

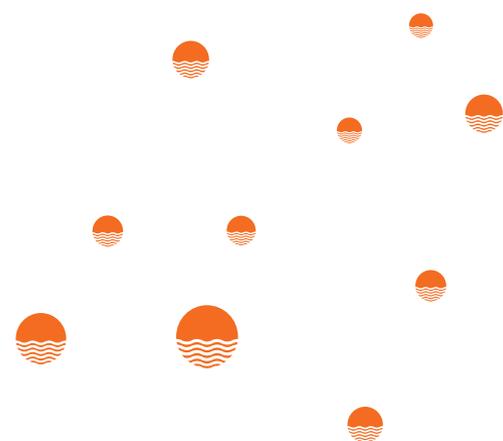


# Half Yearly Report

(Un-audited)  
January - June  
2014



*Passion Reborn*



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## CORPORATE INFORMATION

### Board Of Directors

Mr. Ghafoor Mirza	Chairman
Mr. Naemuddin 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. Naemuddin 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](http://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 the un-audited Financial Statements of The Bank of Punjab for the half year ended June 30, 2014.

During the 1st half 2014, the Economic conditions have shown modest improvement with inflation remaining in single digits, growth in private sector credit and stability in Foreign Exchange Reserves. However, challenges and vulnerabilities like persistent energy shortages and deteriorating security conditions still remain major concern. Continuation of prudent policies and reforms are needed to build-on positive developments and to achieve protracted stability.

### Financial Highlights:

	Rs. In Million
Profit before taxation	2,067.10
Taxation	729.9
Profit after taxation	1,337.20
Earnings per share (Rupees)	1.01

During the period, the stringent measures taken by the Management further strengthened the customers' confidence and the Bank continued to maintain its growth trends by registering impressive progress in all facets of operations. As at June 30, 2014, the Deposits stood at Rs. 332,815 million as against Rs. 306,561 million as at December 31, 2013, with significant improvement in low cost CASA Deposits. The Investments and Gross Advances stood at Rs. 141,937 million and Rs. 187,549 million, respectively. During the period, the Bank was able to bring reduction in its Non-Performing Advances which stood at Rs.56,366 million as against Rs. 59,961 million as on December 31, 2013.

Owing to improvement in low cost Deposits, reduction in Non-performing Advances and deployment of incremental funds at better return, the Net Interest Margin improved to Rs. 2,776 million as against Rs. 1,104 million during corresponding period last year. Similarly, the pre-tax profit for 1st half 2014 remained at Rs. 2,067 million as against Rs. 1,542 million during 1st half 2013 registering a rise of 34%.

The arrangements regarding the relaxations granted by the State Bank of Pakistan from provisioning against certain advances and regulatory capital 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 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 June 30, 2014 stood at Rs.15.6 billion.

The overall stability in financial position of the Bank has been duly acknowledged by Pakistan Credit Rating Agency Limited (PACRA) by reaffirming the Bank's long term and short term entity ratings at "AA-" and "A1+" respectively.

While acknowledging the trust of our valued clients and shareholders, 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

## 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, 2014, 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 (here-in-after referred to as "the interim financial information"). Management is responsible for the preparation and 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 quarter ended June 30, 2014 and June 30, 2013 have not been reviewed, as we are required to review only the cumulative figures for the six months ended June 30, 2014.

### 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 an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 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 opinion is not qualified in respect of these matters.

### Chartered Accountants

**Engagement Partner:**  
**Nadeem Yousuf Adil**

Dated: August 28, 2014. Karachi



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UNCONSOLIDATED  
FINANCIAL STATEMENTS  
For the Six Months Ended June 30, 2014



# UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at June 30, 2014

	Note	(Un-audited) June 30, 2014	(Audited) December 31, 2013
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks		24,225,128	23,820,864
Balances with other banks		2,919,723	4,265,296
Lendings to financial institutions	5	7,647,248	11,407,448
Investments - net	6	141,936,569	123,956,143
Advances - net	7	162,944,942	157,285,598
Operating fixed assets	8	3,525,810	3,514,801
Deferred tax assets - net	9	12,026,080	12,627,352
Other assets - net		20,790,194	15,820,643
		376,015,694	352,698,145
<b>LIABILITIES</b>			
Bills payable		2,308,449	1,506,335
Borrowings	10	15,770,639	22,802,482
Deposits and other accounts	11	332,814,668	306,560,767
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		1,727	2,386
Deferred tax liabilities - net		-	-
Other liabilities		10,376,956	8,344,877
		361,272,439	339,216,847
<b>NET ASSETS</b>		14,743,255	13,481,298
<b>REPRESENTED BY</b>			
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		(10,013,255)	(11,250,885)
		6,814,378	576,748
Share deposit money	13	7,000,000	12,000,000
		13,814,378	12,576,748
Surplus on revaluation of assets - net of tax	14	928,877	904,550
		14,743,255	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 Six Months Ended June 30, 2014 (Un-audited)

	Three months ended June 30, 2014	Six months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2013
Rupees in '000				
<b>Mark-up/return/interest earned</b>	7,301,457	13,801,575	5,752,806	11,525,341
<b>Mark-up/return/interest expensed</b>	5,529,898	11,025,993	5,124,988	10,420,884
Net mark-up/return/interest Income	1,771,559	2,775,582	627,818	1,104,457
Reversal of provision against non-performing loans and advances-net	(932,746)	(1,070,809)	(516,026)	(932,664)
Provision for diminution in the value of investments - net	184,587	86,451	2,996	2,710
Bad debts written off directly	-	-	135	135
	(748,159)	(984,358)	(512,895)	(929,819)
Net mark-up/return/interest income after provisions	2,519,718	3,759,940	1,140,713	2,034,276
<b>NON MARK-UP/INTEREST INCOME</b>				
Fee, commission and brokerage income	235,270	372,588	272,873	407,165
Dividend income	11,480	22,936	44,195	104,194
Income from dealing in foreign currencies	49,779	94,090	39,200	53,337
Gain on sale and redemption of securities - net	65,067	243,764	601,098	919,047
Unrealized gain / (loss) on revaluation of investments classified as held for trading	2,972	2,465	(3,111)	(7,041)
Other income	86,098	526,915	286,270	573,538
Total non-markup/interest income	450,666	1,262,758	1,240,525	2,050,240
	2,970,384	5,022,698	2,381,238	4,084,516
<b>NON MARK-UP/INTEREST EXPENSES</b>				
Administrative expenses	1,583,326	2,938,517	1,349,873	2,545,381
(Reversal) / Charge of provision against other assets	(8,321)	(2,422)	2,615	(2,751)
Provision against off balance sheet obligations	-	-	325	325
Other charges	19,471	19,479	-	36
Total non-markup/interest expenses	1,594,476	2,955,574	1,352,813	2,542,991
	1,375,908	2,067,124	1,028,425	1,541,525
Extra ordinary/unusual items	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	1,375,908	2,067,124	1,028,425	1,541,525
Taxation - Current	77,521	150,643	102,845	135,756
- Deferred	412,025	579,245	252,677	402,293
	489,546	729,888	355,522	538,049
<b>PROFIT AFTER TAXATION</b>	886,362	1,337,236	672,903	1,003,476
<b>Earnings per share - basic and diluted (Rupees) - Note 16</b>	0.67	1.01	1.07	1.60

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 Six Months Ended June 30, 2014 (Un-audited)

	Three months ended June 30, 2014	Six months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2013
	Rupees in '000			
Profit after taxation	886,362	1,337,236	672,903	1,003,476
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>886,362</b>	<b>1,337,236</b>	<b>672,903</b>	<b>1,003,476</b>

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 Six Months Ended June 30, 2014 (Un-audited)

	Six Months ended	
	June 30, 2014	June 30, 2013
	Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	2,067,124	1,541,525
Less: Dividend income	(22,936)	(104,194)
	2,044,188	1,437,331
Adjustments for :		
Depreciation	193,689	160,571
Amortization on intangible assets	2,226	724
Amortization of (discount) /premium on Pakistan investment bonds	(52,063)	12,082
Unrealized (gain) / loss on revaluation of investments classified as held for trading	(2,465)	7,041
Reversal of provision against non-performing loans and advances - net	(1,070,809)	(932,664)
Bad debts written-off directly	-	135
Provision for diminution in the value of investments - net	86,451	2,710
Provision for employees compensated absences	8,279	3,732
Provision for gratuity	41,438	43,666
Provision against off balance sheet obligations	-	325
Reversal of provision against other assets	(2,422)	(2,751)
Net profit on sale of property and equipment	(22,483)	(10,468)
Net profit on sale of non-banking assets acquired in satisfaction of claims	(14,122)	(297,838)
Gain on sale and redemption of securities	(243,764)	(919,047)
Finance charges on leased assets	95	162
	(1,075,950)	(1,931,620)
	968,238	(494,289)
(Increase) / Decrease in operating assets:		
Lendings to financial institutions	3,435,200	(28,820,368)
Net investments in held for trading securities	7,804,297	(8,959,642)
Advances - net	(4,588,535)	11,207,447
Others assets - net	(5,248,889)	(241,214)
	1,402,073	(26,813,777)
Increase / (Decrease) in operating liabilities:		
Bills Payable	802,114	3,649,867
Borrowings	(7,000,699)	(37,911,197)
Deposits and other accounts	26,253,901	29,670,914
Other liabilities	1,982,362	856,329
	22,037,678	(3,734,087)
	24,407,989	(31,042,153)
Financial charges paid	(95)	(162)
Income tax paid	(121,085)	(295,704)
<b>Net cash flow from / (used in) operating activities</b>	<b>24,286,809</b>	<b>(31,338,019)</b>

Six Months ended  
June 30,                      June 30,  
2014                              2013  
Rupees in '000

	June 30, 2014	June 30, 2013
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	(11,792,931)	34,055,766
Net investments in held to maturity securities	(13,729,584)	5,212
Dividends received	22,060	104,586
Investments in operating fixed assets	(239,337)	(189,382)
Sale proceeds of property and equipment disposed-off	54,896	14,634
Sale proceeds of non-banking assets disposed-off	267,201	1,439,462
<b>Net cash (used in) / flow from investing activities</b>	<b>(25,417,695)</b>	<b>35,430,278</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of lease obligations	(659)	(655)
Right shares issue cost	(103,620)	-
<b>Net cash used in financing activities</b>	<b>(104,279)</b>	<b>(655)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(1,235,165)</b>	<b>4,091,604</b>
Cash and cash equivalents at beginning of the period	28,854,680	20,398,252
Cash and cash equivalents at end of the period	27,619,515	24,489,856
<b>Cash and cash equivalents:</b>		
Cash and balances with treasury banks	24,225,128	21,110,273
Balances with other banks	2,919,723	3,112,045
Call money lendings	475,000	300,000
Overdrawn nostro accounts	(336)	(32,462)
	27,619,515	24,489,856

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 Six Months Ended June 30, 2014 (Un-audited)

	Share capital	Discount on issue of shares	Statutory reserve	Share premium	Capital Reserves Restructuring reserve	Revenue Reserve Accumulated losses	Total
	Rupees in '000'						
<b>Balance as at January 01, 2013</b>	5,287,974	-	396,364	37,882	753,187	(12,742,364)	(6,266,957)
Transfer from restructuring reserve against NPLs	-	-	-	-	-	-	-
Total comprehensive income for the six months ended June 30, 2013	-	-	-	-	-	1,003,476	1,003,476
Transfer from surplus on revaluation of fixed assets to accumulated losses - net of tax	-	-	-	-	-	5,084	5,084
<b>Balance as at June 30, 2013</b>	5,287,974	-	396,364	37,882	753,187	(11,733,804)	(5,258,397)
Transfer from restructuring reserve against NPLs	-	-	-	-	(35,375)	-	(35,375)
Total comprehensive income for the six months ended December 31, 2013	-	-	-	-	-	942,922	942,922
Transfer from surplus on revaluation of fixed assets to accumulated losses - net of tax	-	-	-	-	-	5,268	5,268
Transfer from surplus on revaluation of fixed assets to accumulated losses on disposal	-	-	-	-	-	814	814
Transfer to statutory reserve	-	-	387,601	-	-	(387,601)	-
<b>Transactions with owners, recorded directly in equity:</b>							
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
<b>Balance as at December 31, 2013</b>	10,551,132	(263,158)	783,965	37,882	717,812	(11,250,885)	576,748
Transfer from restructuring reserve against NPLs	-	-	-	-	-	-	-
Total comprehensive income for the six months ended June 30, 2014	-	-	-	-	-	1,337,236	1,337,236
Transfer from surplus on revaluation of fixed assets to accumulated losses - net of tax	-	-	-	-	-	4,994	4,994
Transfer from surplus on revaluation of fixed assets to accumulated losses on disposal	-	-	-	-	-	(980)	(980)
<b>Transactions with owners, recorded directly in equity:</b>							
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
<b>Balance as at June 30, 2014</b>	15,551,132	(263,158)	783,965	37,882	717,812	(10,013,255)	6,814,378

The annexed notes from 1 to 20 and Annexure - I 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, 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 amount to Rs. 13,814,378 thousand. However, Capital Adequacy Ratio (CAR) remained below the prescribed level of 10%. Further, as at the close of the six months ended June 30, 2014, net advances aggregating to Rs. 24,558,577 thousand (December 31, 2013: Rs. 26,185,925 thousand) requiring additional provision of Rs. 23,111,616 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 these borrowers will reduce the said required provisioning covered under the LOCs. Staggering requirement of 4% by June 30, 2014 has been complied with by the Bank. 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, in 2nd phase, against share deposit money – I, 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 into paid up capital of the Bank.

On the basis of enduring support of GOPb, the arrangements as outlined above and the business plan prepared by the management which has been approved by the Board of Directors, the management 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.



	Note	(Un-audited) June 30, 2014	(Audited) December 31, 2013
		Rupees in '000	
<b>5. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings		475,000	800,000
Repurchase agreement lendings (Reverse Repo)	5.1	6,272,248	10,030,448
Certificates of investment		800,000	-
Placements		100,000	577,000
		7,647,248	11,407,448

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

	(Un-audited) June 30, 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	2,500,319	-	2,500,319	9,530,448	-	9,530,448
Pakistan investment bonds	3,771,929	-	3,771,929	500,000	-	500,000
	6,272,248	-	6,272,248	10,030,448	-	10,030,448

Market value of securities held as collateral as at June 30, 2014 amounted to Rs. 6,285,742 thousand (December 31, 2013: 10,037,115 thousand). These carry mark-up at rate ranging from 7.50% to 11.00% per annum (December 31, 2013: 9.45% to 11.00 % per annum) with maturities up to October 16, 2014.

	Note	(Un-audited) June 30, 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		
<b>6. INVESTMENTS - NET</b>							
<b>Held for trading securities:</b>							
Ordinary shares of listed companies		24,006	-	24,006	22,456	-	22,456
Pakistan investment bonds		2,019,047	-	2,019,047	-	-	-
Market treasury bills		-	-	-	9,829,190	-	9,829,190
		2,043,053	-	2,043,053	9,851,646	-	9,851,646
<b>Available for sale securities :</b>							
Market treasury bills		75,235,304	6,441,030	81,676,334	89,161,279	14,759,734	103,921,013
Pakistan investment bonds		38,674,233	-	38,674,233	4,161,633	-	4,161,633
Ordinary shares / certificates of listed companies and modarabas		1,384,635	-	1,384,635	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 funds units		523,572	-	523,572	1,123,087	-	1,123,087
Government of Pakistan ijara sukuk bonds		700,782	-	700,782	701,442	-	701,442
Listed term finance certificates		680,700	-	680,700	307,240	-	307,240
Unlisted term finance certificates		3,702,795	-	3,702,795	3,930,979	-	3,930,979
		121,422,472	6,441,030	127,863,502	101,173,337	14,759,734	115,933,071
<b>Held to maturity securities :</b>							
Pakistan investment bonds	6.1	15,044,479	-	15,044,479	1,262,832	-	1,262,832
WAPDA bonds		400	-	400	400	-	400
		15,044,879	-	15,044,879	1,263,232	-	1,263,232

	(Un-audited) June 30, 2014			(Audited) December 31, 2013		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
Subsidiary	Rupees in '000			Rupees in '000		
Punjab modaraba services (private) limited	164,945	-	164,945	164,945	-	164,945
<b>Total investments at cost</b>	138,675,349	6,441,030	145,116,379	112,453,160	14,759,734	127,212,894
Less: Provision for diminution in value of investments - net	(3,146,884)	-	(3,146,884)	(3,166,697)	-	(3,166,697)
<b>Investments net of provisions</b>	135,528,465	6,441,030	141,969,495	109,286,463	14,759,734	124,046,197
Less: Deficit on revaluation of available for sale securities	(35,391)	-	(35,391)	(85,758)	-	(85,758)
Add / (Less) : Surplus / (Deficit) on revaluation of held for trading securities	2,465	-	2,465	(4,296)	-	(4,296)
<b>Total investments at market value</b>	135,495,539	6,441,030	141,936,569	109,196,409	14,759,734	123,956,143

6.1 Market value of held to maturity investments is Rs. 15,013,634 thousand (December 31, 2013: Rs. 1,210,098 thousand).

	Note	(Un-audited) June 30, 2014	(Audited) December 31, 2013
Rupees in '000			
<b>7. ADVANCES - NET</b>			
Loans, cash credits, running finances, etc. - in Pakistan		167,543,319	164,196,576
Islamic financing and related assets	7.1	1,289,196	385,000
Net investment in finance lease - in Pakistan		14,659,942	14,060,985
Bills discounted and purchased (excluding treasury bills)			
-Payable in Pakistan		2,425,026	1,747,073
-Payable outside Pakistan		1,631,909	2,571,223
		4,056,935	4,318,296
Advances - gross		187,549,392	182,960,857
Provision for non-performing advances			
-Specific	7.2 & 7.3	(24,540,272)	(25,633,504)
-General	7.4	(64,178)	(41,755)
		(24,604,450)	(25,675,259)
Advances - net of provision		162,944,942	157,285,598
<b>7.1 Islamic financing and related assets</b>			
Against murabaha		477,751	135,000
Against diminishing musharaka		582,737	250,000
Against ijarah		228,708	-
		1,289,196	385,000

**7.2** Provision against certain net advances amounting to Rs. 24,558,577 thousand (December 31, 2013: Rs. 26,185,925 thousand) requiring additional provisioning of Rs. 23,111,616 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.

7.3 Advances include Rs. 56,366,123 thousand (December 31, 2013: Rs. 59,960,726 thousand) which have been placed under non-performing status as on June 30, 2014 as detailed below:

Category of classification	June 30, 2014 (Un-audited)				
	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000				
Other assets especially mentioned	134,613	-	134,613	-	-
Substandard	8,246,152	-	8,246,152	2,047,851	2,047,851
Doubtful	137,187	-	137,187	25,990	25,990
Loss	47,848,171	-	47,848,171	22,466,431	22,466,431
	56,366,123	-	56,366,123	24,540,272	24,540,272

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

7.4 General provision represents provision against consumer financing portfolio as required by the Prudential Regulations issued by the SBP.

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 has been reduced by Rs. 1,094,398 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 reduced, before and after tax profits for the period ended would have been higher by Rs. 1,094,398 thousand (June 30, 2013: higher by Rs. 1,479,969 thousand) and Rs. 711,359 thousand (June 30, 2013: higher by Rs. 961,980 thousand) respectively.

## 8. OPERATING FIXED ASSETS

During the six months ended, additions to / disposals from operating fixed assets amounted to Rs. 239,337 thousand (June 30, 2013: Rs. 231,291 thousand) and Rs. 90,944 thousand (June 30, 2013: Rs. 18,773 thousand), respectively.

	(Un-audited) June 30, 2014	(Audited) December 31, 2013
	Rupees in '000	
<b>9. DEFERRED TAX ASSETS - NET</b>		
<b>Taxable temporary differences :</b>		
Surplus on revaluation of operating fixed assets	(102,074)	(107,558)
Accelerated tax depreciation	(207,464)	(216,786)
<b>Deductible temporary differences :</b>		
Deficit on available for sale securities	74,228	99,049
Loan loss provision	8,026,320	8,026,320
Business loss	4,235,070	4,826,327
	12,026,080	12,627,352

- 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, 2014	(Audited) December 31, 2013
	Rupees in '000	
<b>10. BORROWINGS</b>		
<b>Secured :</b>		
Borrowings from SBP:		
-Export refinance (ERF)	7,786,573	6,722,490
-Long term financing - export oriented projects (LTF-EOP)	100,139	154,401
-Long term financing facility (LTFF)	1,474,125	1,161,695
Repurchase agreement borrowings	6,409,466	14,732,416
	15,770,303	22,771,002
<b>Unsecured :</b>		
Overdrawn nostro accounts	336	31,480
	15,770,639	22,802,482

		(Un-audited) June 30, 2014	(Audited) December 31, 2013
		Rupees in '000	
<b>11.</b>	<b>DEPOSITS AND OTHER ACCOUNTS</b>		
	<b>Customers</b>		
	Fixed deposits	121,478,718	125,857,124
	Savings deposits	114,780,479	110,019,779
	Current accounts	83,347,534	60,096,297
	Sundry deposits, margin accounts, etc.	8,970,031	2,320,299
		328,576,762	298,293,499
	<b>Financial institutions :</b>		
	Remunerative deposits	3,247,638	7,227,752
	Non-remunerative deposits	990,268	1,039,516
		4,237,906	8,267,268
		332,814,668	306,560,767
<b>11.1</b>	<b>Particulars of deposits</b>		
	In local currency	325,753,149	300,587,802
	In foreign currencies	7,061,519	5,972,965
		332,814,668	306,560,767
<b>12.</b>	<b>SHARE CAPITAL</b>		
<b>12.1</b>	<b>Authorized capital</b>		
		(Un-audited) June 30, 2014 (No. of shares)	(Audited) December 31, 2013
			(Un-audited) June 30, 2014
			(Audited) December 31, 2013
			Rupees in '000
	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) June 30, 2014 (No. of shares)	(Audited) December 31, 2013		(Un-audited) June 30, 2014	(Audited) December 31, 2013
				Rupees in '000	
			<b>Opening balance</b>		
	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
			<b>During the period / year</b>		
	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
			<b>Closing balance</b>		
	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 Government of the Punjab (GOPb) held 57.47% shares in the Bank as at June 30, 2014 (December 31, 2013: 52.67 %).

	Note	(Un-audited) June 30, 2014	(Audited) December 31, 2013
		Rupees in '000	
<b>13. SHARE DEPOSIT MONEY</b>			
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

	(Un-audited) June 30, 2014	(Audited) December 31, 2013
	Rupees in '000	
<b>13.1 Reconciliation of share deposit money</b>		
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
<b>14. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>		
Surplus on revaluation of fixed assets - net of tax	890,040	891,259
Surplus on revaluation of securities - net of tax	38,837	13,291
	928,877	904,550
<b>15. CONTINGENCIES AND COMMITMENTS</b>		
<b>15.1 Direct credit substitutes</b>		
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, 2014	(Audited) December 31, 2013
	Rupees in '000	
Government	-	-
Financial institutions	-	-
Others	1,409,037	1,176,561
	1,409,037	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:

	(Un-audited) June 30, 2014	(Audited) December 31, 2013
	Rupees in '000	
Government	376,416	298,272
Financial institutions	2,968	33,872
Others	14,307,902	12,729,479
	14,687,286	13,061,623

## 15.3 Trade related contingent liabilities

Government	15,052,113	970,207
Financial institutions	-	-
Others	10,137,835	7,420,631
	25,189,948	8,390,838

## 15.4 Other contingencies

Claims against the Bank not acknowledged as debt	41,626,967	40,353,802
--	------------	------------

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 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.

## 15.6 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 have filed appeals 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.

	(Un-audited) June 30, 2014	(Audited) December 31, 2013
	Rupees in '000	
<b>15.7 Commitments in respect of forward exchange contracts</b>		
Purchase	5,090,441	4,433,928
Sale	2,886,580	5,382,084
	7,977,021	9,816,012
<b>15.8 Commitments for the acquisition of operating fixed assets</b>	2,958	18,199

## 16. EARNINGS PER SHARE - BASIC AND DILUTED

	Three months ended June 30, 2014	----- (Un-audited) ----- Six months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2013
	Rupees in '000			
Profit after taxation (Rupees in thousand)	886,362	1,337,236	672,903	1,003,476
Weighted average number of ordinary shares (thousand)	1,322,283	1,322,283	627,137	627,137
Earnings per share - basic and diluted (Rupees)	.67	1.01	1.07	1.60

Earnings per share for the six months ended June 30, 2013 have been restated to give effect of bonus element included in issuance of right shares 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					
<b>Six Months Ended June 30, 2014 (Un-audited)</b>						
Total income	7,014,919	1,302,911	6,506,316	198,518	41,669	15,064,333
Total expenses	716,337	2,065,835	10,215,037	-	-	12,997,209
Inter segment transfer revenue / (cost)	(5,500,333)	822,794	4,677,539	-	-	-
Income taxes	-	-	-	-	-	729,888
Net income / (loss)	798,249	59,870	968,818	198,518	41,669	1,337,236
Segment assets (gross)	180,781,809	21,084,428	187,923,082	-	-	389,789,319
Segment non performing advances / investments	3,276,538	2,147,441	54,218,682	-	-	59,642,661
Segment provision required	3,146,884	1,802,822	22,801,628	-	-	27,751,334
Segment liabilities	8,941,567	52,949,264	299,381,608	-	-	361,272,439
Segment return on net assets (ROA) (%)	10.85%	16.46%	13.19%			
Segment cost of funds (%)	8.95%	8.97%	8.90%			

	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
	Rupees in '000					
<b>Six Months Ended</b>						
<b>June 30, 2013 (Un-audited)</b>						
Total income	6,542,376	1,055,891	5,736,969	201,659	38,686	13,575,581
Total expenses	1,062,913	1,926,375	9,044,768	-	-	12,034,056
Inter segment transfer revenue / (cost)	(5,341,700)	825,574	4,516,126	-	-	-
Income taxes	-	-	-	-	-	538,049
Net income / (loss)	137,763	(44,910)	1,208,327	201,659	38,686	1,003,476
Segment assets (gross)	160,726,457	16,803,238	164,828,056	-	-	342,357,751
Segment non performing advances / investments	3,425,413	2,893,050	62,475,099	-	-	68,793,562
Segment provision required	3,327,494	1,966,512	23,414,985	-	-	28,708,991
Segment liabilities	5,824,739	47,419,005	262,840,081	-	-	316,083,825
Segment return on net assets (ROA) (%)	11.43%	16.90%	13.45%			
Segment cost of funds (%)	9.38%	9.18%	9.56%			

## 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.

	June 30, 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			
<b>Advances</b>								
Opening balance	86,027	1,091,975	-	-	95,070	1,069,513	-	-
Loans granted during the period / year	31,339	369,589	-	-	22,983	1,726,892	-	-
Repayments received during the period / year	(17,332)	(518,113)	-	-	(32,026)	(1,704,430)	-	-
Closing balance	100,034	943,451	-	-	86,027	1,091,975	-	-
<b>Placements</b>	-	100,000	-	-	-	100,000	-	-
<b>Deposits</b>								
Opening balance	25,092	26,196	805,346	29,603	39,996	2,369	1,627,249	288
Placements made during the period / year	133,990	576,670	3,738,399	16,747	213,027	1,130,239	1,454,256	62,796
Withdrawals during the period / year	(148,955)	(602,084)	(2,575,935)	(46,161)	(227,931)	(1,106,412)	(2,276,159)	(33,481)
Closing balance	10,127	782	1,967,810	189	25,092	26,196	805,346	29,603
<b>Lease liability</b>	-	1,727	-	-	-	2,386	-	-

	June 30, 2014 (Un-audited)				June 30, 2013 (Un-audited)			
	Key management personnel	Subsidiary company and managed modaraba	Employee funds	Others	Key management personnel	Subsidiary company and managed modaraba	Employee funds	Others
	Rupees in '000				Rupees in '000			
<b>Transactions during the period :</b>								
Mark-up/return earned	3,871	44,977	-	-	3,861	62,821	-	-
Mark-up/interest expensed	309	-	81,539	1,214	451	-	75,076	113
Contribution to employees funds	-	-	38,556	-	-	-	37,299	-

Although GoPb holds 57.47% shares of the Bank as at June 30, 2014 (December 31, 2013: 52.67%) transactions with GoPb have not been treated as related party transactions for the purpose of this disclosure.

#### 19. DATE OF AUTHORIZATION FOR ISSUE

This unconsolidated condensed interim financial information was authorized for issuance on August 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

Annexure - I

As at June 30, 2014

The Bank is operating 07 Islamic banking branches at close of June 30, 2014 (December 31, 2013: 07 branches).

	Note	(Un-audited) June 30, 2014	(Audited) December 31, 2013
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks		157,203	157,253
Balance with other banks		14,066	19,239
Due from financial institutions		-	477,000
Investments		639,877	631,876
Islamic financing and related assets	A	1,289,196	385,000
Operating fixed assets		33,345	31,218
Deferred tax assets		-	-
Other assets		47,730	40,200
<b>TOTAL ASSETS</b>		<b>2,181,417</b>	<b>1,741,786</b>
<b>LIABILITIES</b>			
Bills payable		1,971	1,422
Due to financial institutions		-	-
Deposit and other accounts		-	-
- Current accounts		678,060	660,556
- Saving accounts		548,573	425,985
- Term deposits		43,700	7,100
- Others		57,258	12,846
- Deposits from financial institutions - remunerative		-	-
- Deposits from financial institutions - non - remunerative		-	-
Due to head office		267,697	109,565
Other liabilities		17,722	5,784
		1,614,981	1,223,258
<b>NET ASSETS</b>		<b>566,436</b>	<b>518,528</b>
<b>REPRESENTED BY</b>			
Islamic banking fund		500,000	500,000
Reserves		-	-
Unappropriated profit		52,341	13,095
		552,341	513,095
Surplus on revaluation of assets		14,095	5,433
		566,436	518,528
Remuneration to Shariah Advisor / Board		930	2,126

	Note	(Un-audited) June 30, 2014	(Audited) December 31, 2013
		Rupees in '000	
<b>CHARITY FUND</b>			
Opening balance		19	-
Additions during the period		1	19
Payments / utilization during the period		-	-
Closing balance		20	19
<b>A. Islamic financing and related assets</b>			
Islamic mode of financing	A.1	1,289,196	385,000
<b>A.1 Islamic mode of financing</b>			
Murabaha		477,751	135,000
Diminishing musharaka		582,736	250,000
Ijarah		228,709	-
		1,289,196	385,000

# ISLAMIC BANKING BUSINESS - PROFIT AND LOSS ACCOUNT

Annexure - I

For the Six Months Ended June 30, 2014 (Un-audited)

	Three months ended June 30, 2014	Six months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2013
	Rupees in '000			
<b>Profit/return earned on financing, investment and placements</b>	45,479	75,910	22,642	27,042
<b>Return on deposits and other dues expensed</b>	7,722	13,515	3,521	4,118
<b>Net spread earned</b>	37,757	62,395	19,121	22,924
Provision against non-performing loans and advances	-	-	-	-
Provision against consumer financings	-	-	-	-
Provision for diminution in the value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
	-	-	-	-
Income after provisions	37,757	62,395	19,121	22,924
<b>Other Income</b>				
Fee, commission and brokerage income	1,836	2,328	274	328
Dividend income	-	-	-	-
Income from dealing in foreign currencies	12	26	91	91
Gain on sale and redemption of securities	-	-	-	-
Unrealized loss on revaluation of investments classified as held for trading	-	-	-	-
Other income	26,810	27,651	397	444
<b>Total other income</b>	28,658	30,005	762	863
	66,415	92,400	19,883	23,787
<b>Other expenses</b>				
Administrative expenses	34,225	53,154	13,219	16,404
Other provisions/write offs/reversals	-	-	-	-
Other charges	-	-	-	-
<b>Total other expenses</b>	34,225	53,154	13,219	16,404
	32,190	39,246	6,664	7,383
Extra ordinary/unusual items	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	32,190	39,246	6,664	7,383



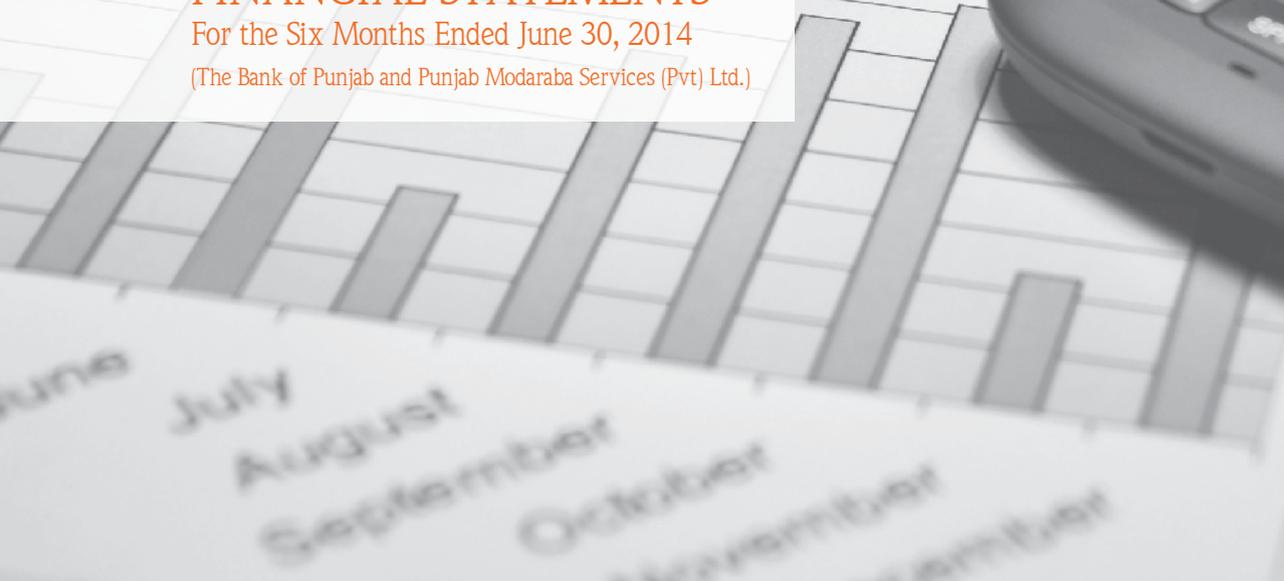


*Passion Reborn*

## CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended June 30, 2014

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



# CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at June 30, 2014

	Note	(Un-audited) June 30, 2014	(Audited) December 31, 2013
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks		24,225,128	23,820,864
Balances with other banks		2,919,723	4,265,296
Lendings to financial institutions	5	7,647,248	11,407,448
Investments - net	6	141,983,121	123,973,891
Advances - net	7	162,898,442	157,239,598
Operating fixed assets	8	3,525,810	3,514,801
Deferred tax assets - net	9	12,026,080	12,627,352
Other assets - net		20,801,153	15,825,007
		376,026,705	352,674,257
<b>LIABILITIES</b>			
Bills payable		2,308,449	1,506,335
Borrowings	10	15,770,639	22,802,482
Deposits and other accounts	11	332,814,619	306,560,694
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		1,727	2,386
Deferred tax liabilities - net		-	-
Other liabilities		10,377,285	8,345,203
		361,272,719	339,217,100
<b>NET ASSETS</b>			
		14,753,986	13,457,157
<b>REPRESENTED BY</b>			
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		(10,002,524)	(11,275,026)
		6,825,109	552,607
Share deposit money	13	7,000,000	12,000,000
		13,825,109	12,552,607
Surplus on revaluation of assets - net of tax	14	928,877	904,550
		14,753,986	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.

# CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

For the Six Months Ended June 30, 2014 (Un-audited)

	Three months ended June 30, 2014	Six months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2013
Rupees in '000				
<b>Mark-up/return/interest earned</b>	7,308,068	13,808,186	5,751,786	11,523,398
<b>Mark-up/return/interest expensed</b>	5,529,898	11,025,993	5,124,988	10,420,884
Net mark-up/return/interest Income	1,778,170	2,782,193	626,798	1,102,514
Reversal of provision against non-performing loans and advances-net	(932,746)	(1,070,809)	(516,026)	(932,664)
Provision for diminution in the value of investments - net	155,782	57,646	2,996	14,442
Bad debts written off directly	-	-	135	135
	(776,964)	(1,013,163)	(512,895)	(918,087)
Net mark-up/return/interest income after provisions	2,555,134	3,795,356	1,139,693	2,020,601
<b>NON MARK-UP/INTEREST INCOME</b>				
Fee, commission and brokerage income	235,270	372,588	272,873	407,165
Dividend income	11,480	22,936	44,195	104,194
Income from dealing in foreign currencies	49,779	94,090	39,200	53,337
Gain on sale and redemption of securities - net	65,067	243,764	601,098	919,047
Unrealized gain / (loss) on revaluation of investments classified as held for trading	2,972	2,465	(3,111)	(7,041)
Other income	86,098	526,915	286,270	573,538
Total non-markup/interest income	450,666	1,262,758	1,240,525	2,050,240
	3,005,800	5,058,114	2,380,218	4,070,841
<b>NON MARK-UP/INTEREST EXPENSES</b>				
Administrative expenses	1,583,870	2,939,061	1,350,998	2,547,490
(Reversal) / Charge of provision against other assets	(8,321)	(2,422)	2,615	(2,751)
Provision against off balance sheet obligations	-	-	325	325
Other charges	19,471	19,479	-	36
Total non-markup/interest expenses	1,595,020	2,956,118	1,353,938	2,545,100
	1,410,780	2,101,996	1,026,280	1,525,741
Extra ordinary/unusual items	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	1,410,780	2,101,996	1,026,280	1,525,741
Taxation - Current	77,521	150,643	102,845	135,756
- Deferred	412,025	579,245	252,677	402,293
	489,546	729,888	355,522	538,049
<b>PROFIT AFTER TAXATION</b>	921,234	1,372,108	670,758	987,692
<b>Earnings per share - basic and diluted (Rupees) - Note 16</b>	0.70	1.04	1.07	1.57

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 Six Months Ended June 30, 2014 (Un-audited)

	Three months ended June 30, 2014	Six months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2013
	Rupees in '000			
Profit after taxation	921,234	1,372,108	670,758	987,692
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>921,234</b>	<b>1,372,108</b>	<b>670,758</b>	<b>987,692</b>

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 Six Months Ended June 30, 2014 (Un-audited)

	Six Months ended	
	June 30, 2014	June 30, 2013
	Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	2,101,996	1,525,741
Less: Dividend income	(22,936)	(104,194)
	2,079,060	1,421,547
Adjustments for :		
Depreciation	193,689	160,571
Amortization on intangible assets	2,226	724
Amortization of (discount) /premium on Pakistan investment bonds	(52,063)	12,082
Unrealized (gain) / loss on revaluation of investments classified as held for trading	(2,465)	7,041
Reversal of provision against non-performing loans and advances - net	(1,070,809)	(932,664)
Bad debts written-off directly	-	135
Provision for diminution in the value of investments - net	57,646	14,442
Provision for employees compensated absences	8,279	3,732
Provision for gratuity	41,438	43,666
Provision against off balance sheet obligations	-	325
Reversal of provision against other assets	(2,422)	(2,751)
Net profit on sale of property and equipment	(22,483)	(10,468)
Net profit on sale of non-banking assets acquired in satisfaction of claims	(14,122)	(297,838)
Gain on sale and redemption of securities	(243,764)	(919,047)
Finance charges on leased assets	95	162
	(1,104,755)	(1,919,888)
	974,305	(498,341)
(Increase) / Decrease in operating assets:		
Lendings to financial institutions	3,435,200	(28,820,368)
Net investments in held for trading securities	7,804,297	(8,959,642)
Advances - net	(4,588,035)	11,212,330
Others assets - net	(5,255,484)	(241,169)
	1,395,978	(26,808,849)
Increase / (Decrease) in operating liabilities:		
Bills Payable	802,114	3,649,867
Borrowings	(7,000,699)	(37,911,197)
Deposits and other accounts	26,253,925	29,670,161
Other liabilities	1,982,365	856,206
	22,037,705	(3,734,963)
	24,407,988	(31,042,153)
Financial charges paid	(95)	(162)
Income tax paid	(121,085)	(295,704)
<b>Net cash flow from / (used in) operating activities</b>	<b>24,286,808</b>	<b>(31,338,019)</b>

Six Months ended  
June 30,                      June 30,  
2014                              2013  
Rupees in '000

	June 30, 2014	June 30, 2013
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	(11,792,930)	34,055,766
Net investments in held to maturity securities	(13,729,584)	5,212
Dividends received	22,060	104,586
Investments in operating fixed assets	(239,337)	(189,382)
Sale proceeds of property and equipment disposed-off	54,896	14,634
Sale proceeds of non-banking assets disposed-off	267,201	1,439,462
<b>Net cash (used in) / flow from investing activities</b>	<b>(25,417,694)</b>	<b>35,430,278</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of lease obligations	(659)	(655)
Right shares issue cost	(103,620)	-
<b>Net cash used in financing activities</b>	<b>(104,279)</b>	<b>(655)</b>
Net (decrease) / increase in cash and cash equivalents	(1,235,165)	4,091,604
Cash and cash equivalents at beginning of the period	28,854,680	20,398,252
Cash and cash equivalents at end of the period	27,619,515	24,489,856
<b>Cash and cash equivalents:</b>		
Cash and balances with treasury banks	24,225,128	21,110,273
Balances with other banks	2,919,723	3,112,045
Call money lendings	475,000	300,000
Overdrawn nostro accounts	(336)	(32,462)
	27,619,515	24,489,856

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 Six Months Ended June 30, 2014 (Un-audited)

	Share capital	Discount on issue of shares	Statutory reserve	Share premium	Capital Reserves Restructuring reserve	Revenue Reserve Accumulated losses	Total
	Rupees in '000'						
<b>Balance as at January 01, 2013</b>	5,287,974	-	396,364	37,882	753,187	(12,743,218)	(6,267,811)
Transfer from restructuring reserve 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 losses - net of tax	-	-	-	-	-	5,084	5,084
<b>Balance as at June 30, 2013</b>	5,287,974	-	396,364	37,882	753,187	(11,750,442)	(5,275,035)
Transfer from restructuring reserve against NPLs	-	-	-	-	(35,375)	-	(35,375)
Total comprehensive income for the six months ended December 31, 2013	-	-	-	-	-	935,419	935,419
Transfer from surplus on revaluation of fixed assets to accumulated losses - net of tax	-	-	-	-	-	5,268	5,268
Transfer from surplus on revaluation of fixed assets to accumulated losses on disposal	-	-	-	-	-	814	814
Transfer to statutory reserve	-	-	387,601	-	-	(387,601)	-
<b>Transactions with owners, recorded directly in equity:</b>							
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
<b>Balance as at December 31, 2013</b>	10,551,132	(263,158)	783,965	37,882	717,812	(11,275,026)	552,607
Transfer from restructuring reserve against NPLs	-	-	-	-	-	-	-
Total comprehensive income for the six months ended June 30, 2014	-	-	-	-	-	1,372,108	1,372,108
Transfer from surplus on revaluation of fixed assets to accumulated losses - net of tax	-	-	-	-	-	4,994	4,994
Transfer from surplus on revaluation of fixed assets to accumulated losses on disposal	-	-	-	-	-	(980)	(980)
<b>Transactions with owners, recorded directly in equity:</b>							
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
<b>Balance as at June 30, 2014</b>	15,551,132	(263,158)	783,965	37,882	717,812	(10,002,524)	6,825,109

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 Six Months Ended June 30, 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 (PMSL). 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).

Punjab Modaraba Services (Private) Limited is a wholly owned subsidiary of the Bank 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. 13,825,109 thousand. However, Capital Adequacy Ratio (CAR) remained below the prescribed level of 10%. Further, as at the close of the six months ended June 30, 2014, net advances aggregating to Rs. 24,512,077 thousand (December 31, 2013: Rs. 26,139,925 thousand) requiring additional provision of Rs. 23,065,116 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 these borrowers will reduce the said required provisioning covered under the LOCs. Staggering requirement of 4% by June 30, 2014 has been complied with by the Bank. 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, in 2nd phase, against share deposit money – I, 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 GoPb, 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.
- 2.3 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.
- 2.4 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 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 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, except for depreciable life of bank owned and lease vehicles from 5 years on straight line basis to 3 years on straight line basis which qualifies as change in accounting estimate in accordance with the requirements of International Accounting Standards 8 – "Accounting Policies, Changes in Accounting Estimates and Errors" and the same is applied on prospective basis with effect from January 01, 2014.

The effect of this change on depreciation expense in current and future periods is as follows:

	Half Year Ended Jun. 30, 2014	Half Year Ending Dec. 31, 2014	Year Ending 2015	Year Ending 2016	Year Ending 2017	Year Ending 2018	Year Ending 2019
			Rupees in thousand				
Increase/ (decrease) in depreciation expense	17,564	(746)	(1,988)	(3,164)	(6,502)	(4,387)	(777)

## 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) June 30, 2014	(Audited) December 31, 2013
		Rupees in '000	
<b>5. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings		475,000	800,000
Repurchase agreement lendings (Reverse Repo)	5.1	6,272,248	10,030,448
Certificates of investment		800,000	-
Placements		100,000	577,000
		7,647,248	11,407,448

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

	(Un-audited) June 30, 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	2,500,319	-	2,500,319	9,530,448	-	9,530,448
Pakistan investment bonds	3,771,929	-	3,771,929	500,000	-	500,000
	6,272,248	-	6,272,248	10,030,448	-	10,030,448

Market value of securities held as collateral as at June 30, 2014 amounted to Rs. 6,285,742 thousand (December 31, 2013: 10,037,115 thousand). These carry mark-up at rate ranging from 7.50% to 11.00% per annum (December 31, 2013: 9.45% to 11.00 % per annum) with maturities up to October 16, 2014.

	Note	(Un-audited) June 30, 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		
<b>6. INVESTMENTS - NET</b>							
<b>Held for trading securities:</b>							
Ordinary shares of listed companies		24,006	-	24,006	22,456	-	22,456
Pakistan investment bonds		2,019,047	-	2,019,047	-	-	-
Market treasury bills		-	-	-	9,829,190	-	9,829,190
		2,043,053	-	2,043,053	9,851,646	-	9,851,646
<b>Available for sale securities :</b>							
Market treasury bills		75,235,304	6,441,030	81,676,334	89,161,279	14,759,734	103,921,013
Pakistan investment bonds		38,674,233	-	38,674,233	4,161,633	-	4,161,633
Ordinary shares / certificates of listed companies and modarabas		1,549,577	-	1,549,577	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 funds units		523,572	-	523,572	1,123,087	-	1,123,087
Government of Pakistan ijara sukuk bonds		700,782	-	700,782	701,442	-	701,442
Listed term finance certificates		680,700	-	680,700	307,240	-	307,240
Unlisted term finance certificates		3,702,795	-	3,702,795	3,930,979	-	3,930,979
		121,587,414	6,441,030	128,028,444	101,338,280	14,759,734	116,098,014

	Note	(Un-audited) June 30, 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		
<b>Held to maturity securities :</b>							
Pakistan investment bonds	6.1	15,044,479	-	15,044,479	1,262,832	-	1,262,832
WAPDA bonds		400	-	400	400	-	400
		15,044,879	-	15,044,879	1,263,232	-	1,263,232
<b>Total investments at cost</b>		138,675,346	6,441,030	145,116,376	112,453,158	14,759,734	127,212,892
Less: Provision for diminution in value of investments - net		(3,100,329)	-	(3,100,329)	(3,148,947)	-	(3,148,947)
<b>Investments net of provisions</b>		135,575,017	6,441,030	142,016,047	109,304,211	14,759,734	124,063,945
Less: Deficit on revaluation of available for sale securities		(35,391)	-	(35,391)	(85,758)	-	(85,758)
Add / (Less) : Surplus / (Deficit) on revaluation of held for trading securities		2,465	-	2,465	(4,296)	-	(4,296)
<b>Total investments at market value</b>		135,542,091	6,441,030	141,983,121	109,214,157	14,759,734	123,973,891

6.1 Market value of held to maturity investments is Rs. 15,013,634 thousand (December 31, 2013: Rs. 1,210,098 thousand).

	Note	(Un-audited) June 30, 2014	(Audited) December 31, 2013
Rupees in '000			
<b>7. ADVANCES - NET</b>			
Loans, cash credits, running finances, etc. - in Pakistan		167,496,819	164,150,576
Islamic financing and related assets	7.1	1,289,196	385,000
Net investment in finance lease - in Pakistan		14,659,942	14,060,985
Bills discounted and purchased (excluding treasury bills)			
-Payable in Pakistan		2,425,026	1,747,073
-Payable outside Pakistan		1,631,909	2,571,223
		4,056,935	4,318,296
Advances - gross		187,502,892	182,914,857
Provision for non-performing advances			
-Specific	7.2 & 7.3	(24,540,272)	(25,633,504)
-General	7.4	(64,178)	(41,755)
		(24,604,450)	(25,675,259)
Advances - net of provision		162,898,442	157,239,598
<b>7.1 Islamic financing and related assets</b>			
Against murabaha		477,751	135,000
Against diminishing musharaka		582,737	250,000
Against ijarah		228,708	-
		1,289,196	385,000

**7.2** Provision against certain net advances amounting to Rs. 24,512,077 thousand (December 31, 2013: Rs. 26,139,925 thousand) requiring additional provisioning of Rs. 23,065,116 thousand (December 31, 2013: Rs. 24,302,207 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.

7.3 Advances include Rs. 56,319,623 thousand (December 31, 2013: Rs. 59,914,726 thousand) which have been placed under non-performing status as on June 30, 2014 as detailed below:

Category of classification	June 30, 2014 (Un-audited)				
	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000				
Other assets especially mentioned	134,613	-	134,613	-	-
Substandard	8,246,152	-	8,246,152	2,047,851	2,047,851
Doubtful	137,187	-	137,187	25,990	25,990
Loss	47,801,671	-	47,801,671	22,466,431	22,466,431
	56,319,623	-	56,319,623	24,540,272	24,540,272

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	50,601,791	-	50,601,791	23,288,372	23,288,372
	59,914,726	-	59,914,726	25,633,504	25,633,504

7.4 General provision represents provision against consumer financing portfolio as required by the Prudential Regulations issued by the SBP.

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 has been reduced by Rs. 1,094,398 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 reduced, before and after tax profits for the period ended would have been higher by Rs. 1,094,398 thousand (June 30, 2013: higher by Rs. 1,479,969 thousand) and Rs. 711,359 thousand ( June 30, 2013: higher by Rs. 961,980 thousand ) respectively.

## 8. OPERATING FIXED ASSETS

During the six months ended, additions to / disposals from operating fixed assets amounted to Rs. 239,337 thousand (June 30, 2013: Rs. 231,291 thousand) and Rs. 90,944 thousand (June 30, 2013: Rs. 18,773 thousand), respectively.

	(Un-audited) June 30, 2014	(Audited) December 31, 2013
	Rupees in '000	
<b>9. DEFERRED TAX ASSETS - NET</b>		
<b>Taxable temporary differences :</b>		
Surplus on revaluation of operating fixed assets	(102,074)	(107,558)
Accelerated tax depreciation	(207,464)	(216,786)
<b>Deductible temporary differences :</b>		
Deficit on available for sale securities	74,228	99,049
Loan loss provision	8,026,320	8,026,320
Business loss	4,235,070	4,826,327
	12,026,080	12,627,352

- 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, 2014	(Audited) December 31, 2013
	Rupees in '000	
<b>10. BORROWINGS</b>		
<b>Secured :</b>		
Borrowings from SBP:		
-Export refinance (ERF)	7,786,573	6,722,490
-Long term financing - export oriented projects (LTF-EOP)	100,139	154,401
-Long term financing facility (LTFF)	1,474,125	1,161,695
Repurchase agreement borrowings	6,409,466	14,732,416
	15,770,303	22,771,002
<b>Unsecured :</b>		
Overdrawn nostro accounts	336	31,480
	15,770,639	22,802,482

		(Un-audited) June 30, 2014	(Audited) December 31, 2013
		Rupees in '000	
<b>11.</b>	<b>DEPOSITS AND OTHER ACCOUNTS</b>		
	<b>Customers</b>		
	Fixed deposits	121,478,718	125,857,124
	Savings deposits	114,780,479	110,019,779
	Current accounts	83,347,485	60,096,224
	Sundry deposits, margin accounts, etc.	8,970,031	2,320,299
		328,576,713	298,293,426
	<b>Financial institutions :</b>		
	Remunerative deposits	3,247,638	7,227,752
	Non-remunerative deposits	990,268	1,039,516
		4,237,906	8,267,268
		332,814,619	306,560,694
<b>11.1</b>	<b>Particulars of deposits</b>		
	In local currency	325,753,100	300,587,729
	In foreign currencies	7,061,519	5,972,965
		332,814,619	306,560,694
<b>12.</b>	<b>SHARE CAPITAL</b>		
<b>12.1</b>	<b>Authorized capital</b>		
		(Un-audited) June 30, 2014 (No. of shares)	(Audited) December 31, 2013
			(Un-audited) June 30, 2014 Rupees in '000
		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) June 30, 2014 (No. of shares)	(Audited) December 31, 2013		(Un-audited) June 30, 2014	(Audited) December 31, 2013
				Rupees in '000	
			<b>Opening balance</b>		
	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
			<b>During the period / year</b>		
	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
			<b>Closing balance</b>		
	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 Government of the Punjab (GOPb) held 57.47% shares in the Bank as at June 30, 2014 (December 31, 2013: 52.67 %).

	Note	(Un-audited) June 30, 2014	(Audited) December 31, 2013
		Rupees in '000	
<b>13. SHARE DEPOSIT MONEY</b>			
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

	(Un-audited) June 30, 2014	(Audited) December 31, 2013
	Rupees in '000	
<b>13.1 Reconciliation of share deposit money</b>		
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
<b>14. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>		
Surplus on revaluation of fixed assets - net of tax	890,040	891,259
Surplus on revaluation of securities - net of tax	38,837	13,291
	928,877	904,550
<b>15. CONTINGENCIES AND COMMITMENTS</b>		
<b>15.1 Direct credit substitutes</b>		
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, 2014	(Audited) December 31, 2013
	Rupees in '000	
Government	-	-
Financial institutions	-	-
Others	1,409,037	1,176,561
	1,409,037	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:

	(Un-audited) June 30, 2014	(Audited) December 31, 2013
	Rupees in '000	
Government	376,416	298,272
Financial institutions	2,968	33,872
Others	14,307,902	12,729,479
	14,687,286	13,061,623

## 15.3 Trade related contingent liabilities

Government	15,052,113	970,207
Financial institutions	-	-
Others	10,137,835	7,420,631
	25,189,948	8,390,838

## 15.4 Other contingencies

Claims against the Bank not acknowledged as debt	41,626,967	40,353,802
--	------------	------------

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 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.

## 15.6 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 have filed appeals 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.

	(Un-audited) June 30, 2014	(Audited) December 31, 2013
	Rupees in '000	
<b>15.7 Commitments in respect of forward exchange contracts</b>		
Purchase	5,090,441	4,433,928
Sale	2,886,580	5,382,084
	7,977,021	9,816,012
<b>15.8 Commitments for the acquisition of operating fixed assets</b>	2,958	18,199

## 16. EARNINGS PER SHARE - BASIC AND DILUTED

	Three months ended June 30, 2014	----- (Un-audited) ----- Six months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2013
	Rupees in '000			
Profit after taxation (Rupees in thousand)	921,234	1,372,108	670,758	987,692
Weighted average number of ordinary shares (thousand)	1,322,283	1,322,283	627,137	627,137
Earnings per share - basic and diluted (Rupees)	0.70	1.04	1.07	1.57

Earnings per share for the six months ended June 30, 2013 have been restated to give effect of bonus element included in issuance of right shares 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					
<b>Six Months Ended June 30, 2014 (Un-audited)</b>						
Total income	7,014,919	1,302,911	6,512,927	198,518	41,669	15,070,944
Total expenses	687,532	2,065,835	10,215,581	-	-	12,968,948
Inter segment transfer revenue / (cost)	(5,500,333)	822,794	4,677,539	-	-	-
Income taxes	-	-	-	-	-	729,888
Net income / (loss)	827,054	59,870	974,885	198,518	41,669	1,372,108
Segment assets (gross)	180,781,656	21,084,400	187,881,252	-	-	389,747,308
Segment non performing advances / investments	3,229,983	2,147,441	54,172,182	-	-	59,549,606
Segment provision required	3,100,329	1,802,822	22,801,628	-	-	27,704,779
Segment liabilities	8,941,564	52,949,265	299,381,890	-	-	361,272,719
Segment return on net assets (ROA) (%)	10.84%	16.46%	13.20%			
Segment cost of funds (%)	8.54%	8.97%	8.90%			

	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
	Rupees in '000					
<b>Six Months Ended</b>						
<b>June 30, 2013 (Un-audited)</b>						
Total income	6,542,376	1,055,891	5,735,026	201,659	38,686	13,573,638
Total expenses	1,074,646	1,926,375	9,046,876	-	-	12,047,897
Inter segment transfer revenue / (cost)	(5,342,488)	825,572	4,516,916	-	-	-
Income taxes	-	-	-	-	-	538,049
Net income / (loss)	125,242	(44,912)	1,205,066	201,659	38,686	987,692
Segment assets (gross)	160,726,487	16,803,400	164,782,841	-	-	342,312,728
Segment non performing advances / investments	3,404,098	2,893,050	62,431,099	-	-	68,728,247
Segment provision required	3,306,179	1,966,512	23,414,985	-	-	28,687,676
Segment liabilities	5,824,750	47,419,036	262,839,437	-	-	316,083,223
Segment return on net assets (ROA) (%)	11.43%	16.89%	13.44%			
Segment cost of funds (%)	9.43%	9.18%	9.56%			

## 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.

	June 30, 2014 (Un-audited)				December 31, 2013 (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 '000				Rupees in '000			
<b>Advances</b>								
Opening balance	91,202	1,045,975	-	-	95,070	1,030,397	-	-
Loans granted during the period / year	33,064	369,089	-	-	28,158	1,720,007	-	-
Repayments received during the period / year	(17,332)	(518,113)	-	-	(32,026)	(1,704,429)	-	-
Closing balance	106,934	896,951	-	-	91,202	1,045,975	-	-
<b>Placements</b>	-	100,000	-	-	-	100,000	-	-
<b>Deposits</b>								
Opening balance	27,878	26,123	805,346	29,603	40,179	2,352	1,627,249	288
Placements made during the period / year	139,998	576,170	3,738,399	16,747	227,619	1,122,655	1,454,256	62,796
Withdrawals during the period / year	(157,726)	(601,588)	(2,575,935)	(46,161)	(239,920)	(1,098,884)	(2,276,159)	(33,481)
Closing balance	10,150	705	1,967,810	189	27,878	26,123	805,346	29,603
<b>Lease liability</b>	-	1,727	-	-	-	2,386	-	-

	June 30, 2014 (Un-audited)				June 30, 2013 (Un-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 '000				Rupees in '000			
<b>Transactions during the period :</b>								
Mark-up/return earned	4,346	42,460	-	-	3,861	60,871	-	-
Mark-up/interest expensed	311	-	81,539	1,214	451	-	75,076	113
Contribution to employees funds	-	-	38,556	-	-	-	37,299	-

Although GoPb holds 57.47% shares of the Bank as at June 30, 2014 (December 31, 2013: 52.67%) transactions with GoPb have not been treated as related party transactions for the purpose of this disclosure.

## 19. DATE OF AUTHORIZATION FOR ISSUE

This consolidated condensed interim financial information was authorized for issuance on August 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

Annexure - I

As at June 30, 2014

The Bank is operating 07 Islamic banking branches at close of June 30, 2014 (December 31, 2013: 07 branches).

	Note	(Un-audited) June 30, 2014	(Audited) December 31, 2013
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks		157,203	157,253
Balance with other banks		14,066	19,239
Due from financial institutions		-	477,000
Investments		639,877	631,876
Islamic financing and related assets	A	1,289,196	385,000
Operating fixed assets		33,345	31,218
Deferred tax assets		-	-
Other assets		47,730	40,200
<b>TOTAL ASSETS</b>		<b>2,181,417</b>	<b>1,741,786</b>
<b>LIABILITIES</b>			
Bills payable		1,971	1,422
Due to financial institutions		-	-
Deposit and other accounts		-	-
- Current accounts		678,060	660,556
- Saving accounts		548,573	425,985
- Term deposits		43,700	7,100
- Others		57,258	12,846
- Deposits from financial institutions - remunerative		-	-
- Deposits from financial institutions - non - remunerative		-	-
Due to head office		267,697	109,565
Other liabilities		17,722	5,784
		1,614,981	1,223,258
<b>NET ASSETS</b>		<b>566,436</b>	<b>518,528</b>
<b>REPRESENTED BY</b>			
Islamic banking fund		500,000	500,000
Reserves		(263,158)	-
Unappropriated profit		52,341	13,095
Surplus on revaluation of assets		289,183	513,095
		14,095	5,433
		303,278	518,528
Remuneration to Shariah Advisor / Board		930	2,126

	Note	(Un-audited) June 30, 2014	(Audited) December 31, 2013
		Rupees in '000	
<b>CHARITY FUND</b>			
Opening balance		19	-
Additions during the period		1	19
Payments / utilization during the period		-	-
Closing balance		20	19
<b>A. Islamic financing and related assets</b>			
Islamic mode of financing	A.1	1,289,196	385,000
<b>A.1 Islamic mode of financing</b>			
Murabaha		477,751	135,000
Diminishing musharaka		582,736	250,000
Ijarah		228,709	-
		1,289,196	385,000

# ISLAMIC BANKING BUSINESS - PROFIT AND LOSS ACCOUNT

Annexure - I

For the Six Months Ended June 30, 2014 (Un-audited)

	Three months ended June 30, 2014	Six months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2013
	Rupees in '000			
<b>Profit/return earned on financing, investment and placements</b>	45,479	75,910	22,642	27,042
<b>Return on deposits and other dues expensed</b>	7,722	13,515	3,521	4,118
<b>Net spread earned</b>	37,757	62,395	19,121	22,924
Provision against non-performing loans and advances	-	-	-	-
Provision against consumer financings	-	-	-	-
Provision for diminution in the value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
	-	-	-	-
Income after provisions	37,757	62,395	19,121	22,924
<b>Other Income</b>				
Fee, commission and brokerage income	1,836	2,328	274	328
Dividend income	-	-	-	-
Income from dealing in foreign currencies	12	26	91	91
Gain on sale and redemption of securities	-	-	-	-
Unrealized loss on revaluation of investments classified as held for trading	-	-	-	-
Other income	26,810	27,651	397	444
<b>Total other income</b>	28,658	30,005	762	863
	66,415	92,400	19,883	23,787
<b>Other expenses</b>				
Administrative expenses	34,225	53,154	13,219	16,404
Other provisions/write offs/reversals	-	-	-	-
Other charges	-	-	-	-
<b>Total other expenses</b>	34,225	53,154	13,219	16,404
	32,190	39,246	6,664	7,383
Extra ordinary/unusual items	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	32,190	39,246	6,664	7,383





*Passion Reborn*

**Head Office**

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