



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

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

|   |             | (Un-audited)<br>March 31,<br>2010 | (Audited)<br>December 31,<br>2009 |
|---|-------------|-----------------------------------|-----------------------------------|
|   | <i>NOTE</i> | (Rupees in thousand)              |                                   |
| <b>ASSETS</b>                                       |             |                                   |                                   |
| Cash and balances with treasury banks               |             | 10,487,642                        | 13,043,705                        |
| Balances with other banks                           |             | 2,755,801                         | 2,185,782                         |
| Lendings to financial institutions                  | 5           | 1,904,664                         | 1,053,550                         |
| Investments   | 6           | 59,312,699                        | 57,960,105                        |
| Advances  | 7           | 115,564,197                       | 121,315,799                       |
| Operating fixed assets                              | 8           | 3,420,658                         | 3,427,267                         |
| Deferred tax assets                                 | 9           | 13,490,787                        | 11,921,146                        |
| Other assets  |             | 5,452,713                         | 5,762,509                         |
|   |             | <b>212,389,161</b>                | 216,669,863                       |
| <b>LIABILITIES</b>                                  |             |                                   |                                   |
| Bills payable                                       |             | 727,619                           | 875,618                           |
| Borrowings  | 10          | 12,805,820                        | 14,040,014                        |
| Deposits and other accounts                         | 11          | 191,069,649                       | 190,858,215                       |
| Sub-ordinated loans                                 |             | -                                 | -                                 |
| Liabilities against assets subject to finance lease |             | 16,514                            | 19,907                            |
| Deferred tax liabilities                            |             | -                                 | -                                 |
| Other liabilities                                   |             | 4,461,544                         | 4,700,166                         |
|   |             | <b>209,081,146</b>                | 210,493,920                       |
| <b>NET ASSETS</b>                                   |             | <b>3,308,015</b>                  | 6,175,943                         |
| <b>REPRESENTED BY</b>                               |             |                                   |                                   |
| Share capital                                       | 12          | 5,287,974                         | 5,287,974                         |
| Reserves  |             | 573,779                           | 573,779                           |
| Accumulated loss                                    |             | (13,458,839)                      | (10,330,839)                      |
|   |             | <b>(7,597,086)</b>                | (4,469,086)                       |
| Share deposit money                                 |             | 10,000,000                        | 10,000,000                        |
|   |             | <b>2,402,914</b>                  | 5,530,914                         |
| Surplus on revaluation of assets                    | 13          | 905,101                           | 645,029                           |
|   |             | <b>3,308,015</b>                  | 6,175,943                         |
| Contingencies and commitments                       | 14          |                                   |                                   |

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

President

Director

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

|  | Quarter ended<br>March 31,<br>2010 | Quarter ended<br>March 31,<br>2009 |
|--|------------------------------------|------------------------------------|
|  | (Rupees in thousand)               |                                    |
| <b>Mark-up/Return/Interest Earned</b>  | <b>4,479,216</b>                   | 3,205,512                          |
| <b>Mark-up/Return/Interest Expensed</b>                                      | <b>4,539,899</b>                   | 4,459,577                          |
| Net Mark-up/ Interest Income   | <u>(60,683)</u>                    | <u>(1,254,065)</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>(4,294,268)</b>                 | <b>(5,874,899)</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>108,255</b>                     | 120,508                            |
| Total non-markup/interest income   | <u>305,753</u>                     | <u>383,868</u>                     |
|  | <b>(3,988,515)</b>                 | <b>(5,491,031)</b>                 |
| <b>NON MARK-UP/INTEREST EXPENSES</b>   |                                    |                                    |
| Administrative expenses  | <b>786,357</b>                     | 689,153                            |
| Other provisions/write offs/reversals  | <b>-</b>                           | -                                  |
| Other charges  | <b>392</b>                         | 70                                 |
| Total non-markup/interest expenses   | <u>786,749</u>                     | <u>689,223</u>                     |
| <b>LOSS BEFORE TAXATION</b>  | <b>(4,775,264)</b>                 | <b>(6,180,254)</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>(3,129,782)</b>                 | <b>(4,139,047)</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 financial statements.

President

Director

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

|                                   | <b>Quarter ended<br/>March 31,<br/>2010</b> | <b>Quarter ended<br/>March 31,<br/>2009</b> |
|-----------------------------------|---|---|
|                                   | <b>Rupees in '000'</b>                      |   |
| <b>Loss after taxation</b>        | <b>(3,129,782)</b>                          | <b>(4,139,047)</b>                          |
| <b>Other comprehensive income</b> | -   | -   |
| <b>Total comprehensive loss</b>   | <b><u>(3,129,782)</u></b>                   | <b><u>(4,139,047)</u></b>                   |

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

President

Director

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

|  | Quarter ended<br>March 31,<br>2010 | Quarter ended<br>March 31,<br>2009 |
|--|------------------------------------|------------------------------------|
|  | Rupees in '000'                    |                                    |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                  |                                    |                                    |
| Loss before taxation   | (4,775,264)                        | (6,180,254)                        |
| Less: Dividend income  | (50,553)                           | (73,641)                           |
|  | <u>(4,825,817)</u>                 | <u>(6,253,895)</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>                   |
|  | (487,918)                          | (1,515,010)                        |
| (Increase)/ Decrease in operating assets:                                    |                                    |                                    |
| Lendings to financial institutions   | (851,114)                          | (2,999,204)                        |
| Net investments in held for trading securities                               | 21,409                             | -                                  |
| Advances   | 1,543,018                          | 5,408,267                          |
| Others assets  | 387,167                            | 529,878                            |
|  | <u>1,100,480</u>                   | <u>2,938,941</u>                   |
| Increase/ (Decrease) in operating liabilities:                               |                                    |                                    |
| Bills Payable  | (147,999)                          | (365,206)                          |
| Borrowings   | (1,277,872)                        | (4,780,278)                        |
| Deposits and other accounts  | 211,434                            | 5,163,331                          |
| Other liabilities  | (257,223)                          | (983,103)                          |
|  | <u>(1,471,660)</u>                 | <u>(965,256)</u>                   |
|  | (859,098)                          | 458,675                            |
| Financial charges paid   | (539)                              | (401,533)                          |
| Income tax paid  | 38,162                             | (1,085)                            |
| <b>Net cash (used in) / flow from operating activities</b>                   | <u>(821,475)</u>                   | <u>56,057</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>(2,029,722)</u>                 | <u>(2,404,483)</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>13,143,688</u>                  | <u>10,300,799</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>13,143,688</u>                  | <u>10,300,799</u>                  |

President

Director

**THE BANK OF PUNJAB**  
**INTERIM CONDENSED 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    | Reserve for issuance of bonus shares | 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>(7,658,686)</b>                          | <b>5,056,520</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   | -                    | -                 | -                | -                                    | -                | (4,139,047)                                 | (4,139,047)        |
| <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>(11,795,858)</b>                         | <b>919,348</b>     |
| Loss for the period April 01, 2009 to December 31, 2009   | -                    | -                 | -                | -                                    | -                | (5,929,958)                                 | (5,929,958)        |
| 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>(10,330,839)</b>                         | <b>(4,469,086)</b> |
| Transfer from revaluation surplus   | -                    | -                 | -                | -                                    | -                | 1,782                                       | 1,782              |
| Loss for the quarter ended March 31, 2010   | -                    | -                 | -                | -                                    | -                | (3,129,782)                                 | (3,129,782)        |
| <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>(13,458,839)</b>                         | <b>(7,597,086)</b> |

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

President

Director

**The Bank of Punjab**  
**Notes to the Interim Condensed Financial Statements (Un-audited)**  
**For the Quarter Ended March 31, 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 September 19, 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 (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 Punjab.
- 1.2 The paid-up capital, reserves (net of losses) and share deposit money of the Bank amounts to Rs. 2,402,914 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 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 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 Bank for the year ended December 31, 2009.

**3. Summary of significant accounting policies**

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

**4. Taxation**

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



**THE BANK OF PUNJAB**

(Un-audited) (Audited)  
**March 31,** December 31,  
**2010** 2009  
**(Rupees in thousand)**

**5. LENDINGS TO FINANCIAL INSTITUTIONS**

|  |                  |                  |
|--|------------------|------------------|
| Call money lendings                          | 600,000          | -                |
| Repurchase agreement lendings (Reverse Repo) | 671,331          | 495,217          |
| Certificate of investment                    | 233,333          | 258,333          |
| Placements                                   | 400,000          | 300,000          |
|  | <b>1,904,664</b> | <b>1,053,550</b> |

**6 INVESTMENTS**

| <i>NOTE</i>   | (Un-audited)<br>March 31, 2010 |                        |                   | (Audited)<br>December 31, 2009 |                        |                   |
|---|--------------------------------|------------------------|-------------------|--------------------------------|------------------------|-------------------|
|   | Held by<br>Bank                | Given as<br>Collateral | Total             | Held by Bank                   | Given as<br>Collateral | Total             |
|   | (Rupees in thousand)           |                        |                   |                                |                        |                   |
| <b>Held for trading securities</b>  |                                |                        |                   |                                |                        |                   |
| Ordinary shares of listed companies                                       | 47,330                         | -                      | 47,330            | 69,932                         | -                      | 69,932            |
| <b>Available for sale securities</b>                                      |                                |                        |                   |                                |                        |                   |
| Market Treasury Bills   | 27,553,298                     | 6,862,176              | 34,415,474        | 25,059,220                     | 7,708,707              | 32,767,927        |
| Pakistan Investment Bonds   | 1,660,709                      | -                      | 1,660,709         | 1,318,810                      | -                      | 1,318,810         |
| Ijarah Sukuk  | 10,000                         | -                      | 10,000            | 10,000                         | -                      | 10,000            |
| Ordinary shares of listed companies and modaraba                          | 263,142                        | -                      | 263,142           | 240,636                        | -                      | 240,636           |
| Preference Shares of listed companies                                     | 210,908                        | -                      | 210,908           | 210,908                        | -                      | 210,908           |
| Ordinary Shares of un-listed companies                                    | 25,000                         | -                      | 25,000            | 25,000                         | -                      | 25,000            |
| NIT Units   | 5,745,924                      | -                      | 5,745,924         | 5,745,924                      | -                      | 5,745,924         |
| Investment in mutual funds  | 5,888,515                      | -                      | 5,888,515         | 6,558,515                      | -                      | 6,558,515         |
| Listed Term Finance Certificates (TFCs)                                   | 776,745                        | -                      | 776,745           | 792,564                        | -                      | 792,564           |
| Un - Listed Term Finance Certificates (TFCs)                              | 8,549,507                      | -                      | 8,549,507         | 8,624,052                      | -                      | 8,624,052         |
| <b>Held to maturity securities</b>  |                                |                        |                   |                                |                        |                   |
| Pakistan Investment Bonds   | 2,550,000                      | -                      | 2,550,000         | 2,741,111                      | -                      | 2,741,111         |
| 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>   | <b>53,446,423</b>              | <b>6,862,176</b>       | <b>60,308,599</b> | <b>51,562,017</b>              | <b>7,708,707</b>       | <b>59,270,724</b> |
| Less: Provision for diminution in the value of investment                 | (1,032,467)                    | -                      | (1,032,467)       | (1,007,466)                    | -                      | (1,007,466)       |
| <b>Investments net of provisions</b>                                      | <b>52,413,956</b>              | <b>6,862,176</b>       | <b>59,276,132</b> | <b>50,554,551</b>              | <b>7,708,707</b>       | <b>58,263,258</b> |
| Less: Surplus / (Deficit) on revaluation of available for sale securities | 35,736                         | -                      | 35,736            | (301,960)                      | -                      | (301,960)         |
| Less: Surplus / (Deficit) on revaluation of held for trading securities   | 831                            | -                      | 831               | (1,193)                        | -                      | (1,193)           |
| <b>Total investment at market value</b>                                   | <b>52,450,523</b>              | <b>6,862,176</b>       | <b>59,312,699</b> | <b>50,251,398</b>              | <b>7,708,707</b>       | <b>57,960,105</b> |

**6.1** This represents 203,810,192 units (2009: 203,810,192 units) in National Investment (Unit) Trust (NI(U)T)-LOC Holders' Fund measured at NAV of 31 December 2009 as announced by NIT. The Letter of Comfort (LOC) dated June 30, 2009 issued by the Federal Government, confirming facilitation to NITL in redeeming these units at a price of Rs. 13.70 per unit, expired on December 31, 2009.

The Ministry of Finance (MoF) vide letter No. F.4(2)-Inv.III/ 2000 dated 03 December, 2009 advised a scheme for settlement of NI(U)T-LOC Holders Fund by distributing all assets to LOC holders after charging an agreed premium of 2.5%, except for shares held in Pakistan State Oil (PSO) and Sui Northern Gas Pipelines Limited (SNGPL) (Strategic Assets) which were to be taken over by the NBP for settlement of the balance claims of respective LOC Fund Holders.

Subsequent to the balance sheet date, the Bank has recorded the redemption / disposal of 178,559,130 units against proportionate share of the Non-Strategic Assets. For remaining units attributable to Strategic Assets, the Bank has agreed the market value of these shares as of 13 October 2010 for redemption of these units. The Bank has not yet received the funds against these units. However, 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.

- 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. 2,311,861 thousand (2009: Rs 2,298,802 thousand).

|   | (Un-audited)<br>March 31,<br>2010<br>(Rupees in thousand) | (Audited)<br>December 31,<br>2009 |
|---|---|-----------------------------------|
| <b>7. ADVANCES</b>  |   |                                   |
| Loans, cash credits, running finances, etc. - in Pakistan   | 144,650,506   | 146,240,824                       |
| Net investment in finance lease - in Pakistan               | 2,945,604   | 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   | 448,655   | 443,699                           |
| Payable outside Pakistan                                    | 234,459   | 424,443                           |
|   | <b>683,114</b>  | 868,142                           |
| Advances - gross  | 149,972,366   | 151,515,402                       |
| Provision for non-performing advances                       |   |                                   |
| -Specific   | 34,385,942  | 30,174,305                        |
| -General  | 22,227  | 25,298                            |
|   | <b>34,408,169</b>   | 30,199,603                        |
| Advances - net of provision                                 | <b>115,564,197</b>  | 121,315,799                       |

7.1 Provision against certain net advances amounting to Rs. 31,699,961 thousand {2009: Rs.27,816,636 (thousand)} requiring additional provisioning of Rs. 25,802,674 thousand {2009: Rs. 21,041,154 (thousand)} has not been considered necessary in these financial statements on the basis of undertaking given by Government of the Punjab as stated in Note 1.2.

7.2 Advances include Rs. 80,159,258 thousand (2009: Rs. 77,342,385 thousand ) which have been placed under non-performing status as detailed below:

| Category of classification        | March 31, 2010 (Un-audited) |          |                   | Provision<br>Required | Provision<br>Held |
|-----------------------------------|-----------------------------|----------|-------------------|-----------------------|-------------------|
|                                   | Domestic                    | Overseas | Total             |                       |                   |
|                                   | (Rupees in thousand)        |          |                   |                       |                   |
| Other assets especially mentioned | 742,314                     | -        | 742,314           | -                     | -                 |
| Substandard                       | 13,236,597                  | -        | 13,236,597        | 4,962,535             | 4,962,535         |
| Doubtful                          | 8,553,366                   | -        | 8,553,366         | 3,120,942             | 3,120,942         |
| Loss                              | 57,626,981                  | -        | 57,626,981        | 26,302,465            | 26,302,465        |
|                                   | <b>80,159,258</b>           | -        | <b>80,159,258</b> | <b>34,385,942</b>     | <b>34,385,942</b> |

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

|                                  | (Un-audited)<br>March 31,<br>2010<br>(Rupees in thousand) | (Audited)<br>December 31,<br>2009 |
|----------------------------------|---|-----------------------------------|
| <b>8. OPERATING FIXED ASSETS</b> |   |                                   |
| Capital work in progress         | 85,187  | 68,236                            |
| Property and equipment           | 3,335,471   | 3,359,031                         |
|                                  | <b>3,420,658</b>  | 3,427,267                         |
| <b>9. DEFERRED TAX ASSETS</b>    |   |                                   |

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.

**THE BANK OF PUNJAB**

(Un-audited) (Audited)  
**March 31,** **December 31,**  
**2010** **2009**  
**(Rupees in thousand)**

**10. BORROWINGS**

**Secured**

Borrowings from SBP

-Export refinance (ERF)

**3,887,856** 4,585,528

-Long term financing-export oriented projects (LTF- EOP)

**1,352,539** 1,496,582

-Long term financing facility (LTFF)

**220,494** 220,857

Repurchase agreement borrowings

**6,862,176** 7,680,970

**12,323,065** 13,983,937

**Unsecured**

Call borrowings

**383,000** -

Over drawn nostro a/c

**99,755** 56,077

**482,755** 56,077

**12,805,820** 14,040,014

**11. DEPOSITS AND OTHER ACCOUNTS**

**Customers**

Fixed deposits

**92,151,948** 90,596,230

Savings deposits

**69,177,775** 65,534,922

Current Accounts

**23,872,224** 26,116,867

Sundry deposits, margin accounts, etc.

**1,181,444** 1,311,926

**186,383,391** 183,559,945

**Financial Institutions**

Remunerative deposits

**4,282,139** 5,848,985

Non-remunerative deposits

**404,119** 1,449,285

**4,686,258** 7,298,270

**191,069,649** 190,858,215

**11.1 Particulars of deposits**

In local currency

**189,755,797** 189,598,962

In foreign currencies

**1,313,852** 1,259,253

**191,069,649** 190,858,215

**12. SHARE CAPITAL**

(Un-audited) (Audited)  
**March 31,** **December 31,**  
**2010** **2009**  
**(No. of shares)**

(Un-audited) (Audited)  
**March 31,** **December 31,**  
**2010** **2009**  
**(Rupees)**

**Authorized Capital**

**1,000,000,000** 1,000,000,000 Ordinary shares of Rs. 10/- each

**10,000,000** 10,000,000

**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

**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

**THE BANK OF PUNJAB**  
**(Un-audited) (Audited)**  
**March 31, December 31,**  
**2010 2009**  
**(Rupees in thousand)**

**13. SURPLUS ON REVALUATION OF ASSETS**

|   |                |                |
|---|----------------|----------------|
| Surplus on revaluation of fixed assets - net of tax | 863,230        | 864,055        |
| Deficit on revaluation of securities - net of tax   | 41,871         | (219,026)      |
|   | <u>905,101</u> | <u>645,029</u> |

**14. CONTINGENCIES AND COMMITMENTS**

**14.1 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)<br>March 31,<br>2010 | (Audited)<br>December<br>2009 |
|------------------------|-----------------------------------|-------------------------------|
|                        | (Rupees in thousand)              |                               |
| Government             | -                                 | -                             |
| Financial institutions | -                                 | -                             |
| Others                 | 2,284,448                         | 3,162,896                     |
|                        | <u>2,284,448</u>                  | <u>3,162,896</u>              |

**14.2 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)<br>March 31,<br>2010 | (Audited)<br>December<br>2009 |
|------------------------|-----------------------------------|-------------------------------|
|                        | (Rupees in thousand)              |                               |
| Government             | 1,840,917                         | 2,137,378                     |
| Financial institutions | 265,680                           | 230,664                       |
| Others                 | 11,400,733                        | 12,703,017                    |
|                        | <u>13,507,330</u>                 | <u>15,071,059</u>             |

**14.3 Trade related contingent liabilities**

|                        |                   |                  |
|------------------------|-------------------|------------------|
| Government             | 1,126,900         | 1,656,409        |
| Financial institutions | -                 | 17,778           |
| Others                 | 10,554,016        | 7,850,702        |
|                        | <u>11,680,916</u> | <u>9,524,889</u> |

**14.4 Other contingencies**

|  |                  |                  |
|--|------------------|------------------|
| Claims against the bank not acknowledged as debt | 5,328,302        | 4,877,227        |
|  | <u>5,328,302</u> | <u>4,877,227</u> |

**14.5 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.

**THE BANK OF PUNJAB**

(Un-audited) (Audited)  
**March 31,** December 31,  
**2010** 2009  
**(Rupees in thousand)**

**14.6 Commitments in respect of forward exchange contracts**

|          |                  |                  |
|----------|------------------|------------------|
| Purchase | 173,574          | 546,671          |
| Sale     | 1,321,639        | 756,899          |
|          | <b>1,495,213</b> | <b>1,303,570</b> |

**14.7 Commitments for the acquisition of operating fixed assets**

|  |              |               |
|--|--------------|---------------|
|  | <b>3,309</b> | <b>28,422</b> |
|--|--------------|---------------|

**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.

(Un-audited) (Audited)  
**March 31,** December 31,  
**2010** 2009  
**(Rupees in thousand)**

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

|                             |           |            |
|-----------------------------|-----------|------------|
| Deposits in current account | <b>95</b> | <b>128</b> |
|-----------------------------|-----------|------------|

**Advances**

|  |               |               |
|--|---------------|---------------|
| Outstanding at beginning of the period | 14,100        | 9,100         |
| Made during the period                 | 900           | 6,500         |
| Repaid/matured during the period       | -             | (1,500)       |
| Outstanding at the end of the period   | <b>15,000</b> | <b>14,100</b> |
| Mark-up/return earned                  | <b>481</b>    | <b>1,505</b>  |

**First Punjab Modaraba**  
**(Modaraba floated by the wholly owned subsidiary of the Bank)**

**Advances**

|  |                |                |
|--|----------------|----------------|
| 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   | <b>932,886</b> | <b>973,315</b> |
| Mark-up/return earned                  | <b>32,454</b>  | <b>144,960</b> |

**Deposits in current account**

|  |           |          |
|--|-----------|----------|
|  | <b>19</b> | <b>7</b> |
|--|-----------|----------|

**Placement**

|  |                |                |
|--|----------------|----------------|
| 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   | <b>300,000</b> | <b>300,000</b> |
| Mark-up/return earned                  | <b>9,550</b>   | <b>43,562</b>  |

**Lease liability**

|  |               |               |
|--|---------------|---------------|
| 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   | <b>16,514</b> | <b>19,907</b> |

**Bankers Avenue Co-operative Housing Society**  
**(A co-operative society managed by key management personnel of the Bank)**

|                            |               |               |
|----------------------------|---------------|---------------|
| Deposits in saving account | <b>28,081</b> | <b>23,921</b> |
|----------------------------|---------------|---------------|

|  |               |               |
|--|---------------|---------------|
| Contribution to employees provident fund | <b>13,018</b> | <b>46,725</b> |
|--|---------------|---------------|

**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