

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

Introduction

We have reviewed the accompanying interim condensed statement of financial position of The Bank of Punjab (the Bank) as at 30 June 2010 and the related interim condensed profit and loss account, interim condensed statement of comprehensive income, interim condensed cash flow statement and interim condensed statement of changes in equity and explanatory notes (here-in-after referred to as the "interim financial information") for the six-months' period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

Emphasis of Matter

Without qualifying our opinion we draw attention to Note 1.2 to the interim financial information which fully explains relaxations granted by the State Bank of Pakistan from provisioning against certain advances, and regulatory capital requirements, based on the undertaking by the Government of Punjab in respect of the deficiency in capital.

Chartered Accountants**Audit Engagement Partner: Mohammed Junaid****Lahore: 29-05-2012**



**INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2010**

The Bank of Punjab
Interim Condensed Statement of Financial Position
As at 30 June 2010

		(Un-Audited) 30 June 2010	(Audited) 31 December 2009
	Note	(Rupees in thousand)	
ASSETS			
Cash and balances with treasury banks		14,759,542	13,043,705
Balances with other banks		3,382,665	2,185,782
Lendings to financial institutions	6	6,758,980	1,053,550
Investments	7	64,895,579	57,960,105
Advances	8	120,802,351	121,315,799
Operating fixed assets	9	3,446,132	3,427,267
Deferred tax assets	10	13,620,285	11,921,146
Other assets		5,434,407	5,762,509
		233,099,941	216,669,863
LIABILITIES			
Bills payable		751,443	875,618
Borrowings	11	22,797,905	14,040,014
Deposits and other accounts	12	201,439,613	190,858,215
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		18,919	19,907
Deferred tax liabilities		-	-
Other liabilities		4,958,353	4,700,166
		229,966,233	210,493,920
NET ASSETS		3,133,708	6,175,943
REPRESENTED BY			
Share capital	13	5,287,974	5,287,974
Reserves		750,833	573,779
Accumulated loss		<u>(13,150,233)</u>	<u>(10,330,839)</u>
		(7,111,426)	(4,469,086)
Share deposit money	14	<u>10,000,000</u>	<u>10,000,000</u>
		2,888,574	5,530,914
Surplus on revaluation of assets	15	<u>245,134</u>	<u>645,029</u>
		3,133,708	6,175,943
Contingencies and commitments	16		

The annexed notes from 1 to 21 form an integral part of this interim financial information.

President

Director

The Bank of Punjab
Interim Condensed Profit and Loss Account
For the Six Months Ended 30 June 2010 (Un-Audited)

	Three Months Ended 30 June 2010	Six Months Ended 30 June 2010	Three Months Ended 30 June 2009	Six Months Ended 30 June 2009
	(Rupees in thousand)			
Mark-up/Return/Interest Earned	4,891,055	9,370,271	3,478,163	6,683,675
Mark-up/Return/Interest Expensed	4,742,648	9,282,547	4,600,890	9,060,467
Net Mark-up/Return/Interest Income / (loss)	148,407	87,724	(1,122,727)	(2,376,792)
(Reversal of Provision) / Provision against non-performing loans and advances-net	(846,094)	3,362,490	7,045,753	11,327,254
Provision for diminution in the value of investments	92,383	117,384	352,606	691,939
Bad debts written off directly	-	-	-	-
	(753,711)	3,479,874	7,398,359	12,019,193
Net Mark-up/Return/Interest income / (loss) after provisions	902,118	(3,392,150)	(8,521,086)	(14,395,985)
NON MARK-UP/INTEREST INCOME				
Fee, commission and brokerage income	199,699	293,758	132,290	283,916
Dividend income	103,478	154,031	108,632	182,273
Income from dealing in foreign currencies	35,604	80,993	50,207	84,449
Gain on sale and redemption of securities	13,816	20,482	4,972	8,823
Unrealized loss on revaluation of investments classified as held for trading	(6,914)	(6,083)	-	-
Other income	102,062	210,317	121,051	241,559
Total non-markup/interest income	447,745	753,498	417,152	801,020
	1,349,863	(2,638,652)	(8,103,934)	(13,594,965)
NON MARK-UP/INTEREST EXPENSES				
Administrative expenses	860,479	1,646,836	711,745	1,400,898
Other provisions/write offs/reversals	-	-	-	-
Other charges	972	1,364	89	159
Total non-markup/interest expenses	861,451	1,648,200	711,834	1,401,057
	488,412	(4,286,852)	(8,815,768)	(14,996,022)
Extra ordinary/unusual items	-	-	-	-
PROFIT / (LOSS) BEFORE TAXATION	488,412	(4,286,852)	(8,815,768)	(14,996,022)
Taxation - Current	-	-	-	-
- Prior years	-	-	83,050	83,050
- Deferred	181,587	(1,463,895)	(3,088,790)	(5,129,997)
	181,587	(1,463,895)	(3,005,740)	(5,046,947)
PROFIT / (LOSS) AFTER TAXATION	306,825	(2,822,957)	(5,810,028)	(9,949,075)
Earnings / (Loss) per share -Basic and diluted (Rupees) - Note 17	0.58	(5.34)	(10.99)	(18.81)

The annexed notes from 1 to 21 form an integral part of this interim financial information.

The Bank of Punjab
Interim Condensed Statement of Comprehensive Income
For the Six Months Ended 30 June 2010 (Un-Audited)

	Three Months Ended 30 June 2010	Six Months Ended 30 June 2010	Three Months Ended 30 June 2009	Six Months Ended 30 June 2009
	(Rupees in thousand)			
Profit / (Loss) after taxation	306,825	(2,822,957)	(5,810,028)	(9,949,075)
Other comprehensive income	-	-	-	-
Total comprehensive income / (loss)	<u><u>306,825</u></u>	<u><u>(2,822,957)</u></u>	<u><u>(5,810,028)</u></u>	<u><u>(9,949,075)</u></u>

The annexed notes from 1 to 21 form an integral part of this interim financial information.

President

Director

The Bank of Punjab
Interim Condensed Cash Flow Statement
For the Six Months Ended 30 June 2010 (Un-Audited)

	Six Months Ended 30 June 2010	Six Months Ended 30 June 2009
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(4,286,852)	(14,996,022)
Less: Dividend income	(154,031)	(182,273)
	<u>(4,440,883)</u>	<u>(15,178,295)</u>
Adjustments for non-cash charges:		
Depreciation	154,491	146,552
Amortization on intangible assets	-	6,490
Amortization on premium on Pakistan Investment Bonds	35,811	35,814
Unrealized loss on revaluation of investments classified as held for trading	6,083	-
Provision against non-performing advances - net	3,362,490	11,327,254
Provision for diminution in the value of investments - net	117,384	691,939
Provision for employees compensated absences	12,000	13,990
Provision for gratuity	25,200	18,521
Net profit on sale of property and equipment	(2,752)	(76)
Gain on sale and redemption of securities	(20,482)	(8,823)
Finance charges on leased assets	1,057	1,953
	<u>3,691,282</u>	<u>12,233,614</u>
	(749,601)	(2,944,681)
(Increase) / Decrease in operating assets:		
Lendings to financial institutions	(5,705,430)	(8,799,317)
Net investments in held for trading securities	(4,936)	-
Advances	(2,671,988)	5,459,293
Others assets	497,434	875,710
	<u>(7,884,920)</u>	<u>(2,464,314)</u>
Increase/ (Decrease) in operating liabilities:		
Bills Payable	(124,175)	632,405
Borrowings	8,594,917	(2,295,962)
Deposits and other accounts	10,581,398	29,935,614
Other liabilities	220,987	960,608
	<u>19,273,127</u>	<u>29,232,665</u>
	10,638,606	23,823,670
Financial charges paid	(1,057)	(1,953)
Income tax paid	(57,080)	(1,062,368)
Net cash flow from operating activities	<u>10,580,469</u>	<u>22,759,349</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(7,694,119)	(28,339,079)
Net investments in held to maturity securities	(706)	-
Dividends received	41,779	174,212
Investments in operating fixed assets	(180,114)	(162,967)
Sale proceeds of property and equipment disposed-off	3,425	1,709
Net cash used in investing activities	<u>(7,829,735)</u>	<u>(28,326,125)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease obligations	(988)	(4,467)
Share deposit money	-	10,000,000
Net cash (used in) / flow from financing activities	<u>(988)</u>	<u>9,995,533</u>
Net increase in cash and cash equivalents	<u>2,749,746</u>	<u>4,428,757</u>
Cash and cash equivalents at beginning of the period	<u>15,173,410</u>	<u>12,705,282</u>
Cash and cash equivalents at end of the period	<u>17,923,156</u>	<u>17,134,039</u>
Cash and cash equivalents:		
Cash and balances with treasury banks	14,759,542	13,100,754
Balances with other banks	3,382,665	4,218,507
Overdrawn nostro accounts	(219,051)	(185,222)
	<u>17,923,156</u>	<u>17,134,039</u>

The annexed notes from 1 to 21 form an integral part of this interim financial information.

The Bank of Punjab
Notes to the Interim Condensed Financial Information (Un-audited)
For the Six Months Ended 30 June 2010

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 19 September 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 272 branches (31 December 2009: 272 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 the Punjab.

During the year, the authorized share capital of the Bank has been increased from Rs. 10,000,000 thousand to Rs. 50,000,000 thousand through amendment in the Bank of Punjab Act, 1989 via Punjab Finance Act, 2010.

- 1.2 The paid-up capital, reserves (net of losses) and advance subscription money of the Bank amounts to Rs. 2,888,574 thousand, as against the minimum regulatory capital requirement of Rs. 6,000,000 thousand and Capital Adequacy Ratio (CAR) remained below the prescribed level of 10%. Further, as at the close of the period ended 30 June 2010, net advances aggregating to Rs. 32,091,130 thousand requiring additional provision of Rs. 26,051,643 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 below.

Government of the Punjab (GOPb) being the majority shareholder, in order to support the Bank, deposited Rs.10,000,000 thousand as advance subscription money in 2009 and subsequent to the statement of financial position date, further deposited Rs.7,000,000 thousand as advance subscription money during the year 2011 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 LOC, the GOPb being majority shareholder and sponsor of the Bank, has also extended its commitment to support and assist the Bank in ensuring that it remains compliant with the regulatory requirements at all times.

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

On the basis of above enduring support of Government of the Punjab, actions as outlined above and the projections prepared by the Bank's management, which have been approved by the Board of Directors, the Board is of the view that the Bank would have adequate resources to continue its business on a sustainable basis in the foreseeable future.

2. Statement of Compliance

This interim financial information has been prepared in accordance with the directives issued by the SBP, requirements of The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the directives issued by the SBP and Securities and Exchange Commission of Pakistan (SECP), The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 differ with the requirements of these standards, the requirements of the said directives, The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 take precedence.

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 this interim financial information. However, investments have been classified in accordance with requirements prescribed by the SBP through various circulars.

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

The disclosures made in this interim financial information have, however, been limited based on the format prescribed by the SBP vide BSD Circular letter No. 2 dated 12 May 2004 and International Accounting Standard – 34 Interim Financial Reporting and should be read in conjunction with the annual financial statements of the Bank for the year ended 31 December 2009.

3. Estimates

The preparation of interim financial information requires management to make judgment, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The basis of accounting estimates adopted in the preparation of this interim financial information are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended 31 December 2009.

4. Summary of significant accounting policies

The accounting policies adopted in the preparation of this interim financial information are consistent with those followed in the preparation of the annual financial statements of the Bank for the year ended 31 December 2009.

In addition to above, the following new / revised standards, amendments and interpretations to accounting standards became effective during the period:

- IFRS -2 - Share-Based Payment – Amendments relating to Group Cash-settled Share based Payment Transactions
- IFRS -3 - Business Combinations (Revised)
- IAS -27 - Consolidated and Separate Financial Statements (Amendment)
- IFRIC -17 – Distributions of Non-cash Assets to owners

Adoption of these standards / amendments and interpretations did not affect the accounting policies of the Bank as disclosed in the annual financial statements of the Bank for the year ended 31 December 2009.

5. Financial Risk Management

The financial risk management objectives and policies by the Bank are consistent with those disclosed in the annual financial statements of the Bank for the year ended 31 December 2009.

	(Un-audited) 30 June 2010 (Rupees in thousand)	(Audited) 31 December 2009
6. LENDINGS TO FINANCIAL INSTITUTIONS		
Repurchase agreement lendings (Reverse Repo)	5,955,647	495,217
Certificate of investment	203,333	258,333
Placements	600,000	300,000
	6,758,980	1,053,550

7. INVESTMENTS

Note	(Un-audited) 30 June 2010			(Audited) 31 December 2009		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
	(Rupees in thousand)					
Held for trading securities						
Ordinary shares of listed companies	79,758	-	79,758	69,932	-	69,932
Available for sale securities						
Market Treasury Bills	24,369,169	14,429,293	38,798,462	25,059,220	7,708,707	32,767,927
Pakistan Investment Bonds	2,481,576	-	2,481,576	1,318,810	-	1,318,810
Government of Pakistan Ijara Sukuk Bonds	10,000	-	10,000	10,000	-	10,000
Ordinary Shares / Certificates of Listed Companies and Modarabas	5,107,335	-	5,107,335	240,636	-	240,636
Preference Shares of Listed Companies	195,454	-	195,454	210,908	-	210,908
Ordinary Shares of Unlisted Company	25,000	-	25,000	25,000	-	25,000
NIT Units	860,991	-	860,991	5,745,924	-	5,745,924
Mutual Fund Units	5,815,351	-	5,815,351	6,558,515	-	6,558,515
Listed Term Finance Certificates	736,019	-	736,019	792,564	-	792,564
Unlisted Term Finance Certificates	9,953,628	-	9,953,628	8,624,052	-	8,624,052
Held to maturity securities						
Pakistan Investment Bonds	2,706,006	-	2,706,006	2,741,111	-	2,741,111
WAPDA Bonds	400	-	400	400	-	400
Subsidiary						
Punjab Modaraba Services (Private) Limited	164,945	-	164,945	164,945	-	164,945
Total investment at cost	52,505,632	14,429,293	66,934,925	51,562,017	7,708,707	59,270,724
Less: Provision for diminution in value of investment	(1,099,729)	-	(1,099,729)	(1,007,466)	-	(1,007,466)
Investments net of provisions	51,405,903	14,429,293	65,835,196	50,554,551	7,708,707	58,263,258
Less: Deficit on revaluation of available for sale securities	(933,534)	-	(933,534)	(301,960)	-	(301,960)
Less: Deficit on revaluation of held for trading securities	(6,083)	-	(6,083)	(1,193)	-	(1,193)
Total investment at market value	50,466,286	14,429,293	64,895,579	50,251,398	7,708,707	57,960,105

7.1 This represents 30,045,272 units (31 December 2009: 203,810,192 units) in National Investment (Unit) Trust (NI(U)T) LOC Holders' Fund attributable to strategic assets and are continued to be recognized as investment in NI(U)T – Unit Holders Fund.

During the period, it was agreed amongst the LOC Unit Holders that the strategic assets representing shares of Pakistan State Oil (PSO) and Sui Northern Gas Pipelines Limited (SNGPL) shall be taken over by National Bank of Pakistan (NBP) at a price as at close of 13 October 2010 for settlement with other LOC Holders. However, due to pending process for transferring these shares in the name of NBP, the final settlement against these strategic assets has not yet been executed.

Subsequent to the statement of financial position date, as per the terms agreed amongst the LOC Unit Holders, the remaining holding of the Bank have been valued based on the proportionate share of the Bank as per the audited financial statements of the fund. Accordingly, the investment in LOC Holders' Fund has been derecognized and shown as receivable from NITL in 2011.

7.2 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 2,312,000 thousand (31 December 2009: Rs.2,298,802 thousand).

	Note	(Un-audited) 30 June 2010 (Rupees in thousand)	(Audited) 31 December 2009
8. ADVANCES			
Loans, cash credits, running finances, etc. - in Pakistan		148,665,736	146,240,824
Net investment in finance lease - in Pakistan		2,583,249	2,713,294
Repurchase agreement lendings to Non Financial Institutions		1,693,142	1,693,142
Bills discounted and purchased (excluding treasury bills)			
-Payable in Pakistan		759,844	443,699
-Payable outside Pakistan		485,390	424,443
		1,245,234	868,142
Advances - gross		154,187,361	151,515,402
Provision for non-performing advances			
-Specific	8.1 & 8.2	(33,367,361)	(30,174,305)
-General	8.3	(17,649)	(25,298)
		(33,385,010)	(30,199,603)
Advances - net of provision		120,802,351	121,315,799

8.1 Provision against certain net advances amounting to Rs. 32,091,130 (thousand) {31 December 2009: Rs.27,816,636 (thousand)} requiring additional provisioning of Rs. 26,051,643 (thousands) {31 December 2009: Rs. 21,041,154 (thousand)} has not been considered necessary in this interim financial information on the basis of undertaking given by Government of the Punjab as stated in Note 1.2.

8.2 Advances include Rs. 80,632,553 (thousand) {(31 December 2009: Rs. 77,342,385 (thousand))} which have been placed under non-performing status as detailed below:

Category of classification	(Un-audited) 30 June 2010			
	Domestic	Overseas	Total	Provision Required
				Provision Held
	(Rupees in thousand)			
Other assets especially mentioned	421,633	-	421,633	-
Substandard	11,804,557	-	11,804,557	4,974,152
Doubtful	5,025,879	-	5,025,879	1,218,681
Loss	63,380,484	-	63,380,484	27,174,528
	80,632,553	-	80,632,553	33,367,361

8.3 General provision includes provision against consumer financing portfolio as required by the Prudential Regulations issued by the SBP.

	(Un-audited) 30 June 2010 (Rupees in thousand)	(Audited) 31 December 2009
9. OPERATING FIXED ASSETS		
Capital work in progress	79,762	68,236
Property and equipment	3,366,370	3,359,031
	3,446,132	3,427,267

10. DEFERRED TAX ASSETS

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.

	(Un-audited) 30 June 2010	(Audited) 31 December 2009		
	(Rupees in thousand)			
11. BORROWINGS				
Secured				
Borrowings from SBP				
-Export refinance scheme	4,096,941	4,585,528		
-LTF-export oriented projects	1,238,242	1,496,582		
-LTFF	264,378	220,857		
Repurchase agreement borrowings	14,429,293	7,680,970		
	20,028,854	13,983,937		
Unsecured				
Call borrowings	2,550,000	-		
Overdrawn nostro accounts	219,051	56,077		
	2,769,051	56,077		
	22,797,905	14,040,014		
12. DEPOSITS AND OTHER ACCOUNTS				
Customers				
Fixed deposits	86,818,190	90,596,230		
Savings deposits	73,207,605	65,534,922		
Current Accounts	33,894,152	26,116,867		
Sundry deposits, margin accounts, etc.	1,609,197	1,311,926		
	195,529,144	183,559,945		
Financial Institutions				
Remunerative deposits	4,774,964	5,848,985		
Non-remunerative deposits	1,135,505	1,449,285		
	5,910,469	7,298,270		
	201,439,613	190,858,215		
12.1 Particulars of deposits				
In local currency	200,282,879	189,598,962		
In foreign currencies	1,156,734	1,259,253		
	201,439,613	190,858,215		
13. SHARE CAPITAL				
(Un-audited) 30 June 2010	(Audited) 31 December 2009			
(No. of shares)				
5,000,000,000	1,000,000,000	Authorized	50,000,000	10,000,000
		Ordinary shares of Rs. 10/- each		
		Issued, Subscribed and Paid up Capital		
19,333,340	19,333,340	Ordinary shares of Rs. 10/- each paid in cash	193,333	193,333
		Bonus shares		
509,464,036	509,464,036	Issued as bonus shares	5,094,641	5,094,641
528,797,376	528,797,376		5,287,974	5,287,974
13.1	Government of the Punjab (GOPb) held 51% shares in the Bank as at 30 June 2010 (31 December 2009: 51 %).			
14. SHARE DEPOSIT MONEY				
The Bank has received Rs.10,000,000 (thousand) from Government of the Punjab (GOPb) 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.				

	Note	(Un-audited) 30 June 2010 (Rupees in thousand)	(Audited) 31 December 2009
15. SURPLUS ON REVALUATION OF ASSETS			
Surplus on revaluation of fixed assets - net of tax		862,408	864,055
Deficit on revaluation of securities - net of tax	15.1	(617,274)	(219,026)
		<u>245,134</u>	<u>645,029</u>
15.1 Deficit on revaluation of securities		(933,534)	(301,960)
Deferred tax		316,260	82,934
		<u>(617,274)</u>	<u>(219,026)</u>
16. CONTINGENCIES AND COMMITMENTS			
16.1 Direct Credit Substitutes			
These include general guarantees of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favor of:			
		(Un-audited) 30 June 2010 (Rupees in thousand)	(Audited) 31 December 2009
Financial institutions		4,715	-
Others		1,411,576	3,162,896
		<u>1,416,291</u>	<u>3,162,896</u>
16.2 Transaction related contingent liabilities			
These include performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credit related to particular transactions issued in favor of:			
		(Un-audited) 30 June 2010 (Rupees in thousand)	(Audited) 31 December 2009
Government		265,090	2,137,378
Financial institutions		331,006	230,664
Others		16,843,673	12,703,017
		<u>17,439,769</u>	<u>15,071,059</u>
16.3 Trade related contingent liabilities			
Government		1,474,123	1,656,409
Financial institutions		198	17,778
Others		12,954,849	7,850,702
		<u>14,429,170</u>	<u>9,524,889</u>
16.4 Other contingencies			
Claims against the bank not acknowledged as debt		5,685,329	4,877,227

16.5 Income tax related contingency

For the tax year 2007, the department has amended the assessment on certain issues against which the Bank filed an appeal before Commissioner of Inland Revenue Appeals {(CIR (A))}. CIR (A) has deleted addition under the head “provision for compensated absences” while confirmed others. The Bank has filed an appeal before 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 thousands. The Management of the Bank, based on the past case history of the Bank and on advice of its tax consultant, is confident that the appeal filed for the aforementioned tax year will be decided in the Bank’s favor.

	(Un-audited) 30 June 2010	(Audited) 31 December 2009
	(Rupees in thousand)	
16.6 Commitments in respect of forward exchange contracts		
Purchase	776,362	546,671
Sale	736,461	756,899
	<u>1,512,823</u>	<u>1,303,570</u>
16.7 Commitments for the acquisition of operating fixed assets	<u>16,118</u>	<u>28,422</u>

17. EARNINGS / (LOSS) PER SHARE BASIC AND DILUTED

	----- (Un-audited) -----			
	Three Months Ended 30 June 2010	Six Months Ended 30 June 2010	Three Months Ended 30 June 2009	Six Months Ended 30 June 2009
Profit / (Loss) after taxation (Rupees in thousand)	<u>306,825</u>	<u>(2,822,957)</u>	<u>(5,810,028)</u>	<u>(9,949,075)</u>
Weighted Average Number of Ordinary Shares (thousand)	<u>528,797</u>	<u>528,797</u>	<u>528,797</u>	<u>528,797</u>
Earnings / (Loss) per share - Basic and Diluted (Rupees)	<u>0.58</u>	<u>(5.34)</u>	<u>(10.99)</u>	<u>(18.81)</u>

18. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:-

	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
Six Months Ended 30 June 2010 (Un-audited)						
	(Rupees in thousand)					
Total income	3,372,852	540,071	5,976,933	194,698	39,215	10,123,769
Total expenses	1,532,612	1,678,829	11,161,105	31,680	6,395	14,410,621
Income Taxes	-	-	-	-	-	(1,463,895)
Net income / (loss)	<u>1,840,240</u>	<u>(1,138,758)</u>	<u>(5,184,172)</u>	<u>163,018</u>	<u>32,820</u>	<u>(2,822,957)</u>
Segment Assets (Gross)	<u>89,978,666</u>	<u>7,873,030</u>	<u>156,021,528</u>	<u>-</u>	<u>-</u>	<u>253,873,224</u>
Segment Non Performing Advances / Investments	<u>1,099,729</u>	<u>2,479,030</u>	<u>78,153,523</u>	<u>-</u>	<u>-</u>	<u>81,732,282</u>
Segment Provision Required	<u>1,099,729</u>	<u>1,351,551</u>	<u>32,033,459</u>	<u>-</u>	<u>-</u>	<u>34,484,739</u>
Segment Liabilities	<u>23,212,068</u>	<u>33,832,760</u>	<u>172,921,405</u>	<u>-</u>	<u>-</u>	<u>229,966,233</u>
Segment Return on net Assets (ROA) (%)	<u>5.43%</u>	<u>11.44%</u>	<u>9.38%</u>			
Segment Cost of funds (%)	<u>5.51%</u>	<u>4.85%</u>	<u>5.20%</u>			
Six Months Ended 30 June 2009 (Un-audited)						
Total income	1,625,079	715,350	4,990,769	117,358	36,139	7,484,695
Total expenses	1,269,891	1,841,860	19,340,431	21,971	6,564	22,480,717
Income Taxes	-	-	-	-	-	(5,046,947)
Net income / (loss)	<u>355,188</u>	<u>(1,126,510)</u>	<u>(14,349,662)</u>	<u>95,387</u>	<u>29,575</u>	<u>(9,949,075)</u>
Segment Assets (Gross)	<u>77,911,868</u>	<u>10,245,294</u>	<u>149,216,297</u>	<u>-</u>	<u>-</u>	<u>237,373,459</u>
Segment Non Performing Advances / Investments	<u>758,223</u>	<u>2,549,445</u>	<u>71,032,475</u>	<u>-</u>	<u>-</u>	<u>74,340,143</u>
Segment Provision Required	<u>758,223</u>	<u>903,961</u>	<u>31,917,369</u>	<u>-</u>	<u>-</u>	<u>33,579,553</u>
Segment Liabilities	<u>8,662,671</u>	<u>31,838,661</u>	<u>170,952,364</u>	<u>-</u>	<u>-</u>	<u>211,453,696</u>
Segment Return on net Assets (ROA) (%)	<u>7.47%</u>	<u>10.19%</u>	<u>7.28%</u>			
Segment Cost of funds (%)	<u>3.62%</u>	<u>5.68%</u>	<u>5.86%</u>			

19. RELATED PARTY TRANSACTIONS

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

	(Un-audited) 30 June 2010	(Audited) 31 December 2009
	(Rupees in thousand)	
Punjab Modaraba Services (Private) Limited		
(wholly owned subsidiary of the Bank)		
Deposits in current account	<u>65</u>	<u>128</u>
Advances		
Outstanding at beginning of the period / year	14,100	9,100
Made during the period / year	4,600	6,500
Repaid/matured during the period / year	-	(1,500)
Outstanding at the end of the period / year	<u>18,700</u>	<u>14,100</u>
First Punjab Modaraba		
(Modaraba floated by the wholly owned subsidiary of the Bank)		
Advances		
Outstanding at beginning of the period / year	973,316	1,041,116
Made during the period / year	1,275,010	4,091,172
Repaid/matured during the period / year	(1,359,191)	(4,158,972)
Outstanding at the end of the period / year	<u>889,135</u>	<u>973,316</u>
Deposits in current account	<u>2,316</u>	<u>7</u>
Placement		
Outstanding at beginning of the period / year	300,000	300,000
Made during the period / year	300,000	1,200,000
Repaid/matured during the period / year	(300,000)	(1,200,000)
Outstanding at the end of the period / year	<u>300,000</u>	<u>300,000</u>
Lease liability		
Outstanding at beginning of the period / year	19,907	30,632
Lease contracts entered into during the period / year	5,139	-
Repayments of lease rentals	(6,127)	(10,725)
Outstanding at the end of the period / year	<u>18,919</u>	<u>19,907</u>
Key Management Personnel		
Deposits		
Opening balances	12,478	5,624
Received during the period / year	74,987	136,366
Withdrawal during the period / year	(72,545)	(129,512)
Closing Balances	<u>14,920</u>	<u>12,478</u>
Bankers Avenue Co-operative Housing Society		
(A co-operative society managed by key management personnel of the Bank)		
Deposits in saving account	<u>-</u>	<u>23,921</u>

(Un-audited)

Six Months Ended 30 June 2010	Six Months Ended 30 June 2009
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(Rupees in thousand)

Punjab Modaraba Services (Private) Limited
(wholly owned subsidiary of the Bank)

Advances

Mark-up/return earned	<u>1,052</u>	<u>720</u>
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First Punjab Modaraba
(Modaraba floated by the wholly owned subsidiary of the Bank)

Advances

Mark-up/return earned	<u>61,552</u>	<u>67,063</u>
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Placement

Mark-up/return earned	<u>19,074</u>	<u>35,505</u>
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Key Management Personnel

Deposits

Mark-up/interest expensed	<u>215</u>	<u>77</u>
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Contribution to employees provident fund	<u>26,154</u>	<u>21,924</u>
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Although Government of the Punjab (GOPb) holds 51% shares of the Bank (31 December 2009: 51%) transactions with GOPb have not been treated party transactions for the purpose of this disclosure.

20. DATE OF AUTHORIZATION FOR ISSUE

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

21. GENERAL

21.1 Figures of the profit and loss accounts for the three months ended 30 June 2010 and 2009 have not been subject to limited scope review by the auditors.

21.2 Figures have been rounded off to the nearest thousand.

President

Director