CORPORATE INFORMATION

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

Mr. Azizul Hameed Secretary to the Board

Audit Committee

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

Ford Rhodes Siddat Hyder & Co. Chartered Accountants Auditors

Credit Ratings by PACRA

Long term AA-Short term A1+

Registered Office

7- Egerton Road, Lahore - Pakistan

PBX - 9200421 - 433

DIRECTORS' REPORT

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

THE BANK OF PUNJAB

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

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

ASSETS Cash and bank balances with treasury banks Balances with other banks Lendings to financial institutions Investments Advances Other assets Operating fixed assets Bills payable Borrowings from financial institutions Deposits and other accounts Sub-ordinated loans Liability against assets subject to finance lease Other liabilities Deferred tax liability Share capital Reserves Unappropriated profit Surplus on revaluation of assets T,844,447 1,784,447 1,878,447 1,870,814 1,870,814 1,870,814 1,870,814 1,870,814 1,870,814 1,870,814 1,714,306 1,715,061 114,812,724 111,154,178 114,812,724 114,812,724 114,812,724 114,812		Note	March 31, 2006 (Rupees in	December 31, 2005 a thousand)
Balances with other banks Lendings to financial institutions 5,859,876 7,593,681 1,870,814 8,026,181 1,026,181 1,344,306 1,715,061 114,812,724 111,154,178 114,812,724 114,8	ASSETS			
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 99,905,898 97,484,064 NET ASSETS 14,906,826 13,670,114 REPRESENTED BY Share capital 2,349,719 2,349,719 Reserves 4,257,337 4,257,337 Unappropriated profit 754,783 169,817 Total Reserves 7,361,839 6,776,873 Surplus on revaluation of assets 7,544,987 6,893,241 Contingencies and commitments 7	Balances with other banks Lendings to financial institutions Investments Advances Other assets		1,870,814 5,859,876 23,549,384 71,384,803 2,559,094	9,367,595 7,593,681 18,026,181 63,623,705 2,040,568
Bills payable Borrowings from financial institutions Deposits and other accounts Sub-ordinated loans Liability against assets subject to finance lease Other liabilities Deferred tax liability NET ASSETS Share capital Reserves Unappropriated profit Share capital Reserves Surplus on revaluation of assets T, 352,407 6,511,076 99,088,548 8,465,051 8,465,051 1,684,519 1,474,425 220,177 220,177 99,905,898 97,484,064 14,906,826 13,670,114 2,349,719 2,349,719 4,257,337 4,257,337 169,817 7,361,839 6,776,873 6,893,241 Contingencies and commitments 7			114,812,724	111,154,178
Borrowings from financial institutions Deposits and other accounts Sub-ordinated loans Liability against assets subject to finance lease Contingencies and commitments Contingencies and commitment Contingencies and commitment Contingencies and commitment Contingencies and commitment Contingencies and contingencies and contingencies and contingencies and conting	LIABILITIES			
NET ASSETS 14,906,826 13,670,114 REPRESENTED BY 2,349,719 2,349,719 2,349,719 Share capital Reserves 4,257,337 4,257,337 4,257,337 Unappropriated profit 754,783 169,817 Surplus on revaluation of assets 7,544,987 6,893,241 Contingencies and commitments 7	Borrowings from financial institutions Deposits and other accounts Sub-ordinated loans Liability against assets subject to finance lease Other liabilities		6,511,076 90,088,548 - 49,171 1,684,519	6,791,007 88,465,051 - 55,403 1,474,425
REPRESENTED BY Share capital Reserves 4,257,337 Unappropriated profit 7,361,839 Surplus on revaluation of assets 7 Contingencies and commitments 7 REPRESENTED BY 2,349,719 4,257,337 4,257,337 169,817 7,361,839 6,776,873 7,544,987 6,893,241	200.02 (4.7.1.4.4.1.1.)			
Share capital 2,349,719 2,349,719 Reserves 4,257,337 4,257,337 Unappropriated profit 754,783 169,817 7,361,839 6,776,873 7,544,987 6,893,241 Contingencies and commitments 7	NET ASSETS		14,906,826	13,670,114
Reserves 4,257,337 4,257,337 Unappropriated profit 754,783 169,817 7,361,839 6,776,873 Surplus on revaluation of assets 7,544,987 6,893,241 Contingencies and commitments 7	REPRESENTED BY			
Surplus on revaluation of assets 7,544,987 6,893,241 Contingencies and commitments 7	Reserves		4,257,337	4,257,337
	Surplus on revaluation of assets			
	Contingencies and commitments	7	14,906,826	13,670,114

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

PRESIDENT DIRECTOR

5

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

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 924,473 682,965 Provision against non-performing advances 98,947 7,904 Provision for diminution in the value of investments 1,051 458 Bad debts written off directly 1,051 458 Net mark-up/return/interest income after provisions 824,475 674,603 Net mark-up/return/interest income after provisions 824,475 674,603 NON MARK UP/INTEREST INCOME 92,217 50,246 Fee, commission and brokerage income 92,217 50,246 Dividend income 92,217 50,246 Income from dealing in foreign currencies 31,612 4,665 Other income 381,398 155,758 Total non mark-up/interest income 381,398 155,758 Administrative expenses 383,388 265,208 Other provisions/write offs - - Other provisions/write offs - - Other provisions/write o		Note	March 31, 2006	March 31, 2005
Mark-up/return/interest expensed 1,420,936 340,373 Net mark-up/return/interest income 924,473 682,965 Provision against non-performing advances 98,947 7,904 Provision for diminution in the value of investments 1,051 458 Bad debts written off directly 1,051 458 Net mark-up/return/interest income after provisions 824,475 674,603 Non MARK UP/INTEREST INCOME 824,475 674,603 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 381,398 155,758 Total non mark-up/interest income 381,398 155,758 Administrative expenses 383,388 265,208 Other provisions/write offs - - Other provisions/write offs - - Other charges 383,407 265,208 PROFIT BEFORE TAXATION 822,466 565,153 Taxation - Current 237,500 201,600 <th></th> <th>note</th> <th>(Rupees in</th> <th>tnousand)</th>		note	(Rupees in	tnousand)
Net mark-up/return/interest income 924,473 682,965 Provision against non-performing advances 98,947 7,904 Provision for diminution in the value of investments 1,051 458 Bad debts written off directly 99,998 8,362 Net mark-up/return/interest income after provisions 824,475 674,603 NON MARK UP/INTEREST INCOME 75,590 40,040 Fee, commission and brokerage income 75,590 40,040 Income from dealing in foreign currencies 31,612 4,665 Other income 381,398 155,758 Total non mark-up/interest income 381,398 155,758 NON MARK UP/INTEREST EXPENSES 383,388 265,208 Administrative expenses 383,388 265,208 Other provisions/write offs - - Other charges 19 - Total non mark-up/interest expenses 383,407 265,208 PROFIT BEFORE TAXATION 822,466 565,153 Taxation - Current 237,500 201,600 - Profit available for appropriation 754,783<	Mark-up/return/interest earned			1,023,338
Provision against non-performing advances	·			
Provision for diminution in the value of investments 1,051 458 99,998 8,362 99,998 8,362 Net mark-up/return/interest income after provisions 824,475 674,603 NON MARK UP/INTEREST INCOME Fee, commission and brokerage income 92,217 50,246 75,590 40,040 Income from dealing in foreign currencies 31,612 4,665 60,807 181,979 181,979	•			
Bad debts written off directly			98,947	7,904
99,998 8,362			1 051	458
Non Mark Up/Interest income after provisions 824,475 674,603 NON MARK Up/Interest 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 381,398 155,758 NON MARK UP/INTEREST EXPENSES 383,388 265,208 Administrative expenses 383,388 265,208 Other charges 19 - Total non mark-up/interest expenses 383,407 265,208 PROFIT BEFORE TAXATION 822,466 565,153 Taxation - Current 237,500 201,600 PROFIT AFTER TAXATION 584,966 363,553 Unappropriated profit brought forward 584,966 363,553 Profit available for appropriation 754,783 507,143 Profit available for appropriation 754,783 507,143 Unappropriated profit brought forward - - - Capital reserve - - -	Dad dobb Willow on directly			
NON MARK UP/INTEREST INCOME Fee, commission and brokerage income 75,590 40,040		_	·	
Fee, commission and brokerage income 92,217 50,246	Net mark-up/return/interest income after provisions		824,475	674,603
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 381,398 155,758 NON MARK UP/INTEREST EXPENSES 1,205,873 830,361 Administrative expenses 383,388 265,208 Other provisions/write offs - - Other charges 19 - Total non mark-up/interest expenses 383,407 265,208 PROFIT BEFORE TAXATION 822,466 565,153 Taxation - Current 237,500 201,600 - Prior years - - - Deferred 237,500 201,600 PROFIT AFTER TAXATION 584,966 363,553 Unappropriated profit brought forward 754,783 507,143 Appropriations 754,783 507,143 Transfer to: Statutory reserve - - Capital reserve - - Reserve for the issue of bonus shares - -	NON MARK UP/INTEREST INCOME	_		
Income from dealing in foreign currencies	Fee, commission and brokerage income			
Other income 181,979 60,807 Total non mark-up/interest income 381,398 155,758 NON MARK UP/INTEREST EXPENSES 1,205,873 830,361 Administrative expenses 383,388 265,208 Other provisions/write offs - - Other charges 19 - Total non mark-up/interest expenses 383,407 265,208 PROFIT BEFORE TAXATION 822,466 565,153 Taxation - Current 237,500 201,600 - Prior years - - - Deferred - - - Prior years - - - Deferred - - - Prior years - - - Deferred - - - Prior years - - - Deferred - - - Prior years - - - Deferred - - - Prior years - - - Deferred - - - Could yet	Dividend income			
Total non mark-up/interest income 381,398 155,758 1,205,873 830,361				
1,205,873 830,361			,	
NON MARK UP/INTEREST EXPENSES Administrative expenses 383,388 265,208 Other provisions/write offs - - Other charges 19 - Total non mark-up/interest expenses 383,407 265,208 PROFIT BEFORE TAXATION 822,466 565,153 Taxation - Current 237,500 201,600 - Prior years - - - Deferred - - - Profit AFTER TAXATION 584,966 363,553 Unappropriated profit brought forward 169,817 143,590 Profit available for appropriation 754,783 507,143 Appropriations - - Transfer to: Statutory reserve - - Capital reserve - - - Reserve for the issue of bonus shares - - - General reserve - - - Unappropriated profit brought forward 754,783 507,143	Total non mark-up/interest income	_	381,398	155,758
Administrative expenses Other provisions/write offs Other charges 19 - Total non mark-up/interest expenses PROFIT BEFORE TAXATION Taxation - Current - Prior years - Deferred 237,500 PROFIT AFTER TAXATION PROFIT AFTER TAXATION Profit available for appropriation Appropriations Transfer to: Statutory reserve Capital reserve Reserve for the issue of bonus shares General reserve Unappropriated profit brought forward 2383,388 - C65,208 - 265,			1,205,873	830,361
Other provisions/write offs -<	NON MARK UP/INTEREST EXPENSES	_		
Other charges 19 - Total non mark-up/interest expenses 383,407 265,208 PROFIT BEFORE TAXATION 822,466 565,153 Taxation - Current			383,388	265,208
Total non mark-up/interest expenses 383,407 265,208 PROFIT BEFORE TAXATION 822,466 565,153 Taxation - Current	·		- 10	-
PROFIT BEFORE TAXATION 822,466 565,153 Taxation - Current 237,500 201,600 - Prior years - - - Deferred - - 237,500 201,600 PROFIT AFTER TAXATION 584,966 363,553 Unappropriated profit brought forward 169,817 143,590 Profit available for appropriation 754,783 507,143 Appropriations 754,783 507,143 Transfer to: Statutory reserve - - Capital reserve - - - Reserve for the issue of bonus shares - - - General reserve - - - Unappropriated profit brought forward 754,783 507,143	•	L		
Taxation - Current 237,500 201,600 - Prior years - - - Deferred 237,500 201,600 PROFIT AFTER TAXATION 584,966 363,553 Unappropriated profit brought forward 169,817 143,590 Profit available for appropriation 754,783 507,143 Appropriations - - Transfer to: Statutory reserve - - Capital reserve - - - Reserve for the issue of bonus shares - - - General reserve - - - Unappropriated profit brought forward 754,783 507,143	·	-		
- Prior years - Deferred - Deferred - 237,500 - 201,600 PROFIT AFTER TAXATION Unappropriated profit brought forward - 237,500 - 201,600 - 363,553 - 363,553 - 363,553 - 363,553 - 369,817	PROFIT BEFORE TAXATION		822,466	565,153
- Deferred	Taxation - Current		237,500	201,600
PROFIT AFTER TAXATION 584,966 363,553 Unappropriated profit brought forward 169,817 143,590 Profit available for appropriation 754,783 507,143 Appropriations 754,783 507,143 Transfer to: Statutory reserve - - Capital reserve - - - Reserve for the issue of bonus shares - - - General reserve - - - Unappropriated profit brought forward 754,783 507,143			-	-
PROFIT AFTER TAXATION 584,966 363,553 Unappropriated profit brought forward 169,817 143,590 Profit available for appropriation 754,783 507,143 Appropriations Transfer to: - - Statutory reserve - - - Capital reserve - - - Reserve for the issue of bonus shares - - - General reserve - - - Unappropriated profit brought forward 754,783 507,143	- Deletted	L	237,500	201,600
Unappropriated profit brought forward Profit available for appropriation Appropriations Transfer to: Statutory reserve Capital reserve Reserve for the issue of bonus shares General reserve Unappropriated profit brought forward 169,817 143,590 754,783 507,143	PROFIT AFTER TAXATION	-		
Profit available for appropriation Appropriations Transfer to: Statutory reserve Capital reserve Reserve for the issue of bonus shares General reserve Unappropriated profit brought forward 754,783 507,143 507,143	Unappropriated profit brought forward		*	
Appropriations Transfer to: Statutory reserve Capital reserve Reserve for the issue of bonus shares General reserve - Unappropriated profit brought forward Transfer to:	Profit available for appropriation	-	754.783	
Capital reserve	Appropriations Transfer to:			331,113
Reserve for the issue of bonus shares General reserve - Unappropriated profit brought forward - - - - - - - - - - - - -		ſ	-	-
General reserve	·		-	-
Unappropriated profit brought forward 754,783 507,143			-	-
	General reserve	L	-	
Earnings per share (Rupees) 2.04 1.27	Unappropriated profit brought forward	-	754,783	507,143
	Earnings per share (Rupees)	=	2.04	1.27

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)

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

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

PRESIDENT DIRECTOR

7

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

			Re	serve		Unappropriated	
	Share Capital	Capital	Statutory	General	Issue of bonus shares	Unremitted Profit/(loss)	Total
			(Rupees	in thousan	d)		
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
	-	-	-	-	-	.,	3,100
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
Closing Balance as on March 31, 2006	2,349,719	2,049	1,243,000	2,495,350	516,938	754,783	7,361,839

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 polices

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	Given as	
		bank	collateral	Total
		(R	upees in thousa	nd)
	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
	Less : Provision for diminution in value of investments	(400)	-	(400)
	Add : Surplus on revaluation of investments	6,619,631	-	6,619,631
	Investments (Net of Provisions)	23,549,384	<u>-</u>	23,549,384

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

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:

Category of classification	Domestic	Provision required	Provision held
	(Ru	upees in thousan	d)
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
	1,851,611	832,675	832,675

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

March 31, December 31, 2006 2005 (Rupees in thousand)

7. Contingent liabilities

6.

7.1 Transaction related contingent liabilities

5,138,975	4,252,433
102,406	73,495
856,776	1,102,738
6,098,157	5,428,666
6,098,157	5,428,666
	102,406 856,776 6,098,157

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

7.4 Commitments in respect of forward lending

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

8. Related party transactions

8.1

8.2

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.

normal course of business carries out transactions will due from and due to related parties are shown under	th various related er receivable and	parties. Amount payable.	
	March 31, 2006 (Rupees in thousand)		
	Advances	Lending to	
Transactions with associated undertaking/ related parties			
Advances / Lending to financial institutions			
Outstanding at the beginning of the period	703,360	4 047 045	
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	576,038	194,362	
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			
Dividend Income from Subsidiary		_	
Share deposit money paid during the year	_	_	
chare deposit meney paid during the your			

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.

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	December 31, 2005 thousand)
ASSETS			
Cash and bank balances with treasury banks Balances with other banks Lendings to financial institutions Investments Advances Other assets Operating fixed assets	5 6	7,844,447 1,870,814 5,859,876 23,549,384 71,392,303 2,561,412 1,744,306	8,787,387 9,367,595 7,593,681 18,026,181 63,631,205 2,036,797 1,715,061
LIABILITIES		114,822,542	111,157,907
Bills payable Borrowings from financial institutions Deposits and other accounts Sub-ordinated loans Liability against assets subject to finance lease Other liabilities Deferred tax liability		1,352,407 6,511,076 90,088,415 - 49,171 1,684,875 220,177	478,090 6,791,007 88,464,949 - 55,403 1,469,868 220,177 97,479,494
NET ASSETS		14,916,421	13,678,413
REPRESENTED BY			
Share capital Reserves Unappropriated profit		2,349,719 4,257,337 764,378	2,349,719 3,740,399 695,054
Surplus on revaluation of assets		7,371,434 7,544,987	6,785,172 6,893,241
Contingencies and commitments	7	14,916,421	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	March 31, 2005 thousand)
Mark-up/return/interest earned Mark-up/return/interest expensed Net mark-up/return/interest income		2,345,409 1,420,936 924,473	1,023,338 340,373 682,965
Provision against non-performing advances Provision for diminution in the value of investments Bad debts written off directly		98,947 - 1,051	7,904 - 458
	_	99,998	8,362
Net mark-up/return/interest income after provisions		824,475	674,603
NON MARK UP/INTEREST INCOME			
Fee, commission and brokerage income Dividend income Income from dealing in foreign currencies Other income		94,025 75,590 31,612 181,979	51,674 40,040 4,665 60,807
Total non mark-up/interest income		383,206	157,186
	_	1,207,681	831,789
NON MARK UP/INTEREST EXPENSES	_		
Administrative expenses Other provisions/write offs Other charges		383,900 - 19	265,821
Total non mark-up/interest expenses	L	383,919	265,821
PROFIT BEFORE TAXATION	-	823,762	565,968
Taxation - Current - Prior years - Deferred		237,500	201,600
		237,500	201,600
PROFIT AFTER TAXATION Unappropriated profit brought forward		586,262 178,116	364,368 149,705
Profit available for appropriation Appropriations Transfer to:	-	764,378	514,073
Statutory reserve Capital reserve Reserve for the issue of bonus shares General reserve		- - -	- - -
	-	-	
Unappropriated profit brought forward	=	764,378	514,073
Earnings per share (Rupees)	=	2.05	1.27

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

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

	March 31,	March 31,
	2006	2005
Cash flow from operating activities	(Rupees in thousand)	
outh non-operating activities		
Profit before taxation	823,761	565,968
Less: Dividend income Compensation for delayed assessed Income Tax Refunds	(75,590) (43,115)	(40,040)
Compensation for delayed assessed income Tax Neturius		
Adjustments for non-cash charges	705,056	525,928
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 Other provisions/direct write offs	(31,729) 1,051	458
Other provisions/direct write ons	91,777	25,057
	796,833	550,985
(Increase)/decrease in operating assets	790,033	550,965
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)
Increase/(decrease) in operating liabilities	(7,107,021)	(4,420,166)
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 Other liabilities (excluding current taxation)	(6,232) 226,500	(8,531) 121,917
Other habilities (excluding current taxation)	,	
Income tax paid - net	2,438,120 (210,558)	1,694,743 (8,879)
·		
Net cash flow from operating activities	(4,082,626)	(2,183,317)
Cash flow from investing activities		
Net investments	(4,839,728)	901,055
Dividend income	35,386	(04.707)
Investment in operating fixed assets Sale proceeds of property and equipment disposed off	(53,233) 480	(31,787) 523
Net cash flow from investing activities	(4,857,095)	869,791
Increase in cash and cash equivalents	(8,939,721)	(1,313,526)
Cash and cash equivalents at beginning of the period	18,654,982	7,797,833
Cash and cash equivalents at end of the period	9,715,261	6,484,307
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
	9,715,261	6,484,307
	-	

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)

		Reserve			Unappropriated		
	Share Capital	Capital	Statutory	General	Issue of bonus shares	Unremitted Profit/(loss)	Total
			(Rupees	in thousan	ıd)		
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)	_
•			47 1,000	900 000		, ,	
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
Closing balance as at March 31, 2006	2,349,719	2,049	1,243,000	2,495,350	516,938	764,378	7,371,434

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

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 polices

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

6.	Advances	March 31, 2006 (Rupees in	December 31, 2005 n thousand)
	Loans, cash credits, running finances- in Pakistan Net investment in finance lease- in Pakistan Financing under Continuous Funding System	64,029,416 3,215,499 1,136,194	58,779,210 3,026,657 371,874
	Bills discounted and purchased (excluding Treasury Bills) - Payable in Pakistan - Payable outside Pakistan	2,297,770 1,642,174	809,892 1,473,375
	Provision for non-performing advances - Specific	3,939,944 72,321,053 (832,675)	2,283,267 64,461,008 (732,673)
	- General	(96,075) (928,750)	(97,130)
6.1	Advances include Rs.1,851,611 thousand (2005:1,	71,392,303 359,567 thousa	63,631,205 nd) which have

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:

Category of classification	Domestic	Provision required	Provision held
_	(Ri	upees in thousar	ıd)
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
	1,851,611	832,675	832,675

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

March 31, December 31, 2006 2005 (Rupees in thousand)

7. Contingent liabilities

7.1 Transaction related contingent liabilities

Guarantees favouring		
Government	5,138,975	4,252,433
Banks and financial institutions	102,406	73,495
Others	856,776	1,102,738
	6,098,157	5,428,666
Stand by letters of credit favouring others	-	-
	6,098,157	5,428,666

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

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.

		March 31, 2006 (Rupees in thousand) Advances Lending to	
8.1	Transactions with associated undertaking/ related parties		3
	Advances / Lending to financial institutions Outstanding at the beginning of the period Made during the quarter Repaid/matured during the period	703,360 363,781 (491,103)	1,817,615 (1,623,253)
	Outstanding at the end of quarter	576,038	194,362
	Markup earned Deposits in current account at the end of quarter Security Deposits in respect of finance lease Lease finance arrangements	16,958 35,417 - -	478 - -
	No provision has been recognised in respect of advances given to related parties		
8.2	Dividend Income from Subsidiary Share deposit money paid during the year	1	-

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.