



**INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED MARCH 31, 2010**

**THE BANK OF PUNJAB GROUP**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2010**

		(Un-audited) March 31, 2010	(Audited) December 31, 2009
	<i>NOTE</i>	(Rupees in thousand)	
<b>ASSETS</b>			
Cash and balances with treasury banks		<b>10,487,642</b>	13,043,705
Balances with other banks		<b>2,755,801</b>	2,185,782
Lendings to financial institutions	5	<b>1,904,664</b>	1,053,550
Investments	6	<b>59,275,766</b>	57,923,172
Advances	7	<b>115,549,316</b>	121,303,368
Operating fixed assets	8	<b>3,420,658</b>	3,427,267
Deferred tax assets	9	<b>13,490,787</b>	11,921,146
Other assets		<b>5,460,993</b>	5,770,905
		<b>212,345,627</b>	216,628,895
<b>LIABILITIES</b>			
Bills payable		<b>727,619</b>	875,618
Borrowings	10	<b>12,805,820</b>	14,040,014
Deposits and other accounts	11	<b>191,069,571</b>	190,858,087
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		<b>16,514</b>	19,907
Deferred tax liabilities		-	-
Other liabilities		<b>4,461,989</b>	4,700,569
		<b>209,081,513</b>	210,494,195
<b>NET ASSETS</b>		<b>3,264,114</b>	6,134,700
<b>REPRESENTED BY</b>			
Share capital	12	<b>5,287,974</b>	5,287,974
Reserves		<b>573,779</b>	573,779
Accumulated loss		<b>(13,502,740)</b>	(10,372,082)
		<b>(7,640,987)</b>	(4,510,329)
Share deposit money		<b>10,000,000</b>	10,000,000
		<b>2,359,013</b>	5,489,671
Surplus on revaluation of assets	13	<b>905,101</b>	645,029
		<b>3,264,114</b>	6,134,700
Contingencies and commitments	14		

The annexed notes from 1 to 17 form an integral part of these interim condensed consolidated financial statements.

President

Director

**THE BANK OF PUNJAB GROUP**  
**INTERIM CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE QUARTER ENDED MARCH 31, 2010 (UN-AUDITED)**

	Quarter ended March 31, 2010	Quarter ended March 31, 2009
	(Rupees in thousand)	
<b>Mark-up/Return/Interest Earned</b>	4,478,735	3,205,140
<b>Mark-up/Return/Interest Expensed</b>	4,539,899	4,459,577
Net Mark-up/ Interest Income	<u>(61,164)</u>	<u>(1,254,437)</u>
Provision against non-performing loans and advances-net	<b>4,208,584</b>	4,281,501
Provision / (Reversal) for diminution in the value of investments	<b>25,001</b>	339,333
Bad debts written off directly	<b>-</b>	-
	<u>4,233,585</u>	<u>4,620,834</u>
Net Mark-up/ Interest income after provisions	<b>(4,294,749)</b>	<b>(5,875,271)</b>
<b>NON MARK-UP/INTEREST INCOME</b>		
Fee, commission and brokerage income	<b>94,059</b>	151,626
Dividend income	<b>50,553</b>	73,641
Income from dealing in foreign currencies	<b>45,389</b>	34,242
Gain on sale and redemption of securities	<b>6,666</b>	3,851
Unrealized gain on revaluation of investments classified as held for trading	<b>831</b>	-
Other income	<b>108,273</b>	120,589
Total non-markup/interest income	<u>305,771</u>	<u>383,949</u>
	<b>(3,988,978)</b>	<b>(5,491,322)</b>
<b>NON MARK-UP/INTEREST EXPENSES</b>		
Administrative expenses	<b>788,552</b>	691,363
Other provisions/write offs/reversals	<b>-</b>	-
Other charges	<b>392</b>	70
Total non-markup/interest expenses	<u>788,944</u>	<u>691,433</u>
<b>LOSS BEFORE TAXATION</b>	<b>(4,777,922)</b>	<b>(6,182,755)</b>
Taxation - Current	<b>-</b>	-
- Prior years	<b>-</b>	-
- Deferred	<b>(1,645,482)</b>	(2,041,207)
	<u>(1,645,482)</u>	<u>(2,041,207)</u>
<b>LOSS AFTER TAXATION</b>	<b>(3,132,440)</b>	<b>(4,141,548)</b>
<b>Loss per share -Basic and diluted (Rupees)</b>	<b>(5.92)</b>	<b>(7.83)</b>

The annexed notes from 1 to 17 form an integral part of these interim condensed consolidated financial statements.

President

Director

**THE BANK OF PUNJAB GROUP  
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE QUARTER ENDED MARCH 31, 2010 (UN-AUDITED)**

	<b>Quarter ended March 31, 2010</b>	<b>Quarter ended March 31, 2009</b>
	<b>Rupees in '000'</b>	
<b>Loss after taxation</b>	<b>(3,132,440)</b>	<b>(4,141,548)</b>
<b>Other comprehensive income</b>	-	-
<b>Total comprehensive loss</b>	<b><u>(3,132,440)</u></b>	<b><u>(4,141,548)</u></b>

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President

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**THE BANK OF PUNJAB GROUP**  
**INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE QUARTER ENDED MARCH 31, 2010 (UN-AUDITED)**

	Quarter ended March 31, 2010	Quarter ended March 31, 2009
	Rupees in '000'	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(4,777,922)	(6,182,755)
Less: Dividend income	(50,553)	(73,641)
	<u>(4,828,475)</u>	<u>(6,256,396)</u>
Adjustments for non-cash charges:		
Depreciation	76,324	82,973
Amortization on intangible assets	-	3,266
Amortization on premium on Pakistan Investment Bonds	17,807	17,810
Unrealized gain on revaluation of investments classified as held for trading	(831)	-
Provision against non-performing loans and advances - net	4,208,584	4,281,501
Provision for diminution in the value of investments - net	25,001	339,333
Provision for employees compensated absences	6,000	7,000
Provision for gratuity	12,600	10,000
Net profit on sale of property and equipment	(1,459)	(232)
Gain on sale and redemption of securities	(6,666)	(3,851)
Finance charges on leased assets	539	1,085
	<u>4,337,899</u>	<u>4,738,885</u>
	(490,576)	(1,517,511)
(Increase)/ Decrease in operating assets:		
Lendings to financial institutions	(851,114)	(2,999,204)
Net investments in held for trading securities	21,409	-
Advances	1,545,468	5,409,571
Others assets	387,167	529,878
	<u>1,102,930</u>	<u>2,940,245</u>
Increase/ (Decrease) in operating liabilities:		
Bills Payable	(147,999)	(365,206)
Borrowings	(1,277,872)	(4,780,278)
Deposits and other accounts	211,484	5,164,000
Other liabilities	(257,181)	(982,576)
	<u>(1,471,568)</u>	<u>(964,060)</u>
	(859,214)	458,674
Financial charges paid	(539)	(401,533)
Income tax paid	38,162	(1,085)
<b>Net cash (used in) / flow from operating activities</b>	<u>(821,591)</u>	<u>56,056</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	(1,244,922)	(2,447,970)
Net investments in held to maturity securities	173,304	-
Dividends received	(64,980)	68,443
Investments in operating fixed assets	(69,715)	(79,749)
Sale proceeds of property and equipment disposed-off	1,459	911
<b>Net cash used in investing activities</b>	<u>(1,204,854)</u>	<u>(2,458,365)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of lease obligations	(3,393)	(2,175)
<b>Net cash flow from / (used in) financing activities</b>	<u>(3,393)</u>	<u>(2,175)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(2,029,838)</u>	<u>(2,404,484)</u>
Cash and cash equivalents at beginning of the period	<u>15,173,410</u>	<u>12,705,283</u>
Cash and cash equivalents at end of the period	<u><u>13,143,572</u></u>	<u><u>10,300,799</u></u>
<b>Cash and cash equivalents:</b>		
Cash and balances with treasury banks	10,487,642	9,170,554
Balances with other banks	2,755,801	1,332,270
Overdrawn nostro accounts	(99,755)	(202,025)
Other overdrawn bank accounts	-	-
	<u><u>13,143,688</u></u>	<u><u>10,300,799</u></u>

The annexed notes from 1 to 17 form an integral part of these interim condensed consolidated financial statements.

President

Director

**THE BANK OF PUNJAB GROUP**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE QUARTER ENDED MARCH 31, 2010 (UN-AUDITED)**

	Share capital	Statutory reserve	Capital Reserves		Revenue Reserves		Total
			Share premium	Restructuring Reserve	General reserve	Un appropriated profit / (Accumulated loss)	
(Rupees in thousand)							
<b>Balance as at January 01, 2009</b>	<b>5,287,974</b>	<b>2,894,000</b>	<b>37,882</b>	<b>-</b>	<b>4,495,350</b>	<b>(7,674,257)</b>	<b>5,040,949</b>
Transfer from surplus on revaluation of fixed assets to unappropriated profit / (accumulated loss) - net of tax	-	-	-	-	-	1,875	1,875
Loss for the quarter ended March 31, 2009	-	-	-	-	-	(4,141,548)	(4,141,548)
<b>Balance as at March 31, 2009</b>	<b>5,287,974</b>	<b>2,894,000</b>	<b>37,882</b>	<b>-</b>	<b>4,495,350</b>	<b>(11,813,930)</b>	<b>901,276</b>
Loss for the period April 01, 2009 to December 31, 2009	-	-	-	-	-	(5,953,129)	(5,953,129)
Transfer to accumulated loss	-	(2,894,000)	-	-	(4,495,350)	7,389,350	-
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	-	5,627	5,627
Transfer from provision against NPLs	-	-	-	535,897	-	-	535,897
<b>Balance as at January 01, 2010</b>	<b>5,287,974</b>	<b>-</b>	<b>37,882</b>	<b>535,897</b>	<b>-</b>	<b>(10,372,082)</b>	<b>(4,510,329)</b>
Transfer from revaluation surplus	-	-	-	-	-	1,782	1,782
Loss for the quarter ended March 31, 2010	-	-	-	-	-	(3,132,440)	(3,132,440)
<b>Balance as at March 31, 2010</b>	<b>5,287,974</b>	<b>-</b>	<b>37,882</b>	<b>535,897</b>	<b>-</b>	<b>(13,502,740)</b>	<b>(7,640,987)</b>

The annexed notes from 1 to 17 form an integral part of these interim condensed consolidated financial statements.

President

Director

**The Bank of Punjab Group**  
**Notes to the Interim Condensed Consolidated Financial Statements (Un-audited)**  
**For the Quarter Ended March 31, 2010**

**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 272 branches (2009: 272 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 share deposit money of the Group amounts to Rs. 2,359,013 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 31 March 2010, net advances aggregating to Rs. 31,699,961 thousand requiring additional provision of Rs. 25,802,674 thousand there against, have not been subjected to provisioning criteria as prescribed in State Bank of Pakistan's (SBP) prudential regulations in view of the relaxation provided by SBP vide letter No. OSED/Div-01/SEU-03/010(1)-2012/568 dated 13 March 2012, on the basis of two Letters of Comfort (LOCs) issued by Government of the Punjab (GOPb) as explained in para 2 below.

Government of the Punjab (GOPb) being the majority shareholder, in order to support the Bank, deposited Rs.10,000,000 thousand as advance subscription money in year 2009 and further deposited additional Rs.7,000,000 thousand as advance subscription money in 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**

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

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

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

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

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of annual financial statements of the Group for the year ended December 31, 2009.

## **4. Taxation**

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



**THE BANK OF PUNJAB GROUP**

	<b>(Un-audited)</b>	<b>(Audited)</b>
	<b>March 31,</b>	<b>December 31,</b>
	<b>2010</b>	<b>2009</b>
	<b>(Rupees in thousand)</b>	
<b>14.6 Commitments in respect of forward exchange contracts</b>		
Purchase	173,574	546,671
Sale	1,321,639	756,899
	<u>1,495,213</u>	<u>1,303,570</u>
<b>14.7 Commitments for the acquisition of operating fixed assets</b>	<u>3,309</u>	<u>28,422</u>

**15. RELATED PARTY TRANSACTIONS**

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

	<b>(Un-audited)</b>	<b>(Audited)</b>
	<b>March 31,</b>	<b>December 31,</b>
	<b>2010</b>	<b>2009</b>
	<b>(Rupees in thousand)</b>	
<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	973,315	1,041,116
Made during the period	586,460	4,091,171
Repaid/matured during the period	626,889	(4,158,972)
Outstanding at the end of the period	<u>932,886</u>	<u>973,315</u>
Mark-up/return earned	<u>32,454</u>	<u>144,960</u>
<b>Deposits in current account</b>	<u>19</u>	<u>7</u>
<b>Placement</b>		
Outstanding at beginning of the period	300,000	300,000
Made during the period	300,000	1,200,000
Repaid/matured during the period	(300,000)	(1,200,000)
Outstanding at the end of the period	<u>300,000</u>	<u>300,000</u>
Mark-up/return earned	<u>9,550</u>	<u>43,562</u>
<b>Lease liability</b>		
Outstanding at beginning of the period	19,907	30,632
Repayments of lease rentals	(3,393)	(10,725)
Outstanding at the end of the period	<u>16,514</u>	<u>19,907</u>
<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	<u>28,081</u>	<u>23,921</u>
Contribution to employees provident fund	<u>13,018</u>	<u>46,725</u>

**16 DATE OF AUTHORIZATION FOR ISSUE**

These interim condensed financial statements were authorized for issuance on May 29, 2012 by the Board of Directors of the Bank.

**17 GENERAL**

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

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

President

Director