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# CORPORATE INFORMATION

## Board Of Directors

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

## Central Audit Committee (CAC)

Khawaja Farooq Saeed	Chairman
Mr. Omar Saeed	Member
Mr. Saeed Anwar	Member

## Board Risk Management Committee (BRMC)

Syed Maratib Ali	Chairman
Mr. Omar Saeed	Member
Mr. Saeed Anwar	Member

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

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

## Auditors

Deloitte Yousuf Adil, Chartered Accountants

## Registered Office

BOP Tower, 10-B, Block-E-II,  
Main Boulevard, Gulberg-III, Lahore.  
Telephones: +92 - 42-35783700-10  
Fax No. +92 - 42 - 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.  
Telephones: +92 - 42 - 35916714, 35916719, 35839182  
Fax No. +92 - 42 - 35869037

# DIRECTORS' REVIEW

## Half Yearly Financial Statements - June 30, 2015

On behalf of the Board of Directors, I am pleased to present Un-audited Condensed Interim Financial Statements of The Bank of Punjab for the half year ended June 30, 2015.

During FY15, sharp decline in CPI inflation and improvement in external account led reduction of 300 bps in policy rate by SBP. Narrowing of fiscal deficit and continuation of Extended Fund Facility (EFF) improved the market sentiments. Accordingly, upgrading of Pakistan's sovereign ratings by international rating agencies was witnessed in recent months. Going forward, implementation of infrastructure projects planned under the China-Pakistan Economic Corridor and addressing structural issues related to energy and security would create favorable investment environment, which would result in sustained economic growth.

### Financial Highlights:

Rs. In Million

Profit before taxation	4,213
Taxation	1,449
Profit after taxation	2,764
Earnings per share (Rupees)	1.78

During 1st half of year 2015, the Net Interest Margin of the Bank improved to Rs. 5,427 million as against Rs. 2,776 million for corresponding period last year thereby registering a rise of 95%. Non Mark-up/ Interest Income also improved to Rs. 4,298 million with 240% rise over corresponding period of last year. Accordingly, the Bank was able to earn a pre-tax profit of Rs. 4,213 million as against Rs. 2,067 million for corresponding period last year thereby registering a rise of 104%. The Earnings per Share remained at Rs. 1.78 per share as against Rs. 1.01 per share for 1st half 2014.

During the period, the deposits registered a rise of 12.80% and stood at Rs. 386.1 billion as against Rs. 342.3 billion as of December 31, 2014. Gross Advances stood at Rs. 224.0 billion as against Rs. 197.1 billion as of December 31, 2014. The Tier-1 Equity improved to Rs. 18.0 billion as against Rs. 15.3 billion as on December 31, 2014. The Bank also enjoys long term and short term entity ratings of AA- and A1+, respectively, by PACRA with a “Positive Outlook”.

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

While acknowledging the support and trust of our valued clients and shareholders, I assure that the management will continue all out efforts to maintain and accelerate the growth trends.

I also wish to extend my gratitude to the Government of the Punjab and the State Bank of Pakistan for their constant support and guidance to the Bank. I would also like to complement Bank’s employees for their hard work and consistent commitment in achieving the targeted goals.

For and on behalf of the Board

Naeemuddin Khan  
President

## AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF 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, 2015, 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 and notes to the accounts, 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 quarters ended June 30, 2015 and June 30, 2014 have not been reviewed, as we are required to review only the cumulative figures for the six months ended June 30, 2015.

### 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

## Karachi

Dated: August 27, 2015

Unconsolidated Condensed Interim Financial Statements  
for the six months ended June 30, 2015 (Un-Audited)



## Unconsolidated Condensed Interim Statement of Financial Position

As at June 30, 2015

	Note	(Un-audited) June 30, 2015	(Audited) December 31, 2014
Rupees in '000'			
<b>ASSETS</b>			
Cash and balances with treasury banks		25,383,882	23,622,411
Balances with other banks		5,117,469	2,239,170
Lendings to financial institutions	5	5,472,842	32,748,623
Investments - net	6	170,349,250	154,874,757
Advances - net	7	195,229,001	170,312,593
Operating fixed assets	8	6,318,609	5,490,121
Deferred tax assets - net	9	8,582,271	9,845,426
Other assets - net		24,815,442	21,237,087
		441,268,766	420,370,188
<b>LIABILITIES</b>			
Bills payable		3,289,582	1,727,731
Borrowings	10	15,298,906	44,742,624
Deposits and other accounts	11	386,096,750	342,290,763
Sub-ordinated loan		2,000,000	2,000,000
Liabilities against assets subject to finance lease		-	1,128
Deferred tax liabilities - net		-	-
Other liabilities		12,615,928	10,281,235
		419,301,166	401,043,481
<b>NET ASSETS</b>		<b>21,967,600</b>	<b>19,326,707</b>
<b>REPRESENTED BY</b>			
Share capital	12	15,551,132	15,551,132
Discount on issue of shares		(263,158)	(263,158)
Share deposit money	13	7,000,000	7,000,000
Reserves		2,081,243	2,081,243
Accumulated losses		(6,320,709)	(9,113,154)
		18,048,508	15,256,063
Surplus on revaluation of assets - net of tax	14	3,919,092	4,070,644
		21,967,600	19,326,707
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, 2015 (Un-audited)

	Three Months Ended June 30, 2015	Six Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2014
Rupees in '000'				
Mark-up / return / interest earned	8,047,151	16,216,934	7,301,457	13,801,575
Mark-up / return / interest expensed	5,123,355	10,789,673	5,529,898	11,025,993
Net mark-up / return / interest income	2,923,796	5,427,261	1,771,559	2,775,582
Provision / (Reversal of provision) against non-performing loans and advances - net	1,339,833	1,946,818	(932,746)	(1,070,809)
(Reversal of provision) / Provision for diminution in the value of investments - net	(19,186)	(13,410)	184,587	86,451
Bad debts written off directly	-	-	-	-
	1,320,647	1,933,408	(748,159)	(984,358)
Net mark-up / return / interest income after provisions	1,603,149	3,493,853	2,519,718	3,759,940
<b>NON MARK-UP / INTEREST INCOME</b>				
Fee, commission and brokerage income	353,914	519,885	235,270	372,588
Dividend income	12,465	28,238	11,480	22,936
Income from dealing in foreign currencies	20,956	63,419	49,779	94,090
Gain on sale and redemption of securities - net	1,736,654	2,720,661	65,067	243,764
Unrealized gain / (loss) on revaluation of investments classified as held for trading	7,232	(14,898)	2,972	2,465
Other income	295,546	980,565	86,098	526,915
Total non-markup / interest income	2,426,767	4,297,870	450,666	1,262,758
	4,029,916	7,791,723	2,970,384	5,022,698
<b>NON MARK-UP / INTEREST EXPENSES</b>				
Administrative expenses	1,803,545	3,518,090	1,583,326	2,938,517
Provision / (Reversal of provision) against other assets	340	8,671	(8,321)	(2,422)
Provision against off balance sheet obligations	-	32,274	-	-
Other charges	19,343	19,652	19,471	19,479
Total non-markup / interest expenses	1,823,228	3,578,687	1,594,476	2,955,574
	2,206,688	4,213,036	1,375,908	2,067,124
Extra ordinary / unusual items	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	2,206,688	4,213,036	1,375,908	2,067,124
Taxation - Current	104,739	205,148	77,521	150,643
- Prior years	-	-	-	-
- Deferred	647,118	1,244,322	412,025	579,245
	751,857	1,449,470	489,546	729,888
<b>PROFIT AFTER TAXATION</b>	1,454,831	2,763,566	886,362	1,337,236
Earnings per share - basic and diluted (Rupees) - Note 16	0.94	1.78	0.67	1.01

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, 2015 (Un-audited)

	Three Months Ended	Six Months Ended	Three Months Ended	Six Months Ended
	June 30, 2015	June 30, 2015	June 30, 2014	June 30, 2014
Rupees in '000'				
Profit after taxation for the period	1,454,831	2,763,566	886,362	1,337,236
Other comprehensive income not to be reclassified to profit and loss account in subsequent periods:				
Actuarial gains on remeasurement recognized during the period	-	-	-	-
Comprehensive income transferred to equity	1,454,831	2,763,566	886,362	1,337,236
Components of comprehensive income not reflected in equity				
Items to be reclassified to profit and loss in subsequent periods:				
Surplus on revaluation of investments - net of tax	(1,293,817)	(122,673)	(296,822)	25,546
<b>Total comprehensive income for the period</b>	<b>161,014</b>	<b>2,640,893</b>	<b>589,540</b>	<b>1,362,782</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, 2015 (Un-audited)

	Six months ended	
	June 30, 2015	June 30, 2014
	Rupees in '000'	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	4,213,036	2,067,124
Less: Dividend income	(28,238)	(22,936)
	4,184,798	2,044,188
Adjustments for:		
Depreciation on property and equipment	254,156	193,689
Depreciation on ijarah assets under IFAS - 2	27,054	-
Amortization on intangible assets	3,610	2,226
Amortization of premium / (discount) on debt securities	135,270	(52,063)
Unrealized loss / (gain) on revaluation of investments classified as held for trading	14,898	(2,465)
Provision / (Reversal of provision) against non-performing loans and advances - net	1,946,818	(1,070,809)
Provision for diminution in the value of investments - net	(13,410)	86,451
Provision for employees compensated absences	7,125	8,279
Provision for gratuity	44,843	41,438
Provision against off balance sheet obligations	32,274	-
Provision / (Reversal of provision) against other assets	8,671	(2,422)
Net profit on sale of property and equipment	(8,693)	(22,483)
Net profit on sale of non-banking assets acquired in satisfaction of claims	(12,574)	(14,122)
Gain on sale and redemption of securities - net	(2,720,661)	(243,764)
Finance charges on leased assets	16	95
	(280,603)	(1,075,950)
	3,904,195	968,238
(Increase) / Decrease in operating assets:		
Lendings to financial institutions	26,675,781	3,435,200
Net investments in held for trading securities	(6,484,894)	7,804,297
Advances - net	(26,890,280)	(4,588,535)
Other assets - net	(3,723,185)	(5,248,889)
	(10,422,578)	1,402,073
Increase / (Decrease) in operating liabilities:		
Bills payable	1,561,851	802,114
Borrowings	(29,752,516)	(7,000,699)
Deposits and other accounts	43,805,987	26,253,901
Other liabilities	2,250,451	1,982,362
	17,865,773	22,037,678
Financial charges paid	11,347,390	24,407,989
Income tax paid	(16)	(95)
	(214,544)	(121,085)
<b>Net cash flow from operating activities</b>	<b>11,132,830</b>	<b>24,286,809</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	(6,509,528)	(11,792,931)
Net investments in held to maturity securities	-	(13,729,584)
Dividends received	27,743	22,060
Investments in operating fixed assets	(1,050,980)	(239,337)
Sale proceeds of property and equipment disposed-off	10,495	54,896
Sale proceeds of non-banking assets disposed-off	121,540	267,201
<b>Net cash used in investing activities</b>	<b>(7,400,730)</b>	<b>(25,417,695)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Right shares issue cost	-	(103,620)
Payment of lease obligations	(1,128)	(659)
<b>Net cash used in financing activities</b>	<b>(1,128)</b>	<b>(104,279)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>3,730,972</b>	<b>(1,235,165)</b>
Cash and cash equivalents at beginning of the period	26,368,200	28,854,680
Cash and cash equivalents at end of the period	30,099,172	27,619,515
<b>Cash and cash equivalents:</b>		
Cash and balances with treasury banks	25,383,882	24,225,128
Balances with other banks	5,117,469	2,919,723
Call money lendings	-	475,000
Overdrawn nostro accounts	(402,179)	(336)
	30,099,172	27,619,515

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, 2015 (Un-audited)

	Share capital			Statutory reserve			Share premium			Restructuring reserve			Revenue Reserve		
	Share capital	Discount on issue of shares	Share deposit money	Rupees in '000'			Share premium	Reserve		Reserve		Accumulated losses	Total		
<b>Balance as at January 1, 2014</b>	10,551,132	(263,158)	12,000,000	783,965	37,882	7,17,812						(11,250,885)	12,576,748		
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													-	
Right shares issue cost	-		(5,000,000)										(103,620)	(103,620)	
	5,000,000		(5,000,000)										(103,620)	(103,620)	
<b>Balance as at June 30, 2014</b>	15,551,132	(263,158)	7,000,000	783,965	37,882	7,17,812						(10,013,255)	13,814,378		
Total comprehensive income for the six months ended December 31, 2014												1,452,727	1,452,727		
Transfer from surplus on revaluation of fixed assets to accumulated losses - net of tax												4,864	4,864		
Transfer from restructuring reserve against NPLs												-	(15,906)	(15,906)	
Transfer to statutory reserve												(557,490)	-		
<b>Balance as at December 31, 2014</b>	15,551,132	(263,158)	7,000,000	1,341,455	37,882	701,906						(9,113,154)	15,256,063		
Total comprehensive income for the six months ended June 30, 2015												2,763,566	2,763,566		
Transfer from surplus on revaluation of fixed assets to accumulated losses - net of tax												28,879	28,879		
<b>Balance as at June 30, 2015</b>	15,551,132	(263,158)	7,000,000	1,341,455	37,882	701,906						(6,320,709)	18,048,508		

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, 2015 (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 364 branches including 37 Islamic banking branches. (2014: 364 branches including 37 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 As on June 30, 2015, paid-up capital, reserves (net of losses) including share deposit money, as allowed by SBP, of the Bank amounts to Rs. 18,048,508 thousand. The Capital Adequacy Ratio (CAR) remained above the required level of 10%. As at the close of the period, net advances aggregating to Rs. 21,360,233 thousand (December 31, 2014: Rs. 21,681,471 thousand) requiring additional provision of Rs. 20,532,244 thousand (December 31, 2014: Rs. 20,689,119 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)-2015/5065 dated February 27, 2015, on the basis of two Letters of Comfort (LOCs) issued by the GoPb as explained in below paragraph.

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 share deposit money in the year 2009 and 2011 respectively against future issue of shares by the Bank. During the year 2014, the Bank issued 500,000,000 right shares (47.39%) for Rs. 5,000,000 thousand at par value. Accordingly, the entire amount of share deposit money deposited in year 2009 has been converted into paid up capital of the Bank. Further, the GoPb vide two LOCs 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. 3,580,000 thousand (net of tax @ 35%) and Rs. 10,570,000 thousand (net of tax @ 35%) within a period of 90 days after close of the year ending December 31, 2018 if the Bank fails to make provision of Rs. 21,770,000 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.

During the year 2015, the Bank is required to record further provisioning in staggered manner against outstanding exposure of borrowers covered under above LOCs i.e. 5% by June 30, 2015 and additional 10% by December 31, 2015 so as to ensure that total staggering by end of the year 2015 would not be less than 15% of the additional provision of Rs. 20,689,119 thousand required against net advances of Rs. 21,681,471 thousand as on December 31, 2014. The requirement of recording further provisioning of 5% by June 30, 2015, in staggered manner has been duly complied with by the Bank. As communicated by SBP, going forward, further extension in these relaxations would be considered upon satisfactory compliance of the conditions / requirements of SBP as well as the Bank's future performance based on the Bank's business plan.

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 unconsolidated condensed interim financial information has been prepared in accordance with the directives issued by the SBP, requirements of the Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of

the directives issued by the SBP and Securities and Exchange Commission of Pakistan (SECP), the Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 differ with the requirements of these standards, the requirements of the said directives, the Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 take precedence.

- 2.2 SBP as per BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standard (IAS) 40, "Investment Property" for banking companies till further instructions. Further, according to the notification of SECP dated April 28, 2008, the IFRS – 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these Standards have not been considered in the preparation of this unconsolidated condensed interim financial information.

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

The financial results of Islamic banking business have been consolidated in this unconsolidated condensed interim financial information for reporting purposes, after eliminating inter-branch transactions / balances. Key financial figures of the Islamic banking business are disclosed in Annexure-I to this unconsolidated condensed interim financial information.

The disclosures made in this unconsolidated condensed interim financial information have, however, been limited based on the format prescribed by the SBP vide BSD Circular letter No. 2 dated May 12, 2004, BSD Circular letter No. 7 dated April 20, 2010 and International Accounting Standard – 34 Interim Financial Reporting. They do not include all of the disclosures required for annual financial statements, and this unconsolidated condensed interim financial information should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2014. This unconsolidated condensed interim financial information is being submitted to the shareholders in accordance with the listing regulations of stock exchanges of Pakistan and Section 245 of the Companies Ordinance, 1984.

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

The accounting policies, underlying estimates and judgments and methods of computation followed in the preparation of this unconsolidated condensed interim financial information are consistent with those applied in the preparation of annual financial statements of the Bank for the year ended December 31, 2014.

### 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, 2014.

	Note	(Un-audited) June 30, 2015	(Audited) December 31, 2014
Rupees in '000'			
<b>5. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lending		-	600,000
Reverse repurchase agreement lendings	5.1	3,372,842	27,719,623
Certificates of investment		700,000	300,000
Placements		1,400,000	4,129,000
		5,472,842	32,748,623

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

	(Un-audited)			(Audited)		
	June 30, 2015			December 31, 2014		
	Rupees in '000'			Rupees in '000'		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
Market treasury bills	1,772,842	-	1,772,842	62,787	-	62,787
Pakistan investment bonds	1,600,000	-	1,600,000	27,656,836	-	27,656,836
	<u>3,372,842</u>	<u>-</u>	<u>3,372,842</u>	<u>27,719,623</u>	<u>-</u>	<u>27,719,623</u>

Market value of securities held as collateral as at June 30, 2015 amounted to Rs. 3,493,791 thousand (December 31, 2014: 29,291,585 thousand). These carry mark-up at rate ranging from 7.00% to 8.20% per annum (December 31, 2014: 9.70% to 11.50 % per annum).

### 6. INVESTMENTS - NET

Note	(Un-audited)			(Audited)		
	June 30, 2015			December 31, 2014		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	Rupees in '000'			Rupees in '000'		
<b>Held for trading securities:</b>						
Ordinary shares of listed companies	16,944	-	16,944	45,932	-	45,932
Market treasury bills	6,265,370	-	6,265,370	-	-	-
Pakistan investment bonds	338,970	-	338,970	-	-	-
	<u>6,621,284</u>	<u>-</u>	<u>6,621,284</u>	<u>45,932</u>	<u>-</u>	<u>45,932</u>
<b>Available for sale securities:</b>						
Market treasury bills	53,466,829	2,412,660	55,879,489	52,979,483	33,804,515	86,783,998
Pakistan investment bonds	81,120,125	-	81,120,125	44,708,426	-	44,708,426
Ordinary shares / certificates of listed companies and modarabas	1,220,878	-	1,220,878	1,293,905	-	1,293,905
Preference shares of listed companies	415,451	-	415,451	495,451	-	495,451
Ordinary shares of unlisted company	25,000	-	25,000	25,000	-	25,000
Mutual fund units	79,568	-	79,568	373,802	-	373,802
Government of Pakistan ijara sukuk bonds	5,605,449	-	5,605,449	1,706,588	-	1,706,588
Listed term finance certificates	666,493	-	666,493	736,008	-	736,008
Unlisted term finance certificates	3,589,099	-	3,589,099	3,644,013	-	3,644,013
	<u>146,188,892</u>	<u>2,412,660</u>	<u>148,601,552</u>	<u>105,962,676</u>	<u>33,804,515</u>	<u>139,767,191</u>
<b>Held to maturity securities:</b>						
Pakistan investment bonds	15,139,652	-	15,139,652	15,090,774	-	15,090,774
WAPDA bonds	400	-	400	400	-	400
	<u>15,140,052</u>	<u>-</u>	<u>15,140,052</u>	<u>15,091,174</u>	<u>-</u>	<u>15,091,174</u>
<b>Subsidiary:</b>						
Punjab modaraba services (private) limited	164,945	-	164,945	164,945	-	164,945
<b>Total investments at cost</b>	<b>168,115,173</b>	<b>2,412,660</b>	<b>170,527,833</b>	<b>121,264,727</b>	<b>33,804,515</b>	<b>155,069,242</b>
Provision for diminution in the value of investment - net	(2,980,435)	-	(2,980,435)	(3,114,422)	-	(3,114,422)
<b>Investments net of provisions</b>	<b>165,134,738</b>	<b>2,412,660</b>	<b>167,547,398</b>	<b>118,150,305</b>	<b>33,804,515</b>	<b>151,954,820</b>
Surplus on revaluation of available for sale securities	2,816,750	-	2,816,750	2,920,591	-	2,920,591
Deficit on revaluation of held for trading securities	(14,898)	-	(14,898)	(654)	-	(654)
<b>Total investments at market value</b>	<b>167,936,590</b>	<b>2,412,660</b>	<b>170,349,250</b>	<b>121,070,242</b>	<b>33,804,515</b>	<b>154,874,757</b>

6.1 Market value of held to maturity investments is Rs. 15,887,199 thousand (December 31, 2014: Rs. 15,612,502 thousand).

	Note	(Un-audited) June 30, 2015	(Audited) December 31, 2014
Rupees in '000'			
<b>7. ADVANCES - NET</b>			
Loans, cash credits, running finances, etc. - In Pakistan		188,945,651	173,992,109
Net investment in finance lease - In Pakistan		29,012,517	17,372,840
Net book value of assets in ijarah under IFAS 2 - In Pakistan		409,378	217,559
Islamic financing and related assets		2,820,735	1,381,515
Bills discounted and purchased (excluding treasury bills)			
-Payable in Pakistan		1,329,794	2,187,991
-Payable outside Pakistan		1,467,514	1,970,349
		2,797,308	4,158,340
Advances - gross		223,985,589	197,122,363
Provision for non-performing loans and advances :			
-Specific	7.1 & 7.2	(28,544,312)	(26,702,645)
-General	7.3	(212,276)	(107,125)
		(28,756,588)	(26,809,770)
Advances - net of provision		195,229,001	170,312,593

7.1 Provision against certain net advances amounting to Rs. 21,360,233 thousand (December 31, 2014: Rs. 21,681,471 thousand) requiring additional provisioning of Rs. 20,532,244 thousand (December 31, 2014: Rs. 20,689,119 thousand) has not been considered necessary in this unconsolidated condensed interim financial information on the basis of undertaking given by GoPb as stated in Note 1.2. However, during the period, in order to meet the staggering requirement of 5% an additional provision net of recoveries amounting to Rs. 1,122,755 thousand has been recognized.

7.2 Advances include Rs. 57,537,632 thousand (December 31, 2014: Rs. 55,650,453 thousand) which have been placed under non-performing status as on June 30, 2015 as detailed below:

Category of classification	June 30, 2015 (Un-audited)				
	Domestic	Overseas	Total	Provision required	Provision held
Rupees in '000'					
Other assets especially mentioned	139,380	-	139,380	1,010	1,010
Substandard	8,390,390	-	8,390,390	2,090,503	2,090,503
Doubtful	1,449,849	-	1,449,849	528,212	528,212
Loss	47,558,013	-	47,558,013	25,924,587	25,924,587
	57,537,632	-	57,537,632	28,544,312	28,544,312
December 31, 2014 (Audited)					
Domestic	Overseas	Total	Provision required	Provision held	
Rupees in '000'					
Other assets especially mentioned	68,097	-	68,097	415	415
Substandard	8,429,852	-	8,429,852	2,070,332	2,070,332
Doubtful	743,240	-	743,240	284,398	284,398
Loss	46,409,264	-	46,409,264	24,347,500	24,347,500
	55,650,453	-	55,650,453	26,702,645	26,702,645

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

7.4 The SBP amended the prudential regulations vide BSD Circular No.1 of 2011 dated October 21, 2011 in relation to provision for loans and advances; there by allowing benefit of Forced Sale Value (FSV) of pledged stocks, mortgaged residential, commercial and industrial properties (land and buildings only) and plant and machinery under charge held as collateral against non-performing advances. The FSV benefit availed in last years have been reduced by Rs. 132,360 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 six months ended would have been higher by Rs. 132,360 thousand (June 30, 2014: higher by Rs. 1,094,398 thousand) and Rs. 86,034 thousand (June 30, 2014: higher by Rs. 711,359 thousand) respectively.

## 8. OPERATING FIXED ASSETS

During the period, additions to / disposals from operating fixed assets amounted to Rs. 1,050,980 thousand (June 30, 2014: Rs. 239,337 thousand) and Rs. 39,631 thousand (June 30, 2014: Rs. 90,944 thousand), respectively.

	(Un-audited) June 30, 2015	(Audited) December 31, 2014
Rupees in '000'		
<b>9. DEFERRED TAX ASSETS - NET</b>		
<b>Taxable temporary differences:</b>		
Surplus on revaluation of operating fixed assets	(606,453)	(622,003)
Surplus on available for sale securities	(985,863)	(967,031)
Accelerated tax depreciation	(187,716)	(225,573)
<b>Deductible temporary differences:</b>		
Loan loss provision	8,033,380	8,026,320
Business loss	2,328,923	3,633,713
	<u>8,582,271</u>	<u>9,845,426</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, 2015	(Audited) December 31, 2014
Rupees in '000'		
<b>10. BORROWINGS</b>		
<b>Secured</b>		
Borrowings from SBP:		
-Export refinance (ERF)	10,293,249	9,581,230
-Long term financing - export oriented projects (LTF-EOP)	15,640	54,872
-Long term financing facility (LTFF)	1,468,075	1,404,893
Repurchase agreement borrowings	2,410,498	33,608,248
	<u>14,187,462</u>	<u>44,649,243</u>
<b>Unsecured</b>		
Foreign placement	709,265	-
Overdrawn nostro accounts	402,179	93,381
	<u>15,298,906</u>	<u>44,742,624</u>
<b>11. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	125,694,773	120,193,692
Savings deposits	148,338,133	132,651,725
Current accounts - non - remunerative	100,847,976	77,060,744
Sundry deposits, margin accounts, etc.	7,079,163	8,223,503
	<u>381,960,045</u>	<u>338,129,664</u>
<b>Financial Institutions</b>		
Remunerative deposits	3,041,098	2,845,709
Non-remunerative deposits	1,095,607	1,315,390
	<u>4,136,705</u>	<u>4,161,099</u>
	<u>386,096,750</u>	<u>342,290,763</u>
<b>11.1 Particulars of deposits</b>		
In local currency	380,529,993	335,644,581
In foreign currencies	5,566,757	6,646,182
	<u>386,096,750</u>	<u>342,290,763</u>

## 12. SHARE CAPITAL

(Un-audited) June 30, 2015 (No. of shares)	(Audited) December 31, 2014		(Un-audited) June 30, 2015 Rupees in '000'	(Audited) December 31, 2014 Rupees in '000'
<b>12.1 Authorized capital</b>				
<u>5,000,000,000</u>	<u>5,000,000,000</u>	Ordinary or preference 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, 2015 (No. of shares)	(Audited) December 31, 2014	Note	(Un-audited) June 30, 2015 Rupees in '000'	(Audited) December 31, 2014 Rupees in '000'
			Opening balance	
519,333,340	19,333,340		5,193,333	193,333
526,315,789	526,315,789		5,263,158	5,263,158
<u>509,464,036</u>	<u>509,464,036</u>		<u>5,094,641</u>	<u>5,094,641</u>
1,555,113,165	1,055,113,165		15,551,132	10,551,132
			During the period / year	
-	500,000,000		-	5,000,000
			Closing balance	
519,333,340	519,333,340		5,193,333	5,193,333
526,315,789	526,315,789		5,263,158	5,263,158
509,464,036	509,464,036		5,094,641	5,094,641
<u>1,555,113,165</u>	<u>1,555,113,165</u>		<u>15,551,132</u>	<u>15,551,132</u>

12.3 GoPb held 57.47% shares in the Bank as at June 30, 2015 (December 31, 2014: 57.47 %).

## 13. SHARE DEPOSIT MONEY

Share deposit money - II		7,000,000	7,000,000
	13.1	<u>7,000,000</u>	<u>7,000,000</u>
<b>13.1 Reconciliation of share deposit money</b>			
Opening balance		7,000,000	12,000,000
Right shares issued during the period / year		-	(5,000,000)
Closing balance		<u>7,000,000</u>	<u>7,000,000</u>

	(Un-audited) June 30, 2015	(Audited) December 31, 2014
	Rupees in '000'	
<b>14. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>		
Surplus on revaluation of operating fixed assets	2,088,205	2,117,084
Surplus on revaluation of available for sale securities	1,830,887	1,953,560
	<u>3,919,092</u>	<u>4,070,644</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, 2015	(Audited) December 31, 2014
	Rupees in '000'	
Government	-	-
Financial institutions	-	-
Others	1,026,279	996,208
	<u>1,026,279</u>	<u>996,208</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:

	Note	(Un-audited) June 30, 2015	(Audited) December 31, 2014
		Rupees in '000'	
Government		425,200	508,758
Financial institutions		14,469	14,469
Others		17,706,657	15,823,674
		<u>18,146,326</u>	<u>16,346,901</u>

### 15.3 Trade related contingent liabilities

Government	7,357,863	9,540,901
Financial institutions	-	-
Others	10,712,936	11,199,942
	<u>18,070,799</u>	<u>20,740,843</u>

### 15.4 Other contingencies

Claims against the Bank not acknowledged as debts	15.4.1	29,328,783	35,192,352
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**15.4.1** The amount involved in the claims filed against the Bank are yet to be adjudicated by the concerned courts as the same have been filed as outburst to Bank's recovery suits. Uptill now, in no case, any claim has been adjudicated, determined or decreed by the courts against the Bank. Moreover, there is no likelihood of decreeing the suits against the Bank because the claims are frivolous.

### 15.5 Income tax related contingency

For the tax years 2010, 2011 & 2012 Income Tax Department has amended the assessment orders on the issues of separate taxation of dividend income and turnover tax against which the Bank has filled appeals before Commissioner Inland Revenue Appeals. The expected tax liability in respect of aforesaid tax years amounts to Rs.162,772 thousand and minimum tax under section 113 amounts to Rs. 257,967 thousand. The management of the Bank, as per the opinion of its tax consultant, is confident that the appeals filed for the aforementioned tax years will be decided in Bank's favour.

### 15.6 Commitments to extend credit

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

	(Un-audited) June 30, 2015	(Audited) December 31, 2014
Rupees in '000'		
<b>15.7 Commitments in respect of forward exchange contracts</b>		
Purchase	6,250,676	5,314,736
Sale	5,046,737	3,658,932
	<u>11,297,413</u>	<u>8,973,668</u>
<b>15.8 Commitments for the acquisition of operating fixed assets</b>	<u>171,622</u>	<u>63,278</u>

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

	----- (Un-audited) -----			
	Three Months Ended June 30, 2015	Six Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2014
Profit after taxation (Rupees in thousand)	<u>1,454,831</u>	<u>2,763,566</u>	<u>886,362</u>	<u>1,337,236</u>
Weighted average number of ordinary shares (thousand)	<u>1,555,113</u>	<u>1,555,113</u>	<u>1,322,283</u>	<u>1,322,283</u>
Earnings per share - basic and diluted (Rupees)	<u>0.94</u>	<u>1.78</u>	<u>0.67</u>	<u>1.01</u>

## 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</b>						
<b>June 30, 2015 (Un-audited)</b>						
Total income	11,201,047	1,738,833	7,293,435	238,289	43,200	20,514,804
Total expenses	1,316,470	2,047,052	12,938,246	-	-	16,301,768
Inter segment transfer revenue / (cost)	(5,838,618)	886,105	4,952,513	-	-	-
Income taxes	-	-	-	-	-	1,449,470
Net income / (loss)	4,045,959	577,886	(692,298)	238,289	43,200	2,763,566
Segment assets (gross)	208,317,374	31,072,333	220,178,919	-	-	459,568,626
Segment non performing advances / investments	3,040,391	2,124,690	55,412,942	-	-	60,578,023
Segment provision required	2,980,435	1,911,029	26,845,559	-	-	31,737,023
Segment liabilities	6,991,097	61,133,832	351,176,237	-	-	419,301,166
Segment return on net assets (ROA) (%)	13.06%	14.35%	12.86%			
Segment cost of funds (%)	8.05%	7.63%	7.78%			
<b>Six Months Ended</b>						
<b>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%			

## 18. RELATED PARTY TRANSACTIONS

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

	June 30, 2015 (Un-audited)				December 31, 2014 (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	121,056	760,121	-	61,874	86,027	1,091,975	-	52,591
Loans granted during the period	57,854	417,378	-	-	70,710	649,808	-	267,235
Repayments received during the period	(59,129)	(394,869)	-	(61,874)	(35,681)	(981,662)	-	(257,952)
Closing balance	119,781	782,630	-	-	121,056	760,121	-	61,874
<b>Deposits</b>								
Opening balance	15,177	20,407	2,076,040	46,545	25,092	26,195	805,346	29,657
Placements made during the period	165,698	380,717	4,254,358	63,724	279,029	790,050	6,566,043	70,317
Withdrawals during the period	(157,296)	(350,028)	(4,192,042)	(109,770)	(288,944)	(795,838)	(5,295,349)	(53,429)
Closing balance	23,579	51,096	2,138,356	499	15,177	20,407	2,076,040	46,545
<b>Placements</b>	-	100,000	-	-	-	100,000	-	-
<b>Lease liability</b>	-	-	-	-	-	1,128	-	-
	June 30, 2015 (Un-audited)				June 30, 2014 (Un-audited)			
	Rupees in '000'				Rupees in '000'			
<b>Transactions during the period :</b>								
Mark-up/return earned	4,830	29,683	-	-	3,871	44,977	-	-
Mark-up/interest expensed	267	-	83,552	1,258	309	-	81,539	1,214
Contribution to employees funds	-	-	38,865	-	-	-	38,556	-

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

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

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

As at Statement of Financial Position date the loans and advances, deposits and contingencies relating to Government related entities amounted to Rs. 35,996,048 thousand (December 31, 2014: Rs. 23,818,185 thousand), Rs. 176,967,928 thousand (December 31, 2014: Rs.146,442,712 thousand) and Rs.6,700,289 thousand (December 31, 2014: Rs. 10,179,293 thousand) respectively.

## 19. DATE OF AUTHORIZATION FOR ISSUE

This unconsolidated condensed interim financial information was authorized for issuance on August 27, 2015 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, 2015

Annexure - I

The Bank is operating 37 Islamic banking branches at close of June 30, 2015 (December 31, 2014: 37 branches).

	Note	(Un-audited) June 30, 2015	(Audited) December 31, 2014
Rupees in '000'			
<b>ASSETS</b>			
Cash and balances with treasury banks		1,319,903	869,772
Balance with other banks		170,806	150,225
Due from financial institutions		1,000,000	4,029,000
Investments		5,550,604	1,627,737
Islamic financing and related assets	A	3,230,113	1,599,074
Operating fixed assets		171,334	100,407
Deferred tax assets		-	-
Other assets		415,674	125,329
<b>TOTAL ASSETS</b>		<b>11,858,434</b>	<b>8,501,544</b>
<b>LIABILITIES</b>			
Bills payable		56,944	63,129
Due to financial institutions		-	264
Deposit and other accounts			
- Current accounts		5,515,489	3,250,964
- Saving accounts		4,999,182	3,916,827
- Term deposits		462,333	284,189
- Others		128,519	129,835
- Deposits from financial institutions - remunerative		-	-
- Deposits from financial institutions - non - remunerative		-	-
Due to head office		-	275,970
Other liabilities		73,384	28,781
		11,235,851	7,949,959
<b>NET ASSETS</b>		<b>622,583</b>	<b>551,585</b>
<b>REPRESENTED BY</b>			
Islamic banking fund		500,000	500,000
Reserves		-	-
Unappropriated profit		102,428	55,436
		602,428	555,436
Surplus on revaluation of assets		20,155	(3,851)
		622,583	551,585
Remuneration to Shariah Advisor / Board		930	2,054
<b>CHARITY FUND</b>			
Opening balance		-	19
Additions during the period		1,510	1
Payments / utilization during the period		-	(20)
Closing balance		1,510	-
<b>A. Islamic financing and related assets</b>			
Islamic mode of financing	A.1	3,230,113	1,599,074
<b>A.1 Islamic mode of financing</b>			
Murabaha		1,177,800	180,439
Diminishing musharaka		1,642,935	1,009,628
Ijarah		409,378	409,007
		3,230,113	1,599,074

## Islamic Banking Business - Profit and Loss Account

For the Six Months Ended June 30, 2015 (Un-audited)

Annexure - I

	Three Months Ended June 30, 2015	Six Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2014
Rupees in '000'				
<b>Profit / Return earned on financing, investment and placements</b>	179,657	333,591	45,479	75,910
<b>Return on deposits and other dues expensed</b>	46,850	101,730	7,722	13,515
<b>Net spread earned</b>	132,807	231,861	37,757	62,395
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	132,807	231,861	37,757	62,395
<b>Other income</b>				
Fee, commission and brokerage income	4,846	6,630	1,836	2,328
Dividend income	-	-	-	-
Income from dealing in foreign currencies	63	7	12	26
Gain on sale and redemption of securities	-	-	-	-
Unrealized (loss) / gain on revaluation of investments classified as held for trading	-	-	-	-
Other income	26,413	30,731	26,810	27,651
Total other income	31,322	37,368	28,658	30,005
	164,129	269,229	66,415	92,400
<b>Other expenses</b>				
Administrative expenses	127,851	222,226	34,225	53,154
Other provisions/write offs/reversals	-	-	-	-
Other charges	-	11	-	-
Total other expenses	127,851	222,237	34,225	53,154
	36,278	46,992	32,190	39,246
Extra ordinary / unusual items	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	<b>36,278</b>	<b>46,992</b>	<b>32,190</b>	<b>39,246</b>

## Consolidated Condensed Interim Financial Statements

for the six months ended June 30, 2015 (Un-Audited)

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



## Consolidated Condensed Interim Statement of Financial Position

As at June 30, 2015

	Note	(Un-audited) June 30, 2015	(Audited) December 31, 2014
Rupees in '000'			
<b>ASSETS</b>			
Cash and balances with treasury banks		25,383,882	23,622,411
Balances with other banks		5,117,469	2,239,170
Lendings to financial institutions	5	5,472,842	32,748,623
Investments - net	6	170,392,360	154,943,890
Advances - net	7	195,180,607	170,273,415
Operating fixed assets	8	6,318,609	5,490,121
Deferred tax assets - net	9	8,582,271	9,845,426
Other assets - net		24,820,983	21,237,382
		441,269,023	420,400,438
<b>LIABILITIES</b>			
Bills payable		3,289,582	1,727,731
Borrowings	10	15,298,906	44,742,624
Deposits and other accounts	11	386,096,724	342,290,693
Sub-ordinated loan		2,000,000	2,000,000
Liabilities against assets subject to finance lease		-	1,128
Deferred tax liabilities - net		-	-
Other liabilities		12,616,211	10,281,610
		419,301,423	401,043,786
<b>NET ASSETS</b>		<b>21,967,600</b>	<b>19,356,652</b>
<b>REPRESENTED BY</b>			
Share capital	12	15,551,132	15,551,132
Discount on issue of shares		(263,158)	(263,158)
Share deposit money	13	7,000,000	7,000,000
Reserves		2,081,243	2,081,243
Accumulated losses		(6,320,709)	(9,083,209)
		18,048,508	15,286,008
Surplus on revaluation of assets - net of tax	14	3,919,092	4,070,644
		<b>21,967,600</b>	<b>19,356,652</b>
Contingencies and commitments	15		

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

President

Director

## Consolidated Condensed Interim Profit and Loss Account

For the Six Months Ended June 30, 2015 (Un-audited)

	Three Months Ended June 30, 2015	Six Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2014
Rupees in '000'				
<b>Mark-up / return / interest earned</b>	8,046,255	16,215,207	7,308,068	13,808,186
<b>Mark-up / return / interest expensed</b>	5,123,355	10,789,673	5,529,898	11,025,993
Net mark-up / return / interest income	2,922,900	5,425,534	1,778,170	2,782,193
Provision / (Reversal of provision) against non-performing loans and advances - net	1,339,833	1,946,818	(932,746)	(1,070,809)
Provision for diminution in the value of investments - net	9,902	12,614	155,782	57,646
Bad debts written off directly	-	-	-	-
	1,349,735	1,959,432	(776,964)	(1,013,163)
Net mark-up / return / interest income after provisions	1,573,165	3,466,102	2,555,134	3,795,356
<b>NON MARK-UP / INTEREST INCOME</b>				
Fee, commission and brokerage income	353,914	519,885	235,270	372,588
Dividend income	12,465	28,238	11,480	22,936
Income from dealing in foreign currencies	20,956	63,419	49,779	94,090
Gain on sale and redemption of securities - net	1,736,654	2,720,661	65,067	243,764
Unrealized gain / (loss) on revaluation of investments classified as held for trading	7,232	(14,898)	2,972	2,465
Other income	295,546	980,565	86,098	526,915
Total non-markup / interest income	2,426,767	4,297,870	450,666	1,262,758
	3,999,932	7,763,972	3,005,800	5,058,114
<b>NON MARK-UP / INTEREST EXPENSES</b>				
Administrative expenses	1,805,023	3,520,284	1,583,870	2,939,061
Provision / (Reversal of provision) against other assets	340	8,671	(8,321)	(2,422)
Provision against off balance sheet obligations	-	32,274	-	-
Other charges	19,343	19,652	19,471	19,479
Total non-markup / interest expenses	1,824,706	3,580,881	1,595,020	2,956,118
	2,175,226	4,183,091	1,410,780	2,101,996
Extra ordinary / unusual items	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	2,175,226	4,183,091	1,410,780	2,101,996
Taxation - Current	104,739	205,148	77,521	150,643
- Prior years	-	-	-	-
- Deferred	647,118	1,244,322	412,025	579,245
	751,857	1,449,470	489,546	729,888
<b>PROFIT AFTER TAXATION</b>	1,423,369	2,733,621	921,234	1,372,108
<b>Earnings per share - basic and diluted (Rupees) - Note 16</b>	0.92	1.76	0.70	1.04

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, 2015 (Un-audited)

	Three Months Ended June 30, 2015	Six Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2014
	Rupees in '000'			
<b>Profit after taxation for the period</b>	1,423,369	2,733,621	921,234	1,372,108
<b>Other comprehensive income not to be reclassified to profit and loss account in subsequent periods:</b>				
Actuarial gains on remeasurement recognized during the period	-	-	-	-
<b>Comprehensive income transferred to equity</b>	1,423,369	2,733,621	921,234	1,372,108
<b>Components of comprehensive income not reflected in equity</b>				
<b>Items to be reclassified to profit and loss in subsequent periods:</b>				
Surplus on revaluation of investments - net of tax	(1,293,817)	(122,673)	(296,822)	25,546
<b>Total comprehensive income for the period</b>	<u>129,552</u>	<u>2,610,948</u>	<u>624,412</u>	<u>1,397,654</u>

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, 2015 (Un-audited)

	Six months ended	
	June 30, 2015	June 30, 2014
	Rupees in '000'	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	4,183,091	2,101,996
Less: Dividend income	(28,238)	(22,936)
	<u>4,154,853</u>	<u>2,079,060</u>
Adjustments for:		
Depreciation on property and equipment	254,156	193,689
Depreciation on ijarah assets under IFAS - 2	27,054	-
Amortization on intangible assets	3,610	2,226
Amortization of premium / (discount) on debt securities	135,270	(52,063)
Unrealized loss / (gain) on revaluation of investments classified as held for trading	14,898	(2,465)
Provision / (Reversal of provision) against non-performing loans and advances - net	1,946,818	(1,070,809)
Provision for diminution in the value of investments - net	12,614	57,646
Provision for employees compensated absences	7,125	8,279
Provision for gratuity	44,843	41,438
Provision against off balance sheet obligations	32,274	-
Provision / (Reversal of provision) against other assets	8,671	(2,422)
Net profit on sale of property and equipment	(8,693)	(22,483)
Net profit on sale of non-banking assets acquired in satisfaction of claims	(12,574)	(14,122)
Gain on sale and redemption of securities - net	(2,720,661)	(243,764)
Finance charges on leased assets	16	95
	<u>(254,579)</u>	<u>(1,104,755)</u>
	3,900,274	974,305
(Increase) / Decrease in operating assets:		
Lendings to financial institutions	26,675,781	3,435,200
Net investments in held for trading securities	(6,484,894)	7,804,297
Advances - net	(26,881,064)	(4,588,035)
Other assets - net	(3,728,431)	(5,255,484)
	<u>(10,418,608)</u>	<u>1,395,978</u>
Increase / (Decrease) in operating liabilities:		
Bills payable	1,561,851	802,114
Borrowings	(29,752,516)	(7,000,699)
Deposits and other accounts	43,806,031	26,253,925
Other liabilities	2,250,359	1,982,365
	<u>17,865,725</u>	<u>22,037,705</u>
	11,347,391	24,407,988
Financial charges paid	(16)	(95)
Income tax paid	(214,544)	(121,085)
<b>Net cash flow from operating activities</b>	<u>11,132,831</u>	<u>24,286,808</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	(6,509,529)	(11,792,930)
Net investments in held to maturity securities	-	(13,729,584)
Dividends received	27,743	22,060
Investments in operating fixed assets	(1,050,980)	(239,337)
Sale proceeds of property and equipment disposed-off	10,495	54,896
Sale proceeds of non-banking assets disposed-off	121,540	267,201
<b>Net cash used in investing activities</b>	<u>(7,400,731)</u>	<u>(25,417,694)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Right shares issue cost	-	(103,620)
Payment of lease obligations	(1,128)	(659)
<b>Net cash used in financing activities</b>	<u>(1,128)</u>	<u>(104,279)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	3,730,972	(1,235,165)
Cash and cash equivalents at beginning of the period	26,368,200	28,854,680
Cash and cash equivalents at end of the period	<u>30,099,172</u>	<u>27,619,515</u>
<b>Cash and cash equivalents:</b>		
Cash and balances with treasury banks	25,383,882	24,225,128
Balances with other banks	5,117,469	2,919,723
Call money lendings	-	475,000
Overdrawn nostro accounts	(402,179)	(336)
	<u>30,099,172</u>	<u>27,619,515</u>

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, 2015 (Un-audited)

	Rupees in '000'				Capital Reserves		Revenue Reserve	Total
	Share capital	Discount on issue of shares	Share deposit money	Statutory reserve	Share premium	Restructuring reserve	Accumulated losses	
<b>Balance as at January 1, 2014</b>	10,551,132	(263,158)	12,000,000	783,965	37,882	717,812	(11,275,026)	12,552,607
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	5,000,000	-	(5,000,000)	-	-	-	(103,620)	(103,620)
<b>Balance as at June 30, 2014</b>	15,551,132	(263,158)	7,000,000	783,965	37,882	717,812	(10,002,524)	13,825,109
Total comprehensive income for the six months ended December 31, 2014	-	-	-	-	-	-	1,471,941	1,471,941
Transfer from surplus on revaluation of fixed assets to accumulated losses - net of tax	-	-	-	-	-	-	4,864	4,864
Transfer from restructuring reserve against NPLs	-	-	-	-	-	(15,906)	-	(15,906)
Transfer to statutory reserve	-	-	-	557,490	-	-	(557,490)	-
<b>Balance as at December 31, 2014</b>	15,551,132	(263,158)	7,000,000	1,341,455	37,882	701,906	(9,083,209)	15,286,008
Total comprehensive income for the six months ended June 30, 2015	-	-	-	-	-	-	2,733,621	2,733,621
Transfer from surplus on revaluation of fixed assets to accumulated losses - net of tax	-	-	-	-	-	-	28,879	28,879
<b>Balance as at June 30, 2015</b>	15,551,132	(263,158)	7,000,000	1,341,455	37,882	701,906	(6,320,709)	18,048,508

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, 2015 (Un-audited)

### 1. STATUS AND NATURE OF BUSINESS

- 1.1 The Bank of Punjab Group comprises The Bank of Punjab (the Bank) and Punjab Modaraba Services (Private) Limited. The Bank was constituted pursuant to The Bank of Punjab Act, 1989. It was given the status of a scheduled bank by the State Bank of Pakistan (SBP) on September 19, 1994. It is principally engaged in commercial banking and related services with its registered office at BOP Tower, 10-B, Block E-2, Main Boulevard, Gulberg III, Lahore. The Bank has 364 branches including 37 Islamic banking branches. (2014: 364 branches including 37 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 floating and managing modarabas.

- 1.2 As on June 30, 2015, paid-up capital, reserves (net of losses) including share deposit money, as allowed by SBP, of the Bank amounts to Rs. 18,048,508 thousand. The Capital Adequacy Ratio (CAR) remained above the required level of 10%. As at the close of the period, net advances aggregating to Rs. 21,311,734 thousand (December 31, 2014: Rs. 21,681,471 thousand) requiring additional provision of Rs. 20,483,745 thousand (December 31, 2014: Rs. 20,689,119 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)-2015/5065 dated February 27, 2015, on the basis of two Letters of Comfort (LOCs) issued by the GoPb as explained in below paragraph.

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 share deposit money in the year 2009 and 2011 respectively against future issue of shares by the Bank. During the year 2014, the Bank has issued 500,000,000 right shares (47.39%) for Rs. 5,000,000 thousand at par value. Accordingly, the entire amount of share deposit money deposited in year 2009 has been converted into paid up capital of the Bank. Further, the GoPb vide two LOCs 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. 3,580,000 thousand (net of tax @ 35%) and Rs. 10,570,000 thousand (net of tax @ 35%) within a period of 90 days after close of the year ending December 31, 2018 if the Bank fails to make provision of Rs. 21,770,000 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.

During the year 2015, the Bank is required to record further provisioning in staggered manner against outstanding exposure of borrowers covered under above LOCs i.e. 5% by June 30, 2015 and additional 10% by December 31, 2015 so as to ensure that total staggering by end of the year 2015 would not be less than 15% of the additional provision of Rs. 20,689,119 thousand required against net advances of Rs. 21,681,471 thousand as on December 31, 2014. The requirement of recording further provisioning of 5% by June 30, 2015, in staggered manner has been duly complied with by the Bank. As communicated by SBP, going forward, further extension in these relaxations would be considered upon satisfactory compliance of the conditions / requirements of SBP as well as the Bank's future performance based on the Bank's business plan.

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.

The financial results of Islamic banking business have been consolidated in this consolidated condensed interim financial information for reporting purposes, after eliminating inter-branch transactions / balances. Key financial figures of the Islamic banking business are disclosed in Annexure-I to this consolidated condensed interim financial information.

The disclosures made in this consolidated condensed interim financial information have, however, been limited based on the format prescribed by the SBP vide BSD Circular letter No. 2 dated May 12, 2004, BSD Circular letter No. 7 dated April 20, 2010 and International Accounting Standard – 34 Interim Financial Reporting. They do not include all of the disclosures required for annual financial statements, and this consolidated condensed interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2014. 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 consolidated financial statements of the Group for the year ended December 31, 2014.

### 4. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies of the Bank are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended December 31, 2014.

	Note	(Un-audited) June 30, 2015	(Audited) December 31, 2014
Rupees in '000'			
<b>5. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lending		-	600,000
Reverse repurchase agreement lendings	5.1	3,372,842	27,719,623
Certificates of investment		700,000	300,000
Placements		1,400,000	4,129,000
		5,472,842	32,748,623

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

	(Un-audited) June 30, 2015			(Audited) December 31, 2014		
	Rupees in '000'			Rupees in '000'		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
Market treasury bills	1,772,842	-	1,772,842	62,787	-	62,787
Pakistan investment bonds	1,600,000	-	1,600,000	27,656,836	-	27,656,836
	<u>3,372,842</u>	<u>-</u>	<u>3,372,842</u>	<u>27,719,623</u>	<u>-</u>	<u>27,719,623</u>

Market value of securities held as collateral as at June 30, 2015 amounted to Rs. 3,493,791 thousand (December 31, 2014: 29,291,585 thousand). These carry mark-up at rate ranging from 7.00% to 8.20% per annum (December 31, 2014: 9.70% to 11.50 % per annum).

### 6. INVESTMENTS - NET

Note	(Un-audited) June 30, 2015			(Audited) December 31, 2014		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	Rupees in '000'			Rupees in '000'		
<b>Held for trading securities:</b>						
Ordinary shares of listed companies	16,944	-	16,944	45,932	-	45,932
Market treasury bills	6,265,370	-	6,265,370	-	-	-
Pakistan investment bonds	338,970	-	338,970	-	-	-
	<u>6,621,284</u>	<u>-</u>	<u>6,621,284</u>	<u>45,932</u>	<u>-</u>	<u>45,932</u>
<b>Available for sale securities:</b>						
Market treasury bills	53,466,829	2,412,660	55,879,489	52,979,483	33,804,515	86,783,998
Pakistan investment bonds	81,120,125	-	81,120,125	44,708,426	-	44,708,426
Ordinary shares / certificates of listed companies and modarabas	1,385,821	-	1,385,821	1,458,847	-	1,458,847
Preference shares of listed companies	415,451	-	415,451	495,451	-	495,451
Ordinary shares of unlisted company	25,000	-	25,000	25,000	-	25,000
Mutual fund units	79,568	-	79,568	373,802	-	373,802
Government of Pakistan ijara sukuk bonds	5,605,449	-	5,605,449	1,706,588	-	1,706,588
Listed term finance certificates	666,493	-	666,493	736,008	-	736,008
Unlisted term finance certificates	3,589,099	-	3,589,099	3,644,013	-	3,644,013
	<u>146,353,835</u>	<u>2,412,660</u>	<u>148,766,495</u>	<u>106,127,618</u>	<u>33,804,515</u>	<u>139,932,133</u>
<b>Held to maturity securities:</b>						
Pakistan investment bonds	15,139,652	-	15,139,652	15,090,774	-	15,090,774
WAPDA bonds	400	-	400	400	-	400
	<u>15,140,052</u>	<u>-</u>	<u>15,140,052</u>	<u>15,091,174</u>	<u>-</u>	<u>15,091,174</u>
<b>Total investments at cost</b>	<b>168,115,171</b>	<b>2,412,660</b>	<b>170,527,831</b>	<b>121,264,724</b>	<b>33,804,515</b>	<b>155,069,239</b>
Provision for diminution in the value of investment - net	(2,937,323)	-	(2,937,323)	(3,045,286)	-	(3,045,286)
<b>Investments net of provisions</b>	<b>165,177,848</b>	<b>2,412,660</b>	<b>167,590,508</b>	<b>118,219,438</b>	<b>33,804,515</b>	<b>152,023,953</b>
Surplus on revaluation of available for sale securities	2,816,750	-	2,816,750	2,920,591	-	2,920,591
Deficit on revaluation of held for trading securities	(14,898)	-	(14,898)	(654)	-	(654)
<b>Total investments at market value</b>	<b>167,979,700</b>	<b>2,412,660</b>	<b>170,392,360</b>	<b>121,139,375</b>	<b>33,804,515</b>	<b>154,943,890</b>

6.1 Market value of held to maturity investments is Rs. 15,887,199 thousand (December 31, 2014: Rs. 15,612,502 thousand).

	Note	(Un-audited) June 30, 2015 Rupees in '000'	(Audited) December 31, 2014
<b>7. ADVANCES - NET</b>			
Loans, cash credits, running finances, etc. - In Pakistan		188,897,257	173,952,931
Net investment in finance lease - In Pakistan		29,012,517	17,372,840
Net book value of assets in ijarah under IFAS 2 - In Pakistan		409,378	217,559
Islamic financing and related assets		2,820,735	1,381,515
Bills discounted and purchased (excluding treasury bills)			
-Payable in Pakistan		1,329,794	2,187,991
-Payable outside Pakistan		1,467,514	1,970,349
Advances - gross		2,797,308	4,158,340
Provision for non-performing loans and advances :		223,937,195	197,083,185
-Specific	7.1 & 7.2	(28,544,312)	(26,702,645)
-General	7.3	(212,276)	(107,125)
Advances - net of provision		(28,756,588)	(26,809,770)
		195,180,607	170,273,415

7.1 Provision against certain net advances amounting to Rs. 21,311,734 thousand (December 31, 2014: Rs. 21,642,293 thousand) requiring additional provisioning of Rs. 20,483,745 thousand (December 31, 2014: Rs. 20,649,941 thousand) has not been considered necessary in this consolidated condensed interim financial information on the basis of undertaking given by GoPb as stated in Note 1.2. However, during the period, in order to meet the staggering requirement of 5% an additional provision net off recoveries amounting to Rs. 1,122,755 thousand has been recognized.

7.2 Advances include Rs. 57,489,133 thousand (December 31, 2014: Rs. 55,611,275 thousand) which have been placed under non-performing status as on June 30, 2015 as detailed below:

Category of classification	June 30, 2015 (Un-audited)				
	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000'				
Other assets especially mentioned	139,380	-	139,380	1,010	1,010
Substandard	8,390,390	-	8,390,390	2,090,503	2,090,503
Doubtful	1,449,849	-	1,449,849	528,212	528,212
Loss	47,509,514	-	47,509,514	25,924,587	25,924,587
	57,489,133	-	57,489,133	28,544,312	28,544,312
	December 31, 2014 (Audited)				
	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000'				
Other assets especially mentioned	68,097	-	68,097	415	415
Substandard	8,429,852	-	8,429,852	2,070,332	2,070,332
Doubtful	743,240	-	743,240	284,398	284,398
Loss	46,370,086	-	46,370,086	24,347,500	24,347,500
	55,611,275	-	55,611,275	26,702,645	26,702,645

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

7.4 The SBP amended the prudential regulations vide BSD Circular No.1 of 2011 dated October 21, 2011 in relation to provision for loans and advances; there by allowing benefit of Forced Sale Value (FSV) of pledged stocks, mortgaged residential, commercial and industrial properties (land and buildings only) and plant and machinery under charge held as collateral against non-performing advances. The FSV benefit availed in last years have been reduced by Rs. 132,360 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 six months ended would have been higher by Rs. 132,360 thousand (June 30, 2014: higher by Rs. 1,094,398 thousand) and Rs. 86,034 thousand (June 30, 2014: higher by Rs. 711,359 thousand) respectively.

## 8. OPERATING FIXED ASSETS

During the period, additions to / disposals from operating fixed assets amounted to Rs. 1,050,980 thousand (June 30, 2014: Rs. 239,337 thousand) and Rs. 39,631 thousand (June 30, 2014: Rs. 90,944 thousand), respectively.

	(Un-audited) June 30, 2015	(Audited) December 31, 2014
Rupees in '000'		
<b>9. DEFERRED TAX ASSETS - NET</b>		
<b>Taxable temporary differences:</b>		
Surplus on revaluation of operating fixed assets	(606,453)	(622,003)
Surplus on available for sale securities	(985,863)	(967,031)
Accelerated tax depreciation	(187,716)	(225,573)
<b>Deductible temporary differences:</b>		
Loan loss provision	8,033,380	8,026,320
Business loss	2,328,923	3,633,713
	<u>8,582,271</u>	<u>9,845,426</u>

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, 2015	(Audited) December 31, 2014
Rupees in '000'		
<b>10. BORROWINGS</b>		
<b>Secured</b>		
Borrowings from SBP:		
-Export refinance (ERF)	10,293,249	9,581,230
-Long term financing - export oriented projects (LTF-EOP)	15,640	54,872
-Long term financing facility (LTF)	1,468,075	1,404,893
Repurchase agreement borrowings	2,410,498	33,608,248
	<u>14,187,462</u>	<u>44,649,243</u>
<b>Unsecured</b>		
Foreign placement	709,265	-
Overdrawn nostro accounts	402,179	93,381
	<u>15,298,906</u>	<u>44,742,624</u>
<b>11. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	125,694,773	120,193,692
Savings deposits	148,338,133	132,651,725
Current accounts - non - remunerative	100,847,950	77,060,674
Sundry deposits, margin accounts, etc.	7,079,163	8,223,503
	<u>381,960,019</u>	<u>338,129,594</u>
<b>Financial Institutions</b>		
Remunerative deposits	3,041,098	2,845,709
Non-remunerative deposits	1,095,607	1,315,390
	<u>4,136,705</u>	<u>4,161,099</u>
	<u>386,096,724</u>	<u>342,290,693</u>
<b>11.1 Particulars of deposits</b>		
In local currency	380,529,967	335,644,511
In foreign currencies	5,566,757	6,646,182
	<u>386,096,724</u>	<u>342,290,693</u>



	(Un-audited) June 30, 2015	(Audited) December 31, 2014
	Rupees in '000'	
<b>14. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>		
Surplus on revaluation of operating fixed assets	2,088,205	2,117,084
Surplus on revaluation of available for sale securities	1,830,887	1,953,560
	<u>3,919,092</u>	<u>4,070,644</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, 2015	(Audited) December 31, 2014
	Rupees in '000'	
Government	-	-
Financial institutions	-	-
Others	1,026,279	996,208
	<u>1,026,279</u>	<u>996,208</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, 2015	(Audited) December 31, 2014
	Rupees in '000'	
Government	425,200	508,758
Financial institutions	14,469	14,469
Others	17,706,657	15,823,674
	<u>18,146,326</u>	<u>16,346,901</u>

##### 15.3 Trade related contingent liabilities

Government	7,357,863	9,540,901
Financial institutions	-	-
Others	10,712,936	11,199,942
	<u>18,070,799</u>	<u>20,740,843</u>

##### 15.4 Other contingencies

Claims against the Bank not acknowledged as debts	15.4.1	29,328,783	35,192,352
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**15.4.1** The amount involved in the claims filed against the Bank are yet to be adjudicated by the concerned courts as the same have been filed as outburst to Bank's recovery suits. Uptill now, in no case, any claim has been adjudicated, determined or decreed by the courts against the Bank. Moreover, there is no likelihood of decreasing the suits against the Bank because the claims are frivolous.

##### 15.5 Corporate compliance

The Registrar Modaraba Companies and Modarabas (the Registrar), vide order dated 27 August, 2009, had imposed penalty of Rs.150,000 each on the Ex-Chief Executive, one Ex- Director, one existing Director and the Company through its Chief Executive due to violation of certain provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 and Modaraba Companies and Modaraba Rules, 1981. The Company had filed an appeal before the Appellate Bench Securities and Exchange Commission of Pakistan (SECP), whereby SECP vide its order dated April 23, 2012 upheld the penalty imposed by the Registrar. The Company has filed an appeal against the said order before Honourable Lahore High Court, Lahore, which is pending adjudication.

## 15.6 Income tax related contingency

For the tax years 2010, 2011 & 2012 Income Tax Department has amended the assessment orders on the issues of separate taxation of dividend income and turnover tax against which the Bank has filed appeals before Commissioner Inland Revenue Appeals. The expected tax liability in respect of aforesaid tax years amounts to Rs.162,772 thousand and minimum tax under section 113 amounts to Rs. 257,967 thousand. The management of the Bank, as per the opinion of its tax consultant, is confident that the appeals filed for the aforementioned tax years will be decided in Bank's favour.

The PMSL Tax Advisors have certified total refunds due from the Tax Department aggregating Rs. 6,333 thousand. Refund applications of the Company for the Tax Years 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 denovo proceeding which have been initiated and pending for adjudication.

## 15.7 Commitments to extend credit

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

	(Un-audited) June 30, 2015	(Audited) December 31, 2014
	Rupees in '000'	
<b>15.8 Commitments in respect of forward exchange contracts</b>		
Purchase	6,250,676	5,314,736
Sale	5,046,737	3,658,932
	<u>11,297,413</u>	<u>8,973,668</u>
<b>15.9 Commitments for the acquisition of operating fixed assets</b>	<u>171,622</u>	<u>63,278</u>

## 16. EARNINGS PER SHARE - BASIC AND DILUTED

	----- (Un-audited) -----			
	Three Months Ended June 30, 2015	Six Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2014
Profit after taxation (Rupees in thousand)	<u>1,423,369</u>	<u>2,733,621</u>	<u>921,234</u>	<u>1,372,108</u>
Weighted average number of ordinary shares (thousand)	<u>1,555,113</u>	<u>1,555,113</u>	<u>1,322,283</u>	<u>1,322,283</u>
Earnings per share - basic and diluted (Rupees)	<u>0.92</u>	<u>1.76</u>	<u>0.70</u>	<u>1.04</u>

## 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</b>						
<b>June 30, 2015 (Un-audited)</b>						
Total income	11,201,047	1,738,833	7,291,708	238,289	43,200	20,513,077
Total expenses	1,342,494	2,047,052	12,940,440	-	-	16,329,986
Inter segment transfer revenue / (cost)	(5,838,618)	886,105	4,952,513	-	-	-
Income taxes	-	-	-	-	-	1,449,470
Net income / (loss)	4,019,935	577,886	(696,219)	238,289	43,200	2,733,621
Segment assets (gross)	208,317,374	31,072,333	220,130,523	-	-	459,520,230
Segment non performing advances / investments	2,948,780	2,124,690	55,412,942	-	-	60,486,412
Segment provision required	2,937,323	1,911,029	26,845,559	-	-	31,693,911
Segment liabilities	6,991,097	61,133,832	351,176,494	-	-	419,301,423
Segment return on net assets (ROA) (%)	13.06%	14.35%	12.86%			
Segment cost of funds (%)	8.05%	7.63%	7.78%			
<b>Six Months Ended</b>						
<b>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%			

## 18. RELATED PARTY TRANSACTIONS

Related parties comprise modaraba floated by the wholly owned subsidiary of the Bank, key management personnel and entities in which key management personnel are office holders / members. The Group in the normal course of business carries out transactions with various related parties on arm's length basis. Amounts due from and due to related parties are shown under receivables and payables. In addition key management personnel are paid terminal and short-term terminal benefits.

	June 30, 2015 (Un-audited)				December 31, 2014 (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	125,954	720,942	-	61,874	91,202	1,045,975	-	52,591
Loans granted during the period	57,854	408,057	-	-	70,710	647,533	-	267,235
Repayments received during the period	(59,699)	(394,869)	-	(61,874)	(35,958)	(972,566)	-	(257,952)
Closing balance	124,109	734,130	-	-	125,954	720,942	-	61,874
<b>Deposits</b>								
Opening balance	18,239	20,356	2,076,040	46,545	27,878	26,123	805,346	29,657
Placements made during the period	165,776	371,353	4,254,358	63,724	282,750	787,775	6,566,043	70,317
Withdrawals during the period	(160,382)	(340,656)	(4,192,042)	(109,770)	(292,389)	(793,542)	(5,295,349)	(53,429)
Closing balance	23,633	51,053	2,138,356	499	18,239	20,356	2,076,040	46,545
<b>Placements</b>	-	100,000	-	-	-	100,000	-	-
<b>Lease liability</b>	-	-	-	-	-	1,128	-	-

	June 30, 2015 (Un-audited)				June 30, 2014 (Un-audited)			
	Rupees in '000'				Rupees in '000'			
<b>Transactions during the period :</b>								
Mark-up/return earned	4,830	27,956	-	-	4,346	42,460	-	-
Mark-up/interest expensed	291	-	83,552	1,258	311	-	81,539	1,214
Contribution to employees funds	-	-	38,865	-	-	-	38,556	-

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

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

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

As at Statement of Financial Position date the loans and advances, deposits and contingencies relating to Government related entities amounted to Rs. 35,996,048 thousand (December 31, 2014: Rs. 23,818,185 thousand), Rs. 176,967,928 thousand (December 31, 2014: Rs.146,442,712 thousand) and Rs.6,700,289 thousand (December 31, 2014: Rs. 10,179,293 thousand) respectively.

## 19. DATE OF AUTHORIZATION FOR ISSUE

This consolidated condensed interim financial information was authorized for issuance on August 27, 2015 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, 2015

Annexure - I

The Bank is operating 37 Islamic banking branches at close of June 30, 2015 (December 31, 2014: 37 branches).

	Note	(Un-audited) June 30, 2015	(Audited) December 31, 2014
Rupees in '000'			
<b>ASSETS</b>			
Cash and balances with treasury banks		1,319,903	869,772
Balance with other banks		170,806	150,225
Due from financial institutions		1,000,000	4,029,000
Investments		5,550,604	1,627,737
Islamic financing and related assets	A	3,230,113	1,599,074
Operating fixed assets		171,334	100,407
Deferred tax assets		-	-
Other assets		415,674	125,329
<b>TOTAL ASSETS</b>		<b>11,858,434</b>	<b>8,501,544</b>
<b>LIABILITIES</b>			
Bills payable		56,944	63,129
Due to financial institutions		-	264
Deposit and other accounts			
- Current accounts		5,515,489	3,250,964
- Saving accounts		4,999,182	3,916,827
- Term deposits		462,333	284,189
- Others		128,519	129,835
- Deposits from financial institutions - remunerative		-	-
- Deposits from financial institutions - non - remunerative		-	-
Due to head office		-	275,970
Other liabilities		73,384	28,781
		11,235,851	7,949,959
<b>NET ASSETS</b>		<b>622,583</b>	<b>551,585</b>
<b>REPRESENTED BY</b>			
Islamic banking fund		500,000	500,000
Reserves		-	-
Unappropriated profit		102,428	55,436
		602,428	555,436
Surplus on revaluation of assets		20,155	(3,851)
		622,583	551,585
Remuneration to Shariah Advisor / Board		930	2,054
<b>CHARITY FUND</b>			
Opening balance		-	19
Additions during the period		1,510	1
Payments / utilization during the period		-	(20)
Closing balance		1,510	-
<b>A. Islamic financing and related assets</b>			
Islamic mode of financing	A.1	3,230,113	1,599,074
<b>A.1 Islamic mode of financing</b>			
Murabaha		1,177,800	180,439
Diminishing musharaka		1,642,935	1,009,628
Ijarah		409,378	409,007
		3,230,113	1,599,074

## Islamic Banking Business - Profit and Loss Account

For the Six Months Ended June 30, 2015 (Un-audited)

Annexure - I

	Three Months Ended June 30, 2015	Six Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2014
Rupees in '000'				
Profit / Return earned on financing, investment and placements	179,657	333,591	45,479	75,910
Return on deposits and other dues expensed	46,850	101,730	7,722	13,515
<b>Net spread earned</b>	<b>132,807</b>	<b>231,861</b>	<b>37,757</b>	<b>62,395</b>
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	132,807	231,861	37,757	62,395
<b>Other income</b>				
Fee, commission and brokerage income	4,846	6,630	1,836	2,328
Dividend income	-	-	-	-
Income from dealing in foreign currencies	63	7	12	26
Gain on sale and redemption of securities	-	-	-	-
Unrealized (loss) / gain on revaluation of investments classified as held for trading	-	-	-	-
Other income	26,413	30,731	26,810	27,651
Total other income	31,322	37,368	28,658	30,005
	164,129	269,229	66,415	92,400
<b>Other expenses</b>				
Administrative expenses	127,851	222,226	34,225	53,154
Other provisions/write offs/reversals	-	-	-	-
Other charges	-	11	-	-
Total other expenses	127,851	222,237	34,225	53,154
	36,278	46,992	32,190	39,246
Extra ordinary / unusual items	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	<b>36,278</b>	<b>46,992</b>	<b>32,190</b>	<b>39,246</b>