



HALF YEARLY  
REPORT  
(Un-audited)  
JANUARY - JUNE

2018



GROWTH IS AN EVIDENCE OF SUCCESS



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# Corporate Information

## Board of Directors

Dr. Pervez Tahir	Chairman
Mr. Naeemuddin Khan	President / CEO
Mr. Mohammad Jehanzeb Khan	Director
Mr. Hamed Yaqoob Sheikh	Director
Khawaja Farooq Saeed	Director
Mr. Saeed Anwar	Director
Dr. Umar Saif	Director
Syed Maratib Ali	Director
Mr. Mohammed Afzaal Bhatti	Director
Dr. Muhammad Amjad Saqib	Director
Mr. Raza Saeed	Secretary to the Board

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## Central Audit Committee (CAC)

Khawaja Farooq Saeed	Chairman
Mr. Mohammed Afzaal Bhatti	Member
Mr. Saeed Anwar	Member

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## Board Risk Management Committee (BRMC)

Syed Maratib Ali	Chairman
Mr. Saeed Anwar	Member
Khawaja Farooq Saeed	Director

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## Human Resource & Remuneration Committee (HR&RC)

Mr. Mohammad Jehanzeb Khan	Chairman
Syed Maratib Ali	Member
Mr. Mohammed Afzaal Bhatti	Member
Mr. Naeemuddin Khan	Ex-officio Member

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## Auditors

EY Ford Rhodes, Chartered Accountants

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## Registered Office

BOP Tower, 10-B, Block-E-II,  
Main Boulevard, Gulberg-III, Lahore.  
Telephones: +92 - 042-35783700-10  
Fax No. +92 - 042 - 35783975  
UAN: 111-200-100

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## Website

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

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## Registrar

M/s. Corplink (Pvt) Limited  
Wings Arcade, 1-K, Commercial,  
Model Town, Lahore.  
Telephones: +92 42 35916714, 35916719, 35839182  
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# Directors' Report

Half Yearly Financial Statements - June 30, 2018

On behalf of the Board of Directors, I am pleased to present Un-audited Condensed Interim Financial Statements of The Bank of Punjab for the half year ended June 30, 2018.

As per recently issued Monetary Policy Statement of SBP, Pakistan has achieved a thirteen-year high growth rate of 5.8 percent in FY18 and the average CPI inflation was well below the 6.0 percent target. However, the current account deficit has also increased to \$16.0 billion during Jul- May FY18 as opposed to \$11.1 billion in the corresponding period last year. Exports and workers' remittances are performing better, however, the sheer size of imports continues to pressurize FX reserves.

The manufacturing sector is also poised to show a mixed picture owing to high base-effect, the on-going monetary tightening and some sector specific issues whereas construction allied industries are likely to perform at par. Taking stock of these developments and the spillover on the services sector, SBP has projected FY19 GDP growth to be around 5.5 percent as compared to the annual target of 6.2 percent.

Despite some slowdown in fixed investment and particular issues of the sugar and fertilizer sectors, stock of private sector borrowing increased by Rs.768 billion in FY18 which translates into a growth of 14.8 percent. The SBP Policy Rate was increased from 5.75% to 6.00% in January'2018 with further upward revision to 6.50% in May'2018 and 7.50% in July'2018.

## Financial Highlights:

## Rs. in Million

Profit before taxation	6,149.5
Taxation	2,365.1
Profit after taxation	3,784.4
Earnings per share (Rupees)	1.43

The decision of discharging Letters of Comfort (LOCs) issued by Government of Punjab as on December 31, 2017 has well and truly set the tone for a prosperous year 2018 for the Bank. Reaping the benefits of growth trends achieved and recovery efforts, the Bank's profit before tax for the half year 2018 reached the level of Rs. 6,149 million witnessing a hefty growth of 62% over the corresponding period of last year.

During 1st half 2018, Bank's Net Interest Margin significantly improved to Rs. 9,181 million as against Rs. 7,160 million for corresponding period last year thereby registering a rise of 28%. Non Mark-up/Interest Income and Non Mark-up/Interest Expenses remained at Rs. 1,835 million and Rs. 5,892 million, respectively. Accordingly, the Bank was able to post a pre-tax profit of Rs. 6,149 million as against Rs. 3,801 million for corresponding period last year thereby registering a significant rise of 62%. The Earnings per Share remained at Rs. 1.43.

As on June 30, 2018, the Deposits increased to Rs. 592.7 billion as against Rs. 556.3 billion as of December 31, 2017, while Total Assets increased to Rs. 691.1 billion as against Rs. 649.5 billion as on December 31, 2017. Investments and Gross Advances stood at Rs. 220.7 billion and Rs. 404.1 billion, respectively. The Tier-I Equity also improved to Rs. 30.8 billion as against Rs. 26.8 billion as on December 31, 2017.

During 1st half 2018, the Bank has successfully raised Rs. 4.3 billion as Tier-II Capital through issuance of rated and unlisted privately placed term finance certificates. As on June 30, 2018, the Bank stands compliant with the Capital Adequacy Ratio (CAR) requirement prescribed by SBP. The CAR improved to 12.66% as against 9.73% as on December 31, 2017. Besides, the Bank now also stands fully compliant with provisioning requirements under Prudential Regulations of SBP.

The Bank has been assigned long term entity rating of "AA" by M/s PACRA with short term rating being at the highest rank of "A1+". Further, the Bank now has a nationwide network of 540 online branches, including 6 sub-branches, and the Bank has planned to further expand its outreach during the year and the branch network would reach at 576 as on December 31, 2018.

I am thankful to our valued customers and shareholders for their continuous support and trust and assure that the Bank would continue its efforts to further accelerate the current growth trends. I wish to extend my gratitude to the Government of the Punjab and the State Bank of Pakistan for their support and guidance. I also appreciate Bank's management and staff for their contribution towards progress and prosperity of the Bank.

For and on behalf of the Board

**Dr. Pervez Tahir**  
Chairman

## ڈائریکٹرز کا جائزہ

دی بینک آف پنجاب ششماہی حسابات 30 جون 2018ء

یہ بات مبرے لیے باعث مسرت ہے کہ میں دی بینک آف پنجاب کے بورڈ آف ڈائریکٹرز کی جانب سے 30 جون 2018ء کو اختتام پذیر ہونے والی ششماہی کے غیر آڈٹ شدہ حسابات پیش کر رہا ہوں۔

سٹیٹ بینک آف پاکستان کے حالیہ زری پالیسی بیان کے مطابق پاکستان نے مالی سال 2018ء میں 13 سال کی بلند ترین نمو 5.8 فیصد حاصل کر لی ہے اور اوسط مہنگائی بلحاظ صارف اشاریہ قیمت (CPI) 6.0 فیصد کے ہدف سے کافی نیچے ہے۔ جبکہ جولائی تا مئی مالی سال 2018 میں جاری کھانے کا خسارہ بھی بڑھ کر 16.0 ارب ڈالر تک پہنچ چکا ہے جو کہ گزشتہ برس کی اسی مدت میں 11.1 ارب ڈالر تھا۔ برآمدات اور کارکنوں کی ترسیلات زر بہتر کارکردگی کا مظاہرہ کر رہی ہیں لیکن زرمبادلہ کے ذخائر پر درآمدات کے حجم کا دباؤ بدستور موجود ہے۔

اشیاء سازی کے شعبے (LSM) میں بھی بلند اساسی اثر (base-effect)، جاری زری تختی اور بعض شعبہ جاتی مسائل کی بنا پر ملی جلی تصویر سامنے آتی ہے جبکہ تعمیرات سے منسلک صنعتیں امکان ہے کہ توقع کے مطابق کارکردگی برقرار رکھیں گی۔ ان حالات اور خدمات کے شعبے پر ان کے اثرات کا جائزہ لینے کے بعد اسٹیٹ بینک نے مالی سال 2019ء کے لیے جی ڈی پی کی نمو تقریباً 5.5 فیصد رہنے کا تخمینہ لگایا ہے جبکہ سالانہ ہدف 6.2 فیصد ہے۔

معین سرمایہ کاری میں کچھ کمی اور شکر اور کھاد کے شعبوں کے مخصوص مسائل کے باوجود مالی سال 2018ء میں نجی شعبے کے قرضوں میں 768 ارب روپے کا اضافہ ہوا جو 14.8 فیصد نمو کے مساوی ہے۔ سٹیٹ بینک آف پاکستان کا پالیسی ریٹ جنوری 2018ء میں 5.75 فیصد سے بڑھا کر 6.0 فیصد کر دیا گیا تھا جبکہ مئی 2018ء اور جولائی 2018ء کو مزید بڑھا کر بالترتیب 6.5 فیصد اور 7.5 فیصد کر دیا گیا۔

مالیاتی نتائج	روپیہ ملین میں
قبل از ٹیکس منافع	6,149.5
ٹیکس	2,365.1
بعد از ٹیکس منافع	3,784.4
فی حصص منافع (روپیہ)	1.43

حکومت پنجاب کی جانب سے جاری کردہ ایلیٹز آف کمفرت (LOCs) کو 31 دسمبر 2017ء کو ریٹائر کرنے کے فیصلے نے ایک خوشحال سال 2018ء کی بنیاد رکھی۔ مسلسل ترقی کے رجحان اور بحالی کی کاوشوں کی بنا پر سال 2018ء کی پہلی ششماہی کا قبل از ٹیکس منافع 62 فیصد کے شاندار اضافے کے ساتھ 6,149 ملین روپے پر پہنچ گیا۔

سال 2018ء کی پہلی ششماہی کے دوران بینک کا نیٹ انٹرسٹ مارجن 28 فیصد کے شاندار اضافے کے ساتھ 9,181 ملین روپے تک پہنچ گیا جو کہ گزشتہ سال کی اسی مدت کے دوران 7,160 ملین روپے تھا۔ جبکہ نان مارک اپ/ انٹرسٹ آمدن اور نان مارک اپ/ انٹرسٹ اخراجات بالترتیب 1,835 ملین روپے اور 5,892 ملین روپے رہے۔ اس طرح بینک نے 62 فیصد اضافے کے ساتھ 6,149 ملین روپے کا قبل از ٹیکس منافع کمایا جو کہ گزشتہ سال کی اسی مدت کے دوران 3,801 ملین روپے تھا اور بینک کی فی حصص آمدن 1.43 روپے رہی۔

30 جون 2018ء کو بینک کے ڈیپازٹس بڑھ کر 592.7 ارب روپے پر پہنچ گئے جو کہ 31 دسمبر 2017ء کو 556.3 ارب روپے کی سطح پر تھے۔ اسی طرح بینک کے اثاثہ جات بڑھ کر 691.1 ارب روپے ہو گئے جو کہ 31 دسمبر 2017ء کو 649.5 ارب روپے کی سطح پر تھے۔ بینک کی سرمایہ کاری اور قرضہ جات بالترتیب 220.7 ارب

روپے اور 404.1 ارب روپے کی سطح پر ہے۔ بینک کی ٹیڈن انکیوٹی بہتر ہوتے ہوئے 30.8 ارب روپے ہو گئی جو کہ 31 دسمبر 2017ء کو 26.8 ارب روپے تھی۔

سال 2018ء کی پہلی ششماہی کے دوران بینک نے 4.3 ارب روپے کے PPTFCs کے اجراء کے ذریعے ٹیڈن انکیوٹی میں اضافہ کیا ہے۔ 30 جون 2018ء کو بینک ٹیڈن بینک آف پاکستان کی متعین کردہ کیپیٹل ایڈیکوٹی ریشو (CAR) کی مطلوبہ شرح حاصل کر چکا ہے۔ بینک کی CAR بہتر ہو کر 12.66 فیصد ہو گئی جو کہ 31 دسمبر 2017ء کو 9.73 فیصد تھی۔ علاوہ ازیں بینک ٹیڈن بینک آف پاکستان کی پروڈنشل ریگولیشن کے تحت غیر فعال قرضہ جات پر پروویژن کی مطلوبہ سطح پوری کر چکا ہے۔

پاکستان کریڈٹ ریٹنگ ایجنسی نے بینک کو طویل مدت ریٹنگ "AA" دی ہے جبکہ مختصر مدت کے لیے "A1+" کی ریٹنگ بلند ترین سطح پر ہے۔ علاوہ ازیں بینک کی شناختوں کی مجموعی تعداد 540 ہو گئی ہے اور رواں سال بینک کی مزید شناختیں کھولی جائیں گی جس کے بعد 31 دسمبر 2018ء کو بینک کا براؤنج نیٹ ورک 576 برانچوں تک پہنچ جائے گا۔

اپنے معزز صارفین اور حصص داران کے تعاون اور اعتماد کا شکریہ ادا کرتے ہوئے اس بات کا یقین دلاتا ہوں کہ بینک کی انتظامیہ ترقی کی موجودہ رفتار کو مزید تیز کرنے کے لیے اپنی کاوشیں جاری رکھے گی۔ میں حکومت پنجاب اور ٹیڈن بینک آف پاکستان کے مسلسل تعاون اور معاونت کا تہہ دل سے شکر گزار ہوں۔ میں بینک کے تمام ملازمین کی انتھک محنت کا معترف ہوں جس کی وجہ سے بینک نے قابل ذکر کارکردگی کا مظاہرہ کیا ہے۔

بورڈ آف ڈائریکٹرز کی جانب سے

ڈاکٹر پرویز طاہر  
چیئرمین

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## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of The Bank of Punjab

### Report on review of unconsolidated Condensed Interim Financial Statements

#### Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of The Bank of Punjab (the Bank) as at 30 June 2018, and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim statement of changes in equity, and unconsolidated condensed interim cash flow statement and notes to the unconsolidated condensed interim financial statements for the six month period then ended (here-in-after referred to as the "unconsolidated condensed interim financial statements"). Management is responsible for the preparation and presentation of these unconsolidated condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements 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 statements 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 unconsolidated condensed interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

#### Other Matters

The figures of the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income for the three month period ended 30 June 2018 and 30 June 2017 have not been reviewed, as we are required to review only the cumulative figures for the six month period ended 30 June 2018.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Farooq Hameed.

Chartered Accountants  
Lahore  
Dated: August 17, 2018





**Unconsolidated Condensed Interim  
Financial Information**  
for the period ended June 30, 2018



# Unconsolidated Condensed Interim Statement of Financial Position As at June 30, 2018

	Note	(Un-audited) June 30, 2018	(Audited) December 31, 2017
		Rupees in '000'	
<b>ASSETS</b>			
Cash and balances with treasury banks		47,833,984	42,477,950
Balances with other banks		6,663,866	6,077,383
Lendings to financial institutions	6	18,165,015	24,570,850
Investments - net	7	220,718,696	242,506,452
Advances - net	8	359,149,094	295,751,721
Operating fixed assets	9	9,228,492	8,518,887
Deferred tax assets - net	10	9,254,028	10,724,523
Other assets - net		20,089,698	18,919,285
		691,102,873	649,547,051
<b>LIABILITIES</b>			
Bills payable		3,617,820	3,365,325
Borrowings from financial institutions	11	33,635,560	38,949,362
Deposits and other accounts	12	592,720,029	556,281,156
Sub-ordinated loans	13	8,798,500	4,499,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net		-	-
Other liabilities		18,854,450	16,720,448
		657,626,359	619,815,291
<b>NET ASSETS</b>		33,476,514	29,731,760
<b>REPRESENTED BY</b>			
Share capital	14	26,436,924	26,436,924
Reserves		3,214,673	3,214,673
Unappropriated profit / (Accumulated losses)		1,126,691	(2,806,439)
		30,778,288	26,845,158
Surplus on revaluation of assets - net of tax	15	2,698,226	2,886,602
		33,476,514	29,731,760
Contingencies and commitments	16		

The annexed notes from 1 to 24 and Annexure - I form an integral part of these unconsolidated condensed interim financial statements.

Chief Financial Officer

President

Director



# Unconsolidated Condensed Interim Profit and Loss Account

## For the Six Months Ended June 30, 2018 (Un-audited)

	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
	Rupees in '000'			
<b>Mark-up / return / interest earned</b>	10,510,401	20,202,811	8,360,263	16,002,175
<b>Mark-up / return / interest expensed</b>	6,002,868	11,021,785	4,477,699	8,841,938
Net mark-up / return / interest income	4,507,533	9,181,026	3,882,564	7,160,237
(Reversal of provision) / provision against non-performing advances - net	(861,537)	(1,040,302)	1,895,285	1,452,443
Provision / (reversal of provision) for diminution in the value of investments - net	14,298	14,298	7,691	(1,535)
Bad debts written off directly	-	-	-	-
	(847,239)	(1,026,004)	1,902,976	1,450,908
Net mark-up / return / interest income after provisions	5,354,772	10,207,030	1,979,588	5,709,329
<b>NON MARK-UP / INTEREST INCOME</b>				
Fee, commission and brokerage income	390,964	662,597	331,938	570,448
Dividend income	15,179	35,362	12,028	42,752
Income from dealing in foreign currencies	60,739	130,668	28,433	47,447
Gain on sale and redemption of securities - net	(3,152)	23,211	1,070,165	1,184,862
Unrealized (loss) / gain on revaluation of investments classified as held for trading	(4,725)	(5,040)	30	(939)
Other income	458,476	987,886	641,025	1,163,572
Total non-markup / interest income	917,481	1,834,684	2,083,619	3,008,142
	6,272,253	12,041,714	4,063,207	8,717,471
<b>NON MARK-UP / INTEREST EXPENSES</b>				
Administrative expenses	3,115,935	5,850,867	2,591,639	4,841,018
Provision against other assets	15,651	41,356	29,139	33,382
Other charges	-	-	41,968	42,003
Total non-markup / interest expenses	3,131,586	5,892,223	2,662,746	4,916,403
	3,140,667	6,149,491	1,400,461	3,801,068
Extra ordinary / unusual items	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	3,140,667	6,149,491	1,400,461	3,801,068
Taxation - Current	552,875	1,374,801	745,768	1,376,657
- Prior years	-	-	264,576	264,576
- Deferred	743,640	990,286	(237,419)	(29,528)
	1,296,515	2,365,087	772,925	1,611,705
<b>PROFIT AFTER TAXATION</b>	1,844,152	3,784,404	627,536	2,189,363
<b>Earnings per share - basic and diluted (Rupees) - Note 17</b>	0.70	1.43	0.40	1.41

The annexed notes from 1 to 24 and Annexure - I form an integral part of these unconsolidated condensed interim financial statements.

Chief Financial Officer

President

Director

## Unconsolidated Condensed Interim Statement of Comprehensive Income For the Six Months Ended June 30, 2018 (Un-audited)

	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
	Rupees in '000'			
<b>Profit after taxation for the period</b>	1,844,152	3,784,404	627,536	2,189,363
<b>Other comprehensive income</b>				
<b>Items that will not to be reclassified to profit and loss account in subsequent periods:</b>				
Remeasurement loss on defined benefit obligations - net of tax	-	-	-	-
<b>Comprehensive income transferred to equity</b>	1,844,152	3,784,404	627,536	2,189,363
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>				
Change in deficit on revaluation of investments - net of tax	3,852	(81,810)	(672,947)	(597,276)
<b>Total comprehensive income for the period</b>	1,848,004	3,702,594	(45,411)	1,592,087

The annexed notes from 1 to 24 and Annexure - I form an integral part of these unconsolidated condensed interim financial statements.

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
President

\_\_\_\_\_  
Director



## Unconsolidated Condensed Interim Cash Flow Statement For the Six Months Ended June 30, 2018 (Un-audited)

	Six Months Ended	
	June 30, 2018	June 30, 2017
	Rupees in '000'	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	6,149,491	3,801,068
Less: Dividend income	(35,362)	(42,752)
	6,114,129	3,758,316
Adjustments for:		
Depreciation on property and equipment	449,582	378,901
Depreciation on non banking assets acquired in satisfaction of claims	38,339	43,609
Depreciation on ijarah assets under IFAS - 2	193,552	126,426
Amortization on intangible assets	26,069	12,331
Amortization of premium on debt securities	342,414	417,548
Unrealized loss on revaluation of investments classified as held for trading (Reversal of provision) / provision against non-performing loans and advances - net	5,040	939
	(1,040,302)	1,452,443
Provision / (reversal of provision) for diminution in the value of investments - net	14,298	(1,535)
Provision for employees compensated absences	4,930	13,434
Provision for gratuity	53,804	39,308
Provision against other assets	41,356	33,382
Net loss / (profit) on sale of property and equipment	419	(7,560)
Net profit on sale of non-banking assets acquired in satisfaction of claims	(36,335)	(10,605)
Gain on sale and redemption of securities - net	(23,211)	(1,184,862)
	69,955	1,313,759
	6,184,084	5,072,075
(Increase) / Decrease in operating assets:		
Lendings to financial institutions	1,602,512	4,150,133
Net investments in held for trading securities	13,380,376	(7,025,107)
Advances - net	(62,550,623)	(42,368,650)
Other assets - net	(584,024)	(733,405)
	(48,151,759)	(45,977,029)
Increase / (Decrease) in operating liabilities:		
Bills payable	252,495	(428,306)
Borrowings from financial institutions	(5,267,970)	3,510,129
Deposits and other accounts	36,438,873	75,577,050
Other liabilities	2,075,268	1,327,451
	33,498,666	79,986,324
	(8,469,009)	39,081,370
Income tax paid	(2,178,334)	(1,158,427)
<b>Net cash (used in) / flow from operating activities</b>	<b>(10,647,343)</b>	<b>37,922,943</b>

	<b>Six Months Ended</b>	
	<b>June 30, 2018</b>	<b>June 30, 2017</b>
	<b>Rupees in '000'</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	7,942,976	(28,990,668)
Dividend received	46,510	44,586
Investments in operating fixed assets	(831,841)	(723,601)
Sale proceeds of property and equipment disposed-off	141,673	88,898
Sale proceeds of non-banking assets disposed-off	233,551	200,000
<b>Net cash flow from / (used in) investing activities</b>	<b>7,532,869</b>	<b>(29,380,786)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Share deposit money received against right issue	-	526,285
Repayment of subordinated loans	(500)	-
Issuance of subordinated loan - PPTFCs-II	4,300,000	-
<b>Net cash flow from financing activities</b>	<b>4,299,500</b>	<b>526,285</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,185,026</b>	<b>9,068,442</b>
Cash and cash equivalents at beginning of the period	53,299,968	39,437,081
Cash and cash equivalents at end of the period	54,484,994	48,505,523
<b>Cash and cash equivalents:</b>		
Cash and balances with treasury banks	47,833,984	38,684,287
Balances with other banks	6,663,866	9,997,489
Overdrawn nostro accounts	(12,856)	(176,253)
	54,484,994	48,505,523

The annexed notes from 1 to 24 and Annexure - I form an integral part of these unconsolidated condensed interim financial statements.

Chief Financial Officer

President

Director



# Unconsolidated Condensed Interim Statement of Changes in Equity

## For the Six Months Ended June 30, 2018 (Un-audited)

	Share capital	Share deposit money	Discount on issue of shares	Capital Reserve		Share premium	Unappropriated profit / (accumulated losses)	Revenue Reserve	Total
				Statutory reserve	Statutory reserve				
Rupees in '000'									
<b>Balance as at January 1, 2017</b>	15,551,132	7,000,000	(263,158)	1,262,791	37,882	658,938	24,247,585		
Total comprehensive income for the six months ended June 30, 2017	-	-	-	-	-	2,189,363	2,189,363		
Transfer from surplus on revaluation of fixed assets to unappropriated profit / (accumulated losses) - net of tax	-	-	-	-	-	25,754	25,754		
Transfer from surplus on revaluation of non banking assets to unappropriated profit - net of tax	-	-	-	-	-	68,246	68,246		
Transfer from surplus on revaluation of non banking assets to unappropriated profit - net of tax	-	-	-	-	-	1,194	1,194		
Transfer from surplus on revaluation of non banking assets to unappropriated profit on disposal	-	-	-	-	-	1,478	1,478		
Share deposit money received against right issue	-	526,285	-	-	-	-	526,285		
<b>Balance as at June 30, 2017</b>	15,551,132	7,526,285	(263,158)	1,262,791	37,882	2,844,973	27,059,905		
Total comprehensive loss for the six months ended December 31, 2017	-	-	-	-	-	(5,593,469)	(5,593,469)		
Transfer from surplus on revaluation of fixed assets to unappropriated profit / (accumulated losses) - net of tax	-	-	-	-	-	25,540	25,540		
Transfer from surplus on revaluation of fixed assets to unappropriated profit on disposal	-	-	-	-	-	40,432	40,432		
Transfer from surplus on revaluation of non banking assets to unappropriated profit - net of tax	-	-	-	-	-	1,152	1,152		
Transfer from surplus on revaluation of non banking assets to unappropriated profit / (accumulated losses) - on disposal	-	-	-	-	-	6,114	6,114		
Issuance of right shares at premium during the period	10,885,792	(7,526,285)	-	-	2,177,158	-	5,536,665		
Right shares issue cost	-	-	-	-	-	(231,181)	(231,181)		
<b>Balance as at December 31, 2017</b>	26,436,924	-	(263,158)	1,262,791	2,215,040	(2,806,439)	26,845,158		
Total comprehensive income for the six months ended June 30, 2018	-	-	-	-	-	3,784,404	3,784,404		
Transfer from surplus on revaluation of fixed assets to unappropriated profit / (accumulated losses) - net of tax	-	-	-	-	-	22,942	22,942		
Transfer from surplus on revaluation of fixed assets to unappropriated profit / (accumulated losses) on disposal	-	-	-	-	-	123,732	123,732		
Transfer from surplus on revaluation of non banking assets to unappropriated profit / (accumulated losses) - net of tax	-	-	-	-	-	2,052	2,052		
<b>Balance as at June 30, 2018</b>	26,436,924	-	(263,158)	1,262,791	2,215,040	1,126,691	30,778,288		

The annexed notes from 1 to 24 and Annexure - I form an integral part of these unconsolidated condensed interim financial statements.

Chief Financial Officer

President

Director

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the Six Months Ended June 30, 2018 (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 September 19, 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 540 branches including 06 sub branches and 68 Islamic banking branches (2017: 536 branches including 06 sub branch and 64 Islamic banking branches) in Pakistan and Azad Jammu and Kashmir at the period end. The Bank is listed on Pakistan Stock Exchange. The majority shares of the Bank are held by Government of the Punjab (GoPb).

## 2. STATEMENT OF COMPLIANCE

2.1 This unconsolidated condensed interim financial statements 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 Act, 2017 and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board and Islamic Financial Accounting standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the provisions of the Companies Act, 2017. 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 Act, 2017 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 Act, 2017 take precedence.

2.2 SBP as per BSD Circular No. 10, dated August 26, 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 April 28, 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 unconsolidated condensed interim financial statements.

2.3 IFRS 8, 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorization in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment statements disclosed in these unconsolidated condensed interim financial statements is based on the requirements laid down by the SBP.



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- 2.4** The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard - 3 for Profit & Loss Sharing on Deposits (IFAS 3) issued by the Institute of Chartered Accountants of Pakistan and notified by the SECP, vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IFS). The standard will result in certain new disclosures in these unconsolidated condensed interim financial statements of the Bank.
- 2.5** These unconsolidated condensed interim financial statements is separate financial information of the Bank in which the investment in subsidiaries is stated at cost less impairment losses (if any) and has not been accounted for on the basis of reported results and net assets of the investee. Consolidated condensed interim financial statements of the Group is being issued separately.
- 2.6** In accordance with the directives of the Government of Pakistan regarding the conversion of the Banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the Banks from their customers and immediate resale to them at appropriate marked-up price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in this unconsolidated condensed interim financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.
- 2.7** The financial results of Islamic Banking business have been consolidated in these unconsolidated condensed interim financial statements for reporting purposes, after eliminating inter-branch transactions / balances. Key financial figures of the Islamic Banking business are disclosed in Annexure-I to this unconsolidated condensed interim financial statements.
- 2.8** The disclosures made in these unconsolidated condensed interim financial statements have, however, been limited based on the format prescribed by the SBP vide BSD Circular letter No. 2 dated May 12, 2004, BSD Circular letter No. 7 dated April 20, 2010 and International Accounting Standard – 34 Interim Financial Reporting. They do not include all of the disclosures required for annual financial statements, and this unconsolidated condensed interim financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2017.

### **3. BASIS OF MEASUREMENT**

This unconsolidated condensed interim financial statements have been prepared under the historical cost convention, except for revaluation of freehold land and buildings on freehold land, revaluation of non-banking assets acquired in satisfaction of claims, valuation of certain investments and commitments in respect of forward exchange contracts at fair value and certain staff retirement benefits at present value.

These unconsolidated condensed interim financial statements are presented in Pak Rupees, which is the Bank's functional and presentation currency.



#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The accounting policies, underlying estimates and judgments and methods of computation followed in the preparation of this unconsolidated condensed interim financial statements are consistent with those applied in the preparation of annual financial statements of the Bank for the year ended December 31, 2017, except for the following:

##### Surplus on revaluation of fixed assets – net of deferred tax

Upto December 31, 2017, surplus / (deficit) on revaluation of fixed assets was being measured under the repealed Companies Ordinance 1984.

The repealed Ordinance specified the accounting treatment for the surplus / (deficit) on revaluation of fixed assets, wherein, a deficit arising on revaluation of a particular property was to be adjusted against the total balance in the surplus account or, if no surplus existed, was to be charged to the profit and loss account as an impairment of the assets. However, the Companies Act, 2017 removed the specific provisions allowing the above treatment and hence, a deficit arising on revaluation of a particular property is now to be accounted for in accordance with applicable financial reporting standards. Accordingly any surplus/deficit arising on revaluation of owned property and non-banking assets acquired in satisfaction of claims is accounted for at individual assets level wherein any deficit on revaluation is charged to profit and loss account after netting off any surplus already recorded on that asset.

The management of the Bank believes that the impact of the above change in accounting policy is not material, therefore no adjustments are being taken.

#### 5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies of the Bank are consistent with those disclosed in the annual financial statements of the Bank for the year ended December 31, 2017.

	Note	(Un-audited) June 30, 2018 Rupees in '000'	(Audited) December 31, 2017
<b>6. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings		-	4,803,323
Reverse repurchase agreement lendings	6.1	8,785,015	9,510,527
Placements	6.2	9,380,000	9,490,000
Sukuk Bai - Muajjal		-	767,000
		18,165,015	24,570,850



## 6.1 Securities held as collateral against lendings to financial institutions

	(Un-audited) June 30, 2018			(Audited) December 31, 2017		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	Rupees in '000'					
Market treasury bills	7,485,015	-	7,485,015	8,650,527	-	8,650,527
Pakistan investment bonds	1,300,000	-	1,300,000	860,000	-	860,000
	8,785,015	-	8,785,015	9,510,527	-	9,510,527

Market value of securities held as collateral as at June 30, 2018 amounted to Rs. 8,825,147 thousand (December 31, 2017: Rs. 9,526,431 thousand). These carry mark-up at the rate of 6.50% to 7.00% per annum (December 31, 2017: 5.90% to 6.25% per annum).

6.2 These carry profit at rates ranging from 6.15% to 7.00% per annum (2017: 5.60% to 6.25% per annum) with maturities upto August 27, 2018.

## 7. INVESTMENTS - NET

	Note	(Un-audited) June 30, 2018			(Audited) December 31, 2017		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
		Rupees in '000'					
<b>Held for trading securities:</b>							
Market treasury bills		18,929,785	-	18,929,785	32,310,448	-	32,310,448
<b>Available for sale securities:</b>							
Market treasury bills		162,499,499	14,854,785	177,354,284	142,725,994	20,712,635	163,438,629
Pakistan investment bonds		11,203,685	-	11,203,685	34,733,700	-	34,733,700
Ordinary shares / certificates of listed companies and modarabas		1,653,940	-	1,653,940	1,823,940	-	1,823,940
Preference shares of listed companies		340,451	-	340,451	340,451	-	340,451
Preference shares of unlisted companies		81,358	-	81,358	71,406	-	71,406
Ordinary shares of unlisted company		25,000	-	25,000	25,000	-	25,000
Government of Pakistan ijarah sukuk		5,325,086	-	5,325,086	5,031,226	-	5,031,226
Listed term finance certificates		925,645	-	925,645	1,330,918	-	1,330,918
Unlisted term finance certificates / sukuk / commercial paper		7,835,686	-	7,835,686	6,211,152	-	6,211,152
		189,890,350	14,854,785	204,745,135	192,293,787	20,712,635	213,006,422
<b>Held to maturity securities:</b>							
Pakistan investment bonds	7.1	251,285	-	251,285	252,178	-	252,178
WAPDA bonds		400	-	400	400	-	400
		251,685	-	251,685	252,578	-	252,578
<b>Subsidiary:</b>							
Punjab modaraba services (private) limited		164,945	-	164,945	164,945	-	164,945
<b>Total investments at cost</b>		209,236,765	14,854,785	224,091,550	225,021,758	20,712,635	245,734,393
Provision for diminution in the value of investments - net		(3,159,645)	-	(3,159,645)	(3,145,347)	-	(3,145,347)
<b>Investments net of provisions</b>		206,077,120	14,854,785	220,931,905	221,876,411	20,712,635	242,589,046
(Deficit) / Surplus on revaluation of available for sale securities		(192,767)	(15,402)	(208,169)	(82,728)	421	(82,307)
Deficit on revaluation of held for trading securities		(5,040)	-	(5,040)	(287)	-	(287)
<b>Total investments at market value</b>		205,879,313	14,839,383	220,718,696	221,793,396	20,713,056	242,506,452

7.1 Market value of held to maturity investments is Rs. 261,653 thousand (December 31, 2017: Rs. 258,323 thousand).

	Note	(Un-audited) June 30, 2018 Rupees in '000'	(Audited) December 31, 2017
<b>8. ADVANCES - NET</b>			
Loans, cash credits, running finances, etc. - In Pakistan		324,349,405	278,644,944
Net investment in finance lease - In Pakistan		35,422,336	35,158,851
Net book value of assets in ijarah under IFAS 2 - In Pakistan		693,936	848,684
Islamic financing and related assets		18,524,662	10,987,660
Bills discounted and purchased (excluding treasury bills)			
-Payable in Pakistan		23,789,015	14,560,960
-Payable outside Pakistan		1,313,021	1,534,316
		25,102,036	16,095,276
Advances - gross		404,092,375	341,735,415
Provision for non-performing advances :			
-Specific	8.1	(44,633,827)	(45,558,411)
-General	8.2	(309,454)	(425,283)
		(44,943,281)	(45,983,694)
Advances - net of provision		359,149,094	295,751,721

**8.1** Advances include Rs. 50,123,513 thousand (December 31, 2017: Rs. 50,950,992 thousand) which have been placed under non-performing status as on June 30, 2018 as detailed below:

Category of classification	June 30, 2018 (Un-audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	Rupees in '000'				
Other assets especially mentioned	87,524	-	87,524	5,123	5,123
Substandard	601,712	-	601,712	121,243	121,243
Doubtful	8,062,807	-	8,062,807	4,203,554	4,203,554
Loss	41,371,470	-	41,371,470	40,303,907	40,303,907
	50,123,513	-	50,123,513	44,633,827	44,633,827

Category of classification	December 31, 2017 (Audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	Rupees in '000'				
Other assets especially mentioned	81,533	-	81,533	2,895	2,895
Substandard	285,447	-	285,447	54,330	54,330
Doubtful	7,540,694	-	7,540,694	3,546,630	3,546,630
Loss	43,043,318	-	43,043,318	41,954,556	41,954,556
	50,950,992	-	50,950,992	45,558,411	45,558,411

**8.2** General provision represents provision against consumer and SME financing portfolio as required by the prudential regulations issued by the SBP.

**8.3** The Bank has availed the benefit of Forced Sale Value (FSV) of collateral against non-performing advances as allowed vide BSD Circular No.1 dated October 21, 2011. This has resulted in decrease in provision against non-performing advances by Rs. 1,259,445 thousand (June 30, 2017: Rs. 1,612,746 thousand). The FSV benefit availed is not available for cash or stock dividend.



## 9. OPERATING FIXED ASSETS

During the period, additions to / disposals (at cost) from operating fixed assets amounted to Rs. 1,327,348 thousand (June 30, 2017: Rs. 723,601 thousand) and Rs. 186,314 thousand (June 30, 2017: Rs. 111,058 thousand), respectively.

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	Rupees in '000'	
<b>10. DEFERRED TAX ASSETS - NET</b>		
<b>Taxable temporary differences:</b>		
Surplus on revaluation of operating fixed assets	(475,651)	(513,360)
Surplus on revaluation of non banking assets	(29,163)	(47,143)
Accelerated tax depreciation	(286,555)	(313,078)
<b>Deductible temporary differences:</b>		
Deficit on available for sale securities	72,860	28,808
Post retirement employee benefits	-	44,182
Loan loss provision	9,972,537	11,525,114
	9,254,028	10,724,523
<b>11. BORROWINGS FROM FINANCIAL INSTITUTIONS</b>		
<b>Secured</b>		
Borrowings from SBP:		
-Export refinance (ERF)	12,306,518	12,089,724
-Long term financing facility (LTFF)	6,279,840	4,991,566
-Finance facility for storage of agricultural produce (FFSAP)	29,189	15,954
-Finance facility for renewable energy performance platform (REPP)	520,356	241,746
Repurchase agreement borrowings	-	994,298
Call borrowings	14,486,801	19,558,533
	33,622,704	37,891,821
<b>Unsecured</b>		
Call borrowings	-	998,853
Overdrawn nostro accounts	12,856	58,688
	33,635,560	38,949,362

	Note	(Un-audited) June 30, 2018 Rupees in '000'	(Audited) December 31, 2017
<b>12. DEPOSITS AND OTHER ACCOUNTS</b>			
<b>Customers</b>			
Fixed deposits		177,579,694	157,236,983
Savings deposits		244,888,299	238,205,713
Current accounts - non-remunerative		147,199,851	139,494,000
Sundry deposits, margin accounts, etc.		18,741,523	15,546,838
		588,409,367	550,483,534
<b>Financial Institutions</b>			
Remunerative deposits		2,349,635	3,038,191
Non-remunerative deposits		1,961,027	2,759,431
		4,310,662	5,797,622
		592,720,029	556,281,156
<b>12.1 Particulars of deposits</b>			
In local currency		584,656,505	548,989,834
In foreign currencies		8,063,524	7,291,322
		592,720,029	556,281,156
<b>13. SUB-ORDINATED LOANS</b>			
Loan from the GoPb		2,000,000	2,000,000
Privately Placed Term Finance Certificates - I		2,498,500	2,499,000
Privately Placed Term Finance Certificates - II	13.1	4,300,000	-
		8,798,500	4,499,000

### 13.1 Privately Placed Term Finance Certificates

BOP has issued rated, unsecured and subordinated term finance certificates under section 66 of the Companies Act, 2017, in a set of twenty (20) scrips, corresponding to the redemption dates of the TFC and representing the TFC Holders entitlement to the redemption amount on the each such redemption date and registered book entry securities in accordance with the CDC regulations, as outlined by SBP under BPRD Circular No. 06 dated August 15, 2013 with each TFC having a face value of PKR 100,000 or multiples thereof.



Issue amount:	Rupees 4.3 billion.
Rating:	AA-
Tenor:	10 Years.
Security:	Unsecured and subordinated to all other indebtedness of the Bank including deposits.
Profit payment & frequency:	Profit payable on half yearly basis in arrears on the outstanding principal amount.
Profit rate:	Floating rate of return at base rate plus 125 bps p.a. (Base rate will be the average rate 'Ask side of the six month Karachi Inter Bank Offered Rate set at 1 (one business) day prior to the redemption date for the redemption amount payable on the immediately following redemption date).
Repayment:	The TFC has been structured to redeem 0.02% of the issue amount semi-annually in the first 09 years after the issue and the remaining issue amount in two equal semi-annual installments of 49.82% each, in the 10th year.
Call / Put option:	Callable after a period of 05 years. However no put option is available to the investors.
Lock in clause:	Neither profit nor principal may be paid (even at maturity) if such payments would result in a shortfall in the Bank's Minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) or increase any existing shortfall in MCR or CAR.
Loss Absorbency clause:	May be converted into ordinary shares or written off immediately (either partially or in full) at the discretion of the SBP, upon the occurrence of a point of non-viability ("PONV") event as defined in the Basel III guidelines, at the market value of the shares on the date of trigger of PONV as declared by the SBP.

#### 14. SHARE CAPITAL

(Un-audited) June 30, 2018 (No. of shares)	(Audited) December 31, 2017	(Un-audited) June 30, 2018 Rupees in '000'	(Audited) December 31, 2017
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##### 14.1 Authorized capital

	5,000,000,000	5,000,000,000	Ordinary or preference shares of Rs. 10/- each	50,000,000	50,000,000
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The authorized capital of the Bank is fifty thousand million rupees divided into five thousand million ordinary or preference shares of rupees ten each.

##### 14.2 Issued, subscribed and paid up capital

(Un-audited) June 30, 2018 (No. of shares)	(Audited) December 31, 2017		(Un-audited) June 30, 2018 Rupees in '000'	(Audited) December 31, 2017
1,607,912,555	1,607,912,555	Ordinary shares of Rs. 10/- each paid in cash	16,079,125	16,079,125
526,315,789	526,315,789	Ordinary shares of Rs. 10/- each issued at discount	5,263,158	5,263,158
509,464,036	509,464,036	Issued as bonus shares	5,094,641	5,094,641
2,643,692,380	2,643,692,380		26,436,924	26,436,924

14.3 GoPb held 57.47% shares in the Bank as at June 30, 2018 (December 31, 2017: 57.47%).



	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	Rupees in '000'	
<b>15. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>		
Surplus on revaluation of operating fixed assets	1,939,165	2,003,331
Surplus on non banking assets acquired in satisfaction of claims	894,370	936,770
Surplus on revaluation of available for sale securities	(135,309)	(53,499)
	2,698,226	2,886,602

## 16. CONTINGENCIES AND COMMITMENTS

### 16.1 Direct credit substitutes

These include general guarantees of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favor of:

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	Rupees in '000'	
Government	71,929	120,367
Financial institutions	-	-
Others	4,478,630	8,069,727
	4,550,559	8,190,094

### 16.2 Transaction related contingent liabilities

These include performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credit related to particular transactions issued in favor of:

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	Rupees in '000'	
Note		
Government	630,387	556,507
Financial institutions	5,273,464	5,446,540
Others	30,345,378	40,457,849
	36,249,229	46,460,896

### 16.3 Trade related contingent liabilities

These include letters of credit issued in favour of:

Government	14,821,551	13,791,214
Financial institutions	-	-
Others	41,847,851	31,686,608
	56,669,402	45,477,822

### 16.4 Other contingencies

Claims against the Bank not acknowledged as debts	16.4.1	57,406,542	28,621,792
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**16.4.1** The amount involved in the claims filed against the Bank are yet to be adjudicated by the concerned courts as the same have been filed as outburst to our recovery suits. Up till now, in no case, any claim has been adjudicated, determined or decreed by the courts against the Bank. Moreover, there is no likelihood of decreeing the suits against the Bank because the claims are frivolous.

**16.5 Income tax related contingency**

For the tax years 2010, 2011 & 2012 Income Tax Department has amended the assessment orders on the issues of separate taxation of dividend income against which the Bank had filed appeals before the Commissioner Inland Revenue Appeals (CIR(A)). CIR(A) provided relief to the Bank on issue of separate taxation of dividend income. Now, the tax department has filed appeal against the decision of CIR(A) with the Appellate Tribunal Inland Revenue (ATIR). The expected tax liability in respect of aforesaid tax years amounts to Rs. 162,772 thousand. The management of the Bank, as per the opinion of its tax consultant, is confident that the decision for the aforementioned tax years will be decided in Bank's favour.

**16.6 Commitments to extend credit**

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

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	Rupees in '000'	
<b>16.7 Commitments in respect of forward exchange contracts</b>		
Purchase	12,972,725	10,067,323
Sale	10,366,134	7,846,230
	23,338,859	17,913,553
<b>16.8 Commitments for the acquisition of operating fixed assets</b>	292,315	225,051

**17. EARNINGS PER SHARE - BASIC AND DILUTED**

	(Un-audited)			
	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
Profit after taxation (Rupees in thousand)	1,844,152	3,784,404	627,536	2,189,363
Weighted average number of ordinary shares (thousand)	2,643,692	2,643,692	1,555,113	1,555,113
Earnings per share - basic and diluted (Rupees)	0.70	1.43	0.40	1.41

## 18. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in subsidiary, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short-term in nature or, in the case of customer loans and deposits, are frequently reprised.

The Bank measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurement using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly. (i.e. derived from prices)

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

	June 30, 2018 (Un-audited)				
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Rupees in '000'					
<b>On balance sheet financial instruments</b>					
<b>Financial assets measured at fair value :</b>					
Government securities	212,964,049	-	212,974,417	-	212,974,417
Ordinary shares / certificates of listed companies and modarabas	1,091,578	1,091,578	-	-	1,091,578
Ordinary shares of unlisted company	15,990	-	-	15,990	15,990
Preference shares of listed companies	-	-	-	-	-
Listed term finance certificates	915,562	-	915,562	-	915,562
Subsidiary company	33,747	-	-	33,747	33,747
<b>Non Financial assets measured at fair value :</b>					
Operating fixed assets (land & building)	5,633,945	-	5,633,945	-	5,633,945
Non banking assets acquired in satisfaction of claims	7,313,124	-	7,313,124	-	7,313,124
<b>Financial assets not measured at fair value:</b>					
Cash and balances with treasury banks	47,833,984	-	-	-	-
Balances with other banks	6,663,866	-	-	-	-
Lendings to financial institutions	18,165,015	-	-	-	-
Investments:					
Government securities	251,685	-	-	-	-
Unlisted term finance certificates	7,835,686	-	-	-	-
Sale of sukuk to GOP on Bai-Muajjal basis	-	-	-	-	-
Advances - net	359,149,094	-	-	-	-
Operating fixed assets	-	-	-	-	-
Other assets	7,822,578	-	-	-	-
	675,689,903	1,091,578	226,837,048	49,737	227,978,363



June 30, 2018 (Un-audited)

	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Rupees in '000'					
<b>Financial liabilities measured at fair value:</b>					
Payable to gratuity fund	53,803	-	53,803	-	53,803
Provision for employees compensated absences	97,952	-	97,952	-	97,952
<b>Financial liabilities not measured at fair value:</b>					
Bills payable	3,617,820	-	-	-	-
Borrowings	33,635,560	-	-	-	-
Deposits and other accounts	592,720,029	-	-	-	-
Sub-ordinated loan	8,798,500	-	-	-	-
Other liabilities	18,854,450	-	-	-	-
	657,626,359	-	-	-	-
<b>Off balance sheet financial instruments:</b>					
Forward purchase of foreign exchange contracts	10,821,192	-	10,821,192	-	10,821,192
Forward sale of foreign exchange contracts	10,661,857	-	10,661,857	-	10,661,857

December 31, 2017 (Audited)

	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Rupees in '000'					
<b>On balance sheet financial instruments</b>					
<b>Financial assets measured at fair value :</b>					
Government securities	235,804,178	-	235,810,323	-	235,810,323
Ordinary shares / certificates of listed companies and modarabas	1,258,030	1,258,029	-	-	1,258,029
Ordinary shares of unlisted company	15,990	-	-	15,990	15,990
Preference shares of listed companies	-	-	-	-	-
Listed term finance certificates	1,331,224	-	1,331,224	-	1,331,224
Subsidiary company	33,747	-	-	33,747	33,747
Operating fixed assets (land & building)	-	-	-	-	-
<b>Non Financial assets measured at fair value :</b>					
Operating fixed assets (land & building)	5,356,732	-	5,356,732	-	5,356,732
Non banking assets acquired in satisfaction of claims	8,044,187	-	8,044,187	-	8,044,187
<b>Financial assets not measured at fair value:</b>					
Cash and balances with treasury banks	42,477,950	-	-	-	-
Balances with other banks	6,077,383	-	-	-	-
Lendings to financial institutions	24,570,850	-	-	-	-
Investments:					
Government securities	252,578	-	-	-	-
Unlisted term finance certificates	6,211,152	-	-	-	-
Sale of sukuk to GOP on Bai-Muajjal basis	-	-	-	-	-
Advances - net	295,751,721	-	-	-	-
Operating fixed assets	-	-	-	-	-
Other assets	7,228,547	-	-	-	-
	634,414,269	1,258,029	250,542,466	49,737	251,850,232

December 31, 2017 (Audited)

	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Rupees in '000'					
<b>Financial liabilities measured at fair value:</b>					
Payable to gratuity fund	233,841	-	233,841	-	233,841
Provision for employees compensated absences	93,523	-	93,523	-	93,523
<b>Financial liabilities not measured at fair value:</b>					
Bills payable	3,365,325	-	-	-	-
Borrowings	38,949,362	-	-	-	-
Deposits and other accounts	556,281,156	-	-	-	-
Sub-ordinated loan	4,499,000	-	-	-	-
Other liabilities	16,720,448	-	-	-	-
	619,815,291	-	-	-	-
<b>Off balance sheet financial instruments:</b>					
Forward purchase of foreign exchange contracts	10,273,009	-	10,273,009	-	10,273,009
Forward sale of foreign exchange contracts	7,952,649	-	7,952,649	-	7,952,649

## 19. 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
	Rupees in '000'					
<b>Six Months Ended June 30, 2018 (Un-audited)</b>						
Total income	8,179,439	2,270,946	11,163,873	350,283	72,954	22,037,495
Total expenses	663,171	1,910,361	13,314,472	-	-	15,888,004
Inter segment transfer (cost) / revenue	(4,107,919)	535,966	3,571,953	-	-	-
Income taxes	-	-	-	-	-	2,365,087
Net income / (loss)	3,408,349	896,551	1,421,354	350,283	72,954	3,784,404
Segment assets (gross)	292,502,322	49,691,899	385,182,100	-	-	727,376,321
Segment non performing advances / investments	3,159,645	1,780,376	48,343,137	-	-	53,283,158
Segment specific provision required	3,159,645	1,810,787	43,132,494	-	-	48,102,926
Segment liabilities	18,178,717	88,098,925	551,348,717	-	-	657,626,359
Segment return on net assets (ROA) (%)	6.27%	11.24%	8.46%			
Segment cost of funds (%)	6.06%	5.89%	5.85%			
<b>Six Months Ended June 30, 2017 (Un-audited)</b>						
Total income	7,796,948	2,285,715	8,550,315	303,907	73,432	19,010,317
Total expenses	681,490	1,887,011	12,640,748	-	-	15,209,249
Inter segment transfer (cost) / revenue	(3,279,409)	464,287	2,815,122	-	-	-
Income taxes	-	-	-	-	-	1,611,705
Net income / (loss)	3,836,049	862,991	(1,275,311)	303,907	73,432	2,189,363
Segment assets (gross)	287,614,772	51,715,399	316,491,351	-	-	655,821,522
Segment non performing advances / investments	3,107,239	2,237,382	52,024,974	-	-	57,369,595
Segment specific provision required	3,059,852	1,691,646	31,204,933	-	-	35,956,431
Segment liabilities	32,544,307	81,591,365	483,354,470	-	-	597,490,142
Segment return on net assets (ROA) (%)	7.75%	10.98%	8.52%			
Segment cost of funds (%)	5.91%	6.02%	5.73%			



## 20. RELATED PARTY TRANSACTIONS

Related parties comprise subsidiary, 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 on arm's length basis. Amounts due from and due to related parties are shown under receivables and payables. In addition key management personnel are paid terminal and short-term terminal benefits.

	June 30, 2018 (Un-audited)				December 31, 2017 (Audited)			
	Key management personnel	Subsidiary company and managed modaraba	Employee funds	Others	Key management personnel	Subsidiary company and managed modaraba	Employee funds	Others
	Rupees in '000'				Rupees in '000'			
<b>Advances</b>								
Opening balance	182,129	1,199,047	-	-	114,850	1,078,614	-	-
Loans granted during the period	31,645	497,365	-	-	148,720	850,263	-	-
Repayments received during the period	(49,184)	(452,777)	-	-	(81,441)	(729,830)	-	-
Closing balance	164,590	1,243,635	-	-	182,129	1,199,047	-	-
<b>Deposits</b>								
Opening balance	24,414	98,198	2,770,528	256,060	28,730	56,238	2,459,349	51,488
Placements made during the period	229,433	556,761	495,946	15,327,063	516,407	1,143,576	633,557	22,813,261
Withdrawals during the period	(204,213)	(624,681)	(789,698)	(15,160,633)	(520,723)	(1,101,616)	(322,378)	(22,608,689)
Closing balance	49,634	30,278	2,476,776	422,490	24,414	98,198	2,770,528	256,060
<b>Investment - at cost</b>	-	164,945	-	-	-	164,945	-	-
<b>Placements</b>	-	400,000	-	-	-	400,000	-	-

	June 30, 2018 (Un-audited)				June 30, 2017 (Un-audited)			
	Key management personnel	Subsidiary company and managed modaraba	Employee funds	Others	Key management personnel	Subsidiary company and managed modaraba	Employee funds	Others
	Rupees in '000'				Rupees in '000'			
<b>Transactions during the period :</b>								
Mark-up/return earned	4,227	49,323	-	-	3,039	40,128	-	-
Mark-up/interest expensed	490	-	76,772	5,167	254	-	70,814	1,423
Contribution to employees funds	-	-	66,101	-	-	-	65,054	-
Commission expense	-	363	-	-	-	-	-	-

**20.1** Balances pertaining to parties that were related at the beginning of the period but ceased to be so related during any part of the current period are not reflected as part of the closing balance. The same are accounted for through movement presented above.

**20.2** The GoPb holds controlling interest (57.47% shareholding) in the Bank and therefore entities which are owned and / or controlled by the GoPb, or where the GoPb may exercise significant influence, are related parties of the Bank.

The Bank in the ordinary course of business enters into transaction with Government-related entities. Such transactions include lending to, deposits from and provision of other banking services to Government-related entities.

As at Statement of Financial Position date the loans and advances, deposits and contingencies relating to GoPb and its related entities amounted to Rs. 69,049,184 thousand (December 31, 2017: Rs. 44,641,720 thousand), Rs. 300,995,529 thousand (December 31, 2017: Rs. 289,679,475 thousand) and Rs. 26,472,931 thousand (December 31, 2017: Rs. 25,792,141 thousand) respectively. Further, during the period, the Bank has incurred markup expense of Rs. 65,014 thousand (June 30, 2017: Rs. 61,986 thousand) on subordinated loan of Rs. 2,000,000 thousand received from GoPb in year 2014.

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	Rupees in '000'	
<b>21. CAPITAL ADEQUACY RATIO</b>		
Total eligible capital	34,330,815	25,666,614
Total risk weighted assets	271,091,790	263,805,172
CAR (%)	12.66%	9.73%
<b>22. RISK MANAGEMENT</b>		
<b>22.1 Liquidity Coverage Ratio</b>		
High quality liquid assets	264,284,570	285,713,249
Net cash outflows	210,802,289	214,101,572
Liquidity Coverage ratio (%)	125.37%	133.45%
<b>22.2 Net Stable Funding Ratio</b>		
Available stable funding	406,423,141	383,239,594
Required stable funding	349,355,203	300,969,211
Net Stable Funding Ratio (%)	116.34%	127.34%

### 23. DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorized for issuance on August 17, 2018 by the Board of Directors of the Bank.

### 24. GENERAL

**24.1** The corresponding figures have been reclassified or rearranged, wherever necessary, for the purpose of comparison. However, no significant reclassification or rearrangement has been made during the period.

**24.2** Figures have been rounded off to the nearest thousand, unless otherwise stated.

Chief Financial Officer

President

Director



## Islamic Banking Business - Statement of Financial Position As at June 30, 2018

The Bank is operating 68 Islamic banking branches and 02 sub Islamic banking branches at close of June 30, 2018 (December 31, 2017: 64 branches and 02 sub Islamic banking branches).

	Note	(Un-audited) June 30, 2018	(Audited) December 31, 2017
Rupees in '000'			
<b>ASSETS</b>			
Cash and balances with treasury banks		2,834,209	2,543,172
Balance with other banks		264,951	2,219,672
Due from financial institutions		8,980,000	9,857,000
Investments		9,610,174	7,628,201
Islamic financing and related assets	A	19,052,185	11,773,847
Operating fixed assets		317,089	288,794
Deferred tax assets		-	-
Other assets		459,765	530,863
<b>TOTAL ASSETS</b>		<b>41,518,373</b>	<b>34,841,549</b>
<b>LIABILITIES</b>			
Bills payable		279,768	188,315
Due to financial institutions		-	-
Deposit and other accounts			
- Current accounts		18,171,895	8,215,697
- Saving accounts		19,383,620	23,955,632
- Term deposits		665,820	726,746
- Others		187,932	51,248
- Deposits from financial institutions - remunerative		124,828	62,186
- Deposits from financial institutions - non - remunerative		6,704	55
Due to head office		238,652	-
Other liabilities		380,776	169,405
		39,439,995	33,369,284
<b>NET ASSETS</b>		<b>2,078,378</b>	<b>1,472,265</b>
<b>REPRESENTED BY</b>			
Islamic banking fund		1,500,000	1,000,000
Reserves		7,674	1,959
Unappropriated profit		549,825	420,873
		2,057,499	1,422,832
Surplus on revaluation of assets		20,879	49,433
		2,078,378	1,472,265

	(Un-audited) June 30, 2018	(Un-audited) June 30, 2017
	Rupees in '000'	
Remuneration to Shariah Advisor / Board	1,305	2,460

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	Rupees in '000'	
Note		

#### CHARITY FUND

Opening balance	1,125	533
<b>Additions during the period</b>		
Received from customers on delayed payments	3,443	1,037
Non-shariah compliant income	14	69
Profit on charity saving account	14	19
	3,457	1,125
<b>Payments / utilization during the period</b>		
Welfare Works	(200)	(533)
Closing balance	4,382	1,125

#### A. Islamic financing and related assets

Islamic mode of financing	A.1	19,052,185	11,773,847
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#### A.1 Islamic mode of financing

Financing / Investments / Receivables			
Running Musharakah		7,499,576	2,074,000
Murabaha		802,708	1,010,989
Diminishing musharaka		6,544,321	5,235,730
Payment against documents		555,577	-
Istisna		3,122,480	2,662,770
Ijarah		527,523	790,358
		19,052,185	11,773,847



## Islamic Banking Business - Profit and Loss Account

For the Six Months Ended June 30, 2018 (Un-audited)

	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
	(Rupees in thousand)			
<b>Profit / Return earned on financing, investment and placements</b>	650,638	1,278,421	444,746	826,519
<b>Return on deposits and other dues expensed</b>	214,165	458,779	143,253	272,988
<b>Net spread earned</b>	436,473	819,642	301,493	553,531
Provision against non-performing advances	103,916	103,916	-	-
Provision against consumer financings	-	-	-	-
Provision for diminution in the value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
	103,916	103,916	-	-
Income after provisions	332,557	715,726	301,493	553,531
<b>Other income</b>				
Fee, commission and brokerage income	6,528	11,299	6,355	13,972
Dividend income	-	-	-	-
Income from dealing in foreign currencies	140	51	(4)	25
Gain on sale and redemption of securities	-	-	-	-
Unrealized (loss) / gain on revaluation of investments classified as held for trading	-	-	-	-
Other income	9,210	20,807	7,496	16,380
Total other income	15,878	32,157	13,847	30,377
	348,435	747,883	315,340	583,908
<b>Other expenses</b>				
Administrative expenses	325,506	618,931	266,400	457,326
Other provisions/write offs/reversals	-	-	-	-
Other charges	-	-	-	-
Total other expenses	325,506	618,931	266,400	457,326
	22,929	128,952	48,940	126,582
Extra ordinary / unusual items	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	22,929	128,952	48,940	126,582





**Consolidated Condensed Interim  
Financial Statements**  
for the period ended June 30, 2018  
(The Bank of Punjab & Its Subsidiaries)



# Consolidated Condensed Interim Statement of Financial Position

As at June 30, 2018

	Note	(Un-audited) June 30, 2018	(Audited) December 31, 2017
		Rupees in '000'	
<b>ASSETS</b>			
Cash and balances with treasury banks		47,833,984	42,478,209
Balances with other banks		6,712,428	6,116,297
Lendings to financial institutions	6	17,765,015	24,170,850
Investments - net	7	220,700,207	242,487,965
Advances - net	8	359,627,704	295,841,425
Operating fixed assets	9	9,243,220	8,533,033
Deferred tax assets - net	10	9,317,653	10,786,284
Other assets - net		20,204,105	19,295,379
		691,404,316	649,709,442
<b>LIABILITIES</b>			
Bills payable		3,617,820	3,365,325
Borrowings from financial institutions	11	33,635,391	38,949,362
Deposits and other accounts	12	592,689,751	556,191,873
Sub-ordinated loans	13	8,798,500	4,499,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net		-	-
Other liabilities		19,011,341	16,864,004
		657,752,803	619,869,564
<b>NET ASSETS</b>		<b>33,651,513</b>	<b>29,839,878</b>
<b>REPRESENTED BY</b>			
Share capital	14	26,436,924	26,436,924
Reserves		3,296,781	3,296,781
Unappropriated profit / (Accumulated losses)		952,478	(3,034,749)
		30,686,183	26,698,956
Non-Controlling interest		265,979	254,320
		30,952,162	26,953,276
Surplus on revaluation of assets - net of tax	15	2,699,351	2,886,602
		33,651,513	29,839,878
Contingencies and commitments	16		

The annexed notes from 1 to 24 and Annexure - I form an integral part of these consolidated condensed interim financial statements.

Chief Financial Officer

President

Director



# Consolidated Condensed Interim Profit and Loss Account For the Six Months Ended June 30, 2018 (Un-audited)

	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
			..... Restated .....	
	Rupees in '000'			
<b>Mark-up / return / interest earned</b>	10,530,667	20,236,417	8,381,959	16,048,956
<b>Mark-up / return / interest expensed</b>	6,003,283	11,022,200	4,477,130	8,846,104
Net mark-up / return / interest income	4,527,384	9,214,217	3,904,829	7,202,852
(Reversal of provision) / provision against non-performing advances - net	(925,074)	(1,107,317)	1,892,922	1,451,676
Provision / (reversal of provision) for diminution in the value of investments - net	14,298	14,298	3,715	777
Bad debts written off directly	-	-	-	-
	(910,776)	(1,093,019)	1,896,637	1,452,453
Net mark-up / return / interest income after provisions	5,438,160	10,307,236	2,008,192	5,750,399
<b>NON MARK-UP / INTEREST INCOME</b>				
Fee, commission and brokerage income	389,643	662,597	331,938	570,448
Dividend income	15,179	35,362	12,028	42,752
Income from dealing in foreign currencies	60,739	130,668	28,433	47,447
Gain on sale and redemption of securities - net	(3,152)	23,211	1,070,165	1,184,862
Unrealized (loss) / gain on revaluation of investments classified as held for trading	(4,725)	(5,040)	30	(939)
Other income	464,923	998,617	642,659	1,172,354
Total non-markup / interest income	922,607	1,845,415	2,085,253	3,016,924
	6,360,767	12,152,651	4,093,445	8,767,323
<b>NON MARK-UP / INTEREST EXPENSES</b>				
Administrative expenses	3,140,482	5,895,100	2,617,999	4,886,114
Provision against other assets	15,651	41,356	29,139	33,382
Other charges	-	-	44,640	44,675
Total non-markup / interest expenses	3,156,133	5,936,456	2,691,778	4,964,171
Extra ordinary / unusual items	3,204,634	6,216,195	1,401,667	3,803,152
	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	3,204,634	6,216,195	1,401,667	3,803,152
Taxation - Current	553,529	1,375,749	748,756	1,376,443
- Prior years	-	-	264,576	264,576
- Deferred	743,640	990,286	(237,419)	(29,528)
	1,297,169	2,366,035	775,913	1,611,491
<b>PROFIT AFTER TAXATION</b>	1,907,465	3,850,160	625,754	2,191,661
<b>PROFIT ATTRIBUTABLE TO</b>				
Equity Holders of the parent	1,898,622	3,838,501	624,366	2,182,968
Non-controlling interest	8,843	11,659	1,388	8,693
	1,907,465	3,850,160	625,754	2,191,661
<b>Earnings per share - basic and diluted (Rupees) - Note 17</b>	0.73	1.46	0.41	1.41

The annexed notes from 1 to 24 and Annexure - I form an integral part of these consolidated condensed interim financial statements.

Chief Financial Officer

President

Director

# Consolidated Condensed Interim Statement of Comprehensive Income For the Six Months Ended June 30, 2018 (Un-audited)

	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018	Three Months Ended June 30, 2017 ..... Restated .....	Six Months Ended June 30, 2017 ..... Restated .....
	Rupees in '000'			
<b>Profit after taxation for the period</b>	1,907,465	3,850,160	625,754	2,191,661
<b>Other comprehensive income</b>				
<b>Items that will not to be reclassified to profit and loss account in subsequent periods:</b>				
Remeasurement loss on defined benefit obligations - net of tax	-	-	-	-
<b>Comprehensive income transferred to equity</b>	1,907,465	3,850,160	625,754	2,191,661
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>				
Change in deficit on revaluation of investments - net of tax	3,852	(81,810)	(672,947)	(597,276)
<b>Total comprehensive income for the period</b>	1,911,317	3,768,350	(47,193)	1,594,385

The annexed notes from 1 to 24 and Annexure - I form an integral part of these consolidated condensed interim financial statements.

\_\_\_\_\_  
Chief Financial Officer

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President

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Director



## Consolidated Condensed Interim Cash Flow Statement For the Six Months Ended June 30, 2018 (Un-audited)

	Six Months Ended	
	June 30, 2018	June 30, 2017 (Restated)
	Rupees in '000'	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	6,216,195	3,803,152
Less: Dividend income	(35,362)	(42,752)
	6,180,833	3,760,400
Adjustments for:		
Depreciation on property and equipment	450,293	421,664
Depreciation on non banking assets acquired in satisfaction of claims	38,339	43,609
Depreciation on ijarah assets under IFAS - 2	211,487	158,704
Amortization on intangible assets	26,069	12,331
Amortization of premium on debt securities	342,414	417,548
Unrealized loss on revaluation of investments classified as held for trading	5,040	939
(Reversal of provision) / provision against non-performing loans and advances - net	(1,107,317)	1,451,676
Provision / (reversal of provision) for diminution in the value of investments - net	14,298	777
Provision for employees compensated absences	4,930	13,434
Provision for gratuity	53,804	39,308
Provision against other assets	41,356	33,382
Net loss / (profit) on sale of property and equipment	(732)	(7,560)
Net profit on sale of non-banking assets acquired in satisfaction of claims	(36,335)	(10,605)
Gain on sale and redemption of securities - net	(23,211)	(1,184,862)
	20,435	1,390,345
	6,201,268	5,150,745
(Increase) / Decrease in operating assets:		
Lendings to financial institutions	1,602,512	4,250,133
Net investments in held for trading securities	13,365,484	(7,000,390)
Advances - net	(62,890,449)	(42,763,609)
Other assets - net	(322,339)	(491,617)
	(48,244,792)	(46,005,483)
Increase / (Decrease) in operating liabilities:		
Bills payable	252,495	(428,306)
Borrowings from financial institutions	(5,268,139)	3,510,129
Deposits and other accounts	36,497,878	75,588,154
Other liabilities	2,088,603	1,324,716
	33,570,837	79,994,693
	(8,472,687)	39,139,955
Income tax paid	(2,179,282)	(1,158,213)
<b>Net cash (used in) / flow from operating activities</b>	<b>(10,651,969)</b>	<b>37,981,742</b>

	<b>Six Months Ended</b>	
	<b>June 30, 2018</b>	<b>June 30, 2017 (Restated)</b>
	<b>Rupees in '000'</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	7,957,870	(28,977,340)
Dividend received	46,510	44,586
Investments in operating fixed assets	(833,134)	(770,477)
Sale proceeds of property and equipment disposed-off	142,764	88,901
Sale proceeds of non-banking assets disposed-off	233,551	200,000
<b>Net cash flow from / (used in) investing activities</b>	<b>7,547,561</b>	<b>(29,414,331)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Share deposit money received against right issue	-	526,285
Repayment of subordinated loans	(500)	-
Dividend paid to non-controlling interest	(677)	-
Issuance of subordinated loan - PPTFCs-II	4,300,000	-
<b>Net cash flow from financing activities</b>	<b>4,298,823</b>	<b>526,285</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,194,415</b>	<b>9,093,696</b>
Cash and cash equivalents at beginning of the period	53,339,141	39,437,220
Cash and cash equivalents at end of the period	54,533,556	48,530,916
<b>Cash and cash equivalents:</b>		
Cash and balances with treasury banks	47,833,984	38,703,936
Balances with other banks	6,712,428	10,003,233
Overdrawn nostro accounts	(12,856)	(176,253)
	54,533,556	48,530,916

The annexed notes from 1 to 24 and Annexure - I form an integral part of these consolidated condensed interim financial statements.

Chief Financial Officer

President

Director



# Consolidated Condensed Interim Statement of Changes in Equity

## For the Six Months Ended June 30, 2018 (Un-audited)

	Capital Reserve				Revenue Reserve		Total	
	Share capital	Share deposit money	Discount on issue of shares	Statutory reserve	Share premium	Unappropriated profit / (accumulated losses)		Non-controlling interest
	Rupees in '000'							
<b>Balance as at January 1, 2017</b>	15,551,132	7,000,000	(263,158)	1,342,715	37,882	641,108	151,395	24,361,074
Total comprehensive income for the six months ended June 30, 2017 - Restated	-	-	-	-	-	-	8,693	2,200,354
Transfer from surplus on revaluation of fixed assets to unappropriated profit / (accumulated losses) - net of tax	-	-	-	-	-	25,754	-	25,754
Transfer from surplus on revaluation of fixed assets to unappropriated profit on disposal	-	-	-	-	-	68,246	-	68,246
Transfer from surplus on revaluation of non banking assets to unappropriated profit - net of tax	-	-	-	-	-	1,194	-	1,194
Transfer from surplus on revaluation of non banking assets to unappropriated profit on disposal	-	-	-	-	-	1,478	-	1,478
Share deposit money received against right issue	-	526,285	-	-	-	-	-	526,285
<b>Balance as at June 30, 2017</b>	15,551,132	7,526,285	(263,158)	1,342,715	37,882	2,829,441	160,088	27,184,385
Total comprehensive loss for the six months ended December 31, 2017	-	-	-	-	-	(5,657,517)	58,036	(5,599,481)
Transfer from surplus on revaluation of fixed assets to unappropriated profit / (accumulated losses) - net of tax	-	-	-	-	-	25,540	-	25,540
Transfer from surplus on revaluation of fixed assets to unappropriated profit on disposal	-	-	-	-	-	40,432	-	40,432
Transfer from surplus on revaluation of non banking assets to unappropriated profit - net of tax	-	-	-	-	-	1,152	-	1,152
Transfer from surplus on revaluation of non banking assets to unappropriated profit / (accumulated losses) - on disposal	-	-	-	-	-	6,114	-	6,114
Issuance of right shares at premium during the period	10,885,792	(7,526,285)	-	-	2,177,158	-	-	5,536,665
Transfer to Non-controlling interest on acquisition	-	-	-	-	-	(46,546)	46,546	-
Transfer to statutory reserve	-	-	-	2,184	-	(2,184)	-	-
Final dividend for the year ended June 30, 2017 at Rs 0.5 per certificate by subsidiary	-	-	-	-	-	-	(10,350)	(10,350)
Right shares issue cost	-	-	-	-	-	(231,181)	-	(231,181)
<b>Balance as at December 31, 2017</b>	26,436,924	-	(263,158)	1,344,899	2,215,040	(3,034,749)	254,320	26,953,276
Total comprehensive income for the six months ended June 30, 2018	-	-	-	-	-	3,838,501	11,659	3,850,160
Transfer from surplus on revaluation of fixed assets to unappropriated profit / (accumulated losses) - net of tax	-	-	-	-	-	22,942	-	22,942
Transfer from surplus on revaluation of fixed assets to unappropriated profit / (accumulated losses) on disposal	-	-	-	-	-	123,732	-	123,732
Transfer from surplus on revaluation of non banking assets to unappropriated profit / (accumulated losses) - net of tax	-	-	-	-	-	2,052	-	2,052
<b>Balance as at June 30, 2018</b>	26,436,924	-	(263,158)	1,344,899	2,215,040	952,478	265,979	30,952,162

The annexed notes from 1 to 24 and Annexure - I form an integral part of these consolidated condensed interim financial statements.

**Chief Financial Officer**

**President**

**Director**

# Notes to the Consolidated Condensed Interim Financial Statements

For the Six Months Ended June 30, 2018 (Un-audited)

## 1. STATUS AND NATURE OF BUSINESS

The Group consists of:

### Holding Company

The Bank of Punjab

### Subsidiary Companies

	% age of holding-2018	% age of holding-2017
Punjab Management Service (Private) Limited	100.00%	100.00%
First Punjab Modaraba	39.16%	39.16%
Punjab Capital Securities (Private) Limited	39.16%	39.16%

The subsidiary company of the Group, Punjab Modaraba Service (Private) Limited exercises control over First Punjab Modaraba, as its management company and also has a direct economic interest in it. Further, Punjab Capital Securities (Private) Limited is a 100% subsidiary of FPM. The Group has consolidated the financial statements of the modaraba and PCSL as the ultimate holding company. The Group is principally engaged in commercial banking, modaraba management, leasing, brokerage, etc. Brief profile of the holding company and subsidiaries is as follows:

### Holding Company

The Holding Company 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, 10-B, Block E-2, Main Boulevard, Gulberg III, Lahore. The Bank has 540 branches including 06 sub branches and 68 islamic banking branches (2017: 536 branches including 06 sub branch and 64 islamic banking branches) in Pakistan and Azad Jammu and Kashmir at the year end. The Bank is listed on Pakistan Stock Exchange. The majority shares of the Bank are held by Government of the Punjab (GoPb).

### Punjab Modaraba Service (Private) Limited

Punjab Modaraba Services (Private) Limited (the management Company) was incorporated in Pakistan on October 19, 1991 under the Companies Ordinance, 1984 as a private limited company. It is wholly owned by The Bank of Punjab and is primarily engaged in the business of floating and managing Modarabas.

### First Punjab Modaraba (the Modaraba)

First Punjab Modaraba (the Modaraba) was formed under the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 and rules framed there under and is managed by Punjab Modaraba Services (Private) Limited (wholly owned subsidiary of The Bank of Punjab), a company incorporated in Pakistan.

### Punjab Capital Securities (Private) Limited

The Punjab Capital Securities (Private) Limited ("the Company") is registered under the Companies Ordinance, 1984 as company limited by shares from the 29th day of November 2016. The Company is mainly engaged in business of brokerage services, portfolio management and consultancy services.

## 2. STATEMENT OF COMPLIANCE

- 2.1 These consolidated condensed interim financial statements 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 Act, 2017 and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board and Islamic Financial Accounting standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the provisions of the Companies Act, 2017. 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 Act, 2017 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 Act, 2017 take precedence.

- 2.2 SBP as per BSD Circular No. 10, dated August 26, 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 April 28, 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 consolidated condensed interim financial statements.
- 2.3 IFRS 8, 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorization in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment statements disclosed in these consolidated condensed interim financial statements is based on the requirements laid down by the SBP.
- 2.4 The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard - 3 for Profit & Loss Sharing on Deposits (IFAS 3) issued by the Institute of Chartered Accountants of Pakistan and notified by the SECP, vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IIFS). The standard will result in certain new disclosures in these consolidated condensed interim financial statements of the Bank.
- 2.5 In accordance with the directives of the Government of Pakistan regarding the conversion of the Banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the Banks from their customers and immediate resale to them at appropriate marked-up price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in this consolidated condensed interim financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.
- 2.6 The financial results of Islamic Banking business have been consolidated in these consolidated condensed interim financial statements for reporting purposes, after eliminating inter-branch transactions / balances. Key financial figures of the Islamic Banking business are disclosed in Annexure-I to this consolidated condensed interim financial statements.
- 2.7 The disclosures made in these consolidated condensed interim financial statements have, however, been limited based on the format prescribed by the SBP vide BSD Circular letter No. 2 dated May 12, 2004, BSD Circular letter No. 7 dated April 20, 2010 and International Accounting Standard – 34 Interim Financial Reporting. They do not include all of the disclosures required for annual financial statements, and this consolidated condensed interim financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2017.

### 3. BASIS OF MEASUREMENT

This consolidated condensed interim financial statements have been prepared under the historical cost convention, except for revaluation of freehold land and buildings on freehold land, revaluation of non-banking assets acquired in satisfaction of claims, valuation of certain investments and

commitments in respect of forward exchange contracts at fair value and certain staff retirement benefits at present value.

These consolidated condensed interim financial statements are presented in Pak Rupees, which is the Bank's functional and presentation currency.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

The accounting policies, underlying estimates and judgements and methods of computation followed in the preparation of this consolidated condensed interim financial statements are consistent with those applied in the preparation of annual financial statements of the Bank for the year ended December 31, 2017, except for the following:

##### Surplus on revaluation of fixed assets – net of deferred tax

Upto December 31, 2017, surplus / (deficit) on revaluation of fixed assets was being measured under the repealed Companies Ordinance 1984.

The repealed Ordinance specified the accounting treatment for the surplus / (deficit) on revaluation of fixed assets, wherein, a deficit arising on revaluation of a particular property was to be adjusted against the total balance in the surplus account or, if no surplus existed, was to be charged to the profit and loss account as an impairment of the assets. However, the Companies Act, 2017 removed the specific provisions allowing the above treatment and hence, a deficit arising on revaluation of a particular property is now to be accounted for in accordance with applicable financial reporting standards. Accordingly any surplus/deficit arising on revaluation of owned property and non-banking assets acquired in satisfaction of claims is accounted for at individual assets level wherein any deficit on revaluation is charged to profit and loss account after netting off any surplus already recorded on that asset.

The management of the Bank believes that the impact of the above change in accounting policy is not material, therefore no adjustments are being taken.

#### 5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies of the Bank are consistent with those disclosed in the annual financial statements of the Bank for the year ended December 31, 2017.

	Note	(Un-audited) June 30, 2018	(Audited) December 31, 2017
Rupees in '000'			
<b>6. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings		-	4,803,323
Reverse repurchase agreement lendings	6.1	8,785,015	9,510,527
Placements	6.2	8,980,000	9,090,000
Sukuk Bai - Muajjal		-	767,000
		17,765,015	24,170,850



## 6.1 Securities held as collateral against lendings to financial institutions

	(Un-audited) June 30, 2018			(Audited) December 31, 2017		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	R u p e e s i n ' 0 0 0 '					
Market treasury bills	7,485,015	-	7,485,015	8,650,527	-	8,650,527
Pakistan investment bonds	1,300,000	-	1,300,000	860,000	-	860,000
	8,785,015	-	8,785,015	9,510,527	-	9,510,527

Market value of securities held as collateral as at June 30, 2018 amounted to Rs. 8,825,147 thousand (December 31, 2017: Rs. 9,526,431 thousand). These carry mark-up at the rate of 6.50% to 7.00% per annum (December 31, 2017: 5.90% to 6.25% per annum).

6.2 These carry profit at rates ranging from 6.15% to 7.00% per annum (2017: 5.60% to 6.25% per annum) with maturities upto August 27, 2018.

## 7. INVESTMENTS - NET

	Note	(Un-audited) June 30, 2018			(Audited) December 31, 2017		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
		R u p e e s i n ' 0 0 0 '					
<b>Held for trading securities:</b>							
Ordinary shares of listed companies							
Market treasury bills		18,929,785	-	18,929,785	32,310,448	-	32,310,448
Shares of LSE financial services limited		15,259	-	15,259	-	-	-
		18,945,044	-	18,945,044	32,310,448	-	32,310,448
<b>Available for sale securities:</b>							
Market treasury bills		162,499,499	14,854,785	177,354,284	142,725,994	20,712,635	163,438,629
Pakistan investment bonds		11,203,685	-	11,203,685	34,733,700	-	34,733,700
Ordinary shares / certificates of listed companies and modarabas		1,653,940	-	1,653,940	1,823,940	-	1,823,940
Preference shares of listed companies		340,451	-	340,451	340,451	-	340,451
Preference shares of unlisted companies		81,358	-	81,358	71,406	-	71,406
Ordinary shares of unlisted company		25,000	-	25,000	39,892	-	39,892
Government of Pakistan ijrah sukuk		5,325,086	-	5,325,086	5,031,226	-	5,031,226
Listed term finance certificates		925,645	-	925,645	1,330,918	-	1,330,918
Unlisted term finance certificates / sukuks / commercial paper		7,835,686	-	7,835,686	6,211,152	-	6,211,152
		189,890,350	14,854,785	204,745,135	192,308,679	20,712,635	213,021,314
<b>Held to maturity securities:</b>							
Pakistan investment bonds	7.1	251,285	-	251,285	252,178	-	252,178
WAPDA bonds		400	-	400	400	-	400
		251,685	-	251,685	252,578	-	252,578
<b>Total investments at cost</b>		209,087,079	14,854,785	223,941,864	224,871,705	20,712,635	245,584,340
Provision for diminution in the value of investments - net		(3,028,448)	-	(3,028,448)	(3,014,148)	-	(3,014,148)
<b>Investments net of provisions</b>		206,058,631	14,854,785	220,913,416	221,857,557	20,712,635	242,570,192
(Deficit) / Surplus on revaluation of available for sale securities		(192,767)	(15,402)	(208,169)	(82,728)	421	(82,307)
Deficit on revaluation of held for trading securities		(5,040)	-	(5,040)	80	-	80
<b>Total investments at market value</b>		205,860,824	14,839,383	220,700,207	221,774,909	20,713,056	242,487,965

7.1 Market value of held to maturity investments is Rs. 261,653 thousand (December 31, 2017: Rs. 258,323 thousand).

	Note	(Un-audited) June 30, 2018 Rupees in '000'	(Audited) December 31, 2017
<b>8. ADVANCES - NET</b>			
Loans, cash credits, running finances, etc. - In Pakistan		323,107,083	278,600,994
Net investment in finance lease - In Pakistan		35,422,336	35,158,851
Net book value of assets in ijarah under IFAS 2 - In Pakistan		693,936	997,822
Islamic financing and related assets		20,439,815	11,225,299
Bills discounted and purchased (excluding treasury bills)			
-Payable in Pakistan		23,789,015	14,560,960
-Payable outside Pakistan		1,313,021	1,534,316
		25,102,036	16,095,276
Advances - gross		404,765,206	342,078,242
Provision for non-performing advances :			
-Specific	8.1	(44,828,048)	(45,811,534)
-General	8.2	(309,454)	(425,283)
		(45,137,502)	(46,236,817)
Advances - net of provision		359,627,704	295,841,425

**8.1** Advances include Rs. 50,317,734 thousand (December 31, 2017: Rs. 52,342,875 thousand) which have been placed under non-performing status as on June 30, 2018 as detailed below:

Category of classification	June 30, 2018 (Un-audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	Rupees in '000'				
Other assets especially mentioned	87,524	-	87,524	5,123	5,123
Substandard	601,712	-	601,712	121,243	121,243
Doubtful	8,062,807	-	8,062,807	4,203,554	4,203,554
Loss	41,565,691	-	41,565,691	40,498,128	40,498,128
	50,317,734	-	50,317,734	44,828,048	44,828,048

Category of classification	December 31, 2017 (Audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	Rupees in '000'				
Other assets especially mentioned	81,533	-	81,533	2,895	2,895
Substandard	285,447	-	285,447	54,330	54,330
Doubtful	8,932,577	-	8,932,577	3,799,750	3,799,750
Loss	43,043,318	-	43,043,318	41,954,559	41,954,559
	52,342,875	-	52,342,875	45,811,534	45,811,534

**8.2** General provision represents provision against consumer and SME financing portfolio as required by the prudential regulations issued by the SBP.

**8.3** The Bank has availed the benefit of Forced Sale Value (FSV) of collateral against non-performing advances as allowed vide BSD Circular No.1 dated October 21, 2011. This has resulted in decrease in provision against non-performing advances by Rs. 1,259,445 thousand (June 30, 2017: Rs. 1,612,746 thousand). The FSV benefit availed is not available for cash or stock dividend.



## 9. OPERATING FIXED ASSETS

During the period, additions to / disposals (at cost) from operating fixed assets amounted to Rs. 1,328,647 thousand (June 30, 2017: Rs. 770,477 thousand) and Rs. 186,314 thousand (June 30, 2017: Rs. 111,058 thousand), respectively.

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	Rupees in '000'	
<b>10. DEFERRED TAX ASSETS - NET</b>		
<b>Taxable temporary differences:</b>		
Surplus on revaluation of operating fixed assets	(475,651)	(513,360)
Surplus on revaluation of non banking assets	(29,163)	(47,143)
Accelerated tax depreciation	(287,321)	(313,847)
<b>Deductible temporary differences:</b>		
Deficit on available for sale securities	72,750	28,698
Post retirement employee benefits	-	44,182
Loan loss provision	9,972,537	11,525,114
Business loss- Subsidiaries	64,501	62,640
	9,317,653	10,786,284
<b>11. BORROWINGS FROM FINANCIAL INSTITUTIONS</b>		
<b>Secured</b>		
Borrowings from SBP:		
-Export refinance (ERF)	12,306,518	12,089,724
-Long term financing facility (LTFF)	6,279,840	4,991,566
-Finance facility for storage of agricultural produce (FFSAP)	29,189	15,954
-Finance facility for renewable energy performance platform (REPP)	520,356	241,746
Repurchase agreement borrowings	-	994,298
Call borrowings	14,486,632	19,558,533
	33,622,535	37,891,821
<b>Unsecured</b>		
Call borrowings	-	998,853
Overdrawn nostro accounts	12,856	58,688
	33,635,391	38,949,362

	Note	(Un-audited) June 30, 2018 Rupees in '000'	(Audited) December 31, 2017
<b>12. DEPOSITS AND OTHER ACCOUNTS</b>			
<b>Customers</b>			
Fixed deposits		177,579,694	157,236,983
Savings deposits		244,888,299	238,185,040
Current accounts - non-remunerative		147,169,573	139,425,390
Sundry deposits, margin accounts, etc.		18,741,523	15,546,838
		588,379,089	550,394,251
<b>Financial Institutions</b>			
Remunerative deposits		2,349,635	3,038,191
Non-remunerative deposits		1,961,027	2,759,431
		4,310,662	5,797,622
		592,689,751	556,191,873
<b>12.1 Particulars of deposits</b>			
In local currency		584,626,227	548,900,551
In foreign currencies		8,063,524	7,291,322
		592,689,751	556,191,873
<b>13. SUB-ORDINATED LOANS</b>			
Loan from the GoPb		2,000,000	2,000,000
Privately Placed Term Finance Certificates - I		2,498,500	2,499,000
Privately Placed Term Finance Certificates - II	13.1	4,300,000	-
		8,798,500	4,499,000

### 13.1 Privately Placed Term Finance Certificates

BOP has issued rated, unsecured and subordinated term finance certificates under section 66 of the Companies Act, 2017, in a set of twenty (20) scrips, corresponding to the redemption dates of the TFC and representing the TFC Holders entitlement to the redemption amount on the each such redemption date and registered book entry securities in accordance with the CDC regulations, as outlined by SBP under BPRD Circular No. 06 dated August 15, 2013 with each TFC having a face value of PKR 100,000 or multiples thereof.



Issue amount:	Rupees 4.3 billion.
Rating:	AA-
Tenor:	10 Years.
Security:	Unsecured and subordinated to all other indebtedness of the Bank including deposits.
Profit payment & frequency:	Profit payable on half yearly basis in arrears on the outstanding principal amount.
Profit rate:	Floating rate of return at base rate plus 125 bps p.a. (Base rate will be the average rate 'Ask side of the six month Karachi Inter Bank Offered Rate set at 1 (one business) day prior to the redemption date for the redemption amount payable on the immediately following redemption date).
Repayment:	The TFC has been structured to redeem 0.02% of the issue amount semi-annually in the first 09 years after the issue and the remaining issue amount in two equal semi-annual installments of 49.82% each, in the 10th year.
Call / Put option:	Callable after a period of 05 years. However no put option is available to the investors.
Lock in clause:	Neither profit nor principal may be paid (even at maturity) if such payments would result in a shortfall in the Bank's Minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) or increase any existing shortfall in MCR or CAR.
Loss Absorbency clause:	May be converted into ordinary shares or written off immediately (either partially or in full) at the discretion of the SBP, upon the occurrence of a point of non-viability ("PONV") event as defined in the Basel III guidelines, at the market value of the shares on the date of trigger of PONV as declared by the SBP.

#### 14. SHARE CAPITAL

(Un-audited) June 30, 2018 (No. of shares)	(Audited) December 31, 2017	(Un-audited) June 30, 2018 Rupees in '000'	(Audited) December 31, 2017
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##### 14.1 Authorized capital

		Ordinary or preference shares of Rs. 10/- each		
5,000,000,000	5,000,000,000		50,000,000	50,000,000

The authorized capital of the Bank is fifty thousand million rupees divided into five thousand million ordinary or preference shares of rupees ten each.

##### 14.2 Issued, subscribed and paid up capital

(Un-audited) June 30, 2018 (No. of shares)	(Audited) December 31, 2017		(Un-audited) June 30, 2018 Rupees in '000'	(Audited) December 31, 2017
1,607,912,555	1,607,912,555	Ordinary shares of Rs. 10/- each paid in cash	16,079,125	16,079,125
526,315,789	526,315,789	Ordinary shares of Rs. 10/- each issued at discount	5,263,158	5,263,158
509,464,036	509,464,036	Issued as bonus shares	5,094,641	5,094,641
2,643,692,380	2,643,692,380		26,436,924	26,436,924

##### 14.3 GoPb held 57.47% shares in the Bank as at June 30, 2018 (December 31, 2017: 57.47%).



	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	Rupees in '000'	
<b>15. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>		
Surplus on revaluation of operating fixed assets	1,940,290	2,003,331
Surplus on non banking assets acquired in satisfaction of claims	894,370	936,770
Surplus on revaluation of available for sale securities	(135,309)	(53,499)
	2,699,351	2,886,602

## 16. CONTINGENCIES AND COMMITMENTS

### 16.1 Direct credit substitutes

These include general guarantees of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favor of:

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	Rupees in '000'	
Government	71,929	120,367
Financial institutions	-	-
Others	4,478,630	8,069,727
	4,550,559	8,190,094

### 16.2 Transaction related contingent liabilities

These include performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credit related to particular transactions issued in favor of:

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	Rupees in '000'	
Note		
Government	630,387	556,507
Financial institutions	5,273,464	5,446,540
Others	30,345,378	40,457,849
	36,249,229	46,460,896

### 16.3 Trade related contingent liabilities

These include letters of credit issued in favour of:

Government	14,821,551	13,791,214
Financial institutions	-	-
Others	41,847,851	31,686,608
	56,669,402	45,477,822

### 16.4 Other contingencies

Claims against the Bank not acknowledged as debts	16.4.1	57,406,542	28,621,792
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**16.4.1** The amount involved in the claims filed against the Bank are yet to be adjudicated by the concerned courts as the same have been filed as outburst to our recovery suits. Up till now, in no case, any claim has been adjudicated, determined or decreed by the courts against the Bank. Moreover, there is no likelihood of decreeing the suits against the Bank because the claims are frivolous.

#### 16.5 Income tax related contingency

For the tax years 2010, 2011 & 2012 Income Tax Department has amended the assessment orders on the issues of separate taxation of dividend income against which the Bank had filed appeals before the Commissioner Inland Revenue Appeals (CIR(A)). CIR(A) provided relief to the Bank on issue of separate taxation of dividend income. Now, the tax department has filed appeal against the decision of CIR(A) with the Appellate Tribunal Inland Revenue (ATIR). The expected tax liability in respect of aforesaid tax years amounts to Rs. 162,772 thousand. The management of the Bank, as per the opinion of its tax consultant, is confident that the decision for the aforementioned tax years will be decided in Bank's favour.

#### 16.6 Commitments to extend credit

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

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	Rupees in '000'	
<b>16.7 Commitments in respect of forward exchange contracts</b>		
Purchase	12,972,725	10,067,323
Sale	10,366,134	7,846,230
	23,338,859	17,913,553
<b>16.8 Commitments for the acquisition of operating fixed assets</b>	292,315	225,051

#### 17. EARNINGS PER SHARE - BASIC AND DILUTED

	(Un-audited)			
	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
Profit after taxation (Rupees in thousand)	1,907,465	3,850,160	625,754	2,191,661
Weighted average number of ordinary shares (thousand)	2,643,692	2,643,692	1,555,113	1,555,113
Earnings per share - basic and diluted (Rupees)	0.73	1.46	0.41	1.41

## 18. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in subsidiary, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short-term in nature or, in the case of customer loans and deposits, are frequently reprised.

The Bank measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurement using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly. (i.e. derived from prices)

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

	June 30, 2018 (Un-audited)				
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Rupees in '000'					
<b>On balance sheet financial instruments</b>					
<b>Financial assets measured at fair value :</b>					
Government securities	212,964,049	-	212,974,417	-	212,974,417
Ordinary shares / certificates of listed companies and modarabas	1,091,578	1,091,578	-	-	1,091,578
Ordinary shares of unlisted company	15,990	-	-	15,990	15,990
Preference shares of listed companies	-	-	-	-	-
Listed term finance certificates	915,562	-	915,562	-	915,562
<b>Non Financial assets measured at fair value :</b>					
Operating fixed assets (land & building)	5,633,945	-	5,633,945	-	5,633,945
Non banking assets acquired in satisfaction of claims	7,313,124	-	7,313,124	-	7,313,124
<b>Financial assets not measured at fair value:</b>					
Cash and balances with treasury banks	47,833,984	-	-	-	-
Balances with other banks	6,712,428	-	-	-	-
Lendings to financial institutions	17,765,015	-	-	-	-
Investments:					
Government securities	251,685	-	-	-	-
Unlisted term finance certificates	7,835,686	-	-	-	-
Sale of sukuk to GOP on Bai-Muajjal basis	-	-	-	-	-
Advances - net	359,627,704	-	-	-	-
Operating fixed assets	-	-	-	-	-
Other assets	7,936,985	-	-	-	-
	675,897,736	1,091,578	226,837,048	15,990	227,944,616



June 30, 2018 (Un-audited)

	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Rupees in '000'					
<b>Financial liabilities measured at fair value:</b>					
Payable to gratuity fund	53,803	-	53,803	-	53,803
Provision for employees compensated absences	97,952	-	97,952	-	97,952
<b>Financial liabilities not measured at fair value:</b>					
Bills payable	3,617,820	-	-	-	-
Borrowings	33,635,391	-	-	-	-
Deposits and other accounts	592,689,751	-	-	-	-
Sub-ordinated loan	8,798,500	-	-	-	-
Other liabilities	19,011,341	-	-	-	-
	657,752,803	-	-	-	-
<b>Off balance sheet financial instruments:</b>					
Forward purchase of foreign exchange contracts	10,821,192	-	10,821,192	-	10,821,192
Forward sale of foreign exchange contracts	10,661,857	-	10,661,857	-	10,661,857

December 31, 2017 (Audited)

	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Rupees in '000'					
<b>On balance sheet financial instruments</b>					
<b>Financial assets measured at fair value :</b>					
Government securities	235,804,178	-	235,810,323	-	235,810,323
Ordinary shares / certificates of listed companies and modarabas	1,258,030	1,395,516	-	-	1,258,029
Ordinary shares of unlisted company	30,882	-	-	30,882	15,990
Preference shares of listed companies	-	-	-	-	-
Listed term finance certificates	1,331,224	-	1,331,224	-	1,331,224
<b>Non Financial assets measured at fair value :</b>					
Operating fixed assets (land & building)	5,356,732	-	5,356,732	-	5,356,732
Non banking assets acquired in satisfaction of claims	8,044,187	-	8,044,187	-	8,044,187
<b>Financial assets not measured at fair value:</b>					
Cash and balances with treasury banks	42,478,209	-	-	-	-
Balances with other banks	6,116,297	-	-	-	-
Lendings to financial institutions	24,170,850	-	-	-	-
Investments:					
Government securities	252,578	-	-	-	-
Unlisted term finance certificates	6,211,152	-	-	-	-
Sale of sukuk to GOP on Bai-Muajjal basis	-	-	-	-	-
Advances - net	295,841,425	-	-	-	-
Operating fixed assets	-	-	-	-	-
Other assets	7,604,641	-	-	-	-
	634,500,385	1,395,516	250,542,466	30,882	251,816,485

December 31, 2017 (Audited)

	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Rupees in '000'					
<b>Financial liabilities measured at fair value:</b>					
Payable to gratuity fund	233,841		233,841		233,841
Provision for employees compensated absences	93,523		93,523		93,523
<b>Financial liabilities not measured at fair value:</b>					
Bills payable	3,365,325	-	-	-	-
Borrowings	38,949,362	-	-	-	-
Deposits and other accounts	556,191,873	-	-	-	-
Sub-ordinated loan	4,499,000	-	-	-	-
Other liabilities	16,864,004	-	-	-	-
	619,869,564	-	-	-	-
<b>Off balance sheet financial instruments:</b>					
Forward purchase of foreign exchange contracts	10,273,009	-	10,273,009	-	10,273,009
Forward sale of foreign exchange contracts	7,952,649	-	7,952,649	-	7,952,649

## 19. 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
	Rupees in '000'					
<b>Six Months Ended June 30, 2018 (Un-audited)</b>						
Total income	8,177,583	2,270,946	11,210,066	350,283	72,954	22,081,832
Total expenses	661,678	1,910,361	13,293,598	-	-	15,865,637
Inter segment transfer (cost) / revenue	(4,107,919)	535,966	3,571,953	-	-	-
Income taxes	-	-	-	-	-	2,366,035
<b>Net income / (loss)</b>	<b>3,407,986</b>	<b>896,551</b>	<b>1,488,421</b>	<b>350,283</b>	<b>72,954</b>	<b>3,850,160</b>
Segment assets (gross)	292,502,322	49,691,899	385,368,535	-	-	727,562,756
Segment non performing advances / investments	3,159,645	1,780,376	48,406,161	-	-	53,346,182
Segment specific provision required	3,222,669	1,810,787	43,132,494	-	-	48,165,950
Segment liabilities	18,305,161	88,098,925	551,348,717	-	-	657,752,803
Segment return on net assets (ROA) (%)	6.27%	11.24%	8.49%			
Segment cost of funds (%)	6.05%	5.89%	5.84%			
<b>Six Months Ended June 30, 2017 (Un-audited)</b>						
Total income	7,795,525	2,285,715	8,607,301	303,907	73,432	19,065,880
Total expenses	680,067	1,887,011	12,695,650	-	-	15,262,728
Inter segment transfer (cost) / revenue	(3,279,409)	464,287	2,815,122	-	-	-
Income taxes	-	-	-	-	-	1,611,491
<b>Net income / (loss)</b>	<b>3,836,049</b>	<b>862,991</b>	<b>(1,273,227)</b>	<b>303,907</b>	<b>73,432</b>	<b>2,191,661</b>
Segment assets (gross)	287,614,772	51,715,399	316,491,351	-	-	655,821,522
Segment non performing advances / investments	3,107,239	2,237,382	52,024,974	-	-	57,369,595
Segment specific provision required	3,059,852	1,691,646	31,204,933	-	-	35,956,431
Segment liabilities	32,544,307	81,591,365	483,354,470	-	-	597,490,142
Segment return on net assets (ROA) (%)	7.75%	10.98%	8.52%			
Segment cost of funds (%)	5.91%	6.02%	5.73%			



## 20. RELATED PARTY TRANSACTIONS

Related parties comprise subsidiary, 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 on arm's length basis. Amounts due from and due to related parties are shown under receivables and payables. In addition key management personnel are paid terminal and short-term terminal benefits.

	June 30, 2018 (Un-audited)			December 31, 2017 (Audited)		
	Key management personnel	Employee funds	Others	Key management personnel	Employee funds	Others
	Rupees in '000'			Rupees in '000'		
<b>Advances</b>						
Opening balance	189,636	-	-	121,393	-	-
Loans granted during the period	31,645	-	-	150,219	-	-
Repayments received during the period	(49,506)	-	-	(81,976)	-	-
Closing balance	171,775	-	-	189,636	-	-
<b>Deposits</b>						
Opening balance	24,414	2,770,528	256,060	28,730	2,459,349	51,488
Placements made during the period	229,433	495,946	15,327,063	516,407	633,557	22,813,261
Withdrawals during the period	(204,213)	(789,698)	(15,160,633)	(520,723)	(322,378)	(22,608,689)
Closing balance	49,634	2,476,776	422,490	24,414	2,770,528	256,060
	June 30, 2018 (Un-audited)			June 30, 2017 (Un-audited)		
	Key management personnel	Employee funds	Others	Key management personnel	Employee funds	Others
	Rupees in '000'			Rupees in '000'		
<b>Transactions during the period :</b>						
Mark-up/return earned	4,642	-	-	1,494	-	-
Mark-up/interest expensed	490	76,772	5,167	254	34,027	527
Contribution to employees funds	-	66,101	-	-	32,142	-
Commission expense	-	-	-	-	-	-

**20.1** Balances pertaining to parties that were related at the beginning of the period but ceased to be so related during any part of the current period are not reflected as part of the closing balance. The same are accounted for through movement presented above.

**20.2** The GoPb holds controlling interest (57.47% shareholding) in the Bank and therefore entities which are owned and / or controlled by the GoPb, or where the GoPb may exercise significant influence, are related parties of the Bank.

The Bank in the ordinary course of business enters into transaction with Government-related entities. Such transactions include lending to, deposits from and provision of other banking services to Government-related entities.

As at Statement of Financial Position date the loans and advances, deposits and contingencies relating to GoPb and its related entities amounted to Rs. 69,049,184 thousand (December 31, 2017: Rs. 44,641,720 thousand), Rs. 300,995,529 thousand (December 31, 2017: Rs. 289,679,475 thousand) and Rs. 26,472,931 thousand (December 31, 2017: Rs. 25,792,141 thousand) respectively. Further, during the period, the Bank has incurred markup expense of Rs. 65,014 thousand (June 30, 2017: Rs. 61,986 thousand) on subordinated loan of Rs. 2,000,000 thousand received from GoPb in year 2014.

	(Un-audited) June 30, 2018	(Audited) December 31, 2017
	Rupees in '000'	
<b>21. CAPITAL ADEQUACY RATIO</b>		
Total eligible capital	34,207,427	25,531,490
Total risk weighted assets	271,023,909	263,966,483
CAR (%)	12.62%	9.67%
<b>22. RISK MANAGEMENT</b>		
<b>22.1 Liquidity Coverage Ratio</b>		
High quality liquid assets	264,284,570	285,713,249
Net cash outflows	210,802,289	214,101,572
Liquidity Coverage ratio (%)	125.37%	133.45%
<b>22.2 Net Stable Funding Ratio</b>		
Available stable funding	406,423,141	383,239,594
Required stable funding	349,355,203	300,969,211
Net Stable Funding Ratio (%)	116.34%	127.34%

**23. DATE OF AUTHORIZATION FOR ISSUE**

These consolidated condensed interim financial statements were authorized for issuance on August 17, 2018 by the Board of Directors of the Bank.

**24. GENERAL**

**24.1** The corresponding figures have been reclassified or rearranged, wherever necessary, for the purpose of comparison. However, no significant reclassification or rearrangement has been made during the period.

**24.2** Figures have been rounded off to the nearest thousand, unless otherwise stated.

Chief Financial Officer

President

Director



## Islamic Banking Business - Statement of Financial Position As at June 30, 2018

The Bank is operating 68 Islamic banking branches and 02 sub Islamic banking branches at close of June 30, 2018 (December 31, 2017: 64 branches and 02 sub Islamic banking branches).

	Note	(Un-audited) June 30, 2018	(Audited) December 31, 2017
Rupees in '000'			
<b>ASSETS</b>			
Cash and balances with treasury banks		2,834,209	2,543,172
Balance with other banks		264,951	2,219,672
Due from financial institutions		8,980,000	9,857,000
Investments		9,610,174	7,628,201
Islamic financing and related assets	A	19,052,185	11,773,847
Operating fixed assets		317,089	288,794
Deferred tax assets		-	-
Other assets		459,765	530,863
<b>TOTAL ASSETS</b>		<b>41,518,373</b>	<b>34,841,549</b>
<b>LIABILITIES</b>			
Bills payable		279,768	188,315
Due to financial institutions		-	-
Deposit and other accounts			
- Current accounts		18,171,895	8,215,697
- Saving accounts		19,383,620	23,955,632
- Term deposits		665,820	726,746
- Others		187,932	51,248
- Deposits from financial institutions - remunerative		124,828	62,186
- Deposits from financial institutions - non - remunerative		6,704	55
Due to head office		238,652	-
Other liabilities		380,776	169,405
		39,439,995	33,369,284
<b>NET ASSETS</b>		<b>2,078,378</b>	<b>1,472,265</b>
<b>REPRESENTED BY</b>			
Islamic banking fund		1,500,000	1,000,000
Reserves		7,674	1,959
Unappropriated profit		549,825	420,873
		2,057,499	1,422,832
Surplus on revaluation of assets		20,879	49,433
		2,078,378	1,472,265

		(Un-audited) June 30, 2018 Rupees in '000'	(Un-audited) June 30, 2017
Remuneration to Shariah Advisor / Board		1,305	2,460
		(Un-audited) June 30, 2018 Rupees in '000'	(Audited) December 31, 2017
	Note		
<b>CHARITY FUND</b>			
Opening balance		1,125	533
<b>Additions during the period</b>			
Received from customers on delayed payments		3,443	1,037
Non-shariah compliant income			69
Profit on charity saving account		14	19
		3,457	1,125
<b>Payments / utilization during the period</b>			
Welfare Works		(200)	(533)
Closing balance		4,382	1,125
<b>A. Islamic financing and related assets</b>			
Islamic mode of financing	A.1	19,052,185	11,773,847
<b>A.1 Islamic mode of financing</b>			
Financing / Investments / Receivables			
Running Musharakah		7,499,576	2,074,000
Murabaha		802,708	1,010,989
Diminishing musharaka		6,544,321	5,235,730
Payment against documents		555,577	-
Istisna		3,122,480	2,662,770
Ijarah		527,523	790,358
		19,052,185	11,773,847



## Annexure - I

## Islamic Banking Business - Profit and Loss Account

For the Six Months Ended June 30, 2018 (Un-audited)

	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
	(Rupees in thousand)			
<b>Profit / Return earned on financing, investment and placements</b>	650,638	1,278,421	444,746	826,519
<b>Return on deposits and other dues expensed</b>	214,165	458,779	143,253	272,988
<b>Net spread earned</b>	436,473	819,642	301,493	553,531
Provision against non-performing advances	103,916	103,916	-	-
Provision against consumer financings	-	-	-	-
Provision for diminution in the value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
	103,916	103,916	-	-
Income after provisions	332,557	715,726	301,493	553,531
<b>Other income</b>				
Fee, commission and brokerage income	6,528	11,299	6,355	13,972
Dividend income	-	-	-	-
Income from dealing in foreign currencies	140	51	(4)	25
Gain on sale and redemption of securities	-	-	-	-
Unrealized (loss) / gain on revaluation of investments classified as held for trading	-	-	-	-
Other income	9,210	20,807	7,496	16,380
Total other income	15,878	32,157	13,847	30,377
	348,435	747,883	315,340	583,908
<b>Other expenses</b>				
Administrative expenses	325,506	618,931	266,400	457,326
Other provisions/write offs/reversals	-	-	-	-
Other charges	-	-	-	-
Total other expenses	325,506	618,931	266,400	457,326
	22,929	128,952	48,940	126,582
Extra ordinary / unusual items	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	22,929	128,952	48,940	126,582





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