of the quarter. Advances portfolio of the bank has increased to Rs.71,385 million showing 12% increase over December 31, 2005. The capital and reserves of your bank have now grown up to Rs.7,362 million with a rise of 9% over the level as of December 31, 2005.

The Board of Directors is grateful to the Government of Punjab for its enduring support, to the State Bank of Pakistan for valuable guidance, to the customers for their trust and to the shareholders for their confidence reposed in the Management of the Bank. The staff of the Bank also deserve for an appreciation for their untiring efforts to achieve the targeted results.

For and on behalf of the Board

**Shahzad Hassan Pervez**  
Chairman

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***THE BANK OF PUNJAB***

***Quarterly Accounts  
for the period ended  
March 31, 2006  
(Un-audited)***

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**BALANCE SHEET AS AT MARCH 31, 2006**  
(Un-audited)

	Note	March 31, 2006 (Rupees in thousand)	December 31, 2005
<b>ASSETS</b>			
Cash and bank balances with treasury banks		7,844,447	8,787,387
Balances with other banks		1,870,814	9,367,595
Lendings to financial institutions		5,859,876	7,593,681
Investments	5	23,549,384	18,026,181
Advances	6	71,384,803	63,623,705
Other assets		2,559,094	2,040,568
Operating fixed assets		1,744,306	1,715,061
		<b>114,812,724</b>	111,154,178
<b>LIABILITIES</b>			
Bills payable		1,352,407	478,001
Borrowings from financial institutions		6,511,076	6,791,007
Deposits and other accounts		90,088,548	88,465,051
Sub-ordinated loans		-	-
Liability against assets subject to finance lease		49,171	55,403
Other liabilities		1,684,519	1,474,425
Deferred tax liability		220,177	220,177
		<b>99,905,898</b>	97,484,064
<b>NET ASSETS</b>		<b>14,906,826</b>	13,670,114
<b>REPRESENTED BY</b>			
Share capital		2,349,719	2,349,719
Reserves		4,257,337	4,257,337
Unappropriated profit		754,783	169,817
		<b>7,361,839</b>	6,776,873
Surplus on revaluation of assets		7,544,987	6,893,241
Contingencies and commitments	7	<b>14,906,826</b>	13,670,114

The annexed notes from 1 to 10 form an integral part of these financial statements.

**PRESIDENT**

**DIRECTOR**

**PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD ENDED MARCH 31, 2006  
(Un-audited)**

	Note	March 31, 2006 (Rupees in thousand)	March 31, 2005
Mark-up/return/interest earned		2,345,409	1,023,338
Mark-up/return/interest expensed		1,420,936	340,373
Net mark-up/return/interest income		<u>924,473</u>	<u>682,965</u>
Provision against non-performing advances		98,947	7,904
Provision for diminution in the value of investments		-	-
Bad debts written off directly		1,051	458
		<u>99,998</u>	<u>8,362</u>
Net mark-up/return/interest income after provisions		<u>824,475</u>	<u>674,603</u>
<b>NON MARK UP/INTEREST INCOME</b>			
Fee, commission and brokerage income		92,217	50,246
Dividend income		75,590	40,040
Income from dealing in foreign currencies		31,612	4,665
Other income		181,979	60,807
Total non mark-up/interest income		<u>381,398</u>	<u>155,758</u>
		<u>1,205,873</u>	<u>830,361</u>
<b>NON MARK UP/INTEREST EXPENSES</b>			
Administrative expenses		383,388	265,208
Other provisions/write offs		-	-
Other charges		19	-
Total non mark-up/interest expenses		<u>383,407</u>	<u>265,208</u>
<b>PROFIT BEFORE TAXATION</b>			
		<u>822,466</u>	<u>565,153</u>
Taxation - Current		237,500	201,600
- Prior years		-	-
- Deferred		-	-
		<u>237,500</u>	<u>201,600</u>
<b>PROFIT AFTER TAXATION</b>			
		<u>584,966</u>	<u>363,553</u>
Unappropriated profit brought forward		169,817	143,590
Profit available for appropriation		<u>754,783</u>	<u>507,143</u>
Appropriations			
Transfer to:			
Statutory reserve		-	-
Capital reserve		-	-
Reserve for the issue of bonus shares		-	-
General reserve		-	-
		<u>-</u>	<u>-</u>
Unappropriated profit brought forward		<u>754,783</u>	<u>507,143</u>
Earnings per share (Rupees)		<u>2.04</u>	<u>1.27</u>

The annexed notes from 1 to 10 form an integral part of these financial statements.

**CASH FLOW STATEMENT  
FOR THE PERIOD ENDED MARCH 31, 2006  
(Un-audited)**

	<b>March 31, 2006</b>	March 31, 2005
	(Rupees in thousand)	
<b>Cash flow from operating activities</b>		
Profit before taxation	822,466	565,153
Less: Dividend income	(75,590)	(40,040)
Compensation for delayed assessed Income Tax Refunds	(43,115)	-
	<u>703,761</u>	<u>525,113</u>
<b>Adjustments for non-cash charges</b>		
Depreciation/amortization	23,988	17,218
Provision against non-performing advances	98,947	7,904
Provision for investments	-	-
(Gain) on sale of fixed assets	(480)	(523)
(Gain) on sale of investment	(31,729)	-
Other provisions/direct write offs	1,051	458
	<u>91,777</u>	<u>25,057</u>
	<u>795,538</u>	<u>550,170</u>
(Increase)/decrease in operating assets		
Lendings to financial institutions	1,233,805	(2,322,451)
Advances	(7,861,096)	(1,934,303)
Other assets (excluding advance taxation)	(478,322)	(182,550)
	<u>(7,105,613)</u>	<u>(4,439,304)</u>
Increase/(decrease) in operating liabilities		
Bills payable	874,406	398,923
Borrowings from financial institutions	(279,931)	3,145,586
Deposits	1,623,497	(1,963,174)
Liability against assets subject to finance lease	(6,232)	(8,531)
Other liabilities (excluding current taxation)	226,267	141,917
	<u>2,438,007</u>	<u>1,714,721</u>
Income tax paid - net	(210,558)	(8,879)
<b>Net cash flow from operating activities</b>	<u>(4,082,626)</u>	<u>(2,183,292)</u>
<b>Cash flow from investing activities</b>		
Net investments	(4,839,728)	901,055
Dividend income	35,386	-
Investment in operating fixed assets	(53,233)	(31,787)
Sale proceeds of property and equipment disposed off	480	523
<b>Net cash flow from investing activities</b>	<u>(4,857,095)</u>	<u>869,791</u>
<b>Increase in cash and cash equivalents</b>	<u>(8,939,721)</u>	<u>(1,313,501)</u>
<b>Cash and cash equivalents at beginning of the period</b>	<u>18,654,982</u>	<u>7,797,808</u>
<b>Cash and cash equivalents at end of the period</b>	<u>9,715,261</u>	<u>6,484,307</u>
Cash and cash equivalents:		
Cash and balances with treasury banks	7,844,447	4,868,309
Balances with other banks	1,870,814	635,998
Money at call lending	-	980,000
	<u>9,715,261</u>	<u>6,484,307</u>

The annexed notes from 1 to 10 form an integral part of these financial statements.

**PRESIDENT**

**DIRECTOR**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED MARCH 31, 2006  
(Un-audited)**

	Share Capital	Reserve			Issue of bonus shares	Unappropriated Unremitted Profit/(loss)	Total
		Capital	Statutory	General			
( Rupees in thousand )							
Opening balance as at January 01, 2005	1,506,230	2,049	772,000	1,695,350	301,246	143,590	4,420,465
Profit for the Quarter January-March 2005	-	-	-	-	-	363,553	363,553
Closing Balance as on March 31, 2005	1,506,230	2,049	772,000	1,695,350	301,246	507,143	4,784,018
Profit for the period April-December 2005	-	-	-	-	-	1,989,689	1,989,689
Transfer from surplus on Revaluation of Fixed Assets to unappropriated Profit - Net of Tax	-	-	-	-	-	3,166	3,166
Transfer to statutory reserve	-	-	471,000	-	-	(471,000)	-
Transfer to general reserve	-	-	-	800,000	-	(800,000)	-
Transfer to reserve for issue of bonus shares	-	-	-	-	1,059,181	(1,059,181)	-
Issue of bonus shares	843,489	-	-	-	(843,489)	-	-
Closing balance as at December 31, 2005	2,349,719	2,049	1,243,000	2,495,350	516,938	169,817	6,776,873
Profit for the Quarter January-March 2006	-	-	-	-	-	584,966	584,966
<b>Closing Balance as on March 31, 2006</b>	<b>2,349,719</b>	<b>2,049</b>	<b>1,243,000</b>	<b>2,495,350</b>	<b>516,938</b>	<b>754,783</b>	<b>7,361,839</b>

The annexed notes from 1 to 10 form an integral part of these financial statements.



**SELECTED NOTES TO THE ACCOUNTS  
FOR THE PERIOD ENDED MARCH 31, 2006  
(Un-audited)**

**1. Status and nature of business**

The Bank of Punjab was constituted pursuant to The Bank of Punjab Act, 1989. It was given the status of a scheduled bank by the State Bank of Pakistan on September 19, 1994. It is principally engaged in commercial banking and related services with its registered office at 7-Egerton Road, Lahore. The Bank has 266 branches (2005: 266 branches) in Pakistan and Azad Jammu and Kashmir at the period end. The bank is listed on Lahore, Karachi and Islamabad Stock Exchanges. The majority shares of the bank are held by the Government of Punjab.

**2. Statement of compliance**

These financial statements have been prepared in accordance with the directives issued by the State Bank of Pakistan, requirements of The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the accounting standards issued by the International Accounting Standards Committee (IASC) and interpretations issued by Standing Interpretations Committee of the IASC, as adopted in Pakistan.

**3. Summary of significant accounting policies**

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements.

**4. Taxation**

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

**5. Investments**

	Held by bank	Given as collateral	Total
	(Rupees in thousand)		
As at March 31, 2006 - note 5.1	23,549,384	-	23,549,384
As at December 31, 2005	17,676,181	350,000	18,026,181

**5.1 Investments by types**

Held-for-Trading securities	228,088	-	228,088
Available-for-sale securities	7,441,493	-	7,441,493
Held-to-maturity securities	9,095,629	-	9,095,629
Subsidiary	164,943	-	164,943
	16,930,153	-	16,930,153
<b>Less : Provision for diminution in value of investments</b>	(400)	-	(400)
<b>Add : Surplus on revaluation of investments</b>	6,619,631	-	6,619,631
<b>Investments (Net of Provisions)</b>	23,549,384	-	23,549,384

	<b>March 31, 2006</b>	December 31, 2005
	<b>(Rupees in thousand)</b>	
<b>6. Advances</b>		
Loans, cash credits, running finances- in Pakistan	<b>64,021,916</b>	58,771,710
Net investment in finance lease- in Pakistan	<b>3,215,499</b>	3,026,657
Financing under Continuous Funding System	<b>1,136,194</b>	371,874
Bills discounted and purchased (excluding Treasury Bills)		
- Payable in Pakistan	<b>2,297,770</b>	809,892
- Payable outside Pakistan	<b>1,642,174</b>	1,473,375
	<b>3,939,944</b>	2,283,267
	<b>72,313,553</b>	64,453,508
Provision for non-performing advances - Specific	<b>(832,675)</b>	(732,673)
- General	<b>(96,075)</b>	(97,130)
	<b>(928,750)</b>	(829,803)
	<b>71,384,803</b>	63,623,705

**6.1** Advances include Rs.1,851,611 thousand ( 2005:1,359,567 thousand ) which have been placed under non-performing status as detailed below:

<b>Category of classification</b>	<b>Domestic</b>	<b>Provision required</b>	<b>Provision held</b>
	<b>(Rupees in thousand)</b>		
Other assets especially mentioned	104,634	-	-
Substandard	531,543	17,623	17,623
Doubtful	203,334	69,667	69,667
Loss	1,012,100	745,385	745,385
	<b>1,851,611</b>	<b>832,675</b>	<b>832,675</b>

**6.2** General provision represents provision against consumer financing portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan.

	<b>March 31, 2006</b>	December 31, 2005
	<b>(Rupees in thousand)</b>	
<b>7. Contingent liabilities</b>		
<b>7.1 Transaction related contingent liabilities</b>		
Guarantees favouring		
Government	<b>5,138,975</b>	4,252,433
Banks and financial institutions	<b>102,406</b>	73,495
Others	<b>856,776</b>	1,102,738
	<b>6,098,157</b>	5,428,666
Stand by letters of credit favouring others	-	-
	<b>6,098,157</b>	5,428,666

	<b>March 31, 2006</b>	December 31, 2005
	<b>(Rupees in thousand)</b>	
<b>7.2 Trade related contingent liabilities</b>		
Letters of credit	15,698,815	10,740,452
Acceptances	4,415,613	2,576,582
	<u>20,114,428</u>	<u>13,317,034</u>
<b>7.3 Other contingencies</b>		
Claims against the bank not acknowledged as debt	<u>403,484</u>	<u>403,484</u>

**7.4 Commitments in respect of forward lending**

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

**8. Related party transactions**

Related parties comprise associated undertakings, subsidiary, directors, key management personnel and Bankers Avenue Co-operative Housing Society Limited in which key management personnel are office holders / members. The bank in the normal course of business carries out transactions with various related parties. Amount due from and due to related parties are shown under receivable and payable.

	<b>March 31, 2006</b>	
	<b>(Rupees in thousand)</b>	
	<b>Advances</b>	<b>Lending to</b>
<b>8.1 Transactions with associated undertaking/ related parties</b>		
<b>Advances / Lending to financial institutions</b>		
Outstanding at the beginning of the period	703,360	-
Made during the quarter	363,781	1,817,615
Repaid/matured during the period	(491,103)	(1,623,253)
Outstanding at the end of quarter	<u>576,038</u>	<u>194,362</u>
Markup earned	16,958	478
Deposits in current account at the end of quarter	35,417	-
Security Deposits in respect of finance lease	-	-
Lease finance arrangements	-	-
No provision has been recognised in respect of advances given to related parties		
<b>8.2 Dividend Income from Subsidiary</b>	-	-
Share deposit money paid during the year	-	-

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**9. Date of authorisation for issue**

The Board of Directors have authorized the accounts for issuance on 29th day of April 2006.

**10. Corresponding figures**

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

**PRESIDENT**

**DIRECTOR**

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

***Consolidated Quarterly Accounts***  
***for the period ended March 31, 2006***  
***(Un- audited)***

**CONSOLIDATED BALANCE SHEET  
AS AT MARCH 31, 2006  
(Un-audited)**

	Note	March 31, 2006 (Rupees in thousand)	December 31, 2005
<b>ASSETS</b>			
Cash and bank balances with treasury banks		7,844,447	8,787,387
Balances with other banks		1,870,814	9,367,595
Lendings to financial institutions		5,859,876	7,593,681
Investments	5	23,549,384	18,026,181
Advances	6	71,392,303	63,631,205
Other assets		2,561,412	2,036,797
Operating fixed assets		1,744,306	1,715,061
		<b>114,822,542</b>	111,157,907
<b>LIABILITIES</b>			
Bills payable		1,352,407	478,090
Borrowings from financial institutions		6,511,076	6,791,007
Deposits and other accounts		90,088,415	88,464,949
Sub-ordinated loans		-	-
Liability against assets subject to finance lease		49,171	55,403
Other liabilities		1,684,875	1,469,868
Deferred tax liability		220,177	220,177
		<b>99,906,121</b>	97,479,494
<b>NET ASSETS</b>		<b>14,916,421</b>	13,678,413
<b>REPRESENTED BY</b>			
Share capital		2,349,719	2,349,719
Reserves		4,257,337	3,740,399
Unappropriated profit		764,378	695,054
		<b>7,371,434</b>	6,785,172
Surplus on revaluation of assets		7,544,987	6,893,241
<b>Contingencies and commitments</b>	7	<b>14,916,421</b>	13,678,413

The annexed notes from 1 to 10 form an integral part of these financial statements.

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD ENDED MARCH 31, 2006  
(Un-audited)**

	Note	March 31, 2006 (Rupees in thousand)	March 31, 2005
Mark-up/return/interest earned		2,345,409	1,023,338
Mark-up/return/interest expensed		1,420,936	340,373
Net mark-up/return/interest income		<u>924,473</u>	682,965
Provision against non-performing advances		98,947	7,904
Provision for diminution in the value of investments		-	-
Bad debts written off directly		1,051	458
		<u>99,998</u>	8,362
Net mark-up/return/interest income after provisions		<u>824,475</u>	674,603
<b>NON MARK UP/INTEREST INCOME</b>			
Fee, commission and brokerage income		94,025	51,674
Dividend income		75,590	40,040
Income from dealing in foreign currencies		31,612	4,665
Other income		181,979	60,807
Total non mark-up/interest income		<u>383,206</u>	157,186
		<u>1,207,681</u>	831,789
<b>NON MARK UP/INTEREST EXPENSES</b>			
Administrative expenses		383,900	265,821
Other provisions/write offs		-	-
Other charges		19	-
Total non mark-up/interest expenses		<u>383,919</u>	265,821
<b>PROFIT BEFORE TAXATION</b>			
		<u>823,762</u>	565,968
Taxation - Current		237,500	201,600
- Prior years		-	-
- Deferred		-	-
		<u>237,500</u>	201,600
<b>PROFIT AFTER TAXATION</b>			
		<u>586,262</u>	364,368
Unappropriated profit brought forward		178,116	149,705
Profit available for appropriation		<u>764,378</u>	514,073
Appropriations			
Transfer to:			
Statutory reserve		-	-
Capital reserve		-	-
Reserve for the issue of bonus shares		-	-
General reserve		-	-
		<u>-</u>	<u>-</u>
Unappropriated profit brought forward		<u>764,378</u>	514,073
Earnings per share (Rupees)		<u>2.05</u>	1.27

The annexed notes from 1 to 10 form an integral part of these financial statements.

**PRESIDENT**

**DIRECTOR**

**15**

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE PERIOD ENDED MARCH 31, 2006  
(Un-audited)**

	<b>March 31, 2006</b>	March 31, 2005
	(Rupees in thousand)	
<b>Cash flow from operating activities</b>		
Profit before taxation	823,761	565,968
Less: Dividend income	(75,590)	(40,040)
Compensation for delayed assessed Income Tax Refunds	(43,115)	-
	<u>705,056</u>	<u>525,928</u>
Adjustments for non-cash charges		
Depreciation/amortization	23,988	17,218
Provision against non-performing advances	98,947	7,904
Provision for investments	-	-
(Gain) on sale of fixed assets	(480)	(523)
(Gain) on sale of investment	(31,729)	-
Other provisions/direct write offs	1,051	458
	<u>91,777</u>	<u>25,057</u>
	<u>796,833</u>	<u>550,985</u>
(Increase)/decrease in operating assets		
Lendings to financial institutions	1,233,805	(2,322,451)
Advances	(7,868,596)	(1,934,303)
Other assets (excluding advance taxation)	(472,230)	(163,412)
	<u>(7,107,021)</u>	<u>(4,420,166)</u>
Increase/(decrease) in operating liabilities		
Bills payable	874,406	398,923
Borrowings from financial institutions	(279,931)	3,145,586
Deposits	1,623,377	(1,963,152)
Liability against assets subject to finance lease	(6,232)	(8,531)
Other liabilities (excluding current taxation)	226,500	121,917
	<u>2,438,120</u>	<u>1,694,743</u>
Income tax paid - net	(210,558)	(8,879)
<b>Net cash flow from operating activities</b>	<u>(4,082,626)</u>	<u>(2,183,317)</u>
<b>Cash flow from investing activities</b>		
Net investments	(4,839,728)	901,055
Dividend income	35,386	-
Investment in operating fixed assets	(53,233)	(31,787)
Sale proceeds of property and equipment disposed off	480	523
<b>Net cash flow from investing activities</b>	<u>(4,857,095)</u>	<u>869,791</u>
<b>Increase in cash and cash equivalents</b>	<u>(8,939,721)</u>	<u>(1,313,526)</u>
<b>Cash and cash equivalents at beginning of the period</b>	<u>18,654,982</u>	<u>7,797,833</u>
<b>Cash and cash equivalents at end of the period</b>	<u>9,715,261</u>	<u>6,484,307</u>
Cash and cash equivalents:		
Cash and balances with treasury banks	7,844,447	4,868,309
Balances with other banks	1,870,814	635,998
Money at call lending	-	980,000
	<u>9,715,261</u>	<u>6,484,307</u>

The annexed notes from 1 to 10 form an integral part of these financial statements.



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED MARCH 31, 2006  
(Un-audited)**

	Share Capital	Reserve			Issue of bonus shares	Unappropriated Unremitted Profit/(loss)	Total
		Capital	Statutory	General			
( Rupees in thousand )							
Opening balance as at January 01, 2005	1,506,230	2,049	772,000	1,695,350	301,246	149,705	4,426,580
Profit for the Quarter Jan-Mar 2005	-	-	-	-	-	364,368	364,368
Closing Balance for the quarter	1,506,230	2,049	772,000	1,695,350	301,246	514,073	4,790,948
Profit for the period Apr-Dec 2005	-	-	-	-	-	1,991,058	1,991,058
Transfer from surplus on Revaluation of Fixed Assets to unappropriated Profit - Net of Tax	-	-	-	-	-	3,166	3,166
Transfer to statutory reserve	-	-	471,000	-	-	(471,000)	-
Transfer to general reserve	-	-	-	800,000	-	(800,000)	-
Transfer to reserve for issue of bonus shares	-	-	-	-	1,059,181	(1,059,181)	-
Issue of bonus shares	843,489	-	-	-	(843,489)	-	-
Closing balance as at December 31, 2005	2,349,719	2,049	1,243,000	2,495,350	516,938	178,116	6,785,172
Profit for the period ended March 31, 2006	-	-	-	-	-	586,262	586,262
<b>Closing balance as at March 31, 2006</b>	<b>2,349,719</b>	<b>2,049</b>	<b>1,243,000</b>	<b>2,495,350</b>	<b>516,938</b>	<b>764,378</b>	<b>7,371,434</b>

The annexed notes from 1 to 10 form an integral part of these financial statements.

**PRESIDENT**

**DIRECTOR**

**SELECTED NOTES TO THE CONSOLIDATED ACCOUNTS  
FOR THE PERIOD ENDED MARCH 31, 2006  
(Un-audited)**

**1. Status and nature of business**

The Bank of Punjab Group comprises of The Bank of Punjab and Punjab Modaraba Services (Pvt) Ltd. The Bank of Punjab was constituted pursuant to The Bank of Punjab Act, 1989. It was given the status of a scheduled bank by the State Bank of Pakistan on September 19, 1994. It is principally engaged in commercial banking and related services with its registered office at 7-Egerton Road, Lahore. The Bank has 266 branches in Pakistan and Azad Jammu and Kashmir at the period end. The bank is listed on Lahore, Karachi and Islamabad Stock Exchanges. The majority shares of the bank are held by the Government of Punjab. Punjab Modaraba Services (Pvt) Ltd. is a wholly owned subsidiary of the Bank of Punjab and is primarily engaged in the business of floating and managing modarabas.

**2. Statement of compliance**

These financial statements have been prepared in accordance with the directives issued by the State Bank of Pakistan, requirements of The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the accounting standards issued by the International Accounting Standards Committee (IASC) and interpretations issued by Standing Interpretations Committee of the IASC, as adopted in Pakistan.

**3. Summary of significant accounting policies**

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements.

**4. Taxation**

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

**5. Investments**

	Held by bank	Given as collateral	Total
(Rupees in thousand)			
As at March 31, 2006 - note 5.1	23,549,384	-	23,549,384
As at December 31, 2005	17,676,181	350,000	18,026,181

**5.1 Investments by types**

Held-for-Trading securities	228,088	-	228,088
Available-for-sale securities	7,441,493	-	7,441,493
Held-to-maturity securities	9,095,629	-	9,095,629
Subsidiary	-	-	-
Associate	164,943	-	164,943
	16,930,153	-	16,930,153
<b>Less : Provision for diminution in value of investments</b>	(400)	-	(400)
<b>Add : Surplus on revaluation of investments</b>	6,619,631	-	6,619,631
<b>Investments (Net of Provisions)</b>	23,549,384	-	23,549,384

	<b>March 31, 2006</b>	December 31, 2005
	<b>(Rupees in thousand)</b>	
<b>6. Advances</b>		
Loans, cash credits, running finances- in Pakistan	<b>64,029,416</b>	58,779,210
Net investment in finance lease- in Pakistan	<b>3,215,499</b>	3,026,657
Financing under Continuous Funding System	<b>1,136,194</b>	371,874
Bills discounted and purchased (excluding Treasury Bills)		
- Payable in Pakistan	<b>2,297,770</b>	809,892
- Payable outside Pakistan	<b>1,642,174</b>	1,473,375
	<b>3,939,944</b>	2,283,267
	<b>72,321,053</b>	64,461,008
Provision for non-performing advances - Specific	<b>(832,675)</b>	(732,673)
- General	<b>(96,075)</b>	(97,130)
	<b>(928,750)</b>	(829,803)
	<b>71,392,303</b>	63,631,205

**6.1** Advances include Rs.1,851,611 thousand (2005:1,359,567 thousand) which have been placed under non-performing status as detailed below:

<b>Category of classification</b>	<b>Domestic</b>	<b>Provision required</b>	<b>Provision held</b>
	<b>(Rupees in thousand)</b>		
Other assets especially mentioned	104,634	-	-
Substandard	531,543	17,623	17,623
Doubtful	203,334	69,667	69,667
Loss	1,012,100	745,385	745,385
	<b>1,851,611</b>	<b>832,675</b>	<b>832,675</b>

**6.2** General provision represents provision against consumer financing portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan.

	<b>March 31, 2006</b>	December 31, 2005
	<b>(Rupees in thousand)</b>	
<b>7. Contingent liabilities</b>		
<b>7.1 Transaction related contingent liabilities</b>		
Guarantees favouring		
Government	<b>5,138,975</b>	4,252,433
Banks and financial institutions	<b>102,406</b>	73,495
Others	<b>856,776</b>	1,102,738
	<b>6,098,157</b>	5,428,666
Stand by letters of credit favouring others	-	-
	<b>6,098,157</b>	5,428,666

	<b>March 31, 2006</b>	December 31, 2005
	<b>(Rupees in thousand)</b>	
<b>7.2 Trade related contingent liabilities</b>		
Letters of credit	15,698,815	10,740,452
Acceptances	4,415,613	2,576,582
	<u>20,114,428</u>	<u>13,317,034</u>
<b>7.3 Other contingencies</b>		
Claims against the bank not acknowledged as debt	<u>403,484</u>	<u>403,484</u>
<b>7.4 Commitments in respect of forward exchange contracts</b>		
Purchase	456,759	268,336
Sale	2,127,307	1,569,803
	<u>2,584,066</u>	<u>1,838,139</u>

**8. Related party transactions**

Related parties comprise associated undertakings, subsidiary, directors, key management personnel and Bankers Avenue Co-operative Housing Society Limited in which key management personnel are office holders / members. The bank in the normal course of business carries out transactions with various related parties. Amount due from and due to related parties are shown under receivable and payable.

	<b>March 31, 2006</b>	
	<b>(Rupees in thousand)</b>	
	<b>Advances</b>	<b>Lending to</b>
<b>8.1 Transactions with associated undertaking/ related parties</b>		
<b>Advances / Lending to financial institutions</b>		
Outstanding at the beginning of the period	703,360	-
Made during the quarter	363,781	1,817,615
Repaid/matured during the period	(491,103)	(1,623,253)
Outstanding at the end of quarter	<u>576,038</u>	<u>194,362</u>
Markup earned	16,958	478
Deposits in current account at the end of quarter	35,417	-
Security Deposits in respect of finance lease	-	-
Lease finance arrangements	-	-
No provision has been recognised in respect of advances given to related parties		
<b>8.2 Dividend Income from Subsidiary</b>	-	-
Share deposit money paid during the year	-	-

**9. Date of authorisation for issue**

The Board of Directors have authorized the accounts for issuance on 29th day of April 2006.

**10. Corresponding figures**

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