

CELEBRATING 25 YEARS

Quarterly Report

(Un-audited)

January - March

2014

THE BANK OF PUNJAB

Passion Reborn

CONTENTS

Corporate Information 02

Directors' Review 03

Interim Condensed Unconsolidated
Financial Statements of the Bank of Punjab 04

Interim Condensed Consolidated
Financial Statements of the Bank of Punjab
and its subsidiary Punjab Modaraba Services (Pvt) Ltd. 31

CORPORATE INFORMATION

Board Of Directors

Mr. Ghafoor Mirza	Chairman
Mr. Naeemuddin Khan	President/CEO
Mr. Javaid Aslam	Director
Mr. Mohammad Jehanzeb Khan	Director
Mr. Tariq Mahmood Pasha	Director
Khawaja Farooq Saeed	Director
Mr. Saeed Anwar	Director
Dr. Umar Saif	Director
Syed Maratib Ali	Director
Mr. Raza Saeed	Secretary To The Board

Central Audit Committee (CAC)

Khawaja Farooq Saeed	Chairman
Mr. Tariq Mahmood Pasha	Member
Mr. Saeed Anwar	Member

Board Risk Management Committee (BRMC)

Syed Maratib Ali	Chairman
Mr. Tariq Mahmood Pasha	Member
Mr. Saeed Anwar	Member

Human Resource & Remuneration Committee (HR&RC)

Mr. Mohammad Jehanzeb Khan	Chairman
Khawaja Farooq Saeed	Member
Dr. Umar Saif	Member
Mr. Naeemuddin Khan	Ex-officio Member

Auditors

M. Yousuf Adil Saleem & Co., Chartered Accountants

Registered Office

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

Website

www.bop.com.pk

Registrar

M/s. Corplink (Pvt) Limited
Wings Arcade, 1-K, Commercial,
Model Town, Lahore.
Telephone No.s: +92 42 35916714, 35916719, 35839182
Fax No. +92 042 35869037

DIRECTORS' REVIEW

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 quarter ended on March 31, 2014.

Owing to the measures taken by the government, all major economic indicators have moved in the desired direction. Inflation has come down and foreign exchange reserves have increased. During the 1st quarter 2014, the policy rate was maintained at 10% by SBP.

Financial Highlights:	Rs. In Million
Profit before taxation	691
Taxation	240
Profit after taxation	451
Earnings per share (Rupees)	0.41

During 1st quarter of year 2014, Bank was able to post a pre-tax profit of Rs. 691 million as against Rs. 513 million for corresponding period last year thereby registering a rise of 35%. As on March 31, 2014, the deposits stood at Rs. 298.3 billion, while investments and Gross Advances stood at Rs. 148.5 billion and Rs. 180.1 billion, respectively. The Management continued its efforts for regularization of NPLs and a net reduction of Rs. 1,821 million was registered during 1st quarter 2014. The Net Interest Margin for the period stood at Rs. 1,004 million as against Rs. 475 million for corresponding period last year, while the Tier-1 Equity improved to Rs. 12.9 billion as against Rs. 12.6 billion as on December 31, 2013.

During the 1st quarter 2014, the process for issuance of Right Shares of Rs.5.0 billion (47.39%) at par value, against share deposit money deposited by the GOPb, was completed. Accordingly, the paid up capital of the Bank as on March 31, 2014 stood at Rs.15.6 billion.

The Bank enjoys long term and short term entity ratings of AA- and A1+, respectively, by PACRA, owing to the improved financial position.

The arrangements regarding the relaxations granted by the State Bank of Pakistan from provisioning against certain advances and capital regulatory requirements, based on the LOCs issued by the Government of the Punjab, have been fully explained in Note 1.2 to the Condensed Interim Financial Statements.

While acknowledging the support and trust of our valued clients and shareholders, I assure that the management will continue all out efforts to maintain and accelerate the growth trends. I also wish to extend my gratitude to the Government of the Punjab and the State Bank of Pakistan for their constant support and guidance to the Bank. Above all, I wish to put on record the excellent work and dedication of the Bank's employees in achieving the improved financial position of the Bank.

For and on behalf of the Board

Ghafoor Mirza
Chairman


BOP
THE BANK OF PUNJAB
Passion Reborn
UNCONSOLIDATED
FINANCIAL STATEMENTS
For the Three Months Ended March 31, 2014
July
August
September
October

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at March 31, 2014

	Note	(Un-audited) March 31, 2014	(Audited) December 31, 2013
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks		17,980,156	23,820,864
Balances with other banks		2,343,983	4,265,296
Lendings to financial institutions	5	4,387,053	11,407,448
Investments - net	6	148,495,106	123,956,143
Advances - net	7	154,562,316	157,285,598
Operating fixed assets	8	3,533,240	3,514,801
Deferred tax assets - net	9	12,259,407	12,627,352
Other assets - net		18,649,515	15,820,643
		362,210,776	352,698,145
LIABILITIES			
Bills payable		1,892,088	1,506,335
Borrowings	10	38,021,650	22,802,482
Deposits and other accounts	11	298,293,872	306,560,767
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		2,204	2,386
Deferred tax liabilities - net		-	-
Other liabilities		9,850,044	8,344,877
		348,059,858	339,216,847
NET ASSETS		14,150,918	13,481,298
REPRESENTED BY			
Share capital	12	15,551,132	10,551,132
Discount on issue of shares		(263,158)	(263,158)
Reserves		1,539,659	1,539,659
Accumulated losses		(10,910,101)	(11,250,885)
		5,917,532	576,748
Share deposit money	13	7,000,000	12,000,000
		12,917,532	12,576,748
Surplus on revaluation of assets - net of tax	14	1,233,386	904,550
		14,150,918	13,481,298
Contingencies and commitments	15		

The annexed notes from 1 to 20 and Annexure - I form an integral part of this unconsolidated condensed interim financial information.

President **Director**

UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

For the Three Months Ended March 31, 2014 (Un-audited)

	Three months ended March 31, 2014	March 31, 2013
	Rupees in '000	
Mark-up / return / interest earned	6,500,118	5,770,883
Mark-up / return / interest expensed	5,496,095	5,295,896
Net mark-up / return / interest income	1,004,023	474,987
Reversal of provision against non-performing loans and advances - net	(138,063)	(416,638)
Reversal of provision for diminution in the value of investments - net	(98,136)	(286)
Bad debts written off directly	-	-
	(236,199)	(416,924)
Net mark-up / return / interest income after provisions	1,240,222	891,911
NON MARK-UP / INTEREST INCOME		
Fee, commission and brokerage income	137,318	134,292
Dividend income	11,456	59,999
Income from dealing in foreign currencies	44,311	15,789
Gain on sale and redemption of securities - net	178,697	317,949
Unrealized loss on revaluation of investments classified as held for trading	(507)	(3,930)
Other income	440,817	287,268
Total non-markup / interest income	812,092	811,367
	2,052,314	1,703,278
NON MARK-UP / INTEREST EXPENSES		
Administrative expenses	1,355,191	1,195,508
Charge / (Reversal) of provision against other assets	5,899	(5,366)
Other charges	8	36
Total non-markup / interest expenses	1,361,098	1,190,178
	691,216	513,100
Extra ordinary / unusual items	-	-
PROFIT BEFORE TAXATION	691,216	513,100
Taxation - Current	73,122	32,911
- Prior years	-	-
- Deferred	167,220	149,616
	240,342	182,527
PROFIT AFTER TAXATION	450,874	330,573
Earnings per share - basic and diluted (Rupees) - Note 16	0.41	0.53

The annexed notes from 1 to 20 and Annexure - I form an integral part of this unconsolidated condensed interim financial information.

President **Director**

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the Three Months Ended March 31, 2014 (Un-audited)

	Three months ended	
	March 31, 2014	March 31, 2013
	Rupees in '000	
Profit after taxation	450,874	330,573
Other comprehensive income not to be reclassified to profit and loss account in subsequent periods:		
Actuarial gains on remeasurement recognized during the period	-	-
Total comprehensive income	450,874	330,573

The annexed notes from 1 to 20 and Annexure - I form an integral part of this unconsolidated condensed interim financial information.

President

Director

UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT

For the Three Months Ended March 31, 2014 (Un-audited)

	Three months ended March 31, 2014	March 31, 2013
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	691,216	513,100
Less: Dividend income	(11,456)	(59,999)
	679,760	453,101
Adjustments for:		
Depreciation	84,210	79,958
Amortization on intangible assets	1,079	-
Amortization of premium on Pakistan investment bonds	5,417	7,507
Unrealized loss on revaluation of investments classified as held for trading	507	3,930
Reversal of provision against non-performing loans and advances - net	(138,063)	(416,638)
Reversal of provision for diminution in the value of investments - net	(98,136)	(286)
Provision for employees compensated absences	4,139	1,836
Provision for gratuity	20,719	21,833
Charge / (Reversal) of provision against other assets	5,899	(5,366)
Net profit on sale of property and equipment	(18,057)	(10,381)
Net profit on sale of non-banking assets acquired in satisfaction of claims	(7,398)	(162,293)
Gain on sale and redemption of securities	(178,697)	(317,949)
Finance charges on leased assets	35	84
	(318,346)	(797,765)
	361,414	(344,664)
(Increase) / Decrease in operating assets:		
Lendings to financial institutions	6,220,395	(5,358,050)
Net investments in held for trading securities	6,132,148	8,050,438
Advances - net	2,861,345	11,999,544
Other assets	(2,987,452)	660,523
	12,226,436	15,352,455
Increase / (Decrease) in operating liabilities:		
Bills payable	385,753	180,559
Borrowings	15,230,770	(23,689,601)
Deposits and other accounts	(8,266,895)	3,081,914
Other liabilities	1,480,309	8,438
	8,829,937	(20,418,690)
	21,417,787	(5,410,899)
Financial charges paid	(35)	(84)
Income tax paid	(3,374)	(83,949)
Net cash flow from / (used in) operating activities	21,414,378	(5,494,932)

	Three months ended March 31, 2014	March 31, 2013
	Rupees in '000	
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(20,030,425)	5,377,607
Net investments in held to maturity securities	(9,846,684)	889
Dividends received	5,487	47,446
Investments in operating fixed assets	(128,812)	(87,505)
Sale proceeds of property and equipment disposed-off	43,139	13,561
Sale proceeds of non-banking assets disposed-off	96,300	919,995
Net cash (used in) / flow from investing activities	(29,860,995)	6,271,993
CASH FLOWS FROM FINANCING ACTIVITIES		
Right shares issue cost	(103,620)	-
Payment of lease obligations	(182)	(178)
Net cash used in financing activities	(103,802)	(178)
Net (decrease) / increase in cash and cash equivalents	(8,550,419)	776,883
Cash and cash equivalents at beginning of the period	28,854,680	20,398,252
Cash and cash equivalents at end of the period	20,304,261	21,175,135
Cash and cash equivalents:		
Cash and balances with treasury banks	17,980,156	16,418,229
Balances with other banks	2,343,983	4,467,814
Call money lendings	-	300,000
Overdrawn nostro accounts	(19,878)	(10,908)
	20,304,261	21,175,135

The annexed notes from 1 to 20 and Annexure - I form an integral part of this unconsolidated condensed interim financial information.

President

Director

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the Three Months Ended March 31, 2014 (Un-audited)

	Capital Reserves				Revenue Reserve	
	Share capital	Discount on issue of shares	Statutory reserve	Share premium	Restructuring reserve	Accumulated losses	Total
	Rupees in '000'						
Balance as at January 1, 2013	5,287,974	-	396,364	37,882	753,187	(12,742,364)	(6,266,957)
Total comprehensive income for the three months ended March 31, 2013	-	-	-	-	-	330,573	330,573
Transfer from surplus on revaluation of fixed assets to accumulated losses - net of tax	-	-	-	-	-	2,675	2,675
Balance as at March 31, 2013	5,287,974	-	396,364	37,882	753,187	(12,409,116)	(5,933,709)
Total comprehensive income for the nine months ended December 31, 2013	-	-	-	-	-	1,615,825	1,615,825
Transfer from surplus on revaluation of fixed assets to accumulated losses - net of tax	-	-	-	-	-	7,677	7,677
Transfer from surplus on revaluation of fixed assets to accumulated losses on disposal	-	-	-	-	-	814	814
Transfer from restructuring reserve against NPLs	-	-	-	-	(35,375)	-	(35,375)
Transfer to statutory reserve	-	-	387,601	-	-	(387,601)	-
Transactions with owners, recorded directly in equity:							
Issue of right shares during the period	5,263,158	-	-	-	-	-	5,263,158
Discount on issue of right shares	-	(263,158)	-	-	-	-	(263,158)
Right shares issue cost	-	-	-	-	-	(78,484)	(78,484)
	5,263,158	(263,158)	-	-	-	(78,484)	4,921,516
Balance as at December 31, 2013	10,551,132	(263,158)	783,965	37,882	717,812	(11,250,885)	576,748
Total comprehensive income for the three months ended March 31, 2014	-	-	-	-	-	450,874	450,874
Transfer from surplus on revaluation of fixed assets to accumulated losses - net of tax	-	-	-	-	-	2,497	2,497
Transfer from surplus on revaluation of fixed assets to accumulated losses on disposal	-	-	-	-	-	(8,967)	(8,967)
Transfer from restructuring reserve against NPLs	-	-	-	-	-	-	-
Transactions with owners, recorded directly in equity:							
Issue of right shares during the period	5,000,000	-	-	-	-	-	5,000,000
Right shares issue cost	-	-	-	-	-	(103,620)	(103,620)
	5,000,000	-	-	-	-	(103,620)	4,896,380
Balance as at March 31, 2014	15,551,132	(263,158)	783,965	37,882	717,812	(10,910,101)	5,917,532

The annexed notes from 1 to 20 and Annexure - I form an integral part of this unconsolidated condensed interim financial information.

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
For the Three Months Ended March 31, 2014 (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 334 branches including 07 Islamic banking branches (December 31, 2013: 334 branches including 07 Islamic banking branches) in Pakistan and Azad Jammu and Kashmir at the period end. The Bank is listed on Lahore, Karachi and Islamabad Stock Exchanges. The majority shares of the Bank are held by Government of the Punjab (GOPb).

1.2 The paid-up capital, reserves (net of losses) and advance subscription money of the Bank amounts to Rs. 12,917,532 thousand. However, Capital Adequacy Ratio (CAR) remained below the prescribed level of 10%. Further, as at the close of the three months ended March 31, 2014, net advances aggregating to Rs. 25,259,545 thousand (December 31, 2013: Rs. 26,185,925 thousand) requiring additional provision of Rs. 23,576,499 thousand (December 31, 2013: Rs. 24,348,207 thousand) there against have not been subjected to provisioning criteria as prescribed in SBP prudential regulations in view of the relaxation provided by SBP vide letter No.OSED/Div-01/SEU-03/010(01)-2014/3432 dated March 03, 2014, on the basis of two Letters of Comfort (LOCs) issued by the GOPb as explained in para 2 below.

The GOPb being the majority shareholder, in order to support the Bank, deposited Rs.10,000,000 thousand and Rs. 7,000,000 thousand as advance subscription money in the year 2009 and 2011 respectively against future issue of shares by the Bank. Further, the GOPb vide two LOCs issued on March 29, 2012 has also undertaken to inject necessary funds to make good the capital shortfall to the satisfaction of SBP up to a maximum amount of Rs. 5,800,000 thousand (net of tax @ 35%) and Rs. 12,940,000 thousand (net of tax @ 35%) within a period of 90 days after close of the year ending December 31, 2014 and December 31, 2016 respectively if the Bank fails to make provision of Rs. 28,840,000 thousand or if there is a shortfall in meeting the prevailing regulatory capital requirements as a result of the said provisioning. In addition, in terms of aforesaid LOCs, the GOPb being majority shareholder and sponsor of the Bank, has also extended its commitment to support and assist the Bank in ensuring that it remains compliant with the regulatory requirements at all times.

Based on above, the SBP has granted the Bank relaxations from provisioning requirements of SBP's prudential regulations, minimum capital requirement and capital adequacy ratio (CAR) which should not fall below 8% during first two quarters and 10% during last two quarters of the year 2014. During the year 2014, the Bank is also required to record provisioning in staggered manner against outstanding amounts of borrowers covered under the above LOCs to at least 4% by June 30, 2014. Further, staggering for the quarter ending September 30, 2014 would be based on Bank's performance by June 30, 2014 so as to ensure that total staggering by end of the year would not be less than 15%. In this regard, any account adjustment following the cash recovery/settlement against theses borrowers will reduce the said required provisioning covered under the LOCs. Going forward, further extension in these relaxations would be considered upon satisfactory compliance of the conditions / requirements of SBP as well as Bank's future performance.

During the period against share deposit money - I, in 2nd phase, the Bank has issued 500,000,000 right shares for Rs. 5,000,000 thousand (47.39%) at par. Accordingly, the entire amount of advance subscription money deposited in year 2009 has been converted in paid up capital of the Bank.

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

2. STATEMENT OF COMPLIANCE

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

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 this unconsolidated condensed interim financial information.

This unconsolidated condensed interim financial information is separate interim financial information of the Bank in which the investment in subsidiary is stated at cost less provision for impairment (if any) and has not been accounted for on the basis of reported results and net assets of the investee.

The financial results of Islamic banking business have been consolidated in this unconsolidated condensed interim financial information 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 information.

The disclosures made in this unconsolidated condensed interim financial information 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 information should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2013. This unconsolidated condensed interim financial information is being submitted to the shareholders in accordance with the listing regulations of stock exchanges of Pakistan and Section 245 of the Companies Ordinance, 1984.

3. 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 information are consistent with those applied in the preparation of annual financial statements of the Bank for the year ended December 31, 2013.

4. 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, 2013.

	Note	(Un-audited) March 31, 2014	(Audited) December 31, 2013
		Rupees in '000	
5. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lending		-	800,000
Repurchase agreement lendings (Reverse repo)	5.1	3,687,053	10,030,448
Certificates of investment		300,000	-
Placements		400,000	577,000
		4,387,053	11,407,448

5.1 Securities held as collateral against lendings to financial institutions

	(Un-audited) March 31, 2014			(Audited) December 31, 2013		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	Rupees in '000			Rupees in '000		
Market treasury bills	2,494,342	-	2,494,342	9,530,448	-	9,530,448
Pakistan investment bonds	1,192,711	-	1,192,711	500,000	-	500,000
	3,687,053	-	3,687,053	10,030,448	-	10,030,448

Market value of securities held as collateral amounted to Rs. 3,701,296 thousand (December 31, 2013: 1,037,115 thousand). These carry mark-up at rate ranging from 10.25% to 11.00% per annum (December 31, 2013: 9.45% to 11.00% per annum) with maturities up to April 14, 2014.

	Note	(Un-audited) March 31, 2014			(Audited) December 31, 2013		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
		Rupees in '000			Rupees in '000		
6. INVESTMENTS - NET							
Held for trading securities:							
Ordinary shares of listed companies		5,913	-	5,913	22,456	-	22,456
Market treasury bills		3,709,289	-	3,709,289	9,829,190	-	9,829,190
		3,715,202	-	3,715,202	9,851,646	-	9,851,646
Available for sale securities:							
Market treasury bills		62,531,884	29,234,471	91,766,355	89,161,279	14,759,734	103,921,013
Pakistan investment bonds		36,299,557	-	36,299,557	4,161,633	-	4,161,633
Ordinary shares / certificates of listed companies and modarabas		1,428,354	-	1,428,354	1,267,226	-	1,267,226
Preference shares of listed companies		495,451	-	495,451	495,451	-	495,451
Ordinary shares of unlisted company		25,000	-	25,000	25,000	-	25,000
Mutual fund units		1,122,632	-	1,122,632	1,123,087	-	1,123,087
Pre IPO - Listed term finance certificates		200,000		200,000	-	-	-
Listed term finance certificates		301,098	-	301,098	307,240	-	307,240
Unlisted term finance certificates		3,764,991	-	3,764,991	3,930,979	-	3,930,979
Sukuk bonds		701,194	-	701,194	701,442	-	701,442
		106,870,161	29,234,471	136,104,632	101,173,337	14,759,734	115,933,071
Held to maturity securities:							
Pakistan investment bonds	6.1	11,104,099	-	11,104,099	1,262,832	-	1,262,832
WAPDA bonds		400	-	400	400	-	400
		11,104,499	-	11,104,499	1,263,232	-	1,263,232

	(Un-audited) March 31, 2014			(Audited) December 31, 2013		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	Rupees in '000			Rupees in '000		
Subsidiary						
Punjab modaraba services (private) limited	164,945	-	164,945	164,945	-	164,945
Total investments at cost	121,854,807	29,234,471	151,089,278	112,453,160	14,759,734	127,212,894
Less : Provision for diminution in value of investment	(3,031,000)	-	(3,031,000)	(3,166,697)	-	(3,166,697)
Investments net of provisions	118,823,807	29,234,471	148,058,278	109,286,463	14,759,734	124,046,197
Add / (Less) : Surplus / (Deficit) on revaluation of available for sale securities	437,335	-	437,335	(85,758)	-	(85,758)
Less : Deficit on revaluation of held for trading securities	(507)	-	(507)	(4,296)	-	(4,296)
Total investments at market value	119,260,635	29,234,471	148,495,106	109,196,409	14,759,734	123,956,143

6.1 Market value of held to maturity investments is Rs. 11,273,171 thousand (December 31, 2013: Rs. 1,210,098 thousand).

		Note	(Un-audited) March 31, 2014	(Audited) December 31, 2013
			Rupees in '000	
7.	ADVANCES - NET			
	Loans, cash credits, running finances, etc. - in Pakistan		161,521,844	164,196,576
	Net investment in finance lease - in Pakistan		14,633,586	14,060,985
	Islamic financing and related assets		454,725	385,000
	Bills discounted and purchased (excluding treasury bills)			
	-Payable in Pakistan		1,274,073	1,747,073
	-Payable outside Pakistan		2,215,285	2,571,223
			3,489,358	4,318,296
	Advances - gross		180,099,513	182,960,857
	Provision for non-performing loans and advances :			
	-Specific	7.1 & 7.2	(25,484,877)	(25,633,504)
	-General	7.3	(52,320)	(41,755)
			(25,537,197)	(25,675,259)
	Advances - net of provision		154,562,316	157,285,598

7.1 Provision against certain net advances amounting to Rs. 25,259,545 thousand (December 31, 2013: Rs. 26,185,925 thousand) requiring additional provisioning of Rs. 23,576,499 thousand (December 31, 2013: Rs. 24,348,207 thousand) has not been considered necessary in this unconsolidated condensed interim financial information on the basis of undertaking given by Government of the Punjab as stated in Note 1.2.

7.2 Advances include Rs. 58,140,384 thousand (December 31, 2013: Rs. 59,960,726 thousand) which have been placed under non-performing status as on March 31, 2014 as detailed below:

Category of classification	March 31, 2014 (Un-audited)				
	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000				
Other assets especially mentioned	36,487	-	36,487	-	-
Substandard	8,279,285	-	8,279,285	2,040,582	2,040,582
Doubtful	204,515	-	204,515	53,369	53,369
Loss	49,620,097	-	49,620,097	23,390,926	23,390,926
	58,140,384	-	58,140,384	25,484,877	25,484,877

Category of classification	December 31, 2013 (Audited)				
	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000				
Other assets especially mentioned	52,936	-	52,936	2,388	2,388
Substandard	8,552,333	-	8,552,333	2,041,981	2,041,981
Doubtful	707,666	-	707,666	300,763	300,763
Loss	50,647,791	-	50,647,791	23,288,372	23,288,372
	59,960,726	-	59,960,726	25,633,504	25,633,504

7.3 General provision represents provision against consumer financing portfolio as required by the prudential regulations issued by the SBP.

7.4 The SBP amended the prudential regulations vide BSD Circular No.1 of 2011 dated October 21, 2011 in relation to provision for loans and advances; there by allowing benefit of Forced Sale Value (FSV) of pledged stocks, mortgaged residential, commercial and industrial properties (land and buildings only) and plant and machinery under charge held as collateral against non-performing advances. The FSV benefit availed in last years have been reduced by Rs. 341,538 thousand (net of FSV benefit availed during the period), which has resulted in increased charge for specific provision for the period ended by the same amount. The FSV benefit is not available for cash or stock dividend. Had the FSV benefit not recognized, before and after tax profits for the three months ended would have been higher by Rs. 341,538 thousand (March 31, 2013: higher by Rs.575,800 thousand) and Rs. 222,000 thousand (March 31, 2013: higher by Rs. 374,270 thousand) respectively.

8. OPERATING FIXED ASSETS

During the period, additions to / disposals from operating fixed assets amounted to Rs. 128,812 thousand (March 31, 2013: Rs. 87,505 thousand) and Rs. 25,082 thousand (March 31, 2013: Rs. 3,181 thousand), respectively.

9. DEFERRED TAX ASSETS - NET

The management has prepared a business plan on the basis of the arrangements as disclosed in Note 1.2. The business plan includes certain key assumptions such as deposit composition, growth of deposits and advances, investment returns, potential provision against assets, branch expansion plan etc. Any significant change in the key assumptions may have an impact on the projections, however, the management believes that it is probable that the Bank will be able to achieve the projections as per the business plan and future taxable income would be sufficient to allow the benefit of the deductible temporary differences.

	(Un-audited) March 31, 2014	(Audited) December 31, 2013
	Rupees in '000	
10. BORROWINGS		
Secured		
Borrowings from SBP:		
-Export refinance (ERF)	7,216,214	6,722,490
-Long term financing - export oriented projects (LTF-EOP)	125,619	154,401
-Long term financing facility (LTFF)	1,457,887	1,161,695
Repurchase agreement borrowings	29,202,052	14,732,416
	38,001,772	22,771,002
Unsecured		
Overdrawn nostro accounts	19,878	31,480
	38,021,650	22,802,482
11. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	122,534,031	125,857,124
Savings deposits	115,746,920	110,019,779
Current accounts - non - remunerative	52,216,743	60,096,297
Sundry deposits, margin accounts, etc.	2,750,893	2,320,299
	293,248,587	298,293,499
Financial Institutions		
Remunerative deposits	4,211,064	7,227,752
Non-remunerative deposits	834,221	1,039,516
	5,045,285	8,267,268
	298,293,872	306,560,767

		(Un-audited) March 31, 2014	(Audited) December 31, 2013
		Rupees in '000	
11.1	**Particulars of deposits**		
	In local currency	291,549,276	300,587,802
	In foreign currencies	6,744,596	5,972,965
		298,293,872	306,560,767

12. SHARE CAPITAL

(Un-audited) March 31, 2014 (No. of shares)	(Audited) December 31, 2013 (No. of shares)		(Un-audited) March 31, 2014 Rupees in '000	(Audited) December 31, 2013 Rupees in '000
12.1 Authorized capital				
5,000,000,000	5,000,000,000	Ordinary or preference shares of Rs. 10/- each	50,000,000	50,000,000

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

12.2 Issued, Subscribed and Paid up Capital

(Un-audited) March 31, 2014 (No. of shares)	(Audited) December 31, 2013 (No. of shares)		(Un-audited) March 31, 2014 Rupees in '000	(Audited) December 31, 2013 Rupees in '000
		Opening balance		
19,333,340	19,333,340	Ordinary shares of Rs. 10/- each paid in cash	193,333	193,333
526,315,789	-	Ordinary shares of Rs. 10/- each issued at discount	5,263,158	-
509,464,036	509,464,036	Issued as bonus shares	5,094,641	5,094,641
1,055,113,165	528,797,376		10,551,132	5,287,974

(Un-audited) March 31, 2014 (No. of shares)	(Audited) December 31, 2013		(Un-audited) March 31, 2014 Rupees in '000	(Audited) December 31, 2013
		During the period / year		
500,000,000	-	Issuance of right shares at par value	5,000,000	-
-	526,315,789	Issuance of right shares at discount	-	5,263,158
500,000,000	526,315,789		5,000,000	5,263,158
		Closing balance		
519,333,340	19,333,340	Ordinary shares of Rs. 10/- each paid in cash	5,193,333	193,333
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
1,555,113,165	1,055,113,165		15,551,132	10,551,132

12.3 GOPb held 57.47% shares in the Bank as at March 31, 2014 (December 31, 2013: 52.67 %).

		Note	(Un-audited) March 31, 2014 Rupees in '000	(Audited) December 31, 2013
13.	**SHARE DEPOSIT MONEY**			
	Share deposit money - I		-	5,000,000
	Share deposit money - II		7,000,000	7,000,000
		13.1	7,000,000	12,000,000
13.1	**Reconciliation of share deposit money**			
	Opening balance		12,000,000	17,000,000
	Right shares issued during the period / year		(5,000,000)	(5,000,000)
	Closing balance		7,000,000	12,000,000

		(Un-audited) March 31, 2014	(Audited) December 31, 2013
		Rupees in '000	
14.	**SURPLUS ON REVALUATION OF ASSETS - NET OF TAX**		
	Surplus on revaluation of operating fixed assets	897,727	891,259
	Surplus on revaluation of available for sale securities	335,659	13,291
		1,233,386	904,550

15. CONTINGENCIES AND COMMITMENTS

15.1 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) March 31, 2014	(Audited) December 31, 2013
	Rupees in '000	
Government	-	-
Financial institutions	-	-
Others	1,196,125	1,176,561
	1,196,125	1,176,561

15.2 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:

Government	304,322	298,272
Financial institutions	33,872	33,872
Others	12,388,179	12,729,479
	12,726,373	13,061,623

		Note	(Un-audited) March 31, 2014	(Audited) December 31, 2013
			Rupees in '000	
15.3	**Trade related contingent liabilities**			
	Government		1,249,271	970,207
	Financial institutions		-	-
	Others		6,182,178	7,420,631
			7,431,449	8,390,838
15.4	**Other contingencies**			
	Claims against the Bank not acknowledged as debt	15.4.1	40,353,802	40,353,802

15.4.1 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 Bank's recovery suits. Uptill 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.

15.5 **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 and turnover tax against which the Bank has filled appeals before Commissioner Inland Revenue Appeals. The expected tax liability in respect of aforesaid tax years amounts to Rs 162,772 thousand and minimum tax under section 113 amounts to Rs 257,967 thousand. The management of the Bank, as per the opinion of its tax consultant, is confident that the appeal filed for the aforementioned tax years will be decided in Bank's favour.

15.6 **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) March 31, 2014	(Audited) December 31, 2013
		Rupees in '000	
15.7	Commitments in respect of forward exchange contracts		
	Purchase	5,145,462	4,433,928
	Sale	3,767,140	5,382,084
		8,912,602	9,816,012
15.8	Commitments for the acquisition of operating fixed assets	2,152	18,199

16. EARNINGS PER SHARE - BASIC AND DILUTED

	Three months ended	
	(Un-audited) March 31, 2014	(Un-audited) March 31, 2013
Profit after taxation (Rupees in thousand)	450,874	330,573
Weighted average number of ordinary shares (thousand)	1,086,866	627,137
Earnings per share - basic and diluted (Rupees)	0.41	0.53

Prior period earnings per share have been adjusted to give effect of bonus element included in the right issue made during the period.

17. 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					
Three Months Ended March 31, 2014 (Un-audited)						
Total income	3,590,421	568,892	3,037,435	95,094	20,368	7,312,210
Total expenses	189,654	1,061,469	5,369,871	-	-	6,620,994
Inter segment transfer revenue / (cost)	(2,634,081)	402,901	2,231,180	-	-	-
Income taxes	-	-	-	-	-	240,342
Net income / (loss)	766,686	(89,676)	(101,256)	95,094	20,368	450,874
Segment assets (gross)	175,766,268	19,907,802	180,475,414	-	-	376,149,484
Segment non performing advances / investments	3,126,348	2,140,089	56,000,295	-	-	61,266,732
Segment provision required	3,031,000	1,792,160	23,745,037	-	-	28,568,197
Segment liabilities	31,308,613	49,502,881	267,248,364	-	-	348,059,858
Segment return on net assets (ROA) (%)	11.61%	13.85%	11.69%			
Segment cost of funds (%)	10.70%	8.76%	8.93%			

	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
			Rupees in '000			
Three Months Ended March 31, 2013 (Un-audited)						
Total income	3,114,493	554,200	2,797,516	97,241	18,800	6,582,250
Total expenses	576,066	923,008	4,570,076	-	-	6,069,150
Inter segment transfer revenue / (cost)	(1,959,392)	306,842	1,652,550	-	-	-
Income taxes	-	-	-	-	-	182,527
Net income / (loss)	579,035	(61,966)	(120,010)	97,241	18,800	330,573
Segment assets (gross)	143,992,937	16,780,676	164,366,565	-	-	325,140,178
Segment non performing advances / investments	3,239,094	2,467,336	65,483,437	-	-	71,189,867
Segment provision required	3,214,629	1,876,959	24,020,564	-	-	29,112,152
Segment liabilities	39,304,507	44,346,743	215,702,841	-	-	299,354,091
Segment return on net assets (ROA) (%)	10.90%	16.42%	13.08%			
Segment cost of funds (%)	9.05%	9.11%	9.11%			

18. RELATED PARTY TRANSACTIONS

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

	March 31, 2014 (Un-audited)				December 31, 2013 (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		
Advances								
Opening balance	86,027	1,091,975	-	-	95,070	1,069,513	-	-
Loans granted during the period	21,219	256,403	-	-	22,983	1,726,892	-	-
Repayments received during the period	(9,505)	(344,145)	-	-	(32,026)	(1,704,430)	-	-
Closing balance	97,741	1,004,233	-	-	86,027	1,091,975	-	-
Deposits								
Opening balance	25,092	26,196	805,346	29,603	39,996	2,369	1,627,249	288
Placements made during the period	53,969	407,046	1,084,364	10,006	213,027	1,130,239	1,454,256	62,796
Withdrawals during the period	(56,360)	(433,122)	(1,237,176)	(3,841)	(227,931)	(1,106,412)	(2,276,159)	(33,481)
Closing balance	22,701	120	652,534	35,768	25,092	26,196	805,346	29,603
Placements	-	100,000	-	-	-	100,000	-	-
Lease liability	-	2,204	-	-	-	2,386	-	-

	March 31, 2014 (Un-audited)				March 31, 2013 (Un-audited)			
Transactions during the period :								
Mark-up/return earned	2,062	17,352	-	-	2,122	29,498	-	-
Mark-up/interest expensed	309	-	13,398	369	446	-	37,318	21
Contribution to employees funds	-	-	19,149	-	-	-	18,575	-

19. DATE OF AUTHORIZATION FOR ISSUE

This unconsolidated condensed interim financial information was authorized for issuance on April 28, 2014 by the Board of Directors of the Bank.

20. GENERAL

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

20.2 Figures have been rounded off to the nearest thousand.

President

Director

Annexure - I

ISLAMIC BANKING BUSINESS - STATEMENT OF FINANCIAL POSITION

As at March 31, 2014

The Bank is operating 07 Islamic banking branches at close of March 31, 2014 (December 31, 2013: 07 branches).

	Note	(Un-audited) March 31, 2014	(Audited) December 31, 2013
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks		125,423	157,253
Balance with other banks		19,380	19,239
Due from financial institutions		300,000	477,000
Investments		638,517	631,876
Islamic financing and related assets	A	454,725	385,000
Operating fixed assets		34,716	31,218
Deferred tax assets		-	-
Other assets		29,892	40,200
TOTAL ASSETS		1,602,653	1,741,786
LIABILITIES			
Bills payable		1,545	1,422
Due to financial institutions		-	-
Deposit and other accounts		-	-
- Current accounts		481,708	660,556
- Saving accounts		394,938	425,985
- Term deposits		29,500	7,100
- Others		39,938	12,846
- Deposits from financial institutions - remunerative		-	-
- Deposits from financial institutions - non - remunerative		-	-
Due to head office		117,775	109,565
Other liabilities		4,775	5,784
		1,070,179	1,223,258
NET ASSETS		532,474	518,528
REPRESENTED BY			
Islamic banking fund		500,000	500,000
Reserves		-	-
Unappropriated profit		20,151	13,095
		520,151	513,095
Surplus on revaluation of assets		12,323	5,433
		532,474	518,528
Remuneration to Shariah Advisor / Board		465	2,126

	Note	(Un-audited) March 31, 2014	(Audited) December 31, 2013
		Rupees in '000	
CHARITY FUND			
Opening balance		19	-
Additions during the period		-	19
Payments / utilization during the period		-	-
Closing balance		19	19
A. Islamic financing and related assets			
Islamic mode of financing	A.1	454,725	385,000
A.1 Islamic mode of financing			
Murabaha		74,802	135,000
Diminishing musharaka		243,696	250,000
Ijarah		136,227	-
		454,725	385,000

ISLAMIC BANKING BUSINESS - PROFIT AND LOSS ACCOUNT

Annexure - I

For the Three Months Ended March 31, 2014 (Un-audited)

	Three months ended March 31, 2014	March 31, 2013
	Rupees in '000	
Profit / Return earned on financing, investment and placements	30,431	4,400
Return on deposits and other dues expensed	5,793	597
Net spread earned	24,638	3,803
Provision against non-performing advances	-	-
Provision against consumer financings	-	-
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	-	-
Income after provisions	24,638	3,803
Other income		
Fee, commission and brokerage income	492	54
Dividend income	-	-
Income from dealing in foreign currencies	14	-
Gain on sale and redemption of securities	-	-
Unrealized (loss) / gain on revaluation of investments classified as held for trading	-	-
Other income	841	47
Total other income	1,347	101
	25,985	3,904
Other expenses		
Administrative expenses	18,929	3,185
Other provisions/write offs/reversals	-	-
Other charges	-	-
Total other expenses	18,929	3,185
	7,056	719
Extra ordinary / unusual items	-	
PROFIT BEFORE TAXATION	7,056	719



CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2014

(The Bank of Punjab and Punjab Modaraba Services (Pvt) Ltd.)

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at March 31, 2014

	Note	(Un-audited) March 31, 2014	(Audited) December 31, 2013
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks		17,980,156	23,820,864
Balances with other banks		2,343,983	4,265,296
Lendings to financial institutions	5	4,387,053	11,407,448
Investments - net	6	148,512,854	123,973,891
Advances - net	7	154,516,316	157,239,598
Operating fixed assets	8	3,533,240	3,514,801
Deferred tax assets - net	9	12,259,407	12,627,352
Other assets - net		18,652,729	15,825,007
		362,185,738	352,674,257
LIABILITIES			
Bills payable		1,892,088	1,506,335
Borrowings	10	38,021,650	22,802,482
Deposits and other accounts	11	298,293,831	306,560,694
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		2,204	2,386
Deferred tax liabilities - net		-	-
Other liabilities		9,850,338	8,345,203
		348,060,111	339,217,100
NET ASSETS		14,125,627	13,457,157
REPRESENTED BY			
Share capital	12	15,551,132	10,551,132
Discount on issue of shares		(263,158)	(263,158)
Reserves		1,539,659	1,539,659
Accumulated losses		(10,935,392)	(11,275,026)
		5,892,241	552,607
Share deposit money	13	7,000,000	12,000,000
		12,892,241	12,552,607
Surplus on revaluation of assets - net of tax	14	1,233,386	904,550
		14,125,627	13,457,157
Contingencies and commitments	15		

The annexed notes from 1 to 20 and Annexure - I form an integral part of this consolidated condensed interim financial information.

President Director

CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

For the Three Months Ended March 31, 2014 (Un-audited)

	Three months ended March 31, 2014	March 31, 2013
	Rupees in '000	
Mark-up / return / interest earned	6,498,977	5,769,960
Mark-up / return / interest expensed	5,496,095	5,295,896
Net mark-up / return / interest income	1,002,882	474,064
Reversal of provision against non-performing loans and advances - net	(138,063)	(416,638)
Reversal of provision for diminution in the value of investments - net	(98,136)	11,446
Bad debts written off directly	-	-
	(236,199)	(405,192)
Net mark-up / return / interest income after provisions	1,239,081	879,256
NON MARK-UP / INTEREST INCOME		
Fee, commission and brokerage income	137,318	134,292
Dividend income	11,456	59,999
Income from dealing in foreign currencies	44,311	15,789
Gain on sale and redemption of securities - net	178,697	317,949
Unrealized loss on revaluation of investments classified as held for trading	(507)	(3,930)
Other income	440,817	287,268
Total non-markup / interest income	812,092	811,367
	2,051,173	1,690,623
NON MARK-UP / INTEREST EXPENSES		
Administrative expenses	1,355,200	1,196,492
Charge / (Reversal) of provision against other assets	5,899	(5,366)
Other charges	8	36
Total non-markup / interest expenses	1,361,107	1,191,162
	690,066	499,461
Extra ordinary / unusual items	-	-
PROFIT BEFORE TAXATION	690,066	499,461
Taxation - Current	73,122	32,911
- Prior years	-	-
- Deferred	167,220	149,616
	240,342	182,527
PROFIT AFTER TAXATION	449,724	316,934
Earnings per share - basic and diluted (Rupees) - Note 16	0.41	0.51

The annexed notes from 1 to 20 and Annexure - I form an integral part of this consolidated condensed interim financial information.

President Director

CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the Three Months Ended March 31, 2014 (Un-audited)

	Three months ended	
	March 31, 2014	March 31, 2013
	Rupees in '000	
Profit after taxation	449,724	316,934
Other comprehensive income not to be reclassified to profit and loss account in subsequent periods:		
Actuarial gains on remeasurement recognized during the period	-	-
Total comprehensive income	449,724	316,934

The annexed notes from 1 to 20 and Annexure - I form an integral part of this consolidated condensed interim financial information.

President

Director

CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT

For the Three Months Ended March 31, 2014 (Un-audited)

	Three months ended March 31, 2014	March 31, 2013
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	690,066	499,461
Less: Dividend income	(11,456)	(59,999)
	678,610	439,462
Adjustments for:		
Depreciation	84,210	79,958
Amortization on intangible assets	1,079	-
Amortization of premium on Pakistan investment bonds	5,417	7,507
Unrealized loss on revaluation of investments classified as held for trading	507	3,930
Reversal of provision against non-performing loans and advances - net	(138,063)	(416,638)
Reversal of provision for diminution in the value of investments - net	(98,136)	11,446
Provision for employees compensated absences	4,139	1,836
Provision for gratuity	20,719	21,833
Charge / (Reversal) of provision against other assets	5,899	(5,366)
Net profit on sale of property and equipment	(18,057)	(10,381)
Net profit on sale of non-banking assets acquired in satisfaction of claims	(7,398)	(162,293)
Gain on sale and redemption of securities	(178,697)	(317,949)
Finance charges on leased assets	35	84
	(318,346)	(786,033)
	360,264	(346,571)
(Increase) / Decrease in operating assets:		
Lendings to financial institutions	6,220,395	(5,358,050)
Net investments in held for trading securities	6,132,148	8,050,438
Advances - net	2,861,345	12,001,927
Other assets	(2,986,302)	660,471
	12,227,586	15,354,786
Increase / (Decrease) in operating liabilities:		
Bills payable	385,753	180,559
Borrowings	15,230,770	(23,689,601)
Deposits and other accounts	(8,266,863)	3,081,613
Other liabilities	1,480,277	8,315
	8,829,937	(20,419,114)
	21,417,787	(5,410,899)
Financial charges paid	(35)	(84)
Income tax paid	(3,374)	(83,949)
Net cash flow from / (used in) operating activities	21,414,378	(5,494,932)

	Three months ended March 31, 2014	March 31, 2013
	Rupees in '000	
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(20,030,425)	5,377,607
Net investments in held to maturity securities	(9,846,684)	889
Dividends received	5,487	47,446
Investments in operating fixed assets	(128,812)	(87,505)
Sale proceeds of property and equipment disposed-off	43,139	13,561
Sale proceeds of non-banking assets disposed-off	96,300	919,995
Net cash (used in) / flow from investing activities	(29,860,995)	6,271,993
CASH FLOWS FROM FINANCING ACTIVITIES		
Right shares issue cost	(103,620)	-
Payment of lease obligations	(182)	(178)
Net cash used in financing activities	(103,802)	(178)
Net (decrease) / increase in cash and cash equivalents	(8,550,419)	776,883
Cash and cash equivalents at beginning of the period	28,854,680	20,398,252
Cash and cash equivalents at end of the period	20,304,261	21,175,135
Cash and cash equivalents:		
Cash and balances with treasury banks	17,980,156	16,418,229
Balances with other banks	2,343,983	4,467,814
Call money lendings	-	300,000
Overdrawn nostro accounts	(19,878)	(10,908)
	20,304,261	21,175,135

The annexed notes from 1 to 20 and Annexure - I form an integral part of this consolidated condensed interim financial information.

President

Director

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the Three Months Ended March 31, 2014 (Un-audited)

	Capital Reserves				Revenue Reserve	
	Share capital	Discount on issue of shares	Statutory reserve	Share premium	Restructuring reserve	Accumulated losses	Total
	Rupees in '000'						
Balance as at January 1, 2013	5,287,974	-	396,364	37,882	753,187	(12,743,218)	(6,267,811)
Total comprehensive income for the three months ended March 31, 2013	-	-	-	-	-	316,934	316,934
Transfer from surplus on revaluation of fixed assets to accumulated losses - net of tax	-	-	-	-	-	2,675	2,675
Balance as at March 31, 2013	5,287,974	-	396,364	37,882	753,187	(12,423,609)	(5,948,202)
Total comprehensive income for the nine months ended December 31, 2013	-	-	-	-	-	1,606,177	1,606,177
Transfer from surplus on revaluation of fixed assets to accumulated losses - net of tax	-	-	-	-	-	7,677	7,677
Transfer from surplus on revaluation of fixed assets to accumulated losses on disposal	-	-	-	-	-	814	814
Transfer from restructuring reserve against NPLs	-	-	-	-	(35,375)	-	(35,375)
Transfer to statutory reserve	-	-	387,601	-	-	(387,601)	-
Transactions with owners, recorded directly in equity:							
Issue of right shares during the period	5,263,158	-	-	-	-	-	5,263,158
Discount on issue of right shares	-	(263,158)	-	-	-	-	(263,158)
Right shares issue cost	-	-	-	-	-	(78,484)	(78,484)
	5,263,158	(263,158)	-	-	-	(78,484)	4,921,516
Balance as at December 31, 2013	10,551,132	(263,158)	783,965	37,882	717,812	(11,275,026)	552,607
Total comprehensive income for the three months ended March 31, 2014	-	-	-	-	-	449,724	449,724
Transfer from surplus on revaluation of fixed assets to accumulated losses - net of tax	-	-	-	-	-	2,497	2,497
Transfer from surplus on revaluation of fixed assets to accumulated losses on disposal	-	-	-	-	-	(8,967)	(8,967)
Transfer from restructuring reserve against NPLs	-	-	-	-	-	-	-
Transactions with owners, recorded directly in equity:							
Issue of right shares during the period	5,000,000	-	-	-	-	-	5,000,000
Right shares issue cost	-	-	-	-	-	(103,620)	(103,620)
	5,000,000	-	-	-	-	(103,620)	4,896,380
Balance as at March 31, 2014	15,551,132	(263,158)	783,965	37,882	717,812	(10,935,392)	5,892,241

The annexed notes from 1 to 20 and Annexure - I form an integral part of this consolidated condensed interim financial information.

President **Director**

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION

For the Three Months Ended March 31, 2014 (Un-audited)

1. STATUS AND NATURE OF BUSINESS

1.1 The Bank of Punjab Group comprises The Bank of Punjab (the Bank) and Punjab Modaraba Services (Private) Limited. The Bank was constituted pursuant to The Bank of Punjab Act, 1989. It was given the status of a scheduled bank by the State Bank of Pakistan (SBP) on 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 334 branches including 07 Islamic banking branches. (2013: 334 branches including 07 Islamic banking branches) in Pakistan and Azad Jammu and Kashmir at the year end. The Bank is listed on Lahore, Karachi and Islamabad Stock Exchanges. The majority shares of the Bank are held by Government of the Punjab (GOPb).

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

1.2 The paid-up capital, reserves (net of losses) and advance subscription money of the Group amounts to Rs. 12,892,241 thousand. However, Capital Adequacy Ratio (CAR) remained below the prescribed level of 10%. Further, as at the close of the three months ended March 31, 2014, net advances aggregating to Rs.25,213,545 thousand (December 31, 2013: Rs. 26,139,925 thousand) requiring additional provision of Rs. 23,530,449 thousand (December 31, 2013: Rs. 24,302,207 thousand) there against have not been subjected to provisioning criteria as prescribed in SBP prudential regulations in view of the relaxation provided by SBP vide letter No.OSED/Div-01/SEU-03/010(01)-2014/3432 dated March 03, 2014, on the basis of two Letters of Comfort (LOCs) issued by the GOPb as explained in para 2 below.

The GOPb being the majority shareholder, in order to support the Bank, deposited Rs.10,000,000 thousand and Rs. 7,000,000 thousand as advance subscription money in the year 2009 and 2011 respectively against future issue of shares by the Bank. Further, the GOPb vide two LOCs issued on March 29, 2012 has also undertaken to inject necessary funds to make good the capital shortfall to the satisfaction of SBP up to a maximum amount of Rs. 5,800,000 thousand (net of tax @ 35%) and Rs. 12,940,000 thousand (net of tax @ 35%) within a period of 90 days after close of the year ending December 31, 2014 and December 31, 2016 respectively if the Bank fails to make provision of Rs. 28,840,000 thousand or if there is a shortfall in meeting the prevailing regulatory capital requirements as a result of the said provisioning. In addition, in terms of aforesaid LOCs, the GOPb being majority shareholder and sponsor of the Bank, has also extended its commitment to support and assist the Bank in ensuring that it remains compliant with the regulatory requirements at all times.

Based on above, the SBP has granted the Bank relaxations from provisioning requirements of SBP's prudential regulations, minimum capital requirement and capital adequacy ratio (CAR) which should not fall below 8% during first two quarters and 10% during last two quarters of the year 2014. During the year 2014, the Bank is also required to record provisioning in staggered manner against outstanding amounts of borrowers covered under the above LOCs to at least 4% by June 30, 2014. Further, staggering for the quarter ending September 30, 2014 would be based on Bank's performance by June 30, 2014 so as to ensure that total staggering by end of the year would not be less than 15%. In this regard, any account adjustment following the cash recovery/settlement against theses borrowers will reduce the said required provisioning covered under the LOCs. Going forward, further extension in these relaxations would be considered upon satisfactory compliance of the conditions / requirements of SBP as well as Bank's future performance.

During the period against share deposit money - I, in 2nd phase, the Bank has issued 500,000,000 right shares for Rs. 5,000,000 thousand (47.39%) at par. Accordingly, the entire amount of advance subscription money deposited in year 2009 has been converted in paid up capital of the Bank.

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

2. STATEMENT OF COMPLIANCE

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

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 this consolidated condensed interim financial information.

The financial results of Islamic banking business have been consolidated in this consolidated condensed interim financial information 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 information.

The disclosures made in this consolidated condensed interim financial information 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 information should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2013. This consolidated condensed interim financial information is being submitted to the shareholders in accordance with the listing regulations of stock exchanges in Pakistan and Section 245 of the Companies Ordinance, 1984.

3. 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 consolidated condensed interim financial information are consistent with those applied in the preparation of annual financial statements of the Group for the year ended December 31, 2013.

4. 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 Group for the year ended December 31, 2013.

	Note	(Un-audited) March 31, 2014	(Audited) December 31, 2013
		Rupees in '000	
5. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lending		-	800,000
Repurchase agreement lendings (Reverse repo)	5.1	3,687,053	10,030,448
Certificates of investment		300,000	-
Placements		400,000	577,000
		4,387,053	11,407,448

5.1 Securities held as collateral against lendings to financial institutions

	(Un-audited) March 31, 2014			(Audited) December 31, 2013		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	Rupees in '000			Rupees in '000		
Market treasury bills	2,494,342	-	2,494,342	9,530,448	-	9,530,448
Pakistan investment bonds	1,192,711	-	1,192,711	500,000	-	500,000
	3,687,053	-	3,687,053	10,030,448	-	10,030,448

Market value of securities held as collateral amounted to Rs. 3,701,296 thousand (December 31, 2013: 1,037,115 thousand). These carry mark-up at rate ranging from 10.25% to 11.00% per annum (December 31, 2013: 9.45% to 11.00% per annum) with maturities up to April 14, 2014.

	Note	(Un-audited) March 31, 2014			(Audited) December 31, 2013		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
		Rupees in '000			Rupees in '000		
6. INVESTMENTS - NET							
Held for trading securities:							
Ordinary shares of listed companies		5,913	-	5,913	22,456	-	22,456
Market treasury bills		3,709,289	-	3,709,289	9,829,190	-	9,829,190
		3,715,202	-	3,715,202	9,851,646	-	9,851,646
Available for sale securities:							
Market treasury bills		62,531,884	29,234,471	91,766,355	89,161,279	14,759,734	103,921,013
Pakistan investment bonds		36,299,557	-	36,299,557	4,161,633	-	4,161,633
Ordinary shares / certificates of listed companies and modarabas		1,593,297	-	1,593,297	1,432,169	-	1,432,169
Preference shares of listed companies		495,451	-	495,451	495,451	-	495,451
Ordinary shares of unlisted company		25,000	-	25,000	25,000	-	25,000
Mutual fund units		1,122,632	-	1,122,632	1,123,087	-	1,123,087
Pre IPO - Listed term finance certificates		200,000	-	200,000	-	-	-
Listed term finance certificates		301,098	-	301,098	307,240	-	307,240
Unlisted term finance certificates		3,764,991	-	3,764,991	3,930,979	-	3,930,979
Sukuk bonds		701,194	-	701,194	701,442	-	701,442
		107,035,104	29,234,471	136,269,575	101,338,280	14,759,734	116,098,014
Held to maturity securities:							
Pakistan investment bonds	6.1	11,104,099	-	11,104,099	1,262,832	-	1,262,832
WAPDA bonds		400	-	400	400	-	400
		11,104,499	-	11,104,499	1,263,232	-	1,263,232
Total investments at cost		121,854,805	29,234,471	151,089,276	112,453,158	14,759,734	127,212,892

	(Un-audited) March 31, 2014			(Audited) December 31, 2013		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	Rupees in '000			Rupees in '000		
Less : Provision for diminution in value of investment	(3,013,250)	-	(3,013,250)	(3,148,947)	-	(3,148,947)
Investments net of provisions	118,841,555	29,234,471	148,076,026	109,304,211	14,759,734	124,063,945
Add / (Less) : Surplus / (Deficit) on revaluation of available for sale securities	437,335	-	437,335	(85,758)	-	(85,758)
Less : Deficit on revaluation of held for trading securities	(507)	-	(507)	(4,296)	-	(4,296)
Total investments at market value	119,278,383	29,234,471	148,512,854	109,214,157	14,759,734	123,973,891

6.1 Market value of held to maturity investments is Rs. 11,273,171 thousand (December 31, 2013: Rs. 1,210,098 thousand).

	Note	(Un-audited) March 31, 2014	(Audited) December 31, 2013
		Rupees in '000	
7. ADVANCES - NET			
Loans, cash credits, running finances, etc. - in Pakistan		161,475,844	164,150,576
Net investment in finance lease - in Pakistan		14,633,586	14,060,985
Islamic financing and related assets		454,725	385,000
Bills discounted and purchased (excluding treasury bills)			
-Payable in Pakistan		1,274,073	1,747,073
-Payable outside Pakistan		2,215,285	2,571,223
		3,489,358	4,318,296
Advances - gross		180,053,513	182,914,857
Provision for non-performing loans and advances :			
-Specific	7.1 & 7.2	(25,484,877)	(25,633,504)
-General	7.3	(52,320)	(41,755)
		(25,537,197)	(25,675,259)
Advances - net of provision		154,516,316	157,239,598

7.1 Provision against certain net advances amounting to Rs. 25,213,545 thousand (December 31, 2013: Rs. 26,139,925 thousand) requiring additional provisioning of Rs. 23,530,499 thousand (December 31, 2013: Rs. 24,302,207 thousand) has not been considered necessary in this consolidated condensed interim financial information on the basis of undertaking given by Government of the Punjab as stated in Note 1.2.

7.2 Advances include Rs. 58,094,384 thousand (December 31, 2013: Rs. 59,914,726 thousand) which have been placed under non-performing status as on March 31, 2014 as detailed below:

	March 31, 2014 (Un-audited)				
Category of classification	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000				
Other assets especially mentioned	36,487	-	36,487	-	-
Substandard	8,279,285	-	8,279,285	2,040,582	2,040,582
Doubtful	204,515	-	204,515	53,369	53,369
Loss	49,574,097	-	49,574,097	23,390,926	23,390,926
	58,094,384	-	58,094,384	25,484,877	25,484,877

	December 31, 2013 (Audited)				
Category of classification	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000				
Other assets especially mentioned	52,936	-	52,936	2,388	2,388
Substandard	8,552,333	-	8,552,333	2,041,981	2,041,981
Doubtful	707,666	-	707,666	300,763	300,763
Loss	50,601,791	-	50,601,791	23,288,372	23,288,372
	59,914,726	-	59,914,726	25,633,504	25,633,504

7.3 General provision represents provision against consumer financing portfolio as required by the prudential regulations issued by the SBP.

7.4 The SBP amended the prudential regulations vide BSD Circular No.1 of 2011 dated October 21, 2011 in relation to provision for loans and advances; there by allowing benefit of Forced Sale Value (FSV) of pledged stocks, mortgaged residential, commercial and industrial properties (land and buildings only) and plant and machinery under charge held as collateral against non-performing advances. The FSV benefit availed in last years have been reduced by Rs. 341,538 thousand (net of FSV benefit availed during the period), which has resulted in increased charge for specific provision for the period ended by the same amount. The FSV benefit is not available for cash or stock dividend. Had the FSV benefit not recognized, before and after tax profits for the three months ended would have been higher by Rs. 341,538 thousand (March 31, 2013: higher by Rs.575,800 thousand) and Rs. 222,000 thousand (March 31, 2013: higher by Rs. 374,270 thousand) respectively.

8. OPERATING FIXED ASSETS

During the period, additions to / disposals from operating fixed assets amounted to Rs. 128,812 thousand (March 31, 2013: Rs. 87,505 thousand) and Rs. 25,082 thousand (March 31, 2013: Rs. 3,181 thousand), respectively.

9. DEFERRED TAX ASSETS - NET

The management has prepared a business plan on the basis of the arrangements as disclosed in Note 1.2. The business plan includes certain key assumptions such as deposit composition, growth of deposits and advances, investment returns, potential provision against assets, branch expansion plan etc. Any significant change in the key assumptions may have an impact on the projections, however, the management believes that it is probable that the Bank will be able to achieve the projections as per the business plan and future taxable income would be sufficient to allow the benefit of the deductible temporary differences.

	(Un-audited) March 31, 2014	(Audited) December 31, 2013
	Rupees in '000	
10. BORROWINGS		
Secured		
Borrowings from SBP:		
-Export refinance (ERF)	7,216,214	6,722,490
-Long term financing - export oriented projects (LTF-EOP)	125,619	154,401
-Long term financing facility (LTFF)	1,457,887	1,161,695
Repurchase agreement borrowings	29,202,052	14,732,416
	38,001,772	22,771,002
Unsecured		
Overdrawn nostro accounts	19,878	31,480
	38,021,650	22,802,482

		(Un-audited) March 31, 2014	(Audited) December 31, 2013
		Rupees in '000	
11.	**DEPOSITS AND OTHER ACCOUNTS**		
	Customers		
	Fixed deposits	122,534,031	125,857,124
	Savings deposits	115,746,920	110,019,779
	Current accounts - non - remunerative	52,216,702	60,096,224
	Sundry deposits, margin accounts, etc.	2,750,893	2,320,299
		293,248,546	298,293,426
	Financial Institutions		
	Remunerative deposits	4,211,064	7,227,752
	Non-remunerative deposits	834,221	1,039,516
		5,045,285	8,267,268
		298,293,831	306,560,694
11.1	**Particulars of deposits**		
	In local currency	291,549,235	300,587,729
	In foreign currencies	6,744,596	5,972,965
		298,293,831	306,560,694

12. SHARE CAPITAL

(Un-audited) March 31, 2014 (No. of shares)	(Audited) December 31, 2013 (No. of shares)		(Un-audited) March 31, 2014 Rupees in '000	(Audited) December 31, 2013 Rupees in '000
12.1	**Authorized capital**			
5,000,000,000	5,000,000,000	Ordinary or preference shares of Rs. 10/- each	50,000,000	50,000,000

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

12.2 Issued, Subscribed and Paid up Capital

(Un-audited) March 31, 2014 (No. of shares)	(Audited) December 31, 2013 (No. of shares)		(Un-audited) March 31, 2014 Rupees in '000	(Audited) December 31, 2013 Rupees in '000
		Opening balance		
19,333,340	19,333,340	Ordinary shares of Rs. 10/- each paid in cash	193,333	193,333
526,315,789	-	Ordinary shares of Rs. 10/- each issued at discount	5,263,158	-
509,464,036	509,464,036	Issued as bonus shares	5,094,641	5,094,641
1,055,113,165	528,797,376		10,551,132	5,287,974
		During the period / year		
500,000,000	-	Issuance of right shares at par value	5,000,000	-
-	526,315,789	Issuance of right shares at discount	-	5,263,158
500,000,000	526,315,789		5,000,000	5,263,158
		Closing balance		
519,333,340	19,333,340	Ordinary shares of Rs. 10/- each paid in cash	5,193,333	193,333
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
1,555,113,165	1,055,113,165		15,551,132	10,551,132

12.3 GOPb held 57.47% shares in the Bank as at March 31, 2014 (December 31, 2013: 52.67 %).

		Note	(Un-audited) March 31, 2014	(Audited) December 31, 2013
			Rupees in '000	
13.	**SHARE DEPOSIT MONEY**			
	Share deposit money - I		-	5,000,000
	Share deposit money - II		7,000,000	7,000,000
		13.1	7,000,000	12,000,000
13.1	**Reconciliation of share deposit money**			
	Opening balance		12,000,000	17,000,000
	Right shares issued during the period / year		(5,000,000)	(5,000,000)
	Closing balance		7,000,000	12,000,000
14.	**SURPLUS ON REVALUATION OF ASSETS - NET OF TAX**			
	Surplus on revaluation of operating fixed assets		897,727	891,259
	Surplus on revaluation of available for sale securities		335,659	13,291
			1,233,386	904,550
15.	**CONTINGENCIES AND COMMITMENTS**			
15.1	**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) March 31, 2014	(Audited) December 31, 2013
	Rupees in '000	
Government	-	-
Financial institutions	-	-
Others	1,196,125	1,176,561
	1,196,125	1,176,561

15.2 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:

	Note	(Un-audited) March 31, 2014	(Audited) December 31, 2013
		Rupees in '000	
Government		304,322	298,272
Financial institutions		33,872	33,872
Others		12,388,179	12,729,479
		12,726,373	13,061,623

15.3 Trade related contingent liabilities

Government		1,249,271	970,207
Financial institutions		-	-
Others		6,182,178	7,420,631
		7,431,449	8,390,838

15.4 Other contingencies

Claims against the Bank not acknowledged as debt	15.4.1	40,353,802	40,353,802

15.4.1 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 Bank's recovery suits. Uptill 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.

15.5 Corporate compliance

The Registrar Modaraba Companies and Modarabas (the Registrar), vide order dated August 27, 2009, has imposed penalty of Rs. 150 (thousand) each on the Ex-Chief Executive, one Ex-Director, one existing Director and the Company through its Chief Executive due to violation of certain provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 and Modaraba Companies and Modaraba Rules, 1981. The Company has filed an appeal before the Appellate Bench Securities and Exchange Commission of Pakistan (SECP), whereby SECP vide its order dated April 23, 2012 upheld the penalty imposed by the Registrar. The Company has filed an appeal against the said order before Honourable Lahore High Court, which is pending adjudication.

15.6 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 and turnover tax against which the Bank has filled appeals before Commissioner Inland Revenue Appeals. The expected tax liability in respect of aforesaid tax years amounts to Rs 162,772 thousand and minimum tax under section 113 amounts to Rs 257,967 thousand. The management of the Bank, as per the opinion of its tax consultant, is confident that the appeal filed for the aforementioned tax years will be decided in Bank's favour.

The Company's Tax Advisors has certified total refunds due from the Tax Department aggregating Rs. 6,333 thousand. Refund application of the Company for the Tax Year 2007, 2008 and 2009 amounting to Rs 1,648 thousand, Rs 1,863 thousand and Rs 426,000 respectively were rejected by the Deputy Commissioner of Inaland Revenue (DCIR). The Comapny has filed an appeal before the Commissioner of Inland Revenue Appeals (CIR Appeals) against the said order. CIR Appeals vide its order dated June 21, 2011 has vacated the order issued by the DCIR and referred the case back for denovo proceeding which have been initiated and pending for adjudication.

The Company's assessments, except for the assessment year 1995-196 and 1996-97, have been finalised upto assessment year 2002-03. The Taxation Officer issued notices for finalisation of the set-aside assessment for the assessment years 1995-96 and 1996-97, which were complied with but the orders have not yet been received.

Returns filed by the Company for tax years 2003 to 2012 have been assessed under the self assessment scheme envisaged in section 120 of the Income Tax Ordinance, 2001.

15.7 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) March 31, 2014	(Audited) December 31, 2013
		Rupees in '000	
15.8	Commitments in respect of forward exchange contracts		
	Purchase	5,145,462	4,433,928
	Sale	3,767,140	5,382,084
		8,912,602	9,816,012
15.9	Commitments for the acquisition of operating fixed assets	2,152	18,199

16. EARNINGS PER SHARE - BASIC AND DILUTED

	Three months ended (Un-audited) March 31, 2014	March 31, 2013
Profit after taxation (Rupees in thousand)	449,724	316,934
Weighted average number of ordinary shares (thousand)	1,086,866	627,137
Earnings per share - basic and diluted (Rupees)	0.41	0.51

Prior period earnings per share have been adjusted to give effect of bonus element included in the right issue made during the period.

17. 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					
Three Months Ended March 31, 2014 (Un-audited)						
Total income	3,590,421	568,892	3,036,294	95,094	20,368	7,311,069
Total expenses	189,654	1,061,469	5,369,880	-	-	6,621,003
Inter segment transfer revenue / (cost)	(2,634,081)	402,901	2,231,180	-	-	-
Income taxes	-	-	-	-	-	240,342
Net income / (loss)	766,686	(89,676)	(102,406)	95,094	20,368	449,724
Segment assets (gross)	175,766,268	19,907,802	180,426,159	-	-	376,100,229
Segment non performing advances / investments	3,108,598	2,140,089	55,954,295	-	-	61,202,982
Segment provision required	3,013,250	1,792,160	23,745,037	-	-	28,550,447
Segment liabilities	31,308,613	49,502,881	267,248,617	-	-	348,060,111
Segment return on net assets (ROA) (%)	11.61%	13.85%	11.69%			
Segment cost of funds (%)	10.70%	8.76%	8.93%			

	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
	Rupees in '000					
Three Months Ended March 31, 2013 (Un-audited)						
Total income	3,114,493	554,200	2,797,516	96,318	18,800	6,581,327
Total expenses	587,987	923,153	4,570,726	-	-	6,081,866
Inter segment transfer revenue / (cost)	(1,959,392)	306,842	1,652,550	-	-	-
Income taxes	-	-	-	-	-	182,527
Net income / (loss)	567,114	(62,111)	(120,660)	96,318	18,800	316,934
Segment assets (gross)	143,992,937	16,780,676	164,366,565	-	-	325,140,178
Segment non performing advances / investments	3,217,779	2,467,336	65,441,937	-	-	71,127,052
Segment provision required	3,193,314	1,876,959	24,020,564	-	-	29,090,837
Segment liabilities	39,304,507	44,346,743	215,702,841	-	-	299,354,091
Segment return on net assets (ROA) (%)	10.90%	16.41%	13.07%			
Segment cost of funds (%)	9.05%	9.11%	9.11%			

18. RELATED PARTY TRANSACTIONS

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

	March 31, 2014 (Un-audited)				December 31, 2013 (Audited)			
	Key management personnel	Managed modaraba	Employee funds	Others	Key management personnel	Managed modaraba	Employee funds	Others
	Rupees in '000				Rupees in '000			
Advances								
Opening balance	86,027	1,045,975	-	-	95,070	1,030,397	-	-
Loans granted during the period	21,219	256,403	-	-	22,983	1,720,007	-	-
Repayments received during the period	(9,505)	(344,145)	-	-	(32,026)	(1,704,429)	-	-
Closing balance	97,741	958,233	-	-	86,027	1,045,975	-	-
Deposits								
Opening balance	27,878	26,123	805,346	29,603	40,179	2,352	1,627,249	288
Placements made during the period	57,799	407,046	1,084,364	10,006	227,619	1,122,655	1,454,256	62,796
Withdrawals during the period	(62,832)	(433,089)	(1,237,176)	(3,841)	(239,920)	(1,098,884)	(2,276,159)	(33,481)
Closing balance	22,845	80	652,534	35,768	27,878	26,123	805,346	29,603
Placements	-	100,000	-	-	-	100,000	-	-
Lease liability	-	2,204	-	-	-	2,386	-	-

	March 31, 2014 (Un-audited)				March 31, 2013 (Un-audited)			
	Key management personnel	Managed modaraba	Employee funds	Others	Key management personnel	Managed modaraba	Employee funds	Others
	Rupees in '000				Rupees in '000			
Transactions during the period :								
Mark-up/return earned	2,062	16,211	-	-	2,122	20,871	-	-
Mark-up/interest expensed	311	-	13,398	369	446	-	37,318	21
Contribution to employees funds	-	-	19,149	-	-	-	18,575	-

19. DATE OF AUTHORIZATION FOR ISSUE

This consolidated condensed interim financial information was authorized for issuance on April 28, 2014 by the Board of Directors of the Bank.

20. GENERAL

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

20.2 Figures have been rounded off to the nearest thousand.

President

Director

ISLAMIC BANKING BUSINESS - STATEMENT OF FINANCIAL POSITION

As at March 31, 2014

The Bank is operating 07 Islamic banking branches at close of March 31, 2014 (December 31, 2013: 07 branches).

	Note	(Un-audited) March 31, 2014	(Audited) December 31, 2013
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks		125,423	157,253
Balance with other banks		19,380	19,239
Due from financial institutions		300,000	477,000
Investments		638,517	631,876
Islamic financing and related assets	A	454,725	385,000
Operating fixed assets		34,716	31,218
Deferred tax assets		-	-
Other assets		29,892	40,200
TOTAL ASSETS		1,602,653	1,741,786
LIABILITIES			
Bills payable		1,545	1,422
Due to financial institutions		-	-
Deposit and other accounts		-	-
- Current accounts		481,708	660,556
- Saving accounts		394,938	425,985
- Term deposits		29,500	7,100
- Others		39,938	12,846
- Deposits from financial institutions - remunerative		-	-
- Deposits from financial institutions - non - remunerative		-	-
Due to head office		117,775	109,565
Other liabilities		4,775	5,784
		1,070,179	1,223,258
NET ASSETS		532,474	518,528
REPRESENTED BY			
Islamic banking fund		500,000	500,000
Reserves		-	-
Unappropriated profit		20,151	13,095
		520,151	513,095
Surplus on revaluation of assets		12,323	5,433
		532,474	518,528
Remuneration to Shariah Advisor / Board		465	2,126

	Note	(Un-audited) March 31, 2014	(Audited) December 31, 2013
		Rupees in '000	
CHARITY FUND			
Opening balance		19	-
Additions during the period		-	19
Payments / utilization during the period		-	-
Closing balance		19	19
A. Islamic financing and related assets			
Islamic mode of financing	A.1	454,725	385,000
A.1 Islamic mode of financing			
Murabaha		74,802	135,000
Diminishing musharaka		243,696	250,000
Ijarah		136,227	-
		454,725	385,000

ISLAMIC BANKING BUSINESS - PROFIT AND LOSS ACCOUNT

For the Three Months Ended March 31, 2014 (Un-audited)

	Three months ended March 31, 2014	March 31, 2013
	Rupees in '000	
Profit / Return earned on financing, investment and placements	30,431	4,400
Return on deposits and other dues expensed	5,793	597
Net spread earned	24,638	3,803
Provision against non-performing advances	-	-
Provision against consumer financings	-	-
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	-	-
Income after provisions	24,638	3,803
Other income		
Fee, commission and brokerage income	492	54
Dividend income	-	-
Income from dealing in foreign currencies	14	-
Gain on sale and redemption of securities	-	-
Unrealized (loss) / gain on revaluation of investments classified as held for trading	-	-
Other income	841	47
Total other income	1,347	101
	25,985	3,904
Other expenses		
Administrative expenses	18,929	3,185
Other provisions/write offs/reversals	-	-
Other charges	-	-
Total other expenses	18,929	3,185
	7,056	719
Extra ordinary / unusual items	-	
PROFIT BEFORE TAXATION	7,056	719



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