

Half Yearly Report  
(Un-audited)  
January – June  
2013



THE BANK OF PUNJAB

*Passion Reborn*



# Contents

- 02** Corporate Information
- 03** Directors' Review
- 05** Auditors' review report to the members
- 07** Unconsolidated Condensed Interim Financial Information
- 27** Consolidated Condensed Interim Financial Information

## Corporate Information

### Board of Directors

Mr. Ghafoor Mirza	Chairman
Mr. Naeemuddin Khan	President/CEO
Mr. Javaid Aslam	Director
Mr. Tariq Bajwa	Director
Mr. Tariq Mahmood Pasha	Director
Khawaja Farooq Saeed	Director
Mr. Saeed Anwar	Director
Mr. Junaid Ashraf Khawaja	Director
Dr. Umar Saif	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)

Mr. Javaid Aslam	Chairman
Mr. Tariq Mahmood Pasha	Member
Mr. Saeed Anwar	Member

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

Mr. Tariq Bajwa	Chairman
Khawaja Farooq Saeed	Member
Mr. Naeemuddin Khan	Ex-officio Member

### Auditors

M. Yousuf Adil Saleem & Co.,  
Chartered Accountants

### Credit Ratings by PACRA

Long term	AA-
Short term	A1+

### Registered Office:

BOP Tower, 10-B, Block-E-II,  
Main Boulevard,  
Gulberg-III, Lahore.  
Telephones: +92 - 42-35783 700-10  
Fax No. + 92 - 42 - 35783975  
UAN: 111-200-100

### Website:

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

### Registrar:

M/s. Coplink (Pvt) Limited  
Wings Arcade, 1-K, Commercial,  
Model Town, Lahore.  
Telephones: +92 42 35916 714, 35916 719, 3583 9182  
Fax No. + 92 42 3586 9027

## Directors' Review

On behalf of the Board of Directors, I am pleased to present the un-audited Financial Statements of The Bank of Punjab for the half year ended June 30, 2013.

The federal budget for the year 2013-2014 has key focus on fiscal discipline, power generation and inflation. The State Bank of Pakistan has announced a further reduction of 50 basis points in policy rate owing to declining inflation trend and below targeted GDP growth. However, by reducing the fiscal deficit either by expanding the tax base or reducing the power subsidy, inflation is expected to rise back in the coming months.

### Financial Highlights:

	Rs. In Million
Profit before taxation	1,541.5
Taxation	538.0
Profit after taxation	1,003.5
Earnings per share-Rupees	1.90

As a result of effective measures taken by the Bank in all its areas of operation, the Bank has been able to post a pre-tax profit of Rs.1,541.5 million in the current half year as against pre-tax profit of Rs.602.2 million in the corresponding period of last year. The Bank continued to focus on reducing cost of funds and encouraging low cost CASA (Current Account and Saving Account) deposits. Accordingly, deposits of the Bank stood at Rs.295.7 billion showing a rise of Rs.29.6 billion over December 31, 2012. In order to improve the risk profile of the investments portfolio, the incremental deposits were deployed in low risk government securities. Net Advances stood at Rs.139.3 billion as on June 30, 2013. Shareholders' Fund, including advance subscription money, increased from Rs.12.4 billion to Rs.13.3 billion as at close of the half year.

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

During the 1st half 2013, the process for issuance of Right Shares of Rs.5.0 billion (99.53%) at a discount of Rs.0.50 per share was initiated. Owing to the enduring support and confidence of shareholders, the Bank was able to successfully complete the Right Issue. However, due to procedural and legal formalities the same has been accounted for subsequent to the close of half year.

The overall improvement in financial position of the Bank has been duly acknowledged by Pakistan Credit Rating Agency Limited (PACRA) by re-affirming long term and short term entity ratings of “AA-” and “A1+” respectively. Further, State Bank of Pakistan has also granted licenses for opening of 28 new branches and upgradation of 4 sub-branches into full fledged branches in year 2013.

I would like to acknowledge the support of our customers and shareholders for their trust and confidence in our services and the direction we have embarked upon. I would also like to extend gratitude to the Government of Punjab and the State Bank of Pakistan for their constant support and guidance to the Bank. I also wish to complement the staff of the Bank for their hard work and consistent commitment in achieving the targeted goals.

For and on behalf of the Board

**Ghafoor Mirza**  
Chairman

## Auditors' review report to the members on unconsolidated condensed interim financial information

### Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of The Bank of Punjab (the Bank) as at June 30, 2013, and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement and unconsolidated condensed interim statement of changes in equity together with the explanatory notes forming part thereof, for the six months then ended (hereinafter referred to as "the interim financial information"). Management is responsible for the preparation and fair presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income for the quarters ended June 30, 2013 and June 30, 2012 have not been reviewed, as we are required to review only the cumulative figures for the six months ended June 30, 2013.

### Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of the 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 a audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

**Emphasis of Matter**

We draw attention to Note 1.2 to the interim financial information in which the matters related to equity injection by the Government of Punjab (GoPb), relaxations granted by the State Bank of Pakistan (SBP) from provisioning against certain advances and regulatory capital requirements based on the undertaking by GoPb in respect of deficiency in capital and enduring support of GoPb have been fully discussed, and also to note 9.1 wherein basis for recognizing deferred tax asset have been explained. The preparation of projections involves certain key assumptions by the management and any significant change therein may have an effect on the realisability of deferred tax asset. Our conclusion is not qualified in respect of these matters.

Chartered Accountants

**Engagement Partner:**

Nadeem Yousuf Adil

**Karachi**

Date d: August 29, 2013

The Bank of Punjab  
**Unconsolidated Condensed Interim  
Financial Information**  
for the six months ended June 30, 2013 (Un-Audited)





## Unconsolidated Condensed Interim Statement of Financial Position as at June 30, 2013 (un-audited)

	Note	(Un-audited) June 30, 2013 (Rupees in thousand)	(Audited) December 31, 2012
<b>ASSETS</b>			
Cash and balances with treasury banks		21,110,273	17,298,251
Balances with other banks		3,112,045	3,101,170
Lendings to financial institutions	5	30,683,314	1,562,946
Investments - net	6	105,274,174	129,518,999
Advances - net	7	139,330,084	149,605,002
Operating fixed assets	8	3,497,414	3,473,491
Deferred tax assets	9	12,643,506	13,070,614
Other assets		13,742,478	14,480,581
		<b>329,393,288</b>	<b>332,111,054</b>
<b>LIABILITIES</b>			
Bills payable		5,150,576	1,500,709
Borrowings	10	6,803,922	44,683,826
Deposits and other accounts	11	295,726,695	266,055,781
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		2,946	3,601
Deferred tax liabilities		-	-
Other liabilities		8,399,686	7,495,634
		<b>316,083,825</b>	<b>319,739,551</b>
<b>NET ASSETS</b>		<b>13,309,463</b>	<b>12,371,503</b>
<b>REPRESENTED BY</b>			
Share capital	12	5,287,974	5,287,974
Reserves		1,187,433	1,187,433
Accumulated loss		(11,733,804)	(12,742,364)
Share deposit money	13	(5,258,397) 17,000,000	(6,266,957) 17,000,000
Surplus on revaluation of assets - net of tax	14	11,741,603 1,567,860	10,733,043 1,638,460
		<b>13,309,463</b>	<b>12,371,503</b>
Contingencies and commitments	15		

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

President

Director

## Unconsolidated Condensed Interim Profit and Loss Account for the six months ended June 30, 2013 (un-audited)

	Three months ended June 30, 2013	Six months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2012
	(Rupees in thousand)			
<b>Mark-up/return/interest earned</b>	5,752,806	11,525,341	5,859,838	11,888,496
<b>Mark-up/return/interest expensed</b>	5,124,988	10,420,884	5,368,124	10,900,691
Net mark-up/return/interest income	627,818	1,104,457	491,714	987,805
Reversal of provision against non-performing loans and advances - net	(516,026)	(932,664)	(253,404)	(459,260)
Provision / (reversal of provision) for diminution in the value of investments - net	2,996	2,710	(10,599)	22,084
Bad debts written off directly	135	135	-	-
	(512,895)	(929,819)	(264,003)	(437,176)
Net mark-up/return/interest income after provisions	1,140,713	2,034,276	755,717	1,424,981
<b>NON MARK-UP/INTEREST INCOME</b>				
Fee, commission and brokerage income	272,873	407,165	242,115	410,953
Dividend income	44,195	104,194	70,407	156,582
Income from dealing in foreign currencies	39,200	53,337	27,141	58,713
Gain on sale and redemption of securities	601,098	919,047	194,160	334,504
Unrealized loss on revaluation of investments classified as held for trading	(3,111)	(7,041)	(4,809)	(4,768)
Other income	286,270	573,538	186,426	299,999
Total non-markup/interest income	1,240,525	2,050,240	715,440	1,255,983
	2,381,238	4,084,516	1,471,157	2,680,964
<b>NON MARK-UP/INTEREST EXPENSES</b>				
Administrative expenses	1,349,873	2,545,381	1,121,906	2,119,476
Charge / (reversal) of provision against other assets	2,615	(2,751)	-	-
Provision against off balance sheet obligations	325	325	-	-
Other charges	-	36	(40,702)	(40,690)
Total non-markup/interest expenses	1,352,813	2,542,991	1,081,204	2,078,786
	1,028,425	1,541,525	389,953	602,178
Extra ordinary/unusual items	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	1,028,425	1,541,525	389,953	602,178
Taxation - Current	102,845	135,756	65,723	65,723
- Prior years	-	-	-	-
- Deferred	252,677	402,293	56,185	130,946
	355,522	538,049	121,908	196,669
<b>PROFIT AFTER TAXATION</b>	672,903	1,003,476	268,045	405,509
<b>Earnings per share - basic and diluted (Rupees) - Note 16</b>	127	1.90	0.51	0.77

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

President

Director

## Unconsolidated Condensed Interim Statement of Comprehensive Income for the six months ended June 30, 2013 (un-audited)

	Three months ended June 30, 2013	Six months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2012
	(Rupees in thousand)			
<b>Profit after taxation</b>	672,903	1,003,476	268,045	405,509
<b>Other comprehensive income</b>	-	-	-	-
<b>Total comprehensive income</b>	<u>672,903</u>	<u>1,003,476</u>	<u>268,045</u>	<u>405,509</u>

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

**President**

**Director**

## Unconsolidated Condensed Interim Cash Flow Statement for the six months ended June 30, 2013 (un-audited)

	Six months ended	
	June 30, 2013	June 30, 2012
	(Rupees in thousand)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,541,525	602,178
Less: dividend income	(104,194)	(156,582)
	1,437,331	445,596
Adjustments for non-cash charges:		
Depreciation	160,571	166,391
Amortization on intangible assets	724	-
Amortization of premium on Pakistan Investment Bonds	12,082	1,210
Unrealized loss on revaluation of investments classified as held for trading	7,041	4,768
Reversal of provision against non-performing loans and advances - net	(932,664)	(459,260)
Bad debts written-off directly	135	-
Provision for diminution in the value of investments - net	2,710	22,084
Provision for employees compensated absences	3,732	11,468
Provision for gratuity	43,666	38,749
Provision against off balance sheet obligations	325	-
Reversal of provision against other assets	(2,751)	-
Net profit on sale of property and equipment	(10,468)	(45,873)
Net profit on sale of non-banking assets acquired in satisfaction of claims	(297,838)	-
Gain on sale and redemption of securities	(919,047)	(334,504)
Finance charges on leased assets	162	407
	(1,931,620)	(594,560)
	(494,289)	(148,964)
(Increase) / decrease in operating assets:		
Lendings to financial institutions	(28,820,368)	3,994,946
Net investments in held for trading securities	(8,959,642)	(13,162,219)
Advances	11,207,447	(8,784,471)
Others assets	(241,214)	1,579,532
	(26,813,777)	(16,372,212)
Increase / (decrease) in operating liabilities:		
Bills payable	3,649,867	444,290
Borrowings	(37,911,197)	(18,215,703)
Deposits and other accounts	29,670,914	23,766,771
Other liabilities	856,329	817,973
	(3,734,087)	6,813,331
	(31,042,153)	(9,707,845)
Financial charges paid	(162)	(407)
Income tax paid	(295,704)	(457,230)
<b>Net cash used in operating activities</b>	(31,338,019)	(10,165,482)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	34,055,766	11,706,729
Net investments in held to maturity securities	5,212	16,502
Dividends received	104,586	268,668
Investments in operating fixed assets	(189,382)	(303,568)
Sale proceeds of property and equipment disposed-off	14,634	277,925
Sale proceeds of non-banking assets disposed-off	1,439,462	-
<b>Net cash flow from investing activities</b>	35,430,278	11,966,256
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of lease obligations	(655)	(1,772)
<b>Net cash used in financing activities</b>	(655)	(1,772)
<b>Net increase in cash and cash equivalents</b>	4,091,604	1,799,001
Cash and cash equivalents at beginning of the period	20,398,252	20,496,379
Cash and cash equivalents at end of the period	24,489,856	22,295,380
<b>Cash and cash equivalents:</b>		
Cash and balances with treasury banks	21,110,273	18,363,332
Balance with other banks	3,112,045	4,202,736
Call money lending	300,000	-
Overdrawn nostro accounts	(32,462)	(270,688)
	24,489,856	22,295,380

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

## Unconsolidated Condensed Interim Statement of Changes in Equity for the six months ended June 30, 2013 (un-audited)

	Capital Reserves			Revenue Reserve	Total	
	Share capital	Statutory reserve	Restructuring reserve	Share premium		Accumulated loss
	(Rupees in thousands)					
<b>Balance as at January 1, 2012</b>	<b>5,287,974</b>	<b>69,595</b>	<b>1,807,479</b>	<b>37,882</b>	<b>(14,067,841)</b>	<b>(6,864,911)</b>
Transfer from provision against NPLs	-	-	(18,134)	-	-	(18,134)
Total comprehensive income for the six months ended June 30, 2012	-	-	-	-	405,509	405,509
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	5,802	5,802
<b>Balance as at June 30, 2012</b>	<b>5,287,974</b>	<b>69,595</b>	<b>1,789,345</b>	<b>37,882</b>	<b>(13,666,530)</b>	<b>(6,471,734)</b>
Transfer from provision against NPLs	-	-	(1,036,158)	-	-	(1,036,158)
Total comprehensive income for the six months ended December 31, 2012	-	-	-	-	1,228,332	1,228,332
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	5,802	5,802
Transfer from surplus on revaluation of fixed assets to accumulated loss on disposal	-	-	-	-	6,801	6,801
Transfer to statutory reserve	-	326,769	-	-	(326,769)	-
<b>Balance as at December 31, 2012</b>	<b>5,287,974</b>	<b>396,364</b>	<b>753,187</b>	<b>37,882</b>	<b>(12,742,364)</b>	<b>(6,266,957)</b>
Transfer from provision against NPLs	-	-	-	-	-	-
Total comprehensive income for the six months ended June 30, 2013	-	-	-	-	1,008,476	1,008,476
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	5,084	5,084
<b>Balance as at June 30, 2013</b>	<b>5,287,974</b>	<b>396,364</b>	<b>753,187</b>	<b>37,882</b>	<b>(11,733,804)</b>	<b>(5,258,397)</b>

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

**President**

**Director**

## Notes to the Unconsolidated Condensed Interim Financial Information for the six months ended June 30, 2013 (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 306 branches including 04 sub branches and 05 Islamic branches (2012: 306 branches) in Pakistan and Azad Jammu and Kashmir at the period ended June 30, 2013. 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.11,741,603 thousand. The Capital Adequacy Ratio (CAR) remained below the prescribed level of 10%. Further, as at the close of the period ended June 30, 2013, net advances aggregating to Rs. 28,051,951 thousand (2012: Rs. 30,080,298 thousand) requiring additional provision of Rs. 25,836,325 thousand (2012: Rs. 27,055,529 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(1)- 2013/3254 dated March 18, 2013, on the basis of two Letters of Comfort (LOC) issued by the GOPb as explained in paragraph 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. During the period ended June 30, 2013 the bank has initiated the process of issuance of right shares of Rs 5,000,000 thousand (99.53%) at a discount of Rs 0.5 per share in line with the recommendation of the Board of Directors and approval of shareholders of the Bank. However, the same has been completed subsequent to the statement of financial position date due to procedural and legal formalities. Further, the GOPb vide two Letters of Comfort (LOCs) issued on March 29, 2012 has undertaken to inject the necessary funds to make good the capital shortfall to the satisfaction of SBP up to a maximum amount of Rs. 5,800,000 thousand (net of tax @ 35%) and Rs.12,940,000 thousand (net of tax @ 35%) within a period of 90 days after close of the year ending December 31, 2014 and December 31, 2016 respectively in event of the Bank failing to make provision of Rs.28,840,000 thousand or if there is a shortfall in meeting the prevailing regulatory capital requirements as a result of the said provisioning.

In addition, in terms of above 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 relaxation from provisioning requirements of SBP's prudential regulations and exemptions from minimum paid up capital net of losses and applicable adequacy ratio (CAR) which should not fall below 7% upto December 31, 2013. During the year 2013, the Bank will be required to record provisioning in staggered manner against outstanding amounts of borrowers covered under above LOCs to at least 4% by June 30, 2013, further 3%

during quarter ending September 30, 2013 and another 3% during quarter ending December 31, 2013. However, any account adjustment following the cash recovery/ settlement/ restructuring against these borrowers will reduce the said required provisioning covered under the LOCs. Staggering requirement of 4% by June 30, 2013 has been complied with by the Bank. Going forward, further extension in these relaxations beyond 2013 would be considered upon satisfactory compliance of the conditions/ requirements of SBP.

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 Standards Board and Islamic Financial Accounting Standard (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 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, Financial Instruments: "Recognition and Measurement" and International Accounting Standard (IAS) 40, "Investment Property" for banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, The IFRS – 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these Standards have not been considered in the preparation of this unconsolidated condensed interim financial information. However, investments have been classified in accordance with requirements prescribed by the SBP through various circulars.

This unconsolidated condensed interim financial information is separate interim financial information of the Bank in which the investments in subsidiary is stated at cost and has not been accounted for on the basis of reported results and net assets of the investee.

**2.3** 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, 2012. This unconsolidated condensed interim financial information is being submitted to the shareholders in accordance with Section 245 of the Companies Ordinance, 1984 and is un-audited but subject to limited scope review by the auditors.

### 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 disclosed in annual financial statements of the Bank for the year ended December 31, 2012.

The revised IAS 19 amends the accounting of defined benefit plans including actuarial gains and losses that are now required to be recognized in other comprehensive income (OCI) and permanently excluded from profit and loss account. Since the Bank already recognizes actuarial gains and losses in the profit and loss account, this change would have no impact on Bank's equity and will merely result in presentational change of actuarial gains and losses from profit and loss account to OCI. Hence the impact of any restatement has not been incorporated in this unconsolidated condensed interim financial information.

### 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, 2012.

	Note	(Un-audited) June 30, 2013	(Audited) December 31, 2012
(Rupees in thousand)			
<b>5. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings		300,000	-
Repurchase agreement lendings (Reverse Repo)	5.1	27,213,145	-
Certificate of investment		300,000	-
Placements		2,870,169	1,562,946
		<u>30,683,314</u>	<u>1,562,946</u>



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

	(Un-audited)			(Audited)		
	June 30, 2013			December 31, 2012		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	(Rupees in thousand)					
Market Treasury Bills	21,780,145	-	21,780,145	-	-	-
Pakistan Investment Bonds	5,433,000	-	5,433,000	-	-	-
	<u>27,213,145</u>	<u>-</u>	<u>27,213,145</u>	<u>-</u>	<u>-</u>	<u>-</u>

Market value of securities held as collateral amounted to Rs. 27,504,614 thousand (December 31, 2012: Nil). These carry mark-up at rate ranging from 9.00% to 9.15% per annum (December 31, 2012: Nil per annum) with maturities up to July 19, 2013.

## 6. INVESTMENTS - NET

Note	(Un-audited)			(Audited)		
	June 30, 2013			December 31, 2012		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	(Rupees in thousand)					
<b>Held for trading securities</b>						
Ordinary Shares of Listed Companies	1,71,855	-	1,71,855	22,447	-	22,447
Pakistan Investment Bonds	-	-	-	1,02,487	-	1,02,487
Market Treasury Bills	22,008,699	-	22,008,699	10,303,206	2,784,152	13,087,358
	<u>22,180,554</u>	<u>-</u>	<u>22,180,554</u>	<u>10,428,140</u>	<u>2,784,152</u>	<u>13,212,292</u>
<b>Available for sale securities</b>						
Market Treasury Bills	65,286,843	-	65,286,843	53,284,273	34,852,255	88,136,528
Pakistan Investment Bonds	9,750,000	-	9,750,000	19,096,422	-	19,096,422
Ordinary Shares / Certificates of Listed Companies and Modarabas	1,786,560	-	1,786,560	2,315,182	-	2,315,182
Preference Shares of Listed Companies	5,20,451	-	5,20,451	5,20,451	-	5,20,451
Ordinary Shares of Unlisted Company	25,000	-	25,000	25,000	-	25,000
Mutual Funds Units	1,107,212	-	1,107,212	2,642,873	-	2,642,873
Listed Term Finance Certificates	3,78,248	-	3,78,248	3,65,308	-	3,65,308
Unlisted Term Finance Certificates	3,586,289	-	3,586,289	3,823,583	-	3,823,583
Sukuk Bonds	1,012,786	-	1,012,786	-	-	-
	<u>83,453,389</u>	<u>-</u>	<u>83,453,389</u>	<u>82,073,092</u>	<u>34,852,255</u>	<u>116,925,347</u>
<b>Held to maturity securities</b>						
Pakistan Investment Bonds	1,871,364	-	1,871,364	1,888,658	-	1,888,658
WAPDA Bonds	400	-	400	400	-	400
	<u>1,871,764</u>	<u>-</u>	<u>1,871,764</u>	<u>1,889,058</u>	<u>-</u>	<u>1,889,058</u>
<b>Subsidiary</b>						
Punjab Modaraba Services (Pvt) Ltd.	164,945	-	164,945	164,945	-	164,945
<b>Total investment at cost</b>	<u>107,670,652</u>	<u>-</u>	<u>107,670,652</u>	<u>94,555,235</u>	<u>37,636,407</u>	<u>132,191,642</u>
Less: Provision for diminution in value of investment	(3,327,494)	-	(3,327,494)	(3,660,023)	-	(3,660,023)
<b>Investments net of provisions</b>	<u>104,343,158</u>	<u>-</u>	<u>104,343,158</u>	<u>90,895,212</u>	<u>37,636,407</u>	<u>128,531,619</u>
Add: Surplus on revaluation of available for sale securities	9,38,057	-	9,38,057	9,78,760	-	9,78,760
(Less) add: (Deficit) / Surplus on revaluation of held for trading securities	(7,041)	-	(7,041)	8,620	-	8,620
<b>Total investment at market value</b>	<u>105,274,174</u>	<u>-</u>	<u>105,274,174</u>	<u>91,882,592</u>	<u>37,636,407</u>	<u>129,518,999</u>

**6.1** As per BSD 23/2008 dated October 13, 2008 securities classified as held to maturity cannot be sold. However, these can be used for borrowing under SBP repo facility / discount window. Market value of held to maturity investments is Rs. 1,828,665 thousand (December 31, 2012: Rs. 1,804,468 thousand).

	Note	(Un-audited) June 30, 2013	(Audited) December 31, 2012
(Rupees in thousand)			
<b>7. ADVANCES - NET</b>			
Loans, cash credits, running finances, etc. - in Pakistan		148,802,287	158,099,476
Net investment in finance lease - in Pakistan		12,863,409	12,145,701
Bills discounted and purchased (excluding treasury bills)			
- Payable in Pakistan		1,509,402	4,374,559
- Payable outside Pakistan		1,536,483	1,299,427
		3,045,885	5,673,986
Advances - gross		164,711,581	175,919,163
Provision for non-performing advances			
- Specific	7.1 & 7.2	(25,358,889)	(26,299,268)
- General	7.3	(2,2,608)	(14,893)
		(25,381,497)	(26,314,161)
Advances - net of provision		139,330,084	149,605,002

**7.1** Provision against certain net advances amounting to Rs. 28,051,951 thousand (December 31, 2012: Rs.30,080,298 thousand) requiring additional provisioning of Rs. 25,836,325 thousand (December 31, 2012: Rs. 27,055,529 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. 65,368,149 thousand (December 31, 2012: Rs. 69,367,815 thousand) which have been placed under non-performing status as on June 30, 2013 as detailed below:

Category of classification	June 30, 2013 (Un-audited)				
	Domestic	Overseas	Total	Provision required	Provision held
(Rupees in thousand)					
Other assets especially mentioned	373,614	-	373,614	-	-
Substandard	8,736,918	-	8,736,918	2,113,561	2,113,561
Doubtful	1,080,287	-	1,080,287	410,037	410,037
Loss	55,177,330	-	55,177,330	22,835,291	22,835,291
	65,368,149	-	65,368,149	25,358,889	25,358,889
December 31, 2012 (Audited)					
Category of classification	Domestic	Overseas	Total	Provision required	Provision held
(Rupees in thousand)					
Other assets especially mentioned	60,226	-	60,226	-	-
Substandard	9,172,405	-	9,172,405	2,193,856	2,193,856
Doubtful	1,682,456	-	1,682,456	526,074	526,074
Loss	58,452,728	-	58,452,728	23,579,338	23,579,338
	69,367,815	-	69,367,815	26,299,268	26,299,268

- 7.3** General provision includes provision against consumer financing portfolio as required by the Prudential Regulations issued by the SBP.
- 7.4** This includes classified advances of Rs. 1,846,642 thousand outstanding against Gulistan Group as at June 30, 2013. In accordance with the requirements of the Prudential Regulations issued by the SBP, the Bank was required to maintain a provision of Rs. 1,186,079 thousand against this customer. The SBP vide letter no. BPRD/BRD-04/FAYSAL/2013/1695 dated February 13, 2013 has provided relaxation to Banks to make provision against classified exposure of Gulistan Group companies (including Gulistan Textile Mills Limited) in a phased manner and maintain at least 25%, 50%, 75% and 100% of the required provision as at December 31, 2012, March 31, 2013, June 30, 2013 and September 30, 2013 respectively. In view of this relaxation, the Bank has recorded provision amounting to Rs. 1,005,173 thousand after taking the impact of the aforementioned relaxation. Had the SBP not provided this relaxation, profit before taxation would have been lower and provision against advances would have been higher by Rs. 180,906 thousand.
- 7.5** 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. 1,479,969 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 period ended would have been higher by Rs. 1,479,969 thousand (June 30, 2012: higher by Rs.429,232 thousand) and Rs. 961,980 thousand ( June 30, 2012: higher by Rs. 279,001 thousand ) respectively.

## 8. OPERATING FIXED ASSETS

During the period, additions to / disposals from operating fixed assets amounted to Rs. 231,291 thousand (June 30, 2012: Rs. 102,374 thousand) and Rs. 18,773 thousand (June 30, 2012: Rs. 19,543 thousand), respectively.

(Un-audited) June 30, 2013	(Audited) December 31, 2012
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(Rupees in thousand)

## 9. DEFERRED TAX ASSETS

### Taxable temporary differences

Surplus on revaluation of operating fixed assets	(110,578)	(115,222)
Surplus on available for sale securities	(265,448)	(240,635)
Accelerated tax depreciation	(210,727)	(219,673)

### Deductible temporary differences

Loan loss provision	8,026,320	8,026,320
Business loss	5,203,939	5,619,824

12,643,506	13,070,614
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**9.1** 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) June 30, 2013	(Audited) December 31, 2012
	(Rupees in thousand)	
<b>10. BORROWINGS</b>		
<b>Secured</b>		
Borrowings from SBP:		
-Export refinance (ERF)	5,376,898	5,775,034
-Long term financing - export oriented projects (LTF-EOP)	211,794	322,947
-Long term financing facility (LTFF)	1,182,768	962,931
Repurchase agreement borrowings	-	37,621,745
	6,771,460	44,682,657
<b>Unsecured</b>		
Over drawn nostro account	32,462	1,169
	6,803,922	44,683,826
<b>11. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	111,499,572	111,143,862
Savings deposits	118,697,004	100,934,185
Current accounts	58,035,155	47,209,428
Sundry deposits, margin accounts, etc.	1,842,034	2,854,198
	290,073,765	262,141,673
<b>Financial Institutions</b>		
Remunerative deposits	4,930,714	3,131,640
Non-remunerative deposits	722,216	782,468
	5,652,930	3,914,108
	295,726,695	266,055,781
<b>11.1 Particulars of deposits</b>		
In local currency	288,329,605	260,635,041
In foreign currencies	7,397,090	5,420,740
	295,726,695	266,055,781

## 12. SHARE CAPITAL

(Un-audited) June 30, 2013 (No. of Shares)	(Audited) December 31, 2012	(Un-audited) June 30, 2013 (Rupees in thousand)	(Audited) December 31, 2012
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### 12.1 Authorized Capital

2013 Number	2012 Number		2013	2012
5,000,000,000	5,000,000,000	Ordinary 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) June 30, 2013 (No. of shares)	(Audited) December 31, 2012		(Un-audited) June 30, 2013 (Rupees in thousand)	(Audited) December 31, 2012
19,333,340	19,333,340	Ordinary shares of Rs.10 each	193,333	193,333
509,464,036	509,464,036	Fully paid in cash	5,094,641	5,094,641
528,797,376	528,797,376	Issued as bonus shares	5,287,974	5,287,974

**12.3** Government of the Punjab (GOPb) held 51% shares in the Bank as at June 30, 2013 (December 31, 2012 : 51%)

## 13. SHARE DEPOSIT MONEY

	Note	(Un-audited) June 30, 2013 (Rupees in thousand)	(Audited) December 31, 2012
Share deposit money - I		10,000,000	10,000,000
Share deposit money - II		7,000,000	7,000,000
	13.1	17,000,000	17,000,000

**13.1** This represents Rs. 10,000,000 thousand and Rs. 7,000,000 thousand deposited by the Government of the Punjab in 2009 & 2011 respectively as advance subscription money as explained in Note 1.2.

## 14. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

	(Un-audited) June 30, 2013 (Rupees in thousand)	(Audited) December 31, 2012
Surplus on revaluation of operating fixed assets - net of tax	895,251	900,335
Surplus on revaluation of securities - net of tax	672,609	738,125
	1,567,860	1,638,460

## 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) June 30, 2013	(Audited) December 31, 2012
	(Rupees in thousand)	
Government	-	2,568,646
Financial institutions	-	-
Others	1,237,482	1,225,406
	<u>1,237,482</u>	<u>3,794,052</u>

### 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:

	(Un-audited) June 30, 2013	(Audited) December 31, 2012
	(Rupees in thousand)	
Government	235,448	242,575
Financial institutions	36,148	36,148
Others	11,984,680	11,270,360
	<u>12,256,276</u>	<u>11,549,083</u>

### 15.3 Trade related contingent liabilities

Government	971,309	3,688,374
Financial institutions	-	-
Others	6,340,582	8,378,817
	<u>7,311,891</u>	<u>12,067,191</u>

### 15.4 Other contingencies

Claims against the bank not acknowledged as debt	<u>33,814,541</u>	<u>33,968,741</u>
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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 year 2012 Income Tax Department has amended the assessment orders on the issue of turnover tax against which the Bank has filed appeal before Appellate Tribunal Inland Revenue. The expected tax liability in respect of aforesaid tax year amounts to Rs 257,967 thousand under minimum tax. The Management of the Bank, as per the opinion of its tax consultant, is confident that the appeal filed for the aforementioned tax year 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) June 30, 2013	(Audited) December 31, 2012
	(Rupees in thousand)	
<b>15.7 Commitments in respect of forward exchange contracts</b>		
Purchase	4,852,628	3,358,739
Sale	3,585,727	3,150,622
	<u>8,438,355</u>	<u>6,509,361</u>
<b>15.8 Commitments for the acquisition of operating fixed assets</b>	<u>19,809</u>	<u>45,411</u>

## 16. EARNINGS PER SHARE BASIC AND DILUTED

	----- (Un-audited) -----			
	Three months ended June 30, 2013	Six months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2012
Profit after taxation (Rupees in thousand)	<u>62,903</u>	<u>1,003,476</u>	268,045	405,509
Weighted average number of ordinary shares (thousand)	<u>52,797</u>	<u>52,797</u>	52,797	52,797
Earnings per share (after tax) - basic and diluted (Rupees)	<u>1.27</u>	<u>1.90</u>	0.51	0.77

## 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 thousand)						
<b>Six months ended June 30, 2013 (Un-audited)</b>						
Total income	6,542,376	1,693,327	5,099,534	201,659	38,685	13,575,581
Total expenses	2,457,797	1,872,902	7,658,649	37,514	7,194	12,034,056
Inter segment transfer revenue/(cost)	(3,482,482)	989,687	2,492,795	-	-	-
Income taxes	-	-	-	-	-	538,049
Net income / (loss)	<u>602,097</u>	<u>810,112</u>	<u>(66,320)</u>	<u>164,145</u>	<u>31,491</u>	<u>1,003,476</u>
Segment assets (gross)	<u>160,900,628</u>	<u>16,809,875</u>	<u>164,647,248</u>	<u>-</u>	<u>-</u>	<u>342,357,751</u>
Segment non performing advances / investments	<u>3,425,413</u>	<u>2,893,050</u>	<u>62,475,099</u>	<u>-</u>	<u>-</u>	<u>68,793,562</u>
Segment provision required	<u>3,327,494</u>	<u>1,966,512</u>	<u>23,414,985</u>	<u>-</u>	<u>-</u>	<u>28,708,991</u>
Segment liabilities	<u>18,604,327</u>	<u>46,485,349</u>	<u>250,994,149</u>	<u>-</u>	<u>-</u>	<u>316,083,825</u>
Segment return on net assets (ROA) (%)	<u>11.43%</u>	<u>27.11%</u>	<u>11.96%</u>			
Segment cost of funds (%)	<u>10.63%</u>	<u>8.91%</u>	<u>8.24%</u>			
<b>Six months ended June 30, 2012 (Un-audited)</b>						
Total income	6,094,810	737,297	6,077,096	199,676	35,600	13,144,479
Total expenses	1,724,524	1,816,505	8,963,379	32,164	5,729	12,542,301
Inter segment transfer revenue / (cost)	(3,392,036)	1,171,581	2,220,455	-	-	-
Income taxes	-	-	-	-	-	196,669
Net income / (loss)	<u>978,250</u>	<u>92,373</u>	<u>(665,828)</u>	<u>167,512</u>	<u>29,871</u>	<u>405,509</u>
Segment assets (gross)	<u>121,366,813</u>	<u>16,391,160</u>	<u>165,303,045</u>	<u>-</u>	<u>-</u>	<u>303,061,018</u>
Segment non performing advances / investments	<u>3,502,772</u>	<u>2,304,262</u>	<u>69,405,505</u>	<u>-</u>	<u>-</u>	<u>75,212,539</u>
Segment provision required	<u>3,502,772</u>	<u>1,550,840</u>	<u>24,331,395</u>	<u>-</u>	<u>-</u>	<u>29,385,007</u>
Segment liabilities	<u>7,441,735</u>	<u>41,671,630</u>	<u>228,239,979</u>	<u>-</u>	<u>-</u>	<u>277,353,344</u>
Segment return on net assets (ROA) (%)	<u>14.74%</u>	<u>12.73%</u>	<u>18.30%</u>			
Segment cost of funds (%)	<u>14.57%</u>	<u>9.40%</u>	<u>9.99%</u>			



## 18. RELATED PARTY TRANSACTIONS

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

	June 30, 2013 (Un-audited)				December 31, 2012 (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 thousand				Rupees in thousand			
<b>Advances</b>								
Opening balance	94,554	1,069,513	-	-	60,770	1,022,820	-	-
Loans granted during the period	15,320	471,955	-	-	48,755	1,846,313	-	-
Repayments received during the period	(20,102)	(525,805)	-	-	(14,971)	(1,799,620)	-	-
Closing balance	<u>89,772</u>	<u>1,015,663</u>	-	-	<u>94,554</u>	<u>1,069,513</u>	-	-
<b>Deposits</b>								
Opening balance	39,996	2,369	1,627,249	288	22,571	32,373	1,187,328	2,536
Placements made during the period	95,195	535,587	285,987	27,172	257,537	2,053,870	504,428	5,848
Withdrawals during the period	(100,219)	(512,699)	(180,227)	(5,561)	(240,112)	(2,083,874)	(64,502)	(8,096)
Closing balance	<u>34,972</u>	<u>25,257</u>	<u>1,733,009</u>	<u>21,899</u>	<u>39,996</u>	<u>2,369</u>	<u>1,627,249</u>	<u>288</u>
<b>Placements</b>	-	300,000	-	-	-	300,000	-	-
<b>Lease liability</b>	-	2,946	-	-	-	3,602	-	-

	June 30, 2013 (Un-audited)				June 30, 2012 (Un-audited)			
	Rupees in thousand				Rupees in thousand			
<b>Transactions during the period :</b>								
Mark-up/return earned	3,861	62,821	-	-	2,543	71,676	-	-
Mark-up/interest expensed	451	-	75,076	113	126	-	73,148	39
Contribution to employees funds	-	-	37,299	-	-	-	26,040	-

## 19. DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated condensed interim financial information was authorized for issuance on August 29, 2013 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 June 30,, 2013 (Un-audited)

Annexure 1

The Bank has started Islamic banking operations during the period ended June 30, 2013. As at dose of June 2013, 05 islamic banking branches were operating.

	June 30, 2013	December 31, 2012
	(Rupees in thousand)	
<b>ASSETS</b>		
Cash & balances with treasury banks	64,700	-
Balance with other banks	11,280	-
Due from financial institutions	278,000	-
Investments	936,404	-
Islamic financing and related services	-	-
Operating fixed assets	13,234	-
Deferred tax assets	-	-
Other assets	29,285	-
<b>TOTAL ASSETS</b>	<b>1,332,903</b>	<b>-</b>
<b>LIABILITIES</b>		
Bills payable	1,528	-
Due to financial Institutions	-	-
Deposit and other accounts	-	-
Current accounts	476,993	-
Saving accounts	312,699	-
Term deposits	10,700	-
Others	1,970	-
Deposits from financial institutions - remunerative	-	-
Deposits from financial institutions - non - remunerative	-	-
Due to head office	21,651	-
Other liabilities	1,341	-
	826,882	-
<b>NET ASSETS</b>	<b>506,021</b>	<b>-</b>
<b>REPRESENTED BY</b>		
Islamic banking fund	500,000	-
Reserves	19	-
Unappropriated profit	7,383	-
	507,402	-
Surplus on revaluation of assets	(1,381)	-
	<b>506,021</b>	<b>-</b>
<b>Remuneration to Shariah Advisor / Board</b>	<b>1,010</b>	<b>-</b>
<b>CHARITY FUND</b>		
Opening balance	-	-
Additions during the period	-	-
Payments / utilization during the period	-	-
Closing balance	-	-

## Islamic Banking Business-Profit and Loss Account for the period ended June 30, 2013 (Un-audited)

Annexure 1

	Three months ended June 30, 2013	Six months ended June 30, 2013
	(Rupees in thousand)	
Profit/return earned on financing, investment and placements	22,642	27,042
Return on deposits and other dues expressed	3,521	4,118
Net spread earned	19,121	22,924
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	19,121	22,924
Other Income		
Fee, commission and brokerage income	274	328
Dividend income	-	-
Income from dealing in foreign currencies	91	91
Gain on sale and redemption of securities	-	-
Unrealized (loss) / gain on revaluation of investments classified as held for trading	-	-
Other income	397	444
Total other income	762	863
	19,883	23,787
Other expenses		
Administrative expenses	13,219	16,404
Other provisions/write offs/reversals	-	-
Other charges	-	-
Total other expenses	13,219	16,404
	6,664	7,383
Extra ordinary / unusual items	-	-
Profit before taxation	6,664	7,383

**The Bank of Punjab**  
**Consolidated Condensed Interim**  
**Financial Information**  
for the six months ended June 30, 2013 (Un-audited)



## Consolidated Condensed Interim Statement of Financial Position

as at June 30, 2013 (un-audited)

	Note	(Un-audited) June 30, 2013 (Rupees in thousand)	(Audited) December 31, 2012
<b>ASSETS</b>			
Cash and balances with treasury banks		21,110,273	17,298,251
Balances with other banks		3,112,045	3,101,170
Lendings to financial institutions	5	30,683,314	1,562,946
Investments - net	6	105,295,487	129,552,044
Advances - net	7	139,286,084	149,565,885
Operating fixed assets	8	3,497,414	3,473,491
Deferred tax assets	9	12,643,506	13,070,614
Other assets		13,747,925	14,486,073
		329,376,048	332,110,474
<b>LIABILITIES</b>			
Bills payable		5,150,576	1,500,709
Borrowings	10	6,803,922	44,683,826
Deposits and other accounts	11	295,725,922	266,055,761
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		2,946	3,601
Deferred tax liabilities		-	-
Other liabilities		8,399,857	7,495,928
		316,083,223	319,739,825
<b>NET ASSETS</b>		<b>13,292,825</b>	<b>12,370,649</b>
<b>REPRESENTED BY</b>			
Share capital	12	5,287,974	5,287,974
Reserves		1,187,433	1,187,433
Accumulated loss		(11,750,442)	(12,743,218)
Share deposit money	13	(5,275,035) 17,000,000	(6,267,811) 17,000,000
Surplus on revaluation of assets - net of tax	14	11,724,965 1,567,860	10,732,189 1,638,460
		13,292,825	12,370,649
Contingencies and commitments	15		

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

President

Director

## Consolidated Condensed Interim Profit and Loss Account for the six months ended June 30, 2013 (un-audited)

	Three months ended June 30, 2013	Six months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2012
	(Rupees in thousand)			
<b>Mark-up/return/interest earned</b>	5,751,786	11,523,398	5,858,882	11,886,718
<b>Mark-up/return/interest expensed</b>	5,124,988	10,420,884	5,368,124	10,900,691
Net mark-up/return/interest income	626,798	1,102,514	490,758	986,027
Reversal of provision against non-performing loans and advances - net	(516,026)	(932,664)	(253,404)	(459,260)
Provision / (reversal of provision) for diminution in the value of investments - net	2,996	14,442	(10,599)	29,225
Bad debts written off directly	135	135	-	-
	(512,895)	(918,087)	(264,003)	(430,035)
Net mark-up/return/interest income after provisions	1,139,693	2,020,601	754,761	1,416,062
<b>NON MARK-UP/INTEREST INCOME</b>				
Fee, commission and brokerage income	272,873	407,165	242,115	410,953
Dividend income	44,195	104,194	70,407	156,582
Income from dealing in foreign currencies	39,200	53,337	27,141	58,713
Gain on sale and redemption of securities	601,098	919,047	194,160	334,504
Unrealized loss on revaluation of investments classified as held for trading	(3,111)	(7,041)	(4,809)	(4,768)
Other income	286,270	573,538	186,426	299,999
Total non-markup/interest income	1,240,525	2,050,240	715,440	1,255,983
	2,380,218	4,070,841	1,470,201	2,672,045
<b>NON MARK-UP/INTEREST EXPENSES</b>				
Administrative expenses	1,350,998	2,547,490	1,123,407	2,122,464
Charge / (reversal) of provision against other assets	2,615	(2,751)	-	-
Provision against off balance sheet obligations	325	325	-	-
Other charges	-	36	(40,702)	(40,690)
Total non-markup/interest expenses	1,353,938	2,545,100	1,082,705	2,081,774
	1,026,280	1,525,741	387,496	590,271
Extra ordinary/unusual items	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	1,026,280	1,525,741	387,496	590,271
Taxation - Current	102,845	135,756	65,723	65,723
- Prior years	-	-	-	-
- Deferred	252,677	402,293	56,185	130,946
	355,522	538,049	121,908	196,669
<b>PROFIT AFTER TAXATION</b>	670,758	987,692	265,588	393,602
<b>Earnings per share - basic and diluted (Rupees) - Note 16</b>	1.27	1.87	0.50	0.74

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

**President**

**Director**

## Consolidated Condensed Interim Statement of Comprehensive Income for the six months ended June 30, 2013 (un-audited)

	Three months ended June 30, 2013	Six months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2012
	(Rupees in thousand)			
<b>Profit after taxation</b>	670,758	987,692	265,588	393,602
<b>Other comprehensive income</b>	-	-	-	-
<b>Total comprehensive income</b>	<u>670,758</u>	<u>987,692</u>	<u>265,588</u>	<u>393,602</u>

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

**President**

**Director**

## Consolidated Condensed Interim Cash Flow Statement for the six months ended June 30, 2013 (un-audited)

	Six months ended	
	June 30, 2013	June 30, 2012
	(Rupees in thousand)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,525,741	590,271
Less: dividend income	(104,194)	(156,582)
	<u>1,421,547</u>	<u>433,689</u>
Adjustments for non-cash charges:		
Depreciation	160,571	166,391
Amortization on intangible assets	724	-
Amortization of premium on Pakistan Investment Bonds	12,082	1,210
Unrealized loss on revaluation of investments classified as held for trading	7,041	4,768
Reversal of provision against non-performing loans and advances - net	(932,664)	(459,260)
Bad debts written-off directly	135	-
Provision for diminution in the value of investments - net	14,442	29,225
Provision for employees compensated absences	3,732	11,468
Provision for gratuity	43,666	38,749
Provision against off balance sheet obligations	325	-
Reversal of provision against other assets	(2,751)	-
Net profit on sale of property and equipment	(10,468)	(45,873)
Net profit on sale of non-banking assets acquired in satisfaction of claims	(297,838)	-
Gain on sale and redemption of securities	(919,047)	(334,504)
Finance charges on leased assets	162	407
	<u>(1,919,888)</u>	<u>(587,419)</u>
	<u>(498,341)</u>	<u>(153,730)</u>
(Increase) / decrease in operating assets:		
Lendings to financial institutions	(28,820,368)	3,994,946
Net investments in held for trading securities	(8,959,642)	(13,162,220)
Advances	11,212,330	(8,773,389)
Others assets	(241,169)	1,576,776
	<u>(26,808,849)</u>	<u>(16,363,887)</u>
Increase / (decrease) in operating liabilities:		
Bills payable	3,649,867	444,290
Borrowings	(37,911,197)	(18,215,703)
Deposits and other accounts	29,670,161	23,766,774
Other liabilities	856,206	814,411
	<u>(3,734,963)</u>	<u>6,809,772</u>
	<u>(31,042,153)</u>	<u>(9,707,845)</u>
Financial charges paid	(162)	(407)
Income tax paid	(295,704)	(457,230)
<b>Net cash used in operating activities</b>	<u>(31,338,019)</u>	<u>(10,165,482)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	34,055,766	11,706,728
Net investments in held to maturity securities	5,212	16,502
Dividends received	104,586	268,668
Investments in operating fixed assets	(189,382)	(303,568)
Sale proceeds of property and equipment disposed-off	14,634	277,925
Sale proceeds of non-banking assets disposed-off	1,439,462	-
<b>Net cash flow from investing activities</b>	<u>35,430,278</u>	<u>11,966,255</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of lease obligations	(655)	(1,772)
<b>Net cash used in financing activities</b>	<u>(655)</u>	<u>(1,772)</u>
<b>Net increase in cash and cash equivalents</b>	<u>4,091,604</u>	<u>1,799,001</u>
Cash and cash equivalents at beginning of the period	20,398,252	20,496,379
Cash and cash equivalents at end of the period	<u>24,489,856</u>	<u>22,295,380</u>
<b>Cash and cash equivalents:</b>		
Cash and balances with treasury banks	21,110,273	18,363,332
Balance with other banks	3,112,045	4,202,736
Call money lending	300,000	-
Overdrawn nostro accounts	(32,462)	(270,688)
	<u>24,489,856</u>	<u>22,295,380</u>

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



## Consolidated Condensed Interim Statement of Changes in Equity for the six months ended June 30, 2013 (un-audited)

	Capital Reserves			Revenue Reserve	Total	
	Share capital	Statutory reserve	Restructuring reserve	Share premium		Accumulated loss
	(Rupees in thousand)					
<b>Balance as at January 1, 2012</b>	<b>5,287,974</b>	<b>69,595</b>	<b>1,807,479</b>	<b>37,882</b>	<b>(14,179,410)</b>	<b>(6,976,480)</b>
Transfer from provision against NPLs	-	-	(18,134)	-	-	(18,134)
Total comprehensive income for the six months ended June 30, 2012	-	-	-	-	398,602	398,602
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	5,802	5,802
<b>Balance as at June 30, 2012</b>	<b>5,287,974</b>	<b>69,595</b>	<b>1,789,345</b>	<b>37,882</b>	<b>(13,780,006)</b>	<b>(6,595,210)</b>
Transfer from provision against NPLs	-	-	(1,036,158)	-	-	(1,036,158)
Total comprehensive income for the six months ended December 31, 2012	-	-	-	-	1,350,954	1,350,954
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	5,802	5,802
Transfer from surplus on revaluation of fixed assets to accumulated loss on disposal	-	-	-	-	6,801	6,801
Transfer to statutory reserve	-	326,769	-	-	(326,769)	-
<b>Balance as at December 31, 2012</b>	<b>5,287,974</b>	<b>396,364</b>	<b>753,187</b>	<b>37,882</b>	<b>(12,748,218)</b>	<b>(6,267,811)</b>
Transfer from provision against NPLs	-	-	-	-	-	-
Total comprehensive income for the six months ended June 30, 2013	-	-	-	-	987,692	987,692
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	5,084	5,084
<b>Balance as at June 30, 2013</b>	<b>5,287,974</b>	<b>396,364</b>	<b>753,187</b>	<b>37,882</b>	<b>(11,750,442)</b>	<b>(5,275,035)</b>

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

**President**

**Director**

## Notes to the Consolidated Condensed Interim Financial Information for the six months ended June 30, 2013 (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 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 306 branches including 04 sub branches and 05 Islamic branches (2012: 306 branches) in Pakistan and Azad Jammu and Kashmir at the period ended June 30, 2013. 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.11,724,965 thousand. The Capital Adequacy Ratio (CAR) remained below the prescribed level of 10%. Further, as at the close of the period ended June 30, 2013, net advances aggregating to Rs. 28,007,951 thousand (2012: Rs. 30,041,181 thousand) requiring additional provision of Rs. 25,792,325 thousand (2012: Rs. 27,016,412 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(1)-2013/3254 dated March 18, 2013, on the basis of two Letters of Comfort (LOC) issued by the GOPb as explained in paragraph 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. During the period ended June 30, 2013 the Bank has initiated the process of issuance of right shares of Rs 5,000,000 thousand (99.53%) at a discount of Rs 0.5 per share in line with the recommendation of the Board of Directors and approval of shareholders of the Bank. However, the same has been completed subsequent to the statement of financial position date due to procedural and legal formalities. Further, the GOPb vide two Letters of Comfort (LOCs) issued on March 29, 2012 has undertaken to inject the necessary funds to make good the capital shortfall to the satisfaction of SBP up to a maximum amount of Rs. 5,800,000 thousand (net of tax @ 35%) and Rs.12,940,000 thousand (net of tax @ 35%) within a period of 90 days after close of the year ending December 31, 2014 and December 31, 2016 respectively in event of the Bank failing to make provision of Rs.28,840,000 thousand or if there is a shortfall in meeting the prevailing regulatory capital requirements as a result of the said provisioning.

In addition, in terms of above 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 relaxation from provisioning requirements of SBP's prudential regulations and exemptions from minimum paid up capital net of losses and applicable adequacy ratio (CAR) which should not fall below 7% upto December 31, 2013. During the year 2013, the Bank will be required to record provisioning in staggered manner against outstanding amounts of borrowers covered under above LOCs to at least 4% by June 30, 2013, further 3% during quarter ending September 30, 2013 and another 3% during quarter ending December 31, 2013. However, any account adjustment following the cash recovery/ settlement/ restructuring against these borrowers will reduce the said required provisioning covered under the LOCs. Staggering requirement of 4% by June 30, 2013 has been complied with by the Bank. Going forward, further extension in these relaxations beyond 2013 would be considered upon satisfactory compliance of the conditions/ requirements of SBP.

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 Standards Board and Islamic Financial Accounting Standard (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 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, Financial Instruments: "Recognition and Measurement" and International Accounting Standard (IAS) 40, "Investment Property" for banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, The IFRS – 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these Standards have not been considered in the preparation of this consolidated condensed interim financial information. However, investments have been classified in accordance with requirements prescribed by the SBP through various circulars.

**2.3** 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 financial statements of the Group for the year ended December 31, 2012. This consolidated condensed interim financial information is being submitted to the shareholders in accordance with 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 disclosed in annual financial statements of the Group for the year ended December 31, 2012.

The revised IAS 19 amends the accounting of defined benefit plans including actuarial gains and losses that are now required to be recognized in other comprehensive income (OCI) and permanently excluded from profit and loss account. Since the Bank already recognizes actuarial gains and losses in the profit and loss account, this change would have no impact on Bank's equity and will merely result in presentational change of actuarial gains and losses from profit and loss account to OCI. Hence the impact of any restatement has not been incorporated in this consolidated condensed interim financial information.

### 4. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies of the Group are consistent with those disclosed in the annual financial statements of the Group for the year ended December 31, 2012.

### 5. LENDINGS TO FINANCIAL INSTITUTIONS

		(Un-audited) June 30, 2013	(Audited) December 31, 2012
	Note	(Rupees in thousand)	
Call money lendings		300,000	-
Repurchase agreement lendings (Reverse Repo)	5.1	27,213,145	-
Certificate of investment		300,000	-
Placements		2,870,169	1,562,946
		30,683,314	1,562,946

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

	(Un-audited)			(Audited)		
	June 30, 2013			December 31, 2012		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	(Rupees in thousand)					
Market Treasury Bills	21,780,145	-	21,780,145	-	-	-
Pakistan Investment Bonds	5,433,000	-	5,433,000	-	-	-
	<u>27,213,145</u>	<u>-</u>	<u>27,213,145</u>	<u>-</u>	<u>-</u>	<u>-</u>

Market value of securities held as collateral amounted to Rs. 27,504,614 thousand (December 31, 2012: Nil). These carry mark-up at rate ranging from 9.00% to 9.15% per annum (December 31, 2012: Nil per annum) with maturities up to July 19, 2013.

## 6. INVESTMENTS - NET

Note	(Un-audited)			(Audited)		
	June 30, 2013			December 31, 2012		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	(Rupees in thousand)					
<b>Held for trading securities</b>						
Ordinary Shares of Listed Companies	1,71,855	-	1,71,855	22,447	-	22,447
Pakistan Investment Bonds	-	-	-	1,02,487	-	1,02,487
Market Treasury Bills	22,008,699	-	22,008,699	10,303,206	2,784,152	13,087,358
	<u>22,180,554</u>	<u>-</u>	<u>22,180,554</u>	<u>10,428,140</u>	<u>2,784,152</u>	<u>13,212,292</u>
<b>Available for sale securities</b>						
Market Treasury Bills	65,286,843	-	65,286,843	53,284,273	34,852,255	88,136,528
Pakistan Investment Bonds	9,750,000	-	9,750,000	19,096,422	-	19,096,422
Ordinary Shares / Certificates of Listed Companies and Modarabas	1,951,503	-	1,951,503	2,480,125	-	2,480,125
Preference Shares of Listed Companies	5,20,451	-	5,20,451	5,20,451	-	5,20,451
Ordinary Shares of Unlisted Company	25,000	-	25,000	25,000	-	25,000
Mutual Funds Units	1,107,212	-	1,107,212	2,642,873	-	2,642,873
Listed Term Finance Certificates	3,78,248	-	3,78,248	3,65,308	-	3,65,308
Unlisted Term Finance Certificates	3,586,289	-	3,586,289	3,823,583	-	3,823,583
Suku k Bonds	1,012,786	-	1,012,786	-	-	-
	<u>83,618,332</u>	<u>-</u>	<u>83,618,332</u>	<u>82,238,035</u>	<u>34,852,255</u>	<u>117,090,290</u>
<b>Held to maturity securities</b>						
Pakistan Investment Bonds	1,871,364	-	1,871,364	1,888,658	-	1,888,658
WAPDA Bonds	400	-	400	400	-	400
	<u>1,871,764</u>	<u>-</u>	<u>1,871,764</u>	<u>1,889,058</u>	<u>-</u>	<u>1,889,058</u>
<b>Total investment at cost</b>	<u>107,670,650</u>	<u>-</u>	<u>107,670,650</u>	<u>94,555,233</u>	<u>37,636,407</u>	<u>132,191,640</u>
Less: Provision for diminution in value of investment	(3,306,179)	-	(3,306,179)	(3,626,976)	-	(3,626,976)
<b>Investments net of provisions</b>	<u>104,364,471</u>	<u>-</u>	<u>104,364,471</u>	<u>90,928,257</u>	<u>37,636,407</u>	<u>128,564,664</u>
Add: Surplus on revaluation of available for sale securities	9,38,057	-	9,38,057	9,78,760	-	9,78,760
(Less) add: (Deficit) / Surplus on revaluation of held for trading securities	(7,041)	-	(7,041)	8,620	-	8,620
<b>Total investment at market value</b>	<u>105,295,487</u>	<u>-</u>	<u>105,295,487</u>	<u>91,915,637</u>	<u>37,636,407</u>	<u>129,552,044</u>

**6.1** As per BSD 23/2008 dated October 13, 2008 securities classified as held to maturity cannot be sold. However, these can be used for borrowing under SBP repo facility / discount window. Market value of held to maturity investments is Rs. 1,828,665 thousand (December 31, 2012: Rs. 1,804,468 thousand).

	Note	(Un-audited) June 30, 2013	(Audited) December 31, 2012
(Rupees in thousand)			
<b>7. ADVANCES - NET</b>			
Loans, cash credits, running finances, etc. - in Pakistan		148,758,287	158,060,359
Net investment in finance lease - in Pakistan		12,863,409	12,145,701
Bills discounted and purchased (excluding treasury bills)			
- Payable in Pakistan		1,509,402	4,374,559
- Payable outside Pakistan		1,536,483	1,299,427
		3,045,885	5,673,986
Advances - gross		164,667,581	175,880,046
Provision for non-performing advances			
- Specific	7.1 & 7.2	(25,358,889)	(26,299,268)
- General	7.3	(2,2608)	(14,893)
		(25,381,497)	(26,314,161)
Advances - net of provision		139,286,084	149,565,885

**7.1** Provision against certain net advances amounting to Rs. 28,007,951 thousand (December 31, 2012: Rs.30,041,181 thousand) requiring additional provisioning of Rs. 25,792,325 thousand (December 31, 2012: Rs. 27,016,412 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. 65,324,149 thousand (December 31, 2012: Rs. 69,328,698 thousand) which have been placed under non-performing status as on June 30, 2013 as detailed below:

Category of classification	June 30, 2013 (Un-audited)				
	Domestic	Overseas	Total	Provision required	Provision held
(Rupees in thousand)					
Other assets especially mentioned	373,614	-	373,614	-	-
Substandard	8,736,918	-	8,736,918	2,113,561	2,113,561
Doubtful	1,080,287	-	1,080,287	410,037	410,037
Loss	55,133,330	-	55,133,330	22,835,291	22,835,291
	65,324,149	-	65,324,149	25,358,889	25,358,889
December 31, 2012 (Audited)					
Category of classification	Domestic	Overseas	Total	Provision required	Provision held
(Rupees in thousand)					
Other assets especially mentioned	60,226	-	60,226	-	-
Substandard	9,172,405	-	9,172,405	2,193,856	2,193,856
Doubtful	1,682,456	-	1,682,456	526,074	526,074
Loss	58,413,611	-	58,413,611	23,579,338	23,579,338
	69,328,698	-	69,328,698	26,299,268	26,299,268

- 7.3** General provision includes provision against consumer financing as required by the Prudential Regulations issued by the SBP.
- 7.4** This includes classified advances of Rs. 1,846,642 thousand outstanding against Gulistan Group as at June 30, 2013. In accordance with the requirements of the Prudential Regulations issued by the SBP, the Bank was required to maintain a provision of Rs. 1,186,079 thousand against this customer. The SBP vide letter no. BPRD/BRD-04/FAYSAL/2013/1695 dated February 13, 2013 has provided relaxation to Banks to make provision against classified exposure of Gulistan Group companies (including Gulistan Textile Mills Limited) in a phased manner and maintain at least 25%, 50%, 75% and 100% of the required provision as at December 31, 2012, March 31, 2013, June 30, 2013 and September 30, 2013 respectively. In view of this relaxation, the Bank has recorded provision amounting to Rs. 1,005,173 thousand after taking the impact of the aforementioned relaxation. Had the SBP not provided this relaxation, profit before taxation would have been lower and provision against advances would have been higher by Rs. 180,906 thousand.
- 7.5** 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. 1,479,969 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 period ended would have been higher by Rs. 1,479,969 thousand (June 30, 2012: higher by Rs.429,232 thousand) and Rs. 961,980 thousand ( June 30, 2012: higher by Rs. 279,001 thousand ) respectively.

## 8. OPERATING FIXED ASSETS

During the period, additions to / disposals from operating fixed assets amounted to Rs. 231,291 thousand (June 30, 2012: Rs. 102,374 thousand) and Rs. 18,773 thousand (June 30, 2012: Rs. 19,543 thousand), respectively.

(Un-audited) June 30, 2013	(Audited) December 31, 2012
(Rupees in thousand)	

## 9. DEFERRED TAX ASSETS

### Taxable temporary differences

Surplus on revaluation of operating fixed assets	(110,578)	(115,222)
Surplus on available for sale securities	(265,448)	(240,635)
Accelerated tax depreciation	(210,727)	(219,673)

### Deductible temporary differences

Loan loss provision	8,026,320	8,026,320
Business loss	5,203,939	5,619,824
	<u>12,643,506</u>	<u>13,070,614</u>

**9.1** 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) June 30, 2013	(Audited) December 31, 2012
	(Rupees in thousand)	
<b>10. BORROWINGS</b>		
<b>Secured</b>		
Borrowings from SBP:		
-Export refinance (ERF)	5,376,898	5,775,034
-Long term financing - export oriented projects (LTF-EOP)	211,794	322,947
-Long term financing facility (LTFF)	1,182,768	962,931
Repurchase agreement borrowings	-	37,621,745
	6,771,460	44,682,657
<b>Unsecured</b>		
Over drawn nostro account	32,462	1,169
	6,803,922	44,683,826
<b>11. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	111,499,572	111,143,862
Savings deposits	118,697,004	100,934,185
Current accounts	58,034,382	47,209,408
Sundry deposits, margin accounts, etc.	1,842,034	2,854,198
	290,072,992	262,141,653
<b>Financial Institutions</b>		
Remunerative deposits	4,930,714	3,131,640
Non-remunerative deposits	722,216	782,468
	5,652,930	3,914,108
	295,725,922	266,055,761
<b>11.1 Particulars of deposits</b>		
In local currency	288,328,832	260,635,021
In foreign currencies	7,397,090	5,420,740
	295,725,922	266,055,761



## 12. SHARE CAPITAL

(Un-audited) June 30, 2013 (No. of Shares)	(Audited) December 31, 2012	(Un-audited) June 30, 2013 (Rupees in thousand)	(Audited) December 31, 2012
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### 12.1 Authorized Capital

2013 Number	2012 Number		50,000,000	50,000,000
<u>5,000,000,000</u>	<u>5,000,000,000</u>	Ordinary shares of Rs. 10 each	<u>50,000,000</u>	<u>50,000,000</u>

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) June 30, 2013 (No. of shares)	(Audited) December 31, 2012		(Un-audited) June 30, 2013 (Rupees in thousand)	(Audited) December 31, 2012
		Ordinary shares of Rs.10 each		
19,333,340	19,333,340	Fully paid in cash	193,333	193,333
<u>509,464,036</u>	<u>509,464,036</u>	Issued as bonus shares	<u>5,094,641</u>	<u>5,094,641</u>
<u>528,797,376</u>	<u>528,797,376</u>		<u>5,287,974</u>	<u>5,287,974</u>

**12.3** Government of the Punjab (GOPb) held 51% shares in the Bank as at June 30, 2013 (December 31, 2012 : 51%)

Note	(Un-audited) June 30, 2013 (Rupees in thousand)	(Audited) December 31, 2012
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## 13. SHARE DEPOSIT MONEY

Share deposit money - I	10,000,000	10,000,000
Share deposit money - II	7,000,000	7,000,000
13.1	<u>17,000,000</u>	<u>17,000,000</u>

**13.1** This represents Rs. 10,000,000 thousand and Rs 7,000,000 thousand deposited by the Government of the Punjab in 2009 & 2011 respectively as advance subscription money as explained in Note 1.2

	(Un-audited) June 30, 2013 (Rupees in thousand)	(Audited) December 31, 2012
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## 14. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Surplus on revaluation of operating fixed assets - net of tax	895,251	900,335
Surplus on revaluation of securities - net of tax	672,609	738,125
	<u>1,567,860</u>	<u>1,638,460</u>

## 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) June 30, 2013	(Audited) December 31, 2012
	(Rupees in thousand)	
Government	-	2,568,646
Financial institutions	-	-
Others	1,237,482	1,225,406
	<u>1,237,482</u>	<u>3,794,052</u>

### 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:

	(Un-audited) June 30, 2013	(Audited) December 31, 2012
	(Rupees in thousand)	
Government	235,448	242,575
Financial institutions	36,148	36,148
Others	11,984,680	11,270,360
	<u>12,256,276</u>	<u>11,549,083</u>

### 15.3 Trade related contingent liabilities

Government	971,309	3,688,374
Financial institutions	-	-
Others	6,340,582	8,378,817
	<u>7,311,891</u>	<u>12,067,191</u>

### 15.4 Other contingencies

Claims against the bank not acknowledged as debt	<u>33,814,541</u>	<u>33,968,741</u>
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The amount involved in the claims filed against the Bank are yet to be adjudicated by the concern 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 year 2012 Income Tax Department has amended the assessment orders on the issue of turnover tax against which the Bank has filed appeal before Appellate Tribunal Inland Revenue. The expected tax liability in respect of aforesaid tax year amounts to Rs 257,967 thousand under minimum tax. The Management of the Bank, as per the opinion of its tax consultant, is confident that the appeal filed for the aforementioned tax year 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 Inland Revenue (DCIR). The Company 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 de novo proceeding which have been initiated and pending for adjudication.

The Company's assessments, except for the assessment year 1995-96 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.

### 15.6 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, 2013	(Audited) December 31, 2012
	(Rupees in thousand)	
<b>15.7 Commitments in respect of forward exchange contracts</b>		
Purchase	4,852,628	3,358,739
Sale	3,585,727	3,150,622
	<b>8,438,355</b>	<b>6,509,361</b>
<b>15.8 Commitments for the acquisition of operating fixed assets</b>	<b>19,809</b>	<b>45,411</b>

## 16. EARNINGS PER SHARE BASIC AND DILUTED

	(Un-audited)			
	Three months ended June 30, 2013	Six months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2012
Profit after taxation (Rupees in thousand)	670,758	987,692	265,588	393,602
Weighted average number of ordinary shares (thousand)	52,797	52,879	52,879	52,879
Earnings per share (after tax) - basic and diluted (Rupees)	1.27	1.87	0.50	0.74

## 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 thousand)						
<b>Six months ended June 30, 2013 (Un-audited)</b>						
Total income	6,542,376	1,693,327	5,097,591	201,659	38,685	13,573,638
Total expenses	2,469,530	1,872,902	7,660,757	37,514	7,194	12,047,897
Inter segment transfer revenue/(cost)	(3,483,270)	989,685	2,493,585	-	-	-
Income taxes	-	-	-	-	-	538,049
Net income / (loss)	<u>589,576</u>	<u>810,110</u>	<u>(69,581)</u>	<u>164,145</u>	<u>31,491</u>	<u>987,692</u>
Segment assets (gross)	<u>160,900,658</u>	<u>16,810,037</u>	<u>164,602,033</u>	<u>-</u>	<u>-</u>	<u>342,312,728</u>
Segment non performing advances / investments	<u>3,404,098</u>	<u>2,893,050</u>	<u>62,431,099</u>	<u>-</u>	<u>-</u>	<u>68,728,247</u>
Segment provision required	<u>3,306,179</u>	<u>1,966,512</u>	<u>23,414,985</u>	<u>-</u>	<u>-</u>	<u>28,687,676</u>
Segment liabilities	<u>18,604,338</u>	<u>46,485,380</u>	<u>250,993,505</u>	<u>-</u>	<u>-</u>	<u>316,083,223</u>
Segment return on net assets (ROA) (%)	<u>11.43%</u>	<u>27.10%</u>	<u>11.95%</u>			
Segment cost of funds (%)	<u>10.68%</u>	<u>8.91%</u>	<u>8.24%</u>			
<b>Six months ended June 30, 2012 (Un-audited)</b>						
Total income	6,094,810	737,297	6,075,318	199,677	35,599	13,142,701
Total expenses	1,731,665	1,816,505	8,966,367	32,164	5,729	12,552,430
Inter segment transfer revenue / (cost)	(3,392,036)	1,171,581	2,220,455	-	-	-
Income taxes	-	-	-	-	-	196,669
Net income / (loss)	<u>971,109</u>	<u>92,373</u>	<u>(670,594)</u>	<u>167,513</u>	<u>29,870</u>	<u>393,602</u>
Segment assets (gross)	<u>121,366,811</u>	<u>16,391,311</u>	<u>165,268,756</u>	<u>-</u>	<u>-</u>	<u>303,026,878</u>
Segment non performing advances / investments	<u>3,598,404</u>	<u>2,304,262</u>	<u>69,372,424</u>	<u>-</u>	<u>-</u>	<u>75,275,090</u>
Segment provision required	<u>3,598,404</u>	<u>1,550,840</u>	<u>24,331,395</u>	<u>-</u>	<u>-</u>	<u>29,480,639</u>
Segment liabilities	<u>7,441,739</u>	<u>41,671,657</u>	<u>228,240,119</u>	<u>-</u>	<u>-</u>	<u>277,353,515</u>
Segment return on net assets (ROA) (%)	<u>14.76%</u>	<u>12.72%</u>	<u>18.30%</u>			
Segment cost of funds (%)	<u>14.57%</u>	<u>9.40%</u>	<u>9.99%</u>			

## 18. RELATED PARTY TRANSACTIONS

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

	June 30, 2013 (Un-audited)				December 31, 2012 (Audited)			
	Key management personnel	Modaraba floated by the wholly owned subsidiary of the Bank	Employee funds	Others	Key management personnel	Modaraba floated by the wholly owned subsidiary of the Bank	Employee funds	Others
	Rupees in thousand				Rupees in thousand			
<b>Advances</b>								
Opening balance	94,554	1,030,397	-	-	60,883	1,000,820	-	-
Loans granted during the period	15,320	467,072	-	-	48,755	1,824,474	-	-
Repayments received during the period	(20,102)	(525,805)	-	-	(15,084)	(1,794,897)	-	-
Closing balance	89,772	971,664	-	-	94,554	1,030,397	-	-
<b>Deposits</b>								
Opening balance	40,179	2,352	1,627,249	288	22,728	32,365	1,187,328	2,536
Placements made during the period	99,402	530,704	2,85,987	27,172	268,600	2,035,939	504,428	5,848
Withdrawals during the period	(104,569)	(508,604)	(180,227)	(5,561)	(251,149)	(2,065,952)	(64,502)	(8,096)
Closing balance	35,012	24,452	1,733,009	21,899	40,179	2,352	1,627,249	288
<b>Placements</b>	-	300,000	-	-	-	300,000	-	-
<b>Lease liability</b>	-	2,946	-	-	-	3,602	-	-

	June 30, 2013 (Un-audited)				June 30, 2012 (Un-audited)			
	Rupees in thousand				Rupees in thousand			
<b>Transactions during the period :</b>								
Mark-up/return earned	3,861	60,871	-	-	2,543	69,902	-	-
Mark-up/interest expensed	452	-	75,076	113	126	-	73,148	39
Contribution to employees funds	-	-	37,299	-	-	-	26,040	-

## 19. DATE OF AUTHORIZATION FOR ISSUE

These consolidated condensed interim financial information was authorized for issuance on August 29, 2013 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



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