



**BOP**  
THE BANK OF PUNJAB  
*Passion Reborn*

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# Corporate Information

## BOARD OF DIRECTORS

1. Mr. Ghafoor Mirza	Chairman
2. Mr. Naeemuddin Khan	President
3. Mr. Tariq Mahmood Pasha	Director
4. Mr. Tariq Bajwa	Director
5. Mr. Rizwan Ullah Khan	Director
6. Mr. Shafqat Mahmood	Director
7. Mr. Farooq Ahmed Awan	Director
8. Mr. Junaid Ashraf Khawaja	Director
9. Mr. M. Naveed Masud	Director

## CENTRAL AUDIT COMMITTEE

1. Mr. Ghafoor Mirza	Chairman
2. Mr. Junaid Ashraf Khawaja	Member
3. Mr. Farooq Ahmed Awan	Member
4. Mr. M. Naveed Masud	Member

## AUDITORS

Ernst & Young Ford Rhodes Sidat Hyder,  
Chartered Accountants

## REGISTERED OFFICE

BOP Tower, 10-B, Block-E/II,  
Main Boulevard, Gulberg-III,  
Lahore.

## WEBSITE

[www.bop.com.pk](http://www.bop.com.pk)

## REGISTRAR

M/s. CORPLINK (Pvt) Limited.  
Wings Arcade, 1-K, Commercial,  
Model Town, Lahore.

# 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 2011 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 explain 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.

## Other matters

The figures of the condensed interim profit and loss account for the quarter ended 30 June 2011 have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the six months period ended 30 June 2011.

**Ernst & Young Ford Rhodes Sidat Hyder**  
Chartered Accountants

Date  
Lahore: 29-05-2012

Audit Engagement Partner:  
Mohammed Junaid

The Bank of Punjab

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**Interim Condensed Financial Information**

For the Half year ended June 30, 2011 (Un-Audited)

## Interim Condensed Statement of Financial Position

as at June 30, 2011 (Un-audited)

	Note	(Un-audited) June 30, 2011	(Audited) December 31, 2010
(Rupees in thousand)			
<b>ASSETS</b>			
Cash and balances with treasury banks		15,473,401	14,069,601
Balances with other banks		4,163,528	3,276,234
Lendings to financial institutions	6	5,688,414	7,309,587
Investments	7	67,796,708	56,402,954
Advances	8	126,579,412	120,818,021
Operating fixed assets	9	3,495,582	3,534,660
Deferred tax assets	10	14,088,488	14,063,694
Other assets		10,563,149	9,715,522
		<b>247,848,682</b>	229,190,273
<b>LIABILITIES</b>			
Bills payable		674,352	581,100
Borrowings	11	7,706,090	11,526,783
Deposits and other accounts	12	230,435,820	208,176,988
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		10,735	13,887
Deferred tax liabilities		-	-
Other liabilities		5,516,608	5,223,045
		<b>244,343,605</b>	225,521,803
<b>NET ASSETS</b>		<b>3,505,077</b>	3,668,470
<b>REPRESENTED BY</b>			
Share capital	13	5,287,974	5,287,974
Reserves		1,852,028	2,012,492
Accumulated loss		(14,068,868)	(14,352,989)
		<b>(6,928,866)</b>	(7,052,523)
Share deposit money	14	10,000,000	10,000,000
		<b>3,071,134</b>	2,947,477
Surplus on revaluation of assets	15	433,943	720,993
		<b>3,505,077</b>	3,668,470
Contingencies and commitments	16		

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

**President**

**Director**

## Interim Condensed Profit and Loss Account

for the Quarter and Half year ended June 30, 2011 (un-audited)

	Quarter Ended 30 June 2011	Half year Ended 30 June 2011	Quarter Ended 30 June 2010	Half year Ended 30 June 2010
	(Rupees in thousand)			
<b>Mark-up/Return/Interest Earned</b>	4,939,125	9,442,609	4,891,055	9,370,271
<b>Mark-up/Return/Interest Expensed</b>	4,890,148	9,657,247	4,742,648	9,282,547
Net Mark-up/Return/Interest Income / (Loss)	48,977	(214,638)	148,407	87,724
(Reversal of Provision) / Provision against non-performing loans and advances-net	(1,417,395)	(1,596,798)	(846,094)	3,362,490
Provision for diminution in the value of investments	20,189	22,774	92,383	117,384
Bad debts written off directly	-	-	-	-
	(1,397,206)	(1,574,024)	(753,711)	3,479,874
Net Mark-up/Return/Interest income after provisions	1,446,183	1,359,386	902,118	(3,392,150)
<b>NON MARK-UP/INTEREST INCOME</b>				
Fee, commission and brokerage income	146,453	279,470	199,699	293,758
Dividend income	55,860	142,079	103,478	154,031
Income from dealing in foreign currencies	60,914	77,873	35,604	80,993
Gain on sale and redemption of securities	23,447	222,602	13,816	20,482
Unrealized gain /(loss) on revaluation of investments classified as held for trading	2,063	(2,590)	(6,914)	(6,083)
Other income	111,230	227,706	102,062	210,317
Total non-markup/interest income	399,967	947,140	447,745	753,498
	1,846,150	2,306,526	1,349,863	(2,638,652)
<b>NON MARK-UP/INTEREST EXPENSES</b>				
Administrative expenses	984,513	1,886,798	860,479	1,646,836
Other provisions/write offs/reversals	(3,216)	(3,216)	-	-
Other charges	54	192	972	1,364
Total non-markup/interest expenses	981,351	1,883,774	861,451	1,648,200
	864,799	422,752	488,412	(4,286,852)
Extra ordinary/unusual items	-	-	-	-
<b>PROFIT / (LOSS) BEFORE TAXATION</b>	864,799	422,752	488,412	(4,286,852)
Taxation - Current	-	-	-	-
- Prior years	-	-	-	-
- Deferred	310,452	142,016	181,587	(1,463,895)
	310,452	142,016	181,587	(1,463,895)
<b>PROFIT / (LOSS) AFTER TAXATION</b>	554,347	280,736	306,825	(2,822,957)
<b>Earnings / (Loss) per share -Basic and diluted (Rupees) - Note 17</b>	1.05	0.53	0.58	(5.34)

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

**President**

**Director**



## Interim Condensed Statement of Comprehensive Income

for the Half year ended June 30, 2011 (Un-audited)

	Quarter Ended 30 June 2011	Half year Ended 30 June 2011	Quarter Ended 30 June 2010	Half year Ended 30 June 2010
	(Rupees in thousand)			
<b>Profit / (Loss) after taxation</b>	<b>554,347</b>	<b>280,736</b>	306,825	(2,822,957)
<b>Other comprehensive income</b>	-	-	-	-
<b>Total comprehensive income / (loss)</b>	<b>554,347</b>	<b>280,736</b>	306,825	(2,822,957)

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

**President**

**Director**

## Interim Condensed Cash Flow Statement

for the Half year ended June 30, 2011 (Un-audited)

	Half year ended	
	June 30, 2011	June 30, 2010
	(Rupees in thousand)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	422,752	(4,286,852)
Less: Dividend income	(142,079)	(154,031)
	280,673	(4,440,883)
Adjustments for non-cash charges:		
Depreciation	167,800	154,491
Amortization on premium on Pakistan Investment Bonds	18,279	35,811
Unrealized loss on revaluation of investments classified as held for trading	2,590	6,083
(Reversal of Provision) / Provision against non-performing loans and advances - net	(1,596,798)	3,362,490
Provision for diminution in the value of investments - net	22,774	117,384
Provision for employees compensated absences	10,800	12,000
Provision for gratuity	23,400	25,200
Net profit on sale of property and equipment	(1,088)	(2,752)
Gain on sale and redemption of securities	(222,602)	(20,482)
Finance charges on leased assets	826	1,057
	(1,574,019)	3,691,282
	(1,293,346)	(749,601)
(Increase)/ Decrease in operating assets:		
Lendings to financial institutions	1,621,173	(5,705,430)
Net investments in held for trading securities	179,464	(4,936)
Advances	(4,325,057)	(2,671,988)
Others assets	(726,321)	497,434
	(3,250,741)	(7,884,920)
Increase/ (Decrease) in operating liabilities:		
Bills Payable	93,252	(124,175)
Borrowings	(3,820,799)	8,594,917
Deposits and other accounts	22,258,832	10,581,398
Other liabilities	259,363	220,987
	18,790,648	19,273,127
	14,246,561	10,638,606
Financial charges paid	(826)	(1,057)
Income tax paid	(5,773)	(57,080)
<b>Net cash flow from operating activities</b>	14,239,962	10,580,469
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	(12,068,088)	(7,694,119)
Net investments in held to maturity securities	223,354	(706)
Dividends received	26,546	41,779
Investments in operating fixed assets	(128,722)	(180,114)
Sale proceeds of property and equipment disposed-off	1,088	3,425
<b>Net cash used in investing activities</b>	(11,945,822)	(7,829,735)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of lease obligations	(3,152)	(988)
<b>Net cash used in financing activities</b>	(3,152)	(988)
<b>Net increase in cash and cash equivalents</b>	2,290,988	2,749,746
Cash and cash equivalents at beginning of the period	17,345,835	15,173,410
Cash and cash equivalents at end of the period	19,636,823	17,923,156
<b>Cash and cash equivalents:</b>		
Cash and balances with treasury banks	15,473,401	14,759,542
Balances with other banks	4,163,528	3,382,665
Overdrawn nostro accounts	(106)	(219,051)
	19,636,823	17,923,156

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

**President**

**Director**

## Interim Condensed Statement of Changes in Equity

for the Half year ended June 30, 2011 (Un-audited)

	Share capital	Statutory reserve	Capital Reserves		Revenue Reserve	Total
			Restructuring reserve	Share premium	Accumulated loss	
(R u p e e s i n t h o u s a n d)						
<b>Balance as at 01 January 2010</b>	5,287,974	-	535,897	37,882	(10,330,839)	(4,469,086)
Transfer from provision against NPLs	-	-	177,054	-	-	177,054
Loss for the six months ended 30 June 2010	-	-	-	-	(2,822,957)	(2,822,957)
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	3,563	3,563
<b>Balance as at 30 June 2010</b>	5,287,974	-	712,951	37,882	(13,150,233)	(7,111,426)
Transfer from provision against NPLs	-	-	1,261,659	-	-	1,261,659
Loss for the six months ended 31 December 2010	-	-	-	-	(1,206,320)	(1,206,320)
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	3,564	3,564
<b>Balance as at 31 December 2010</b>	5,287,974	-	1,974,610	37,882	(14,352,989)	(7,052,523)
Transfer from provision against NPLs	-	-	(160,464)	-	-	(160,464)
Loss for six months ended 30 June 2011	-	-	-	-	280,736	280,736
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	3,385	3,385
<b>Balance as at 30 June 2011</b>	<b>5,287,974</b>	<b>-</b>	<b>1,814,146</b>	<b>37,882</b>	<b>(14,068,868)</b>	<b>(6,928,866)</b>

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

**President**

**Director**

# Notes to the Interim Condensed Financial Information for the Half year ended June 30, 2011 (Un-audited)

## 1. Status and Nature of Business

- 1.1 The Bank of Punjab (the Bank) was constituted pursuant to The Bank of Punjab Act, 1989. It was given the status of a scheduled bank by the State Bank of Pakistan (SBP) on 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 273 branches (31 December 2010: 273 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.
- 1.2 The paid-up capital, reserves (net of losses) and advance subscription money of the Bank amounts to Rs. 3,071,134 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 2011, net advances aggregating to Rs. 31,739,382 thousand requiring additional provision of Rs. 26,838,658 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 the year 2009 and subsequent to the statement of financial position date, further deposited Rs.7,000,000 thousand as advance subscription money before the year-end 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 2010.

### **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 2010.

### **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 2010.

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

- IAS 24 - Related Party Disclosures (Revised)
- IAS 32 - Financial Instruments: Presentation – Classification of Right Issues (Amendment)
- IFRIC 14 - Prepayments of a Minimum Funding Requirement (Amendment)
- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments.

Improvements to various standards and IFRICs have been issued by IASB in May 2010:

- IFRS 3 - Business combinations
- IAS 27 - Consolidated and Separate Financial Statements
- IFRS 7 - Financial Instruments Disclosures
- IAS 1 - Presentation of Financial Statements
- IFRIC 13 - Customer Loyalty Programmes
- IAS 34 - Interim Financial Reporting

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 2010.

### **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 2010.

(Un-audited) (Audited)  
June 30, December 31,  
2011 2010  
(Rupees in thousand)

## 6. LENDINGS TO FINANCIAL INSTITUTIONS

Repurchase agreement lendings (Reverse Repo)	5,055,081	6,691,812
Certificate of investment	333,333	143,333
Placements	300,000	474,442
	<u>5,688,414</u>	<u>7,309,587</u>

## 7. INVESTMENTS

Note	(Un-audited) June 30, 2011			(Audited) December 31, 2010		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
(R u p e e s i n t h o u s a n d )						
<b>Held for trading securities</b>						
Ordinary shares of listed companies	30,116	-	30,116	191,560	-	191,560
<b>Available for sale securities</b>						
Market Treasury Bills	49,157,938	962,906	50,120,844	30,770,725	4,728,012	35,498,737
Pakistan Investment Bonds	2,606,790	-	2,606,790	2,152,484	357,233	2,509,717
Government of Pakistan Ijara Sukuk Bonds	10,000	-	10,000	10,000	-	10,000
Ordinary Shares / Certificates of Listed Companies and Modarabas	3,399,017	50,000	3,449,017	3,543,775	-	3,543,775
Preference Shares of Listed Companies	195,454	-	195,454	195,454	-	195,454
Ordinary Shares of Unlisted Company	25,000	-	25,000	25,000	-	25,000
NIT Units	-	-	-	860,991	-	860,991
Mutual Fund Units	3,501,854	-	3,501,854	4,401,009	-	4,401,009
Listed Term Finance Certificates	605,968	-	605,968	671,002	-	671,002
Unlisted Term Finance Certificates	9,044,271	-	9,044,271	9,638,344	-	9,638,344
<b>Held to maturity securities</b>						
Pakistan Investment Bonds	1,910,000	-	1,910,000	2,151,633	-	2,151,633
WAPDA Bonds	400	-	400	400	-	400
<b>Subsidiary</b>						
Punjab Modaraba Services (Private) Limited	164,945	-	164,945	164,945	-	164,945
<b>Total investment at cost</b>	<u>70,651,753</u>	<u>1,012,906</u>	<u>71,664,659</u>	<u>54,777,322</u>	<u>5,085,245</u>	<u>59,862,567</u>
Less: Provision for diminution in value of investment	(3,210,588)	-	(3,210,588)	(3,273,335)	-	(3,273,335)
<b>Investments net of provisions</b>	<u>67,441,165</u>	<u>1,012,906</u>	<u>68,454,071</u>	<u>51,503,987</u>	<u>5,085,245</u>	<u>56,589,232</u>
Less: Deficit on revaluation of available for sale securities	(654,773)	-	(654,773)	(204,298)	-	(204,298)
Less: (Deficit) / Surplus on revaluation of held for trading securities	(2,590)	-	(2,590)	18,020	-	18,020
<b>Total investment at market value</b>	<u>66,783,802</u>	<u>1,012,906</u>	<u>67,796,708</u>	<u>51,317,709</u>	<u>5,085,245</u>	<u>56,402,954</u>

7.1 As per the terms agreed amongst the LOC Unit Holders, the entire holding of the Bank of 30,045,272 units 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.

- 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. 1,744,023 (thousand) {31 December 2010: Rs. 1,768,014 (thousand)}.

	Note	(Un-audited) June 30, 2011	(Audited) December 31, 2010
(Rupees in thousand)			
<b>8. ADVANCES</b>			
Loans, cash credits, running finances, etc. - in Pakistan		147,903,837	144,103,655
Net investment in finance lease - in Pakistan		2,944,110	2,265,263
Repurchase agreement lendings to Non Financial Institutions		1,677,189	1,677,189
Bills discounted and purchased (excluding treasury bills)			
-Payable in Pakistan		935,124	1,035,597
-Payable outside Pakistan		1,003,283	1,056,782
		1,938,407	2,092,379
Advances - gross		154,463,543	150,138,486
Provision for non-performing advances			
-Specific	8.1 & 8.2	(27,864,018)	(29,301,458)
-General	8.3	(20,113)	(19,007)
		(27,884,131)	(29,320,465)
Advances - net of provision		126,579,412	120,818,021

- 8.1 Provision against certain net advances amounting to Rs. 31,739,382 (thousand) {31 December 2010:Rs.31,520,321 (thousand)} requiring additional provisioning of Rs. 26,838,658 (thousand) {31 December 2010: Rs. 25,895,849 (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. 74,103,233 (thousand) {31 December 2010: Rs. 77,393,928 (thousand)} which have been placed under non-performing status as detailed below:

Category of classification	June 30, 2011 (Un-audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
(Rupees in thousand)					
Other assets especially mentioned	206,080	-	206,080	-	-
Substandard	10,210,648	-	10,210,648	2,286,604	2,286,604
Doubtful	2,316,442	-	2,316,442	302,921	302,921
Loss	61,370,063	-	61,370,063	25,274,493	25,274,493
	74,103,233	-	74,103,233	27,864,018	27,864,018

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

	(Un-audited) June 30, 2011	(Audited) December 31, 2010
(Rupees in thousand)		
<b>9. OPERATING FIXED ASSETS</b>		
Capital work in progress	59,446	53,694
Property and equipment	3,436,136	3,480,966
	3,495,582	3,534,660

#### 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) June 30, 2011	(Audited) December 31, 2010
(Rupees in thousand)		
<b>11. BORROWINGS</b>		
<b>Secured</b>		
Borrowings from SBP		
-Export refinance scheme	5,058,379	4,798,299
-LTF-export oriented projects	740,095	999,119
-LTFF	894,604	644,120
Repurchase agreement borrowings	1,012,906	5,085,245
	7,705,984	11,526,783
<b>Unsecured</b>		
Overdrawn nostro accounts	106	-
	7,706,090	11,526,783

#### 12. DEPOSITS AND OTHER ACCOUNTS

<b>Customers</b>		
Fixed deposits	98,832,898	96,752,700
Savings deposits	85,266,383	75,625,569
Current Accounts	42,428,215	30,231,757
Sundry deposits, margin accounts, etc.	1,828,124	1,467,019
	228,355,620	204,077,045
<b>Financial Institutions</b>		
Remunerative deposits	1,702,193	3,090,511
Non-remunerative deposits	378,007	1,009,432
	2,080,200	4,099,943
	230,435,820	208,176,988



	(Un-audited) June 30, 2011	(Audited) December 31, 2010
	(Rupees in thousand)	
<b>12.1 Particulars of deposits</b>		
In local currency	226,891,501	204,880,523
In foreign currencies	3,544,319	3,296,465
	<u>230,435,820</u>	<u>208,176,988</u>

### 13. SHARE CAPITAL

	(Un-audited) June 30, 2011	(Audited) December 31, 2010		(Un-audited) June 30, 2011	(Audited) December 31, 2010
	(No. of Shares)			(Rupees in thousand)	
<b>Authorized</b>					
<u>5,000,000,000</u>	<u>5,000,000,000</u>		Ordinary shares of Rs. 10 each	<u>50,000,000</u>	<u>50,000,000</u>
<b>Issued, subscribed and paid up capital</b>					
19,333,340	19,333,340		Ordinary shares of Rs. 10/- each paid in cash	193,333	193,333
509,464,036	509,464,036		Issued as bonus shares	5,094,641	5,094,641
<u>528,797,376</u>	<u>528,797,376</u>			<u>5,287,974</u>	<u>5,287,974</u>

**13.1** Government of the Punjab (GOPb) held 51% shares in the Bank as at 30 June 2011 (31 December 2010: 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.

	(Un-audited) June 30, 2011	(Audited) December 31, 2010
	(Rupees in thousand)	
<b>15. SURPLUS ON REVALUATION OF ASSETS</b>		
Surplus on revaluation of fixed assets - net of tax	853,541	856,928
Deficit on revaluation of securities - net of tax	(419,598)	(135,935)
	<u>433,943</u>	<u>720,993</u>
<b>15.1</b> Deficit on revaluation of securities	(654,772)	(204,298)
Deferred tax	235,174	68,363
	<u>(419,598)</u>	<u>(135,935)</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:

	<b>(Un-audited) June 30, 2011</b>	(Audited) December 31, 2010
Financial institutions	-	-
Others	<b>851,906</b>	853,542
	<b>851,906</b>	853,542

### 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:

	<b>(Un-audited) June 30, 2011</b>	(Audited) December 31, 2010
Government	<b>97,478</b>	76,136
Financial institutions	<b>62,028</b>	65,383
Others	<b>10,308,421</b>	12,835,832
	<b>10,467,927</b>	12,977,351

### 16.3 Trade related contingent liabilities

Government	<b>1,271,011</b>	727,045
Financial institutions	-	470
Others	<b>6,289,275</b>	10,956,683
	<b>7,560,286</b>	11,684,198

### 16.4 Other contingencies

Claims against the bank not acknowledged as debt	<b>14,658,541</b>	12,677,637
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### 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) June 30, 2011	(Audited) December 31, 2010
	(Rupees in thousand)	
<b>16.6 Commitments in respect of forward exchange contracts</b>		
Purchase	1,526,394	1,364,614
Sale	2,014,074	1,138,760
	<u>3,540,468</u>	<u>2,503,374</u>
<b>16.7 Commitments for the acquisition of operating fixed assets</b>	<u>17,832</u>	<u>4,707</u>
<b>17. (LOSS) / EARNINGS PER SHARE BASIC AND DILUTED</b>		

	----- (Un-audited) -----			
	Three Months Ended 30 June 2011	Six Months Ended 30 June 2011	Three Months Ended 30 June 2010	Six Months Ended 30 June 2010
Profit / (Loss) after taxation (Rupees in thousand)	<u>554,347</u>	<u>280,736</u>	<u>306,825</u>	<u>(2,822,957)</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>1.05</u>	<u>0.53</u>	<u>0.58</u>	<u>(5.34)</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
<b>Six Months Ended</b>						
<b>30 June 2011 (Un-audited)</b>						
(Rupees in thousand)						
Total income	4,259,516	503,825	5,404,465	183,549	38,394	10,389,749
Total expenses	1,216,058	1,771,574	6,939,095	33,307	6,963	9,966,997
Income Taxes	-	-	-	-	-	142,016
Net income / (loss)	3,043,458	(1,267,749)	(1,534,630)	150,242	31,431	280,736
Segment Assets (Gross)	95,332,594	9,661,303	159,427,713	-	-	264,421,610
Segment Non Performing Advances / Investments	3,210,588	2,534,795	71,568,438	-	-	77,313,821
Segment Provision Required	3,210,588	1,234,932	26,649,199	-	-	31,094,719
Segment Liabilities	7,874,355	37,586,761	198,882,489	-	-	244,343,605
Segment Return on net Assets (ROA) (%)	13.08%	16.82%	16.29%			
Segment Cost of funds (%)	13.56%	9.68%	10.29%			
<b>Six Months Ended</b>						
<b>30 June 2010 (Un-audited)</b>						
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	6,394	14,410,621
Income Taxes	-	-	-	-	-	(1,463,895)
Net income / (loss)	1,840,240	(1,138,758)	(5,184,172)	163,018	32,821	(2,822,957)
Segment Assets (Gross)	89,978,666	7,873,030	156,021,528	-	-	253,873,224
Segment Non Performing Advances / Investments	1,099,729	2,479,030	78,153,523	-	-	81,732,282
Segment Provision Required	1,099,729	1,351,551	32,033,459	-	-	34,484,739
Segment Liabilities	23,212,068	33,832,760	172,921,405	-	-	229,966,233
Segment Return on net Assets (ROA) (%)	5.43%	11.44%	9.38%			
Segment Cost of funds (%)	5.51%	4.85%	5.20%			

## 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) June 30, 2011	(Audited) December 31, 2010
	(Rupees in thousand)	
<b>Punjab Modaraba Services (Private) Limited</b> (wholly owned subsidiary of the Bank)		
Deposits in current account	37	33
<b>Advances</b>		
Outstanding at beginning of the period / year	21,258	14,100
Made during the period / year	1,217	9,138
Repaid/matured during the period / year	(475)	(1,980)
Outstanding at the end of the period / year	22,000	21,258
<b>First Punjab Modaraba</b> (Modaraba floated by the wholly owned subsidiary of the Bank)		
<b>Advances</b>		
Outstanding at beginning of the period / year	941,625	973,315
Made during the period / year	1,088,051	2,882,886
Repaid/matured during the period / year	(1,182,002)	(2,914,576)
Outstanding at the end of the period / year	847,674	941,625
<b>Deposits in current account</b>	<b>7,684</b>	<b>27,174</b>
<b>Placement</b>		
Outstanding at beginning of the period / year	300,000	300,000
Made during the period / year	300,000	300,000
Repaid/matured during the period / year	(300,000)	(300,000)
Outstanding at the end of the period / year	300,000	300,000
<b>Lease liability</b>		
Outstanding at beginning of the period / year	13,887	19,907
Lease contracts entered into during the period / year	-	6,236
Repayments of lease rentals	(3,153)	(12,256)
Outstanding at the end of the period / year	10,734	13,887
<b>Key Management Personnel</b>		
<b>Deposits</b>		
Opening balances	12,384	12,478
Received during the period / year	68,136	219,296
Withdrawal during the period / year	(66,079)	(219,390)
Closing Balances	14,441	12,384

	<b>(Un-audited)</b> <b>June 30,</b> <b>2011</b>	(Audited) December 31, 2010
	(Rupees in thousand)	
<b>Bankers Avenue Co-operative Housing Society</b> <b>(A co-operative society managed by key</b> <b>management personnel of the Bank)</b>		
Deposits in saving account	<u>10,604</u>	<u>14,728</u>
<b>Punjab Modaraba Services (Private) Limited</b> <b>(wholly owned subsidiary of the Bank)</b>		
<b>Advances</b>		
Mark-up/return earned	<u>1,575</u>	<u>1,052</u>
<b>First Punjab Modaraba</b> <b>(Modaraba floated by the wholly owned</b> <b>subsidiary of the Bank)</b>		
<b>Advances</b>		
Mark-up/return earned	<u>67,333</u>	<u>61,552</u>
<b>Placement</b>		
Mark-up/return earned	<u>21,205</u>	<u>19,074</u>
<b>Key Management Personnel</b>		
<b>Deposits</b>		
Mark-up / interest expensed	<u>154</u>	<u>215</u>
<b>Contribution to employees provident fund</b>	<u>30,062</u>	<u>26,154</u>

Although Government of the Punjab (GOPb) holds 51% shares of the Bank (31 December 2010: 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 2011 and 2010 have not been subject to limited scope review by the auditors.

21.2 Figures have been rounded off to the nearest thousand.

President

Director



The Bank of Punjab

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**Interim Condensed Consolidated Financial Information**

For the Six months ended June 30, 2011 (Un-Audited)



## Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2011 (Un-audited)

	Note	(Un-audited) June 30, 2011	(Audited) December 31, 2010
(Rupees in thousand)			
<b>ASSETS</b>			
Cash and balances with treasury banks		15,473,401	14,069,601
Balances with other banks		4,163,528	3,276,234
Lendings to financial institutions	6	5,688,414	7,309,587
Investments	7	67,753,158	56,359,404
Advances	8	126,557,412	120,796,694
Operating fixed assets	9	3,495,582	3,534,660
Deferred tax assets	10	14,088,488	14,063,694
Other assets		10,567,184	9,721,900
		<b>247,787,167</b>	229,131,774
<b>LIABILITIES</b>			
Bills payable		674,352	581,100
Borrowings	11	7,706,090	11,526,783
Deposits and other accounts	12	230,435,813	208,176,902
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		10,735	13,887
Deferred tax liabilities		-	-
Other liabilities		5,517,025	5,223,152
		<b>244,344,015</b>	225,521,824
<b>NET ASSETS</b>		<b>3,443,152</b>	3,609,950
<b>REPRESENTED BY</b>			
Share capital	13	5,287,974	5,287,974
Reserves		1,852,028	2,012,492
Accumulated loss		(14,130,793)	(14,411,509)
		<b>(6,990,791)</b>	(7,111,043)
Share deposit money	14	10,000,000	10,000,000
		<b>3,009,209</b>	2,888,957
Surplus on revaluation of assets	15	433,943	720,993
		<b>3,443,152</b>	3,609,950
Contingencies and commitments	16		

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

**President**

**Director**

## Interim Condensed Consolidated Profit and Loss Account

For the six months ended June 30, 2011 (Un-Audited)

	Quarter Ended 30 June 2011	Half year Ended 30 June 2011	Quarter Ended 30 June 2010	Half year Ended 30 June 2010
	(Rupees in thousand)			
<b>Mark-up/Return/Interest Earned</b>	4,938,323	9,441,030	4,890,484	9,369,219
<b>Mark-up/Return/Interest Expensed</b>	4,890,148	9,657,247	4,742,648	9,282,547
Net Mark-up/Return/Interest Income / (Loss)	48,175	(216,217)	147,836	86,672
(Reversal of Provision) / Provision against non-performing loans and advances-net	(1,417,395)	(1,596,798)	(846,094)	3,362,490
Provision for diminution in the value of investments	20,189	22,774	92,383	117,384
Bad debts written off directly	-	-	-	-
	(1,397,206)	(1,574,024)	(753,711)	3,479,874
Net Mark-up/Return/Interest income after provisions	1,445,381	1,357,807	901,547	(3,393,202)
<b>NON MARK-UP/INTEREST INCOME</b>				
Fee, commission and brokerage income	146,453	279,470	200,288	294,347
Dividend income	55,860	142,079	103,478	154,031
Income from dealing in foreign currencies	60,914	77,873	35,604	80,993
Gain on sale and redemption of securities	23,447	222,602	13,816	20,482
Unrealized gain /(loss) on revaluation of investments classified as held for trading	2,063	(2,590)	(6,914)	(6,083)
Other income	111,230	227,707	102,066	210,339
Total non-markup/interest income	399,967	947,141	448,338	754,109
	1,845,348	2,304,948	1,349,885	(2,639,093)
<b>NON MARK-UP/INTEREST EXPENSES</b>				
Administrative expenses	984,225	1,888,625	862,782	1,651,334
Other provisions/write offs/reversals	(3,216)	(3,216)	-	-
Other charges	54	192	972	1,364
Total non-markup/interest expenses	981,063	1,885,601	863,754	1,652,698
	864,285	419,347	486,131	(4,291,791)
Extra ordinary/unusual items	-	-	-	-
<b>PROFIT / (LOSS) BEFORE TAXATION</b>	864,285	419,347	486,131	(4,291,791)
Taxation - Current	-	-	-	-
- Prior years	-	-	-	-
- Deferred	310,452	142,016	181,587	(1,463,895)
	310,452	142,016	181,587	(1,463,895)
<b>PROFIT / (LOSS) AFTER TAXATION</b>	553,833	277,331	304,544	(2,827,896)
<b>Earnings / (Loss) per share -Basic and diluted (Rupees) - Note 17</b>	1.05	0.52	0.58	(5.35)

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

**President**

**Director**

## Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2011 (Un-audited)

	Quarter Ended 30 June 2011	Half year Ended 30 June 2011	Quarter Ended 30 June 2010	Half year Ended 30 June 2010
	(Rupees in thousand)			
<b>Profit / (Loss) after taxation</b>	<b>553,833</b>	<b>277,331</b>	304,544	(2,827,896)
<b>Other comprehensive income</b>	-	-	-	-
<b>Total comprehensive income / (loss)</b>	<b>553,833</b>	<b>277,331</b>	304,544	(2,827,896)

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

**President**

**Director**

# Interim Condensed Consolidated Cash Flow Statement

For the six months ended June 30, 2011 (Un-audited)

	Half year ended	
	June 30, 2011	June 30, 2010
	(Rupees in thousand)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (Loss) before taxation	419,347	(4,291,791)
Less: Dividend income	(142,079)	(154,031)
	<b>277,268</b>	(4,445,822)
Adjustments for non-cash charges:		
Depreciation	167,800	154,491
Amortization on premium on Pakistan Investment Bonds	18,279	35,811
Unrealized loss on revaluation of investments classified as held for trading	2,590	6,083
(Reversal of Provision) / Provision against non-performing loans and advances - net	(1,596,798)	3,362,490
Provision for diminution in the value of investments - net	22,774	117,384
Provision for employees compensated absences	10,800	12,000
Provision for gratuity	23,400	25,200
Net profit on sale of property and equipment	(1,088)	(2,752)
Gain on sale and redemption of securities	(222,602)	(20,482)
Finance charges on leased assets	826	1,057
	<b>(1,574,019)</b>	3,691,282
	<b>(1,296,751)</b>	(754,540)
(Increase)/ Decrease in operating assets:		
Lendings to financial institutions	1,621,173	(5,705,430)
Net investments in held for trading securities	179,464	(4,936)
Advances	(4,324,384)	(2,665,675)
Others assets	(723,978)	495,975
	<b>(3,247,725)</b>	(7,880,066)
Increase/ (Decrease) in operating liabilities:		
Bills Payable	93,252	(124,175)
Borrowings	(3,820,799)	8,594,917
Deposits and other accounts	22,258,911	10,581,432
Other liabilities	259,673	221,038
	<b>18,791,037</b>	19,273,212
	<b>14,246,561</b>	10,638,606
Financial charges paid	(826)	(1,057)
Income tax paid	(5,773)	(57,080)
<b>Net cash flow from operating activities</b>	<b>14,239,962</b>	10,580,469
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	(12,068,088)	(7,694,119)
Net investments in held to maturity securities	223,354	(706)
Dividends received	26,546	41,779
Investments in operating fixed assets	(128,722)	(180,114)
Sale proceeds of property and equipment disposed-off	1,088	3,425
<b>Net cash used in investing activities</b>	<b>(11,945,822)</b>	(7,829,735)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of lease obligations	(3,152)	(988)
<b>Net cash used in financing activities</b>	<b>(3,152)</b>	(988)
<b>Net increase in cash and cash equivalents</b>	<b>2,290,988</b>	2,749,746
Cash and cash equivalents at beginning of the period	17,345,835	15,173,410
Cash and cash equivalents at end of the period	<b>19,636,823</b>	17,923,156
<b>Cash and cash equivalents:</b>		
Cash and balances with treasury banks	15,473,401	14,759,542
Balances with other banks	4,163,528	3,382,665
Overdrawn nostro accounts	(106)	(219,051)
	<b>19,636,823</b>	17,923,156

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

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2011 (Un-audited)

	Share capital	Capital Reserves		Revenue Reserve	Total
		Restructuring reserve	Share premium	Accumulated loss	
	(R u p e e s i n t h o u s a n d)				
<b>Balance as at 01 January 2010</b>	5,287,974	535,897	37,882	(10,372,082)	(4,510,329)
Transfer from provision against NPLs	-	177,054	-	-	177,054
Loss for the six months ended 30 June 2010	-	-	-	(2,827,896)	(2,827,896)
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	3,563	3,563
<b>Balance as at 30 June 2010</b>	5,287,974	712,951	37,882	(13,196,415)	(7,157,608)
Transfer from provision against NPLs	-	1,261,659	-	-	1,261,659
Loss for the six months ended 31 December 2010	-	-	-	(1,218,658)	(1,218,658)
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	3,564	3,564
<b>Balance as at 31 December 2010</b>	5,287,974	1,974,610	37,882	(14,411,509)	(7,111,043)
Transfer from provision against NPLs	-	(160,464)	-	-	(160,464)
Loss for six months ended 30 June 2011	-	-	-	277,331	277,331
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	3,385	3,385
<b>Balance as at 30 June 2011</b>	<b>5,287,974</b>	<b>1,814,146</b>	<b>37,882</b>	<b>(14,130,793)</b>	<b>(6,990,791)</b>

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

President

Director

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2011 (Un-audited)

## 1. Status and Nature of Business

- 1.1 The Bank of Punjab Group comprises The Bank of Punjab (the Bank) and Punjab Modaraba Services (Private) Limited. The Bank was constituted pursuant to The Bank of Punjab Act, 1989. It was given the status of a scheduled bank by the State Bank of Pakistan (SBP) on 19 September 1994. It is principally engaged in commercial banking and related services with its registered office at BOP Tower, 10-B, Block E-2, Main Boulevard, Gulberg III, Lahore. The Bank has 273 branches (2010: 273 branches) in Pakistan and Azad Jammu and Kashmir at the year end. The Bank is listed on Lahore, Karachi and Islamabad Stock Exchanges. The majority shares of the Bank are held by Government of the Punjab.

Punjab Modaraba Services (Private) Limited is a wholly owned subsidiary of The Bank of Punjab and is primarily engaged in the business of floating and managing modarabas.

- 1.2 The paid-up capital, reserves (net of losses) and advance subscription money of the Group amounts to Rs. 3,009,209 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 2011, net advances aggregating to Rs. 31,739,382 thousand requiring additional provision of Rs. 26,838,658 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 the year 2009 and subsequent to the statement of financial position date, further deposited Rs.7,000,000 thousand as advance subscription money before the year-end 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 condensed consolidated financial information has been prepared in accordance with the directives issued by the SBP, requirements of The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the directives issued by the SBP and Securities and Exchange Commission of Pakistan (SECP), The Bank of Punjab Act,

1989, the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 differ with the requirements of these standards, the requirements of the said directives, The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 take precedence.

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.

The disclosures made in this interim condensed consolidated 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 Group for the year ended 31 December 2010.

### **3. Estimates**

The preparation of interim consolidated 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 consolidated financial information are the same as those applied in the preparation of the annual financial statements of the Group for the year ended 31 December 2010.

### **4. Summary of significant accounting policies**

The accounting policies adopted in the preparation of this interim condensed consolidated financial information are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2010.

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

- IAS 24 - Related Party Disclosures (Revised)
- IAS 32 - Financial Instruments: Presentation – Classification of Right Issues (Amendment)
- IFRIC 14 - Prepayments of a Minimum Funding Requirement (Amendment)
- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments.

Improvements to various standards and IFRICs have been issued by IASB in May 2010:

- IFRS 3 - Business combinations
- IAS 27 - Consolidated and Separate Financial Statements
- IFRS 7 - Financial Instruments Disclosures
- IAS 1 - Presentation of Financial Statements
- IFRIC 13 - Customer Loyalty Programmes
- IAS 34 - Interim Financial Reporting

Adoption of these standards / amendments and interpretations did not affect the accounting policies of the Group as disclosed in the annual financial statements of the Group for the year ended 31 December 2010.

### **5. Financial Risk Management**

The financial risk management objectives and policies by the Group are consistent with those disclosed in the annual financial statements of the Group for the year ended 31 December 2010.

(Un-audited) (Audited)  
June 30, December 31,  
2011 2010  
(Rupees in thousand)

## 6. LENDINGS TO FINANCIAL INSTITUTIONS

Repurchase agreement lendings (Reverse Repo)	5,055,081	6,691,812
Certificate of investment	333,333	143,333
Placements	300,000	474,442
	5,688,414	7,309,587

## 7. INVESTMENTS

Note	(Un-audited) June 30, 2011			(Audited) December 31, 2010		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	(R u p e e s i n t h o u s a n d )					
<b>Held for trading securities</b>						
Ordinary shares of listed companies	30,116	-	30,116	191,560	-	191,560
<b>Available for sale securities</b>						
Market Treasury Bills	49,157,938	962,906	50,120,844	30,770,725	4,728,012	35,498,737
Pakistan Investment Bonds Government of Pakistan Ijara Sukuk Bonds	2,606,790	-	2,606,790	2,152,484	357,233	2,509,717
Ordinary Shares / Certificates of Listed Companies and Modarabas	10,000	-	10,000	10,000	-	10,000
Preference Shares of Listed Companies	3,563,960	50,000	3,613,960	3,708,718	-	3,708,718
Ordinary Shares of Unlisted Company	195,454	-	195,454	195,454	-	195,454
NIT Units	25,000	-	25,000	25,000	-	25,000
Mutual Fund Units	-	-	-	860,991	-	860,991
Listed Term Finance Certificates	3,501,854	-	3,501,854	4,401,009	-	4,401,009
Unlisted Term Finance Certificates	605,968	-	605,968	671,002	-	671,002
	9,044,271	-	9,044,271	9,638,344	-	9,638,344
<b>Held to maturity securities</b>						
Pakistan Investment Bonds	1,910,000	-	1,910,000	2,151,633	-	2,151,633
WAPDA Bonds	400	-	400	400	-	400
<b>Total investment at cost</b>	70,651,751	1,012,906	71,664,657	54,777,320	5,085,245	59,862,565
Less: Provision for diminution in value of investment	(3,254,136)	-	(3,254,136)	(3,316,883)	-	(3,316,883)
<b>Investments net of provisions</b>	67,397,615	1,012,906	68,410,521	51,460,437	5,085,245	56,545,682
Less: Deficit on revaluation of available for sale securities	(654,773)	-	(654,773)	(204,298)	-	(204,298)
Less: (Deficit) / Surplus on revaluation of held for trading securities	(2,590)	-	(2,590)	18,020	-	18,020
<b>Total investment at market value</b>	66,740,252	1,012,906	67,753,158	51,274,159	5,085,245	56,359,404

7.1 As per the terms agreed amongst the LOC Unit Holders, the entire holding of the Bank of 30,045,272 units 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.

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. 1,744,023 (thousand) {31 December 2010: Rs. 1,768,014 (thousand)}.



	Note	(Un-audited) June 30, 2011	(Audited) December 31, 2010
(Rupees in thousand)			
<b>8. ADVANCES</b>			
Loans, cash credits, running finances, etc. - in Pakistan		147,881,837	144,082,328
Net investment in finance lease - in Pakistan		2,944,110	2,265,263
Repurchase agreement lendings to Non Financial Institutions		1,677,189	1,677,189
Bills discounted and purchased (excluding treasury bills)			
-Payable in Pakistan		935,124	1,035,597
-Payable outside Pakistan		1,003,283	1,056,782
		1,938,407	2,092,379
Advances - gross		154,441,543	150,117,159
Provision for non-performing advances			
-Specific	8.1 & 8.2	(27,864,018)	(29,301,458)
-General	8.3	(20,113)	(19,007)
		(27,884,131)	(29,320,465)
Advances - net of provision		126,557,412	120,796,694

**8.1** Provision against certain net advances amounting to Rs. 31,739,382 (thousand) {31 December 2010:Rs.31,520,321 (thousand)} requiring additional provisioning of Rs. 26,838,658 (thousand) {31 December 2010:Rs. 25,895,849 (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. 74,103,233 (thousand) {31 December 2010: Rs. 77,393,928 (thousand)} which have been placed under non-performing status as detailed below:

Category of classification	June 30, 2011 (Un-audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
(Rupees in thousand)					
Other assets especially mentioned	206,080	-	206,080	-	-
Substandard	10,210,648	-	10,210,648	2,286,604	2,286,604
Doubtful	2,316,442	-	2,316,442	302,921	302,921
Loss	61,370,063	-	61,370,063	25,274,493	25,274,493
	74,103,233	-	74,103,233	27,864,018	27,864,018

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

	<b>(Un-audited)</b> <b>June 30,</b> <b>2011</b>	(Audited) December 31, 2010
(Rupees in thousand)		
<b>9. OPERATING FIXED ASSETS</b>		
Capital work in progress	59,446	53,694
Property and equipment	3,436,136	3,480,966
	<u>3,495,582</u>	<u>3,534,660</u>

#### 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.

	<b>(Un-audited)</b> <b>June 30,</b> <b>2011</b>	(Audited) December 31, 2010
(Rupees in thousand)		
<b>11. BORROWINGS</b>		
<b>Secured</b>		
Borrowings from SBP		
-Export refinance scheme	5,058,379	4,798,299
-LTF-export oriented projects	740,095	999,119
-LTFF	894,604	644,120
Repurchase agreement borrowings	1,012,906	5,085,245
	<u>7,705,984</u>	11,526,783
<b>Unsecured</b>		
Overdrawn nostro accounts	106	-
	<u>7,706,090</u>	<u>11,526,783</u>

#### 12. DEPOSITS AND OTHER ACCOUNTS

##### Customers

Fixed deposits	98,832,898	96,752,700
Savings deposits	85,266,383	75,625,569
Current Accounts	42,428,208	30,231,671
Sundry deposits, margin accounts, etc.	1,828,124	1,467,019
	<u>228,355,613</u>	204,076,959

##### Financial Institutions

Remunerative deposits	1,702,193	3,090,511
Non-remunerative deposits	378,007	1,009,432
	<u>2,080,200</u>	4,099,943
	<u>230,435,813</u>	<u>208,176,902</u>

	(Un-audited) June 30, 2011	(Audited) December 31, 2010
	(Rupees in thousand)	
<b>12.1 Particulars of deposits</b>		
In local currency	226,891,494	204,880,437
In foreign currencies	3,544,319	3,296,465
	<u>230,435,813</u>	<u>208,176,902</u>

### 13. SHARE CAPITAL

	(Un-audited) June 30, 2011	(Audited) December 31, 2010		(Un-audited) June 30, 2011	(Audited) December 31, 2010
	(No. of Shares)			(Rupees in thousand)	
<b>Authorized</b>					
<u>5,000,000,000</u>	<u>5,000,000,000</u>		Ordinary shares of Rs. 10 each	<u>50,000,000</u>	<u>50,000,000</u>
<b>Issued, subscribed and paid up share capital</b>					
19,333,340	19,333,340		Ordinary shares of Rs. 10/- each paid in cash	193,333	193,333
509,464,036	509,464,036		Issued as bonus shares	5,094,641	5,094,641
<u>528,797,376</u>	<u>528,797,376</u>			<u>5,287,974</u>	<u>5,287,974</u>

**13.1** Government of the Punjab (GOPb) held 51% shares in the Bank as at 30 June 2011 (31 December 2010: 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.

	(Un-audited) June 30, 2011	(Audited) December 31, 2010
	(Rupees in thousand)	
<b>15. SURPLUS ON REVALUATION OF ASSETS</b>		
Surplus on revaluation of fixed assets - net of tax	853,541	856,928
Deficit on revaluation of securities - net of tax 15.1	(419,598)	(135,935)
	<u>433,943</u>	<u>720,993</u>
<b>15.1</b> Deficit on revaluation of securities	(654,772)	(204,298)
Deferred tax	235,174	68,363
	<u>(419,598)</u>	<u>(135,935)</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:

	<b>(Un-audited) June 30, 2011</b>	(Audited) December 31, 2010
Financial institutions	-	-
Others	<b>851,906</b>	853,542
	<b>851,906</b>	853,542

### 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:

	<b>(Un-audited) June 30, 2011</b>	(Audited) December 31, 2010
Government	<b>97,478</b>	76,136
Financial institutions	<b>62,028</b>	65,383
Others	<b>10,308,421</b>	12,835,832
	<b>10,467,927</b>	12,977,351

### 16.3 Trade related contingent liabilities

Government	<b>1,271,011</b>	727,045
Financial institutions	-	470
Others	<b>6,289,275</b>	10,956,683
	<b>7,560,286</b>	11,684,198

### 16.4 Other contingencies

Claims against the bank not acknowledged as debt	<b>14,658,541</b>	12,677,637
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### 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.

	<b>(Un-audited)</b> <b>June 30,</b> <b>2011</b>	(Audited) December 31, 2010
	(Rupees in thousand)	
<b>16.6 Commitments in respect of forward exchange contracts</b>		
Purchase	<b>1,526,394</b>	1,364,614
Sale	<b>2,014,074</b>	1,138,760
	<b>3,540,468</b>	2,503,374
<b>16.7 Commitments for the acquisition of operating fixed assets</b>	<b>17,832</b>	4,707

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

	----- (Un-audited) -----			
	Three Months Ended 30 June 2011	Six Months Ended 30 June 2011	Three Months Ended 30 June 2010	Six Months Ended 30 June 2010
Profit / (Loss) after taxation (Rupees in thousand)	<b>553,833</b>	<b>277,331</b>	304,544	(2,827,896)
Weighted Average Number of Ordinary Shares (thousand)	<b>528,797</b>	<b>528,797</b>	528,797	528,797
Earnings / (Loss) per share - Basic and Diluted (Rupees)	<b>1.05</b>	<b>0.52</b>	0.58	(5.35)

## 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
<b>Six Months Ended</b>						
<b>30 June 2011 (Un-audited)</b>						
(Rupees in thousand)						
Total income	4,259,516	503,825	5,402,887	183,549	38,394	10,388,171
Total expenses	1,216,925	1,771,676	6,939,909	33,344	6,970	9,968,824
Income Taxes	-	-	-	-	-	142,016
Net income / (loss)	3,042,591	(1,267,851)	(1,537,022)	150,205	31,424	277,331
Segment Assets (Gross)	95,332,660	9,661,311	159,427,639	-	-	264,421,610
Segment Non Performing Advances / Investments	3,254,136	2,534,795	71,568,438	-	-	77,357,369
Segment Provision Required	3,254,136	1,234,932	26,649,199	-	-	31,138,267
Segment Liabilities	7,874,366	37,586,827	198,882,822	-	-	244,344,015
Segment Return on net Assets (ROA) (%)	13.09%	16.82%	16.29%			
Segment Cost of funds (%)	13.57%	9.68%	10.29%			
<b>Six Months Ended</b>						
<b>30 June 2010 (Un-audited)</b>						
Total income	3,372,852	540,071	5,976,492	194,698	39,215	10,123,328
Total expenses	1,534,135	1,679,073	11,163,731	31,768	6,413	14,415,120
Income Taxes	-	-	-	-	-	(1,463,895)
Net income / (loss)	1,838,717	(1,139,002)	(5,187,239)	162,930	32,803	(2,827,896)
Segment Assets (Gross)	89,978,664	7,873,178	156,004,691	-	-	253,856,533
Segment Non Performing Advances / Investments	1,099,729	2,479,030	78,153,523	-	-	81,732,282
Segment Provision Required	1,099,729	1,351,551	32,033,459	-	-	34,484,739
Segment Liabilities	23,212,069	33,832,760	172,921,404	-	-	229,966,233
Segment Return on net Assets (ROA) (%)	5.43%	11.44%	9.38%			
Segment Cost of funds (%)	5.52%	4.85%	5.21%			

## 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) June 30, 2011	(Audited) December 31, 2010
	(Rupees in thousand)	
<b>First Punjab Modaraba</b>		
<b>(Modaraba floated by the wholly owned subsidiary of the Bank)</b>		
<b>Advances</b>		
Outstanding at beginning of the period / year	941,625	973,315
Made during the period / year	1,088,051	2,882,886
Repaid/matured during the period / year	(1,182,002)	(2,914,576)
	847,674	941,625
<b>Deposits in current account</b>	<b>7,684</b>	<b>27,174</b>
<b>Placement</b>		
Outstanding at beginning of the period / year	300,000	300,000
Made during the period / year	300,000	300,000
Repaid/matured during the period / year	(300,000)	(300,000)
	300,000	300,000
<b>Lease liability</b>		
Outstanding at beginning of the period / year	13,887	19,907
Lease contracts entered into during the period / year	-	6,236
Repayments of lease rentals	(3,153)	(12,256)
	10,734	13,887
<b>Key Management Personnel</b>		
<b>Deposits</b>		
Opening balances	12,623	12,478
Received during the period / year	71,672	219,296
Withdrawal during the period / year	(69,554)	(219,390)
	14,741	12,384
<b>Bankers Avenue Co-operative Housing Society</b>		
<b>(A co-operative society managed by key management personnel of the Bank)</b>		
Deposits in saving account	<b>10,604</b>	<b>14,728</b>

	(Un-audited) June 30, 2011	(Audited) December 31, 2010
(Rupees in thousand)		
<b>First Punjab Modaraba (Modaraba floated by the wholly owned subsidiary of the Bank)</b>		
<b>Advances</b>		
Mark-up/return earned	<u>67,333</u>	<u>61,552</u>
<b>Placement</b>		
Mark-up/return earned	<u>21,205</u>	<u>19,074</u>
<b>Key Management Personnel</b>		
<b>Deposits</b>		
Mark-up / interest expensed	<u>154</u>	<u>215</u>
<b>Contribution to employees provident fund</b>	<u>30,062</u>	<u>26,154</u>

Although Government of the Punjab (GOPb) holds 51% shares of the Bank (31 December 2010: 51%) transactions with GOPb have not been treated party transactions for the purpose of this disclosure.

## 20. DATE OF AUTHORIZATION FOR ISSUE

The interim condensed consolidated 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 2011 and 2010 have not been subject to limited scope review by the auditors.

21.2 Figures have been rounded off to the nearest thousand.

President

Director



