

CORPORATE INFORMATION

Board of Directors

Mr. Javed Mahmood	Chairman
Mr. Sajjad Hussain	Acting President
Mr. Sohail Ahmed	Director
Mr. Alman Aslam	Director
Mr. Shafqat Ellahi	Director
Mr. Shafqat Mahmood	Director
Mr. Azhar Hamid	Director

Mr. Raza Saeed	Secretary to the Board
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Ford Rhodes Sidat Hyder & Co. Chartered Accountants	Auditors
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Credit Ratings by PACRA

Long term	AA-
Short term	A1+

Registered Office

BOP Tower,10-B, Block E-2, Main Boulevard
Gulberg-III, Lahore - Pakistan.
PABX - 042 - 5783700 - 10

Registrar

M/s Corplink (Pvt) Ltd.
Wings Arcade, 1-K (Commercial)
Model Town, Lahore.
Ph: 042-5839182

DIRECTORS' REPORT

On behalf of the Board of Directors, I am pleased to present un-audited Financial Statements of The Bank of Punjab for the half year ended June 30, 2008.

In the last few months, developments that have unfold both on the international and domestic front, have placed great stress on most of the economies including Pakistan. One of the most serious tests facing government is controlling rising inflation which is impacting economic stability. The State Bank of Pakistan has continued to tighten monetary policy and has taken various measures to lower inflation and bring sustainability in other major macro imbalances. These measures include increase in discount rate, rise in Cash Reserve and Statutory Liquidity Requirements and fixation of minimum rate of return of five percent on saving deposits. The tightening measures along-with the government's consolidated fiscal program would help in achieving macroeconomic stability in the economy and improve the long-term growth prospects of the economy.

During 1st half of the current year, your Bank has passed through a restructuring phase implemented by the Government of Punjab in due consultation with the State Bank of Pakistan to strengthen and improve functioning of the Bank and the current Management is very much confident to grow your Bank in more prudent and compliance oriented environment. During this period, operational performance of your Bank remained satisfactory, especially in 2nd quarter where operational income has registered an increase of 37% over 1st quarter of the year. The Net Interest Margin (NIM) for the 2nd quarter registered a rise of Rs.353 million over the figure of 1st quarter while overall NIM for the 1st half of the current year remained higher by Rs.68 million over 1st half of the year 2007. Similarly Non Interest Mark up Income (NIMI) for the current half year also registered a rise of Rs.361 million i.e. 22% over 2nd half of the year 2007. Based on these significant shifts in income stream, during the half year ended June 30, 2008, your Bank earned a pre-provision and pre-tax profit of Rs.2,713 million as against Rs.2,515 million for the half year ended June 30, 2007 registering a rise of 8%.

However, with a view to fortify capacity to withstand overall slow down in the industry and consequent adverse cyclical market trends that may impact the advances portfolio as well as to take account of any infected debt for which an independent external report has been commissioned, it has been deemed prudent to earmark provision in these accounts. Owing to provisions against advances made during the period, after tax loss for the half year stood at Rs.2,628 million against profit of Rs.1,825 million during the corresponding period last year. However, after registering an after-tax profit of Rs.466 million for the 2nd quarter of the year 2008 with an EPS of Rs.0.88, the LPS of Rs.5.85 for 1st half of the year has now been reduced to Rs.4.97.

At the end of half year, deposits of the Bank remained at a level of Rs.180,824 million and shareholders' equity stood at Rs.12,485 million. Total advances at the end of half year remained at Rs.142,849 million. These include Rs.8,403 million due from three companies which during the period under review, upon adjustment of Rs.450 million, were restructured under revised arrangements for a period of twelve years including three years grace period. As mentioned earlier, the management is in the process of evaluating the recoverability of advances to these three companies and for the time being has made a provision as considered prudent at this point of time. The auditors are of the view that adequacy of provision required against these advances cannot be ascertained with accuracy at this point of time. However, as a matter of prudence, without prejudice to the Bank's claim against these companies, the Bank has started making provision to meet the expected future losses, if any.

The Board of Directors is grateful to the Government of Punjab for its enduring support, State Bank of Pakistan for valuable guidance, the valued Customers for their trust and the Shareholders for their confidence reposed in the Bank and its Management.

For and on behalf of the Board

Chairman

REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying interim condensed balance sheet of The Bank of Punjab as at June 30, 2008 and the related interim condensed profit and loss account, interim condensed cash flow statement and interim condensed statement of changes in equity, together with the notes forming part thereof (hereinafter referred to as "interim" condensed financial information") for the half year then ended. Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standards 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 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.

Basis of Qualified Conclusion

In view of the impending special examination being carried out by consultants as referred in note 9.1 to the interim condensed financial statements, it is not possible at this stage to determine the provision and its extent against the subject advances.

Conclusion

Except for the effect of such adjustment as might have been determined to be necessary had we been able to ascertain the amount of provision required against the aforementioned advances, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Lahore - August 26, 2008

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

INTERIM CONDENSED BALANCE SHEET AS AT JUNE 30, 2008
(Un-audited)

		(Un-audited) June 30, 2008	(Audited) December 31, 2007
	Note	(Rupees in thousand)	
ASSETS			
Cash and balances with treasury banks		19,254,330	14,210,302
Balances with other banks		2,106,677	1,927,662
Lendings to financial institutions	7	3,301,023	2,450,000
Investments	8	38,397,715	73,461,695
Advances	9	142,849,118	133,893,585
Operating fixed assets	10	3,375,469	3,252,759
Deferred tax assets	11	2,513,297	-
Other assets		6,049,237	5,778,192
		217,846,866	234,974,195
LIABILITIES			
Bills payable		958,927	937,647
Borrowings	12	17,006,557	17,842,915
Deposits and other accounts	13	180,823,963	191,968,909
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		35,635	40,321
Deferred tax liabilities		-	2,205,530
Other liabilities		3,898,128	2,983,079
		202,723,210	215,978,401
NET ASSETS		15,123,656	18,995,794
REPRESENTED BY			
Share capital	14	5,287,974	4,230,379
Reserves		7,427,232	7,427,232
Unappropriated profit		(230,473)	3,452,842
		12,484,733	15,110,453
Surplus on revaluation of assets - net of deferred tax	15	2,638,923	3,885,341
		15,123,656	18,995,794
Contingencies and commitments	16		

The annexed notes from 1 to 22 form an integral part of these interim condensed financial statements.

Chairman

President

Director

Director

**INTERIM CONDENSED PROFIT AND LOSS ACCOUNT
FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2008
(Un-audited)**

Note	Quarter ended	Half Year ended	Quarter ended	Half Year ended
	June 30, 2008	June 30, 2008	June 30, 2007	June 30, 2007
	(Rupees in thousand)			
Mark-up / return / interest earned	4,884,638	9,705,550	4,400,779	8,406,228
Mark-up / return / interest expensed	3,721,023	7,731,742	3,539,814	6,500,594
Net mark-up / return / interest income	1,163,615	1,973,808	860,965	1,905,634
Provision against non-performing loans and advances - net	2,351,901	7,636,704	233,146	281,367
(Reversal of provision) / provision for diminution in the value of investments	-	(185)	(8,606)	24,394
Bad debts written off directly	-	-	6	83
	2,351,901	7,636,519	224,546	305,844
Net mark-up / interest income after provisions	(1,188,286)	(5,662,711)	636,419	1,599,790
NON MARK UP / INTEREST INCOME				
Fee, commission and brokerage income	169,772	306,089	145,948	335,454
Dividend income	218,984	440,465	24,927	55,599
Income from dealing in foreign currencies	120,492	210,124	73,997	136,162
Gain on sale and redemption of securities	297,171	733,787	569,789	724,785
Unrealized (loss)/gain on revaluation of investments classified as held for trading	(22,359)	-	4,473	4,432
Other income	152,802	291,579	161,710	364,835
Total non mark-up / interest income	936,862	1,982,044	980,844	1,621,267
	(251,424)	(3,680,667)	1,617,263	3,221,057
NON MARK UP / INTEREST EXPENSES				
Administrative expenses	631,140	1,170,163	564,109	1,011,740
Other provisions / write offs / reversals	-	-	(260,000)	(130,000)
Other charges	72,582	72,688	142	407
Total non mark-up / interest expenses	703,722	1,242,851	304,251	882,147
PROFIT / (LOSS) BEFORE TAXATION	(955,146)	(4,923,518)	1,313,012	2,338,910
Taxation				
- Current	637,489	666,819	74,523	297,655
- Prior	1,052,000	1,052,000	-	-
- Deferred	(3,111,132)	(4,013,831)	194,357	216,425
	(1,421,643)	(2,295,012)	268,880	514,080
PROFIT / (LOSS) AFTER TAXATION	466,497	(2,628,506)	1,044,132	1,824,830
Earnings per share (Rupees) - Basic and Diluted	20 0.88	(4.97)	1.97	3.45

The annexed notes from 1 to 22 form an integral part of these interim condensed financial statements.

Chairman

President

Director

Director

**INTERIM CONDENSED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED JUNE 30, 2008
(Un-audited)**

	Half Year ended June 30, 2008	Half Year ended June 30, 2007
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation	(4,923,518)	2,338,910
Less: Dividend income	(440,465)	(55,599)
	(5,363,983)	2,283,311
Adjustments for non-cash items		
Depreciation	53,898	96,622
Amortization	48,407	-
Provision against non-performing advances	7,636,704	281,367
(Reversal) / provision for diminution in value of investments	(185)	24,394
Provision against lendings to financial institutions	-	(130,000)
Gain on sale of securities	(733,787)	(724,785)
Gain on sale of fixed assets	(825)	(551)
Provision for workers welfare fund	36,260	-
Other provisions / direct write offs	-	83
	7,040,472	(452,870)
	1,676,489	1,830,441
(Increase) / decrease in operating assets		
Lendings to financial institutions	(851,023)	6,981,926
Net investment in held for trading securities	-	(154,432)
Advances	(16,592,237)	(17,310,922)
Other assets	(271,045)	(507,902)
	(17,714,305)	(10,991,330)
Increase / (decrease) in operating liabilities		
Bills payable	21,280	590,948
Borrowings from financial institutions	(980,195)	13,742,852
Deposits and other accounts	(11,144,946)	34,240,055
Liabilities against assets subject to finance lease	(4,686)	(10,924)
Other liabilities (excluding current taxation)	878,789	703,348
	(11,229,758)	49,266,279
Income tax paid	(218,285)	(564,945)
Net cash flows from operating activities	(27,485,859)	39,540,445
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from held to maturity securities-Net	136,384	34,644
Net investment in available for sale securities	32,209,620	(32,850,075)
Dividend income	440,465	57,599
Investment in operating fixed assets	(222,229)	(1,448,033)
Sale proceeds of property and equipment disposed off	825	1,742
Net cash flows from investing activities	32,565,065	(34,204,123)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts/ (Payments) of sub-ordinated loan	-	-
Issue of share capital	-	-
Dividend paid	-	-
Net cash flows from financing activities	-	-
Increase in cash and cash equivalents	5,079,206	5,336,322
Cash and cash equivalents at beginning of the period	16,137,964	18,276,948
Cash and cash equivalents at end of the period	21,217,170	23,613,270
Cash and cash equivalents:		
Cash and balances with treasury banks	19,254,330	17,746,369
Balances with other banks	2,106,677	3,766,901
Money at call lending	-	2,100,000
Overdrawn nostro accounts	(141,351)	-
Other overdrawn bank accounts	(2,486)	-
	21,217,170	23,613,270

The annexed notes from 1 to 22 form an integral part of these interim condensed financial statements.

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED JUNE 30, 2008
(Un-audited)**

	Share Capital	Statutory reserve	Capital Reserve		General reserve	Revenue Reserve		Total
			Share Premium	For issue of bonus shares		Unappropriated Profit		
(Rupees in thousand)								
Balance as at January 01, 2007	2,902,490	2,004,000	37,882	-	2,495,350	3,219,246	10,658,968	
Transfer to reserve for issue of bonus shares	-	-	-	943,309	-	(943,309)	-	
Issue of bonus shares	943,309	-	-	(943,309)	-	-	-	
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	2,933	2,933	
Profit for the half year ended June 30, 2007	-	-	-	-	-	1,824,830	1,824,830	
Balance as at June 30, 2007	3,845,799	2,004,000	37,882	-	2,495,350	4,103,700	12,486,731	
Transfer to reserve for issue of bonus shares	-	-	-	384,580	-	(384,580)	-	
Issue of bonus shares	384,580	-	-	(384,580)	-	-	-	
Transferred to general reserve	-	-	-	-	2,000,000	(2,000,000)	-	
Transferred to statutory reserve	-	890,000	-	-	-	(890,000)	-	
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	2,933	2,933	
Profit for the half year ended December 31, 2007	-	-	-	-	-	2,620,789	2,620,789	
Balance as at January 01, 2008	4,230,379	2,894,000	37,882	-	4,495,350	3,452,842	15,110,453	
Transfer to reserve for issue of bonus shares	-	-	-	1,057,595	-	(1,057,595)	-	
Issue of bonus shares	1,057,595	-	-	(1,057,595)	-	-	-	
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	2,786	2,786	
Loss for the half year ended June 30, 2008	-	-	-	-	-	(2,628,506)	(2,628,506)	
Balance as at June 30, 2008	5,287,974	2,894,000	37,882	-	4,495,350	(230,473)	12,484,733	

The annexed notes from 1 to 22 form an integral part of these interim condensed financial statements.

Chairman

President

Director

Director

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2008
(Un-audited)**

1. Status and Nature of Business

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 272 branches (December 31, 2007: 272 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 the Government of Punjab.

2. Basis of Presentation

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these interim condensed financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

The disclosures made in these interim financial statements have been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular letter No. 2 dated 12 May, 2004, International Accounting Standard 34 - Interim Financial Reporting and should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2007.

The figures of the interim condensed profit and loss account for the quarters ended June 30, 2007 and 2008 and the respective notes forming part thereof have not been reviewed by the auditors of the Bank as they have reviewed the cumulative figures for the half year ended June 30, 2007 and 2008.

3. Statement of Compliance

These interim condensed financial statements have been prepared in accordance with approved accounting standards as applicable to banks in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962, or directives issued by Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984, The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962, or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962, or the requirements of the said directives prevail.

The State Bank of Pakistan as per BSD Circular No. 10, dated 26 August, 2002 has deferred the applicability of IAS-39 'Financial Instruments: Recognition and Measurement' and IAS-40 'Investment Property' for banking companies till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these interim condensed financial statements. However, investments have been classified and valued in accordance with the requirement of various circulars issued by State Bank of Pakistan.

4. Estimates

The preparation of interim condensed financial statements requires managements to make judgment, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The basis for accounting estimates adopted in the preparation of these interim condensed financial statements are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2007.

5. Summary of Significant Accounting Policies

The same accounting policies and methods of computation are followed in the interim condensed financial statements as compared with the most recent annual financial statements.

6. Financial Risk Management

The financial risk management objectives and policies adopted by bank are consistent with those disclosed in the annual financial statements of the bank for the year ended December 31, 2007.

7. Lendings to Financial Institutions	(Un-audited) June 30, 2008	(Audited) December 31, 2007
	(Rupees in thousand)	
Call money lendings	-	1,000,000
Repurchase agreement lendings (Reverse Repo)	2,867,690	-
Certificates of Investment	333,333	500,000
Placements	100,000	950,000
	<u>3,301,023</u>	<u>2,450,000</u>

8. Investments

Note	(Un-Audited) June 30, 2008			(Audited) December 31, 2007		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	(Rupees in thousand)					

8.1 Investments by types

Available-for-sale securities

Pakistan Market Treasury Bills	5,733,227	7,900,200	13,633,427	32,901,100	11,831,304	44,732,404
Pakistan Investment Bonds	734,858	-	734,858	732,097	-	732,097
Ordinary shares of listed companies and modarabas	147,920	-	147,920	147,920	-	147,920
Preference shares of listed companies	210,908	-	210,908	210,908	-	210,908
Ordinary shares of unlisted companies	25,000	-	25,000	25,000	-	25,000
NIT units-LoC	4,118,435	-	4,118,435	4,417,738	-	4,417,738
NIT units- Non LoC	518,873	-	518,873	-	-	-
Investment in funds	11,175,642	250,000	11,425,642	12,317,033	-	12,317,033
Term Finance Certificates (TFCs)	1,718,774	179,928	1,898,702	3,109,818	-	3,109,818

Held-to-maturity securities

Pakistan Market Treasury Bills	-	-	-	-	-	-
Pakistan Investment Bonds	2,850,436	-	2,850,436	2,886,233	-	2,886,233
WAPDA Bonds	400	-	400	100,987	-	100,987

Subsidiary

Punjab Modaraba Services (Private) Limited	164,945	-	164,945	164,945	-	164,945
Total investments at cost	27,399,418	8,330,128	35,729,546	57,013,779	11,831,304	68,845,083
Less: Provision for diminution in value of investments	6,340	-	6,340	6,525	-	6,525
Investments - net of provisions	27,393,078	8,330,128	35,723,206	57,007,254	11,831,304	68,838,558
Surplus on revaluation of available-for-sale securities	2,674,509	-	2,674,509	4,623,137	-	4,623,137
Total investments at market value	<u>27,393,078</u>	<u>8,330,128</u>	<u>38,397,715</u>	<u>61,630,391</u>	<u>11,831,304</u>	<u>73,461,695</u>

- 8.2** This represents units in respect of which the Government of Pakistan (GoP) had issued a Letter of Comfort (LoC) dated June 20, 2006 stating that on Bank's willingness to continue holding the units upto June 30, 2007 from the date of LoC, NIT will be facilitated to redeem the units at Rs.13.70 per unit. Pursuant to the NIT's letter no. MDNIT/191/2007 date February 23, 2007, the Bank had opted for option to enter into an agreement with NIT for staggered redemption spread over a period of several years. However, there has been no further development on the matter.
- 8.3** It includes the investments amounting to Rs. 200 million which were previously classified as Investments Held for Trading but reclassified in accordance with the decision of the Asset Liability Committee (ALCO) due the prevailing economic situation due to which it was not be possible for the Bank to off-load this investment within the period of ninety days as prescribed by SBP.
- 8.4** The market value of securities classified as "held to maturity" amounted to Rs. 2,478,714 thousand (December 31, 2007: Rs. 2,570,923 thousand) .

	Note	(Un-audited) June 30, 2008 (Rupees in thousand)	(Audited) December 31, 2007
9. Advances			
Loans, cash credits, running finances etc- in Pakistan	9.1	142,907,629	125,685,191
Net investment in finance lease- in Pakistan		4,106,147	4,254,233
Repurchase agreement lendings (Reverse Repo)	9.2	1,825,000	-
Financing under Continuous Funding System		-	769,813
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		3,349,176	3,730,205
Payable outside Pakistan		934,186	2,090,561
		4,283,362	5,820,766
		153,122,138	136,530,003
Provision for non-performing advances			
- Specific	9.3	(7,616,507)	(2,500,058)
- General	9.4	(2,656,513)	(136,360)
		(10,273,020)	(2,636,418)
		142,849,118	133,893,585

- 9.1** Advances include Rs. 8,403,447 thousand due from three companies which, upon receipt of Rs. 450,000 thousand during the period, were restructured under revised arrangements for a period of twelve years including three years grace period, in place of seven years including two years grace period. The management, without prejudice to the Bank's claim against these companies, intends to make provision against these advances based on the examination currently being carried out with the assistance of consultants in respect of recoverability of the same. However, a provision of Rs. 2,500,000 thousands has been made against these advances.

9.2 This represents a reverse repo transaction having maturity of 6 months and carries markup rate @ 12 % per annum with a non-financial institution.

9.3 Advances include Rs.10,262,808 thousand (2007: Rs. 3,349,891thousand) which have been classified as non-performing in various categories as detailed below:

Category of classification	Domestic	Overseas	Total	Provision Required	Provision Held
(Rupees in thousand)					
Other assets especially mentioned	251,285	-	251,285	-	-
Substandard	1,578,625	-	1,578,625	378,136	378,136
Doubtful	2,377,149	-	2,377,149	1,184,818	1,184,818
Loss	6,055,749	-	6,055,749	6,053,553	6,053,553
	<u>10,262,808</u>	<u>-</u>	<u>10,262,808</u>	<u>7,616,507</u>	<u>7,616,507</u>

	Note	(Un-audited) June 30, 2008	(Audited) December 31, 2007
(Rupees in thousand)			
9.4. General Provision against			
- Lease portfolio acquired under settlement agreement		100,000	65,000
- Consumer financing	9.4.1	56,513	71,360
- Others	9.1	2,500,000	-
		<u>2,656,513</u>	<u>136,360</u>

9.4.1 This represents provision against consumer financing portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan.

10. Operating fixed assets

Capital work in progress		211,463	1,129,088
Property and equipment	10.1	3,136,938	2,105,488
Intangible assets		27,068	18,183
		<u>3,375,469</u>	<u>3,252,759</u>

10.1 During the period ended June 30, 2008 additions amounting to Rs. 1,132,065 thousand (June 30, 2007: Rs. 1,424,043 thousand) have been made to property & equipment which includes transfer from Capital Work in Progress amounting to Rs. 995,677 thousand (June 30, 2007: Rs. 32,000 thousand).

During the period ended June 30, 2008, property and equipment having written down value of Rs 957 thousand (June 30, 2007: Rs.13,267 thousand) were disposed off.

		(Un-audited) June 30, 2008	(Audited) December 31, 2007
	Note	(Rupees in thousand)	
11. Deferred Tax Asset			
Deferred tax liabilities arising in respect of			
- Accelerated depreciation		(701,904)	(518,889)
- Revaluation surplus		(1,012,813)	(1,719,309)
Deferred tax assets arising in respect of			
- Provision for loan losses	11.1	4,228,014	32,668
		2,513,297	(2,205,530)
11.1	In view of the recent changes in the Income Tax Ordinance 2001 made vide Finance Bill 2008, the Bank has recognized tax charge on the provision for doubtful debts which has resulted in deductible temporary difference.		
12. Borrowings			
Secured			
Borrowings from State Bank of Pakistan under			
-Export refinance scheme		4,094,567	4,014,026
-Long term finance export oriented projects		1,888,562	1,985,393
Repurchase agreement borrowings	12.1	8,129,591	10,834,270
		14,112,720	16,833,689
Unsecured			
Call borrowings		2,750,000	750,000
Overdrawn nostro accounts		141,351	256,388
Other overdrawn bank accounts		2,486	2,838
		17,006,557	17,842,915
12.1	Markup is payable on borrowings under repurchase agreement is ranging from 9.50% per annum to 12% per annum (2007 : 8.88% per annum).		
13. Deposits and other Accounts			
Customers			
Fixed deposits		74,213,603	71,545,152
Savings deposits		54,939,324	65,394,990
Current accounts - non-remunerative		23,429,967	22,197,621
Sundry deposits, margin accounts etc.		1,666,584	1,398,852
		154,249,478	160,536,615
Financial Institutions			
Remunerative		26,255,034	31,117,878
Non-remunerative		319,451	314,416
		26,574,485	31,432,294
		180,823,963	191,968,909

		(Un-audited) June 30, 2008	(Audited) December 31, 2007
		(Rupees in thousand)	
13.1	Particulars of deposits		
	In local currency	178,803,471	190,135,032
	In foreign currencies	2,020,492	1,833,877
		180,823,963	191,968,909
14.	Share Capital		
	June 30, 2008 (No. of Shares)	December 31, 2007	(Un-audited) June 30, 2008 (Rupees in thousand)
			(Audited) December 31, 2007
			(Rupees in thousand)
	Authorised		
	Ordinary shares of		
1,000,000,000	1,000,000,000	Rs. 10/- each	10,000,000
			10,000,000
	Issued, Subscribed and paid up capital		
	Ordinary shares of		
19,333,340	19,333,340	Rs. 10/- each paid in cash	193,333
			193,333
	Bonus shares		
509,464,036	403,704,561	Issued as bonus share	5,094,641
			4,037,046
528,797,376	423,037,901		5,287,974
			4,230,379
15.	Surplus on Revaluation of Assets		
	Surplus on revaluation of fixed assets-net of tax	920,218	921,504
	Surplus on revaluation of securities-net of tax 15.1	1,718,705	2,963,837
		2,638,923	3,885,341
15.1	Surplus on revaluation of securities-net of tax		
	Federal and Provincial Government securities	(147,783)	(88,821)
	Quoted securities	55,663	(3,561)
	Other securities	2,766,629	4,715,519
		2,674,509	4,623,137
	Less;		
	Deferred Tax	(955,804)	(1,659,300)
		1,718,705	2,963,837
16.	Contingencies and Commitments		
16.1	Direct Credit Substitutes		
	These include general guarantees of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favour of:		

	(Un-audited) June 30, 2008 (Rupees in thousand)	(Audited) December 31, 2007
Government	-	-
Banks and financial institutions	10,745	-
Others	8,773,571	7,425,344
	8,784,316	7,425,344
16.2 Transaction related contingent liabilities		
These include performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credit related to particular transactions issued in favour of:		
Government	1,244,907	274,488
Banks and financial institutions	24,701	17,217
Others	19,323,092	20,815,572
	20,592,700	21,107,277
16.3 Trade related contingent liabilities		
Government	1,459,168	1,396,221
Financial institutions	13,235	58,828
Others	19,960,113	27,319,056
	21,432,516	28,774,105
16.4 Other contingencies		
Claims against the Bank not acknowledged as debt	1,499,264	1,425,999
16.5 Commitments for sale of securities	-	-
16.6 Commitments in respect of forward exchange contracts		
Purchase	1,551,660	627,392
Sale	1,408,406	2,597,353
Call borrowing	-	1,000,000
	2,960,066	4,224,745
16.7 Commitments for the acquisition of operating fixed assets	-	31,825

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
	Rupees in '000'				
2008					
Total income	3,058,130	705,642	7,823,571	92,253	7,998
Total expenses	(2,410,614)	(581,225)	(13,608,987)	(9,465)	(821)
Net income	647,516	124,417	(5,785,416)	82,788	7,177
Segment Assets (Gross)	53,212,125	9,883,907	135,675,776	-	-
Segment Non Performing Loans	25,400	1,063,071	9,139,737	-	-
Segment Provision Required	6,340	594,722	8,425,618	-	-
Segment Liabilities	53,212,125	9,883,907	135,675,776	-	-
Segment Return on net Assets (ROA) (%)	5.75	7.14	5.77	N/A	N/A
Segment Cost of funds (%)	4.53	5.88	10.03	N/A	N/A
2007					
Total income	2,994,212	708,543	6,229,177	81,664	13,899
Total expenses	(1,214,711)	(618,858)	(5,845,330)	(8,282)	(1,404)
Net income	1,779,501	89,685	383,847	73,382	12,495
Segment Assets (Gross)	19,327,414	10,426,399	97,290,577	-	-
Segment Non Performing Loans	6,440	475,210	1,870,544	-	-
Segment Provision Required	6,440	301,227	943,129	-	-
Segment Liabilities	19,327,414	10,426,399	97,290,577	-	-
Segment Return on net Assets (ROA) (%)	15.49	6.80	6.40	N/A	N/A
Segment Cost of funds (%)	6.28	5.94	6.01	N/A	N/A

Mapping criteria

Segment Assets have been presented as weighted average balances during the period. Return on net assets has been calculated on the basis of weighted average of segment-wise assets deployed during the period. Cost of funds has been calculated on the basis of weighted average of segment-wise liabilities outstanding during the period. Income and expenses have been pro-rated on the basis of management's professional judgment and mapping policy of the same has been approved by the Assets and Liabilities Committee (ALCO). Common expenses have been allocated to segments on the basis of total income.

18. Related Party Transactions

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

	(Un-audited) June 30, 2008	(Audited) December 31, 2007
	(Rupees in thousand)	
Punjab Modaraba Services (Private) Limited (wholly owned subsidiary of the Bank)		
Advances		
Outstanding at beginning of the period	-	-
Made during the period	7,000	-
Repaid/matured during the period	-	-
Outstanding at the end of the period	7,000	-
Mark-up/return earned	2	-
Deposits in current account	2,476	537
First Punjab Modaraba (Modaraba floated by the wholly owned subsidiary of the Bank)		
Advances		
Outstanding at beginning of the period	452,211	564,979
Made during the period	2,262,241	3,969,298
Repaid/matured during the period	(1,932,456)	(4,082,067)
Outstanding at the end of the period	781,996	452,210
Mark-up/return earned	57,310	30,031
Deposits in current account	7,199	1,215
Lease liability		
Outstanding at beginning of the period	40,321	34,975
Lease contracts entered into during the period	-	19,398
Repayments of lease rentals	(4,686)	(14,052)
Outstanding at the end of the period	35,635	40,321
Bankers Avenue Co-operative Housing Society (A co-operative society managed by key management personnel of the Bank)		
Deposits in saving account	117,673	42,731
Markup paid	1,893	436
AMTEX (Private) Limited * (Common directorship)		
Advances		
Outstanding at beginning of the period	-	1,939,290
Made during the period	-	3,931,754
Repaid/matured during the period	-	(2,233,175)
Outstanding at the end of the period	-	3,637,869
Mark-up/return earned	-	215,978
Deposits in current account	-	4,876

	(Un-audited) June 30, 2008 (Rupees in thousand)	(Audited) December 31, 2007
Colony Mills Limited * (Common directorship)		
Advances		
Outstanding at beginning of the period	-	100,000
Made during the period	-	2,336,770
Repaid/matured during the period	-	(386,770)
Outstanding at the end of the period	-	2,050,000
Mark-up/return earned	-	108,610
Deposits in current account	-	175,363
Ejaz Textile Mills Limited * (Common directorship)		
Advances		
Outstanding at beginning of the period	-	-
Made during the period	-	502,375
Repaid/matured during the period	-	(2,500)
Outstanding at the end of the period	-	499,875
Mark-up/return earned	-	3,558
Ejaz Spinning Mills Limited * (Common directorship)		
Advances		
Outstanding at beginning of the period	-	-
Made during the period	-	174,618
Repaid/matured during the period	-	-
Outstanding at the end of the period	-	174,618
Mark-up/return earned	-	3,086
Chenab Limited * (Common directorship)		
Advances		
Outstanding at beginning of the period	-	-
Made during the period	-	782,386
Repaid/matured during the period	-	-
Outstanding at the end of the period	-	782,386
Mark-up/return earned	-	11,409
Transactions with Key Management Personnel / Directors Salaries and benefits paid	13,584,835	41,023,382

In addition the Chief Executive and other executive officers are provided with Bank maintained cars.

	(Un-audited) June 30, 2008	(Audited) December 31, 2007
	(Rupees in thousand)	
Contribution to Employees Provident fund	19,950	16,282

Although the Government of Punjab (GoP) holds 51% shares of the Bank (2007:51%), transactions with GoP have not been treated as related party transactions for the purpose of this disclosure.

* Ceased to be related party during the period.

19. Taxation

During the period , the Bank recognized tax charge on provision for doubtful debts which was previously recognized as contingent liability.

20. Earnings per share - Basic and Diluted

	Quarter ended June 30, 2008	Half Year ended June 30, 2008	Quarter ended June 30, 2007	Half Year ended June 30, 2007
Profit after taxation (Rupees in '000)	<u>466,497</u>	<u>(2,628,506)</u>	<u>1,044,132</u>	<u>1,824,830</u>
Weighted average number of ordinary shares in ('000)	<u>528,797</u>	<u>528,797</u>	<u>528,797</u>	<u>528,797</u>
Earnings per share - Basic and diluted (Rupees)	<u>0.88</u>	<u>(4.97)</u>	<u>1.97</u>	<u>3.45</u>

The earnings per share for the quarter and half year ended June 30, 2007 have been adjusted for the effect of bonus shares issued during the period.

21. Date of Authorization for Issue

The Financial Statements were authorized for issuance on August 26, 2008 by the Board of Directors of the Bank.

22. General

Figures have been rounded off to the nearest thousand.

THE BANK OF PUNJAB
&
PUNJAB MODARABA SERVICES (PVT.) LIMITED

Consolidated Half yearly Accounts
for the period ended June 30, 2008
(Un- audited)