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## Corporate Information

### Board of Directors

Mr. Salman Siddique	Chairman
Mr. Hamesh Khan	President
Mr. Qaiser Zulfaqar Khan	Director
Mian Muhammad Latif	Director
Mr. Gohar Ejaz	Director
Mr. Khurram Iftikhar	Director
Mr. Fareed Mughis Sheikh	Director
Mr. Salman Aslam Butt	Director
Mr. Muhammad Bashir Janmohammad	Director
Mr. Azizul Hameed	Secretary to the Board

### Audit Committee

Mr. Qaiser Zulfaqar Khan	Chairman
Mr. Salman Siddique	Member
Mr. Khurram Iftikhar	Member

### Auditors

Ford Rhodes Sidat Hyder & Co., Chartered Accountants

### Registered Office

7-Egerton Road, Lahore - Pakistan  
PBX + 92 (42) 9200421 - 432

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

**UAN:** 111-200-100

### Registrar

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



## Vision Statement

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To be a customer focused bank with service excellence

## Mission Statement

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To exceed the expectation of our stakeholders by leveraging our relationship with the Government of Punjab and delivering a complete range of professional solutions with a focus on programme driven products and services in the agriculture and middle tier markets through a motivated team.

## Core Values

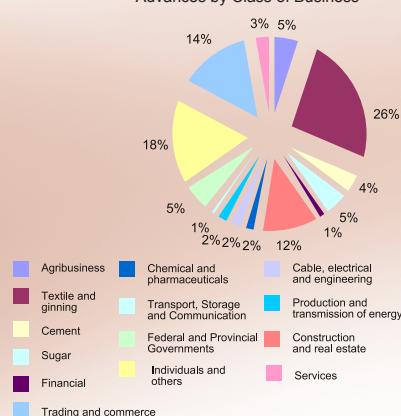
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Our customers	as our first priority
Profitability	for the prosperity of our stakeholders that allows us to constantly invest, improve and succeed.
Corporate Social Responsibility	to Enrich the Lives of community where we operate
Recognition and Reward	for the talented and high performing employees
Excellence	in every thing we do
Integrity	in all our dealings
Respect	for our customers and each other

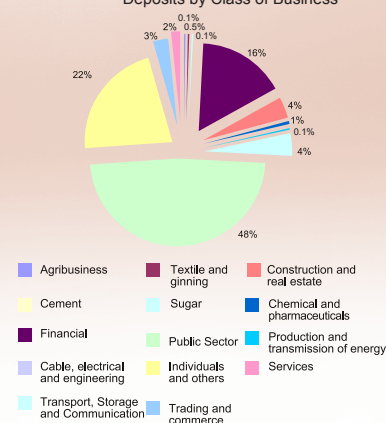
# Ten Years at a Glance

Criteria		2007	2006	2005	2004
<b>OPERATING RESULTS</b>					
Markup/ return/ interest earned	Rs in m	17,539	11,579	6,125	2,555
Markup/ return/ interest expenses	Rs in m	13,939	7,509	2,669	719
Net markup income	Rs in m	3,600	4,070	3,456	1,836
Non-markup based Income	Rs in m	5,423	2,954	1,331	1,097
Non-markup based expenses	Rs in m	2,289	1,882	1,291	1,150
Provision against NPLs	Rs in m	1,888	374	331	47
Net profit before tax	Rs in m	4,846	4,769	3,165	1,736
Net profit after tax	Rs in m	4,446	3,804	2,353	1,368
<b>BALANCE SHEET</b>					
Total Assets	Rs in m	234,974	164,855	111,154	66,320
Advances (net)	Rs in m	133,894	101,320	63,624	39,439
Investments	Rs in m	73,462	28,233	18,026	16,198
Shareholders Equity	Rs in m	15,110	10,659	6,777	4,420
Revaluation Reserve	Rs in m	3,885	5,467	6,893	3,419
Deposits	Rs in m	191,969	137,728	88,465	54,724
Borrowings from Fls	Rs in m	17,843	6,989	6,791	2,832
<b>FINANCIAL RATIOS</b>					
Gross spread ratio	%	21	35	56	72
Cost to Total Income	%	25.37	26.79	26.97	39.20
Profit before tax to total income	%	53.71	67.89	66.11	59.19
Markup/ Interest cover ratio	times	1.65	1.94	2.79	5.08
Profit after tax to total income	%	49.27	54.16	49.16	46.65
Total assets turnover	times	0.10	0.09	0.07	0.06
Return on avg.equity (after tax)	%	34.50	43.64	42.03	36.62
Return on avg equity adj (after tax)	%	25.32	25.54	21.88	20.97
Return on avg total assets (after tax)	%	2.22	2.76	2.65	2.49
Price earning ratio	times	9.31	7.71	10.23	7.25
EPS (Non dilutive)	Rs. per share	10.51	13.14	10.01	9.08
Dividend - Cash	%	-	-	-	-
- Bonus issue-Interim	%	10	-	30	20
- Bonus issue-Final	%	25	32.5	22	20
Dividend per share	Rs. per share	3.50	3.25	5.20	4.00
Dividend Yield Ratio	%	3.58	3.21	5.08	6.07
Dividend Payout Ratio	%	33	25	52	44
Market value per share	Rs per share	97.80	101.25	102.45	65.90
Advances (net) to deposits ratio	%	70	74	72	72
NPL to Gross Advances	%	2.5	2.3	2.1	2.9
Provisions to NPL	%	78.70	49.06	61.03	44.27
Net NPL to Net Advances	%	0.53	1.18	0.83	1.65
Capital adequacy Ratio	%	9.69	10.09	12.78	12.83
Breakup Value per Share	Rs in m	35.72	36.72	28.84	29.35
No. of branches	No.	272	266	266	253
Staff Strength	No.	3,859	3,681	3,430	3,144

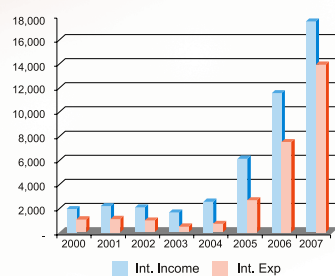
Advances by Class of Business



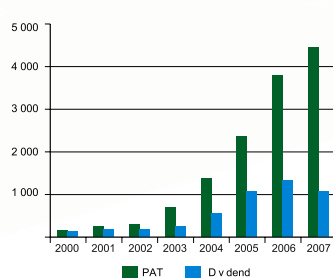
Deposits by Class of Business



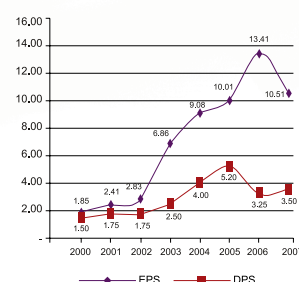
Comparison of Interest Income with Interest Expense



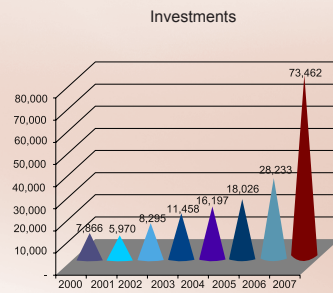
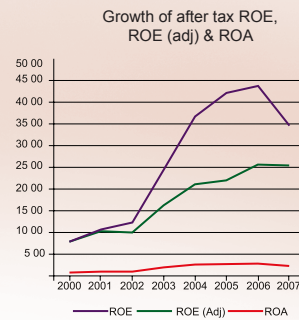
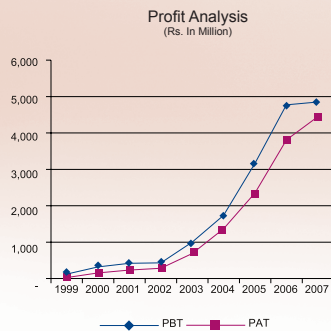
Dividend & Profit after Tax



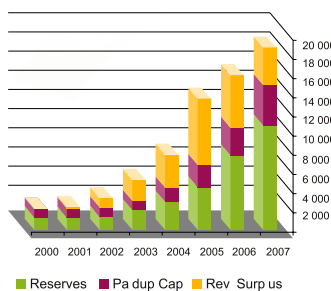
EPS Non-Dilutive & Dividend per Share



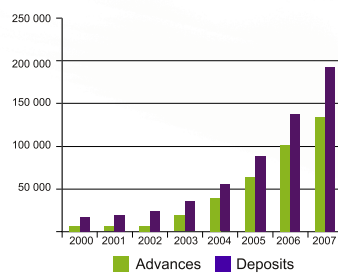
	2003	2002	2001	2000	1999	1998
	1,664	2,070	2,173	1,935	2,261	2,260
	484	996	1,113	1,083	1,510	1,755
	1,180	1,073	1,060	851	751	504
	831	374	239	292	179	138
	1,002	961	839	824	805	507
	8	54	39	-	-	-
	1,002	432	421	320	125	136
	689	284	236	157	28	123
	43,621	29,533	24,803	20,186	18,215	19,886
	18,344	6,621	5,772	6,144	6,151	5,612
	11,458	8,295	5,970	7,866	4,991	6,581
	3,052	2,363	2,255	2,180	1,823	1,795
	2,155	950	136	-	-	-
	34,938	23,767	19,035	17,028	15,019	17,101
	2,684	1,290	2,509	312	713	295
	71	52	49	44	33	22
	49.80	66.41	64.54	72.04	86.59	78.90
	49.80	29.85	32.42	27.96	13.41	21.10
	5.15	2.45	2.17	2.06	1.62	1.37
	34.26	19.63	18.18	13.77	3.04	19.16
	0.06	0.08	0.10	0.11	0.13	0.12
	25.45	12.30	10.66	7.87	1.56	7.10
	16.18	9.96	10.34	7.87	1.56	7.10
	1.88	1.05	1.05	0.82	0.15	0.64
	5.09	5.59	2.92	6.09	65.61	6.38
	6.86	2.83	2.41	1.85	0.33	1.59
	-	17.5	15	-	-	-
	25	-	3	15	-	10
	2.50	1.75	1.75	1.50	-	1.00
	7.15	11.08	24.82	13.33	-	9.85
	36	62	73	81	-	63
	34.95	15.80	7.05	11.25	21.75	10.15
	53	28	30	36	41	33
	6.5	18.8	22.1	14.8	16.1	14.7
	39.83	36.43	30.23	39.16	22.83	18.00
	3.99	12.84	16.50	9.54	12.87	12.41
	15.50	18.50	18.50	17.63	18.79	18.6
	30.40	23.53	23.02	25.59	21.40	23.18
	241	242	242	243	250	250
	3,019	3,000	3,063	3,148	3,185	3,305



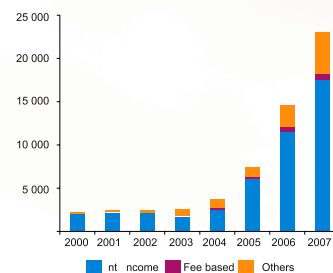
**Composition of Equity (Adj)**



**Advances & Deposits**



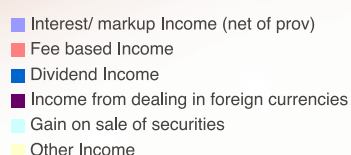
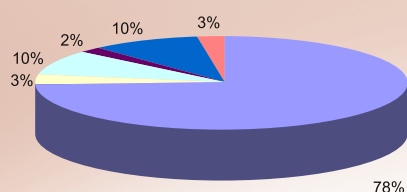
**Total income structure of the bank**



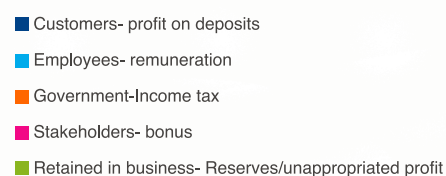
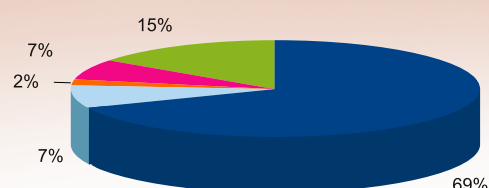
# Statement of Value Added

	2007		2006	
	(Rs in m)	%	(Rs in m)	%
Interest/ markup Income (net of prov)	15,651	77.58	11,205	84.06
Fee based Income	654	3.24	473	3.55
Dividend Income	1,805	8.95	1,386	10.40
Income from dealing in foreign currencies	377	1.87	240	1.80
Gain on sale of securities	2,040	10.11	389	2.92
Other Income	548	2.71	466	3.50
	21,074		14,160	
Administrative and other expenses	(900)	(4.46)	(829)	(6.22)
Value Added	20,174	100.00	13,331	100.00
Distribution				
Customers- profit on deposits	13,939	69.10	7,509	56.33
Employees- remuneration	1,389	6.88	1,053	7.90
Government-Income tax	400	1.98	964	7.23
Stakeholders- bonus	1,328	6.58	516	3.87
Retained in business- Reserves/ unapp. profit	3,118	15.45	3,288	24.67
Total	20,174	100.00	13,331	100.00

Value addition 2007



Distribution of value added income-2007





## Credit Rating History

**Rating Agency : PACRA**

	Long-Term	Short-Term
1998	BBB +	A2
1999	BBB +	A2
2000	BBB +	A2
2001	BBB +	A2
2002	A	A1
2003	A	A1
2004	A +	A1
2005	AA-	A1 +
2006	AA	A1 +
2007	AA	A1 +

### **Rating Definition:**

#### **Long Term Rating:**

AA: Very High Credit Quality. AA Ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable for foreseeable events.

#### **Short Term Rating:**

A1 + : Obligations supported by the highest capacity for timely repayment.



## Economic Review

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The economy has grown at an average rate of slightly over 7.0 percent in the last five years and a 7.2 percent annual target was set for FY07-08, supported by growth in agricultural and services sector. The Federal Budget too is supportive of economic growth with a large Public Sector Development Program.

Economic growth, however, is likely to be below the target, as agricultural growth may slowdown due to lower harvests of cotton and rice crop because of lower acreage under these crops. The livestock sub-sector has performed well recently. It is attracting increasing investment in the production, processing, transportation and storage of dairy products. The government has initiated a special program for livestock development and more recently launched mega projects to raise meat and milk production. Under this, more livestock farms would be established with the help of the private sector and thousands of small farms would be linked with the market.

Despite a growing services sector, contributing over half of GDP in FY07, agriculture continues to be a fundamental instrument for sustainable development and poverty reduction and for meeting the Millennium Development Goals of halving poverty and hunger by 2015.

Domestically, a number of initiatives have been undertaken to develop the agricultural sector, which presently accounts for 22 percent of GDP and employs 45 percent of the labour force. Besides focusing on improving crop production/yield, the sub-sectors of agriculture like livestock, which has linkages with other sectors, including rural development and poverty alleviation is receiving priority. It has a lot of potential which needs to be tapped.

Pro-poor budgetary expenditure has shown some increase over the last few years, rising from 4.63 percent of GDP in FY04 to 5.72 percent in FY06 and to a projected 5.2 percent in FY07. The country faces formidable challenges to improve primary education, maternal and child health and other human development indicators. Expenditure on education and health has grown only marginally in the last few years. On health from 0.48 percent of GDP in FY04 to 0.57 percent in FY07 and on education from 1.73 percent to 2.12 percent in the corresponding period.

Data available for the first quarter of FY08, shows that large scale manufacturing growth decelerated to 6.9 percent, the lowest growth since FY03. However, excluding electronics (which has a 2.5 percent weight in LSM) the growth rate for LSM was around 8 percent.



A mixed picture emerges while viewing the performance of the main industries. While textiles showed a weakness due to lower cotton crop and weak external demand, food, beverage and tobacco sub-sector growth accelerated. In the later category, however, ghee and cooking oil production was weaker and there exists a large dependency on imported edible oil. As a result, the domestic industry is sensitive to international price movements of edible oil.

Automobiles industry growth slowed down due to lower production of cars and jeeps. Domestic demand remains strong along with availability of auto financing. Construction sector continues to perform well and substantial foreign direct investment flew into the sector. Meanwhile the cement industry has grown, receiving impetus from both local and external demand. Production capacity has been enhanced due to substantial investment in recent years.

Inflationary risks continue to persist in the economy. The uptrend witnessed in CPI inflation during the last few months is largely a result of continued rising food prices. The food group contributes 60.9 percent to the overall increase in CPI. This increase is concentrated basically in five heads, house rent index, wheat flour, vegetable ghee, fresh milk and rice.

The recent wheat crisis in the country has pushed the wheat flour price sky high, but is expected to recover as domestic supplies improve. Pressure on prices of edible oil, however, are likely to be sustained unless steps are taken to increase domestic production.

While CPI food inflation rose to as high as 14.7 percent in October 07, the non-food component grew by 5.4 percent. In the following month, food inflation slowed to 12.5 percent, while the non-food prices increased marginally to 5.9 percent. CPI inflation (year-on-year) rose by 2.6 percent during January-December 2007, largely driven by a rise of 3.5 percent in food inflation during the period. Food inflation had slightly subsided by December, as in October the year-on-year increase was 6 percent.

The non-food component of the CPI has witnessed a slower increase and it was only since November that this component has started to increase. The impact of persistent increase in

food and fuel prices is gradually being reflected in the CPI inflation. The recent price increase announced in electricity and gas rates from January 2008 would put pressure on the non-food component of CPI in the coming months.

Continuing giving subsidies to the oil marketing companies on account of ever increasing international oil prices has helped contain a significant part of inflationary pressures on the economy, though it has put pressure on government finances. Subsidies involve fiscal costs, affecting the fiscal deficit target. The government is examining the issue of increasing petroleum prices. While the government delays passing the high energy prices directly to the consumers, generally businessmen pass the higher costs of energy to their consumers.

It has been the State Bank's tight monetary policy which has curbed demand pressures and kept core inflation in check. Also fuel inflationary pressures are the reason for substantial increase in government borrowings from the central bank, which rose to Rs. 191.3 billion during July-December '07, exceeding the annual ceiling.

Fiscal indicators have been strained in recent months. The fiscal deficit, which was slightly higher over the target last year, is expected to surpass its budgeted target of 4 percent this year. The government has been borrowing from the banking system to help fund its fiscal deficit. Last year, Federal Board of Revenue (FBR) tax collection at Rs. 846 billion had exceeded the target but this year there may be some revisions to the tax revenue target of Rs.1,030.5 billion in the wake of the aftermath of the death of Pakistan's former prime minister.

Month-wise data for 2007 shows that exports have shown a fluctuating trend, rising in the first three months of the year, declining in mid year and again growing in the closing months. Imports started to increase from September onwards and in October rose by nearly 24 percent, while exports fell by 5.63 percent. The trade deficit in the month widened to \$1.97 billion over \$1.24 billion in the preceding month.

A substantial increase was also witnessed in the import of transport vehicles and equipment especially, buses, trucks & heavy vehicles and motorcycles. Machinery group imports rose,

the largest share of the increase came from telecommunication imports. Meanwhile, the current account deficit has been on the rise in recent years, mainly due to higher imports to meet the needs of the economy. During July-November FY08, the current account deficit widened to \$4.78 billion against \$4.08 billion in the corresponding period of FY07. This was due to a widening trade deficit and a growing services account imbalance.

Pakistan's macroeconomic situation has improved as a result of initiation of wide ranging structural reforms and conducive economic policies. However, while economic growth has averaged 7 percent in the past four years and investment to GDP ratio has risen along with improvement in key macro-economic variables, some key challenges remain to be fully addressed.

#### **Future Outlook:**

History portrays that every new economic year of Pakistan is equipped with numerous challenges. It appears that the economy will face tremendous challenges and some difficult decisions in 2008, as inflationary risks persist, accompanied by widening current account and trade deficits, tough competition for local textile industry, large oil payments, energy shortages and fiscal pressures, etc.

Agriculture contributes to poverty reduction for vast majority of the poor live in rural areas. Government has taken initiatives in agriculture and rural development. Both urban and rural poverty has decreased in all provinces but rural poverty remains high. Growth that enhances the welfare of the rural poor is essential for Pakistan's future.

Energy crisis is looming ahead, because of an increase in demand and a rather slow improvement in supply. The development of cheap and indigenous energy sources needs to be encouraged. Power projects need to be set up to meet the growing demand.

Improvement in law and order and elimination of political unrest are very much imperative for the Government in order to provide investment conducive environment to both local and foreign investors. Streamlining and modernizing

regulations, strengthening enforcement, reducing tax burden, lowering international trade cost, skill development, lowering unemployment rate, eliminating infrastructure bottlenecks and invigorating SME are areas of concern to steer the economy towards envisaged direction.



## Directors' Report

On behalf of the Board of Directors, I am pleased to present 18th Annual Report of The Bank of Punjab along-with audited financial statement and auditors' report for the year ended December 31, 2007:

### Operating Results

By the grace of Almighty, during the year your bank continued its growth trends by earning an after tax profit of Rs.4.4 billion for the year ended December 31, 2007 which was 17% higher than previous year's after tax profit of Rs.3.8 billion despite heavy impact of additional provisioning against classified advances on account of change in provisioning criteria by the State Bank of Pakistan. The shareholders equity has now reached at the level of Rs.15.1 billion from Rs.10.6 billion at the end of last year. Earning per share showed an up-ward growth of 17% and remained at Rs.10.51 per share.

### Financial Highlights

	Rupees in '000'
Profit before taxation	4,845,722
Taxation	(400,103)
Profit after taxation	4,445,619
Un-appropriated profit brought forward	3,219,246
Transfer from surplus on revaluation of fixed assets - net of tax	5,866
Profit available for appropriation	7,670,731
<b>Appropriations</b>	
Issue of bonus shares (2006 @ 32.5%)	943,309
Transfer to general reserve (2006)	2,000,000
Issue of bonus shares (2007 interim stock dividend @ 10%)	384,580
Transfer to statutory reserve (2007)	890,000
	<u>4,217,889</u>
Un-appropriated profit c/f	3,452,842
Basic earnings per share – rupees	10.51
Diluted earnings per share – rupees	10.51
Proposed stock dividend for the year 2007 @ 25%	1,057,595

Throughout the year 2007, bank's main focus remained on core banking activities. Consequently, the markup based income grew to Rs.17,609 Million in 2007 from Rs.11,644 Million in 2006 indicating an increase of 51%. However, markup expenses increased by 85% i.e. from Rs.7,574 Million in 2006 to Rs.14,009 Million in 2007. Mega increase in deposit base and higher deposit rates were two main rationales behind the markup based cost.

The Fee, Commission and Brokerage income grew to Rs.654 Million with an increase of 38% over the previous year, and Dividend Income grew by 30% reaching at Rs.1,805 Million this year from Rs.1,386 Million last year. The significant increase has also been registered in income derived from foreign currency dealing and other income. Income from dealing in Foreign currency has grown to Rs.377 Million this year from Rs.240 Million in year 2006, showing a growth of 57%. Total non-markup/interest income has increased by 84% this year.

Enlargement in the Bank's network, better products, service quality and adoption of latest available technological tools which are nowadays necessary for improved banking business, also increased expenses where they have poured in more revenues. During the year 2007, administrative expenses increased to Rs.2,251 Million showing a rise of 28% over previous year's administrative expenses.

Beside improved assets quality, total asset base of your bank has increased vastly reaching at Rs.235 Billion with an increase of 43% over the previous year asset base. During the year, enhanced liquidity has been employed for the enhancement of Advances' Portfolio and investments in order to achieve maximum benefit from rising lending rate scenario and growing capital and money markets.

Total advances of the bank grew by 32% to Rs.133,894 Million during the year 2007 from Rs.101,320 Million in the year 2006. This credit expansion has been done in a very careful and relatively conservative manner in order to ensure that the financing is done to the borrowers that fall within the benchmarks/boundaries set by the Bank and SBP.

The above advances include Rs.8,620,866 thousand due from three companies which were restructured for a period of seven years including two years grace period. The management also caused a legal and financial due diligence by a legal counsel and independent firm of chartered accountants, respectively. The Management considers that the amount is fully secured/collateralized and recoverable hence no provision is required in terms of time based criteria as stated in Prudential Regulations of the State Bank of Pakistan. However, the auditors are of the view that due to limitation of the scope of the financial due diligence, it is not possible currently to determine the provision and its extent against these advances, if any.

Despite all type of market saturations and constraints, your bank has registered a tremendous growth in its deposit base. The deposits at the end of year 2007 have increased to Rs.191,969 Million from Rs.137,728 Million in previous year. This increase signifies the effectual attempts and enormous efforts for deposit mobilization of your bank's management.

During the year a significant increase has been registered in trade related activities of the Bank. The trade related business handled during the year grew to Rs.145,332 Million exhibiting an increase of 25% over the figure of Rs. 115,856 Million in the year 2006. The said increase is a result of specific strategic measures adopted by the management of your bank in order to carry out the significant and essential global banking activities lucratively.

### **Credit Rating**

Owing to sound financial position and consistent outstanding performance of the bank, M/s Pakistan Credit Rating Agency (PACRA) has maintained your bank's long term AA and short term A1+ ratings with positive outlook.

### **Capital Adequacy**

Capital adequacy ratio (CAR) of the bank was at 9.7%. Dilution in CAR as compared to last year's 10.1% is mainly attributable to recognition of deferred tax liability on revaluation surplus of listed securities which is an integral part of Bank's Tier-II capital. However, stress testing

of the banks assets and liabilities in different scenarios done on December 31, 2007 as per guidelines of SBP depicts satisfactory results as against minimum required level of 8%.

### **Internal Control**

The bank's management realizes the necessity of existence of effective internal controls to ensure smooth operations in current technical and swift business environment. Internal control policies and procedures relating to all areas of the bank's operations are in place. The management feels confident that all internal controls procedures are adequate to effectively and efficiently meet the operational requirements.

### **Risk Management Framework**

The bank has been proactive in adopting measures to monitor and mitigate risks associated with banking industry. Bank has been meticulously following requirements necessitated under Institutional Risk Assessment Framework (IRAF) questionnaire.

Comprehensive risk management policies for credit, operational and market risk are being implemented. Necessary steps have been taken to ensure effective monitoring of risks and to observe compliance with all risk mitigation policies and procedures. Development of effective risk management framework is a continuing process requiring ongoing evaluation and improvements. Bank is fully committed to follow the timelines specified by the SBP in its Roadmap for implementation of recommendations of Basel-II committee for Risk Measurement and Management. The bank is successfully on its way towards implementation of Basel II regime and after successful completion of 1st stage i.e. Gap Analysis, is now aggressively following the implementation phase. Management Information System(MIS) of the bank was also reviewed and upgraded to permit its utility with information requisite.

All above factors enable us to believe that the bank will be able to continue complying with risk management guidelines under "IRAF" and "Basel-II" in more effective manner. Effective Information Technology is essential for Risk Management, therefore considerable investment

is also being made in technological up gradation at all levels.

### **Compliance with Code of Corporate Governance**

We confirm that:

- a) The financial statements, prepared by the management of the bank present fairly the state of affairs, the results of its operations, cash flows and changes in equity;
- b) Proper books of account of the bank have been maintained;
- c) Appropriate accounting policies have been consistently applied in presentation of financial statements and accounting estimates are based on reasonable and prudent judgement;
- d) International accounting standards, as applicable in Pakistan, have been followed in preparation on financial statements without any material departure;
- e) The system of internal control is sound in design and has been effectively implemented and monitored;
- f) There are no significant doubts over the ability of the bank to continue as going concern;
- g) There are no departures from the best practices of corporate governance, with certain exceptions as mentioned in the statement of compliance;
- h) There are no significant outstanding taxes, duties, levies and charges.
- i) Value of investments of Staff Provident Fund Scheme (Approved), based on latest audited accounts as of December 31, 2006 was Rs.477,754 thousand (2005: Rs.399,630 thousand);
- j) Statement showing pattern of shareholding as on December 31, 2007 is disclosed at page no 20 of the annual report;

- k) Statement showing key operating and financial data for the last ten years is disclosed at page no 04 of the annual report; and
- l) Statement of compliance with code of corporate governance is presented at page no 15 of the annual report.

### Meetings

Six meetings of the Board and six meetings of Audit Committee were held during the year ended December 31, 2007 with following attendance:

Sr. #	Name of Director	No. of Board meetings attended	No. of Audit Committee meetings attended
1	Mr. Shahzad Hassan Pervez*	3	-
2	Mr. Hamesh Khan	6	-
3	Mr. Salman Siddique	6	4
4	Mr. Shahzad Ali Malik**	5	4
5	Mr. Gohar Ejaz	3	-
6	Mian Muhammad Latif	4	-
7	Mr. Qaisar Zulfaqar Khan	6	6
8	Mr. Khurram Iftikhar	2	1
9	Mr. Fareed Mughis Sheikh	2	-
10	Mian Ikram ul Haq***	1	-
11	Mr. Salman Aslam Butt****	1	-
12	Mr. Mohammad Bashir Janmohammad*****	Nil	-

\* Retired on 27/5/2007

\*\* Retired on 03/10/2007

\*\*\* Resigned on 16/05/2007

\*\*\*\* Notified on 03/10/2007

\*\*\*\*\* Notified on 03/10/2007

### Auditors

The retiring auditors M/s Ford Rhodes Sidat Hyder & Co. Chartered Accountants, being eligible have offered themselves to act as auditors of the Bank for the year ending December 31, 2008.

### Punjab Modaraba Services (Pvt) Ltd.

Punjab Modaraba Services (Pvt) Ltd, wholly owned subsidiary of the bank, is managing successfully First Punjab Modaraba (FPM). The net assets of the subsidiary have increased to Rs.181.060 millions as on December 31, 2007 as against 167.715 million as at December 31, 2006.

### Future outlook

The year 2008 will prove to be another challenging year for the bank with scattered opportunities and tough competition. Diversification, innovation and mission driven approach are the key to success. Management of the bank is committed to continue its efforts for outstanding performance. Improvement in stakeholders' value shall be ensured through progressive but cautious business expansion with strategic branch network extension and introduction of innovative products in all areas of business.

### Acknowledgement

The board appreciates the bank's management for sustaining high level of performance. The board is also grateful to the Government of Punjab for its enduring support, State Bank of Pakistan for its worthy guidance, valued customers for their patronage and business and to the staff for their untiring efforts to make the organization a success.

**Salman Siddique**  
Chairman



## Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan also contained in Listing Regulations of all Stock Exchanges in Pakistan where the shares of the Bank are listed, for the purpose of establishing a framework of good governance, ensuring compliance with the best practices of corporate governance.

The Bank of Punjab (the Bank) has applied the principles contained in the Code in the following manner:

- 1) The Bank encourages representation of non-executive directors on its Board. At present the Board includes eight non-executive directors including three directors representing minority shareholders.
- 2) The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Bank.
- 3) All the directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- 4) The Bank has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the Bank.
- 5) a) The Board has developed a mission statement and an overall corporate strategy.  
b) The Board has developed significant policies of the Bank and a complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 6) All the powers of the Board of Directors of the Bank have been duly exercised and decisions on material transactions have been taken by the Board.
- 7) The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board

meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

- 8) The Board has appropriate arrangements in place for orientation of its directors to apprise them of their duties and responsibilities. Accordingly, arranging orientation courses was not considered necessary by the Board.
- 9) Officers having positions of CFO and Company Secretary were appointed prior to the implementation of the Code of Corporate Governance. However, Head of Internal audit was appointed by the President in due consultation with the Board.
- 10) The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- 11) The financial statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.
- 12) The directors, CEO and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
- 13) The Bank has complied with all the corporate and financial reporting requirements of the code.
- 14) The Board has formed an Audit Committee which comprises of three members, who all are non-executive directors including the Chairman of the committee.
- 15) During the year Six meetings of the Audit Committee were held including the meetings prior to interim and final results of the Bank. The minutes of the meetings of Audit Committee were circulated as part of the agenda items of forth-coming BoD meetings. The terms of reference of the Committee have been formed and advised to the committee for compliance.
- 16) The Board has set-up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Bank and are involved in the internal audit function on a full time basis.
- 17) The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
- 18) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 19) We confirm that all other material principles contained in the Code have been complied with except for the following, where the corresponding provision(s) of The Bank of Punjab Act 1989 have been complied.



## Reference Clauses from Code of Corporate Governance

vi)  
The tenure of office of Directors shall be 3 years. Any casual vacancy in the Board of Directors of a listed company shall be filled up by the Directors within 30 days thereof.

viii(e)  
Appointment, remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and other executive directors of the listed company are determined and approved by the Board of Directors

ix)  
The Chairman of a listed Company shall preferably be elected from among the non-executive directors of the listed company. The Board of Directors shall clearly define the respective roles and responsibilities of the Chairman and the Chief Executive, whether or not these offices are held by separate individuals or the same individual.

xv)  
The appointment, remuneration and terms and conditions of employment of the Chief Financial Officer, the Company Secretary and the head of Internal Audit shall be determined by the CEO with the approval of the Board.

xxv)  
The Company Secretary of a listed company shall furnish a Secretarial Compliance Certificate, in the prescribed form, as part of the annual return filed with the Registrar of Companies to certify that the secretarial and corporate requirements of the Companies Ordinance 1984 have been duly complied with.

## Corresponding Provisions of The Bank of Punjab Act – 1989

Section 14  
A Director appointed by the Government, other than President, shall hold office during the pleasure of Government.

Section 15(1)  
Where a vacancy occurs in the office of a Director appointed by the Government, the vacancy shall be filled only by appointment by the Government.

Section 11(1)  
The President shall be appointed by the Government for a period of five years and on such salary and terms and conditions of service as the Government may determine.

Further in terms of section 10(3) President shall be the Chief Executive Officer of the Bank.

Section 10(2)  
The Chairman of the Board shall be appointed by the Government from amongst the Directors.

In terms of clause 25 of the Bye-Laws of The Bank of Punjab, the Board of Directors is authorized/empowered to employ appoint and engage such officers and other employees of different categories as it may deem necessary. The terms and conditions of service of the Bank's staff are to be determined by the Board in consultation with the Government of the Punjab.

Section 1 – A  
The Bank of Punjab Act shall have effect notwithstanding anything contained in any other law for the time being in force. Accordingly the Bank is not required to file any return with the Registrar of companies.

**Hamesh Khan**  
President

## Auditors' Review Report to Members on Statement of Compliance with best practice of Code of Corporate Governance

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We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of The Bank of Punjab (the Bank) to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange, Chapter XIII of the Lahore Stock Exchange and Chapter XI of the Islamabad Stock Exchange where the Bank is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank's compliance with provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal control.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance effective for the year ended December 31, 2007.

Lahore:  
February 28, 2008

**Ford Rhodes Sidat Hyder & Co.**  
Chartered Accountants

# Notice of Annual General Meeting

Notice is hereby given that the 18th Annual General Meeting of the members of the Bank will be held at Hotel Pearl Continental, Lahore on Monday, 31st March, 2008 at 9:30 a.m. to transact the following business :

## **ORDINARY BUSINESS:**

- 1) To confirm the minutes of 17th Annual General Meeting and Extra-Ordinary General Meeting held on March 31, 2007.
- 2) To receive and adopt the audited accounts of the Bank for the year ended December 31, 2007, together with the report of the Board of Directors and the Auditors.
- 3) To declare and approve final stock dividend of 25% in addition to the interim stock dividend of 10% already paid, thereby making a total stock dividend of 35% for the year ended December 31, 2007.
- 4) To appoint Auditors for the year ending December 31, 2008 and to fix their remuneration M/s. Ford Rhodes Sidat Hyder & Co., Chartered Accountants, have consented to continue as the Bank's Auditors for the year ending December 31, 2008.
- 5) Any other item of business with the permission of the chair.

By order of the Board

**AZIZUL HAMEED**  
SECRETARY

Lahore:  
March 01, 2008

## **NOTES:**

01. Share Transfer Books of the Bank shall remain closed for transfer from 24-03-2008 to 30-03-2008 (both days inclusive).
02. All members are entitled to attend the meeting, however, the right of vote is restricted to those who are registered as such for a period of not less than three months prior to the date of the meeting as per section 17(1) of The Bank of Punjab Act, 1989.
03. Members whose shares are deposited with Central Depository Company of Pakistan Ltd., are requested to bring their original Identity Card along with Participant ID number and their account numbers in CDC to facilitate identification at the time of the Annual General Meeting. In case of proxy an attested copy of proxy's Identity Card, Participant's ID and account number in CDC be enclosed. In case of corporate entity the Board of Director's resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting (unless it has been provided earlier).  
  
Proxy, in order to be valid, must be deposited at the Secretary's Office of the Bank at 7-Egerton Road, Lahore not less than 48 hours before the meeting.
04. A member is entitled to appoint another member as proxy to attend the meeting.
05. The members should quote their folio number in all correspondence with the Bank and at the time of attending the Meeting.
06. Members are requested to promptly notify any change in their addresses to our Registrar M/s. CORPLINK (Pvt) Limited to ensure delivery of mail.
07. Entry of the member or his/her duly authorized person will be on strict identification as per specimen signature on the Bank's record.

# PATTERN OF SHAREHOLDING OF SHARES AS ON 31-12-2007

No. of Shareholders			..... Shareholding .....				Total Shares Held			Percentage
Physical	CDC	Total	From	To	Physical	CDC	Total			
755	2449	3204	FROM	1	TO	100	28,018	105,594	133,612	0.0316
1984	1935	3919	FROM	101	TO	500	468,694	591,061	1,059,755	0.2505
1141	1167	2308	FROM	501	TO	1000	791,843	945,995	1,737,838	0.4108
1102	1787	2889	FROM	1001	TO	5000	2,111,366	4,226,282	6,337,648	1.4981
142	455	597	FROM	5001	TO	10000	988,162	3,312,890	4,301,052	1.0167
51	168	219	FROM	10001	TO	15000	628,780	2,001,552	2,630,332	0.6218
40	92	132	FROM	15001	TO	20000	665,616	1,637,743	2,303,359	0.5445
81	71	152	FROM	20001	TO	25000	1,713,698	1,618,657	3,332,355	0.7877
9	44	53	FROM	25001	TO	30000	246,191	1,227,064	1,473,255	0.3483
8	32	40	FROM	30001	TO	35000	265,718	1,055,631	1,321,349	0.3123
1	26	27	FROM	35001	TO	40000	39,848	966,253	1,006,101	0.2378
5	20	25	FROM	40001	TO	45000	209,631	848,641	1,058,272	0.2502
2	27	29	FROM	45001	TO	50000	94,502	1,314,966	1,409,468	0.3332
0	11	11	FROM	50001	TO	55000	-	572,673	572,673	0.1354
1	13	14	FROM	55001	TO	60000	57,459	741,758	799,217	0.1889
2	7	9	FROM	60001	TO	65000	123,734	438,291	562,025	0.1329
0	7	7	FROM	65001	TO	70000	-	475,624	475,624	0.1124
1	11	12	FROM	70001	TO	75000	73,166	799,367	872,533	0.2063
0	6	6	FROM	75001	TO	80000	-	461,270	461,270	0.1090
0	8	8	FROM	80001	TO	85000	-	657,178	657,178	0.1553
0	4	4	FROM	85001	TO	90000	-	348,077	348,077	0.0823
1	3	4	FROM	90001	TO	95000	91,623	280,151	371,774	0.0879
0	11	11	FROM	95001	TO	100000	-	1,089,547	1,089,547	0.2576
1	3	4	FROM	100001	TO	105000	102,165	308,200	410,365	0.0970
0	8	8	FROM	105001	TO	110000	-	860,207	860,207	0.2033
0	4	4	FROM	110001	TO	115000	-	451,534	451,534	0.1067
0	1	1	FROM	115001	TO	120000	-	115,307	115,307	0.0273
0	6	6	FROM	120001	TO	125000	-	741,640	741,640	0.1753
0	5	5	FROM	125001	TO	130000	-	636,971	636,971	0.1506
0	4	4	FROM	130001	TO	135000	-	530,778	530,778	0.1255
0	3	3	FROM	135001	TO	140000	-	412,435	412,435	0.0975
0	5	5	FROM	140001	TO	145000	-	713,040	713,040	0.1686
1	2	3	FROM	150001	TO	155000	151,712	305,161	456,873	0.1080
0	1	1	FROM	155001	TO	160000	-	157,500	157,500	0.0372
1	4	5	FROM	160001	TO	165000	160,586	657,010	817,596	0.1933
0	2	2	FROM	165001	TO	170000	-	331,292	331,292	0.0783
0	2	2	FROM	170001	TO	175000	-	346,211	346,211	0.0818
0	1	1	FROM	175001	TO	180000	-	177,870	177,870	0.0420
0	1	1	FROM	180001	TO	185000	-	182,500	182,500	0.0431
0	2	2	FROM	185001	TO	190000	-	376,704	376,704	0.0890
0	2	2	FROM	190001	TO	195000	-	389,552	389,552	0.0921
0	2	2	FROM	195001	TO	200000	-	400,000	400,000	0.0946
0	1	1	FROM	200001	TO	205000	-	205,000	205,000	0.0485
0	3	3	FROM	205001	TO	210000	-	628,179	628,179	0.1485
0	2	2	FROM	210001	TO	215000	-	426,335	426,335	0.1008
0	2	2	FROM	220001	TO	225000	-	444,266	444,266	0.1050
0	1	1	FROM	225001	TO	230000	-	227,090	227,090	0.0537
0	2	2	FROM	235001	TO	240000	-	474,406	474,406	0.1121
0	4	4	FROM	245001	TO	250000	-	1,010,013	1,010,013	0.2388
0	2	2	FROM	260001	TO	265000	-	521,397	521,397	0.1233
0	2	2	FROM	265001	TO	270000	-	531,500	531,500	0.1256
0	1	1	FROM	270001	TO	275000	-	275,000	275,000	0.0650
0	2	2	FROM	275001	TO	280000	-	553,953	553,953	0.1309
0	1	1	FROM	280001	TO	285000	-	281,100	281,100	0.0664
0	1	1	FROM	295001	TO	300000	-	300,000	300,000	0.0709
0	3	3	FROM	300001	TO	305000	-	905,429	905,429	0.2140
0	2	2	FROM	305001	TO	310000	-	615,347	615,347	0.1455
0	1	1	FROM	310001	TO	315000	-	310,023	310,023	0.0733
0	2	2	FROM	325001	TO	330000	-	653,500	653,500	0.1545
0	1	1	FROM	340001	TO	345000	-	344,850	344,850	0.0815
0	1	1	FROM	350001	TO	355000	-	350,072	350,072	0.0828
0	1	1	FROM	370001	TO	375000	-	370,400	370,400	0.0876
0	1	1	FROM	390001	TO	395000	-	391,932	391,932	0.0926

No. of Shareholders			..... Shareholding .....				Total Shares Held			Percentage
			From	To		Physical	CDC	Total		
Physical	CDC	Total				Physical	CDC	Total		
0	1	1	FROM	400001	TO	405000	-	400,018	400,018	0.0946
0	2	2	FROM	410001	TO	415000	-	822,785	822,785	0.1945
0	1	1	FROM	420001	TO	425000	-	424,500	424,500	0.1003
0	1	1	FROM	430001	TO	435000	-	435,000	435,000	0.1028
0	1	1	FROM	445001	TO	450000	-	448,000	448,000	0.1059
0	1	1	FROM	455001	TO	460000	-	458,000	458,000	0.1083
0	3	3	FROM	460001	TO	465000	-	1,385,942	1,385,942	0.2376
0	1	1	FROM	465001	TO	470000	-	465,700	465,700	0.1101
0	2	2	FROM	485001	TO	490000	-	976,750	976,750	0.2309
0	2	2	FROM	490001	TO	495000	-	987,500	987,500	0.2334
0	2	2	FROM	495001	TO	500000	-	996,120	996,120	0.2355
0	1	1	FROM	500001	TO	505000	-	500,499	500,499	0.1183
0	1	1	FROM	505001	TO	510000	-	507,195	507,195	0.1199
0	1	1	FROM	510001	TO	515000	-	512,500	512,500	0.1211
0	1	1	FROM	515001	TO	520000	-	517,500	517,500	0.1223
0	1	1	FROM	520001	TO	525000	-	523,000	523,000	0.1236
0	1	1	FROM	535001	TO	540000	-	538,800	538,800	0.1274
0	1	1	FROM	560001	TO	565000	-	562,650	562,650	0.1330
0	2	2	FROM	575001	TO	580000	-	1,156,300	1,156,300	0.2733
0	1	1	FROM	590001	TO	595000	-	593,100	593,100	0.1402
0	2	2	FROM	595001	TO	600000	-	1,200,000	1,200,000	0.2837
0	2	2	FROM	600001	TO	605000	-	1,208,300	1,208,300	0.2856
0	2	2	FROM	620001	TO	625000	-	1,241,950	1,241,950	0.2936
0	1	1	FROM	635001	TO	640000	-	638,470	638,470	0.1509
0	1	1	FROM	645001	TO	650000	-	648,500	648,500	0.1533
0	1	1	FROM	665001	TO	670000	-	669,000	669,000	0.1581
0	1	1	FROM	685001	TO	690000	-	686,644	686,644	0.1623
0	1	1	FROM	690001	TO	695000	-	694,900	694,900	0.1643
0	1	1	FROM	695001	TO	700000	-	700,000	700,000	0.1655
0	1	1	FROM	700001	TO	705000	-	700,070	700,070	0.1655
0	1	1	FROM	790001	TO	795000	-	791,725	791,725	0.1872
0	3	3	FROM	850001	TO	855000	-	2,559,100	2,559,100	0.6049
0	1	1	FROM	900001	TO	905000	-	903,500	903,500	0.2136
0	1	1	FROM	930001	TO	935000	-	930,544	930,544	0.2200
0	1	1	FROM	1005001	TO	1010000	-	1,010,000	1,010,000	0.2387
0	1	1	FROM	1050001	TO	1055000	-	1,054,600	1,054,600	0.2493
0	1	1	FROM	1095001	TO	1100000	-	1,100,000	1,100,000	0.2600
0	2	2	FROM	1195001	TO	1200000	-	2,398,700	2,398,700	0.5670
0	1	1	FROM	1245001	TO	1250000	-	1,248,720	1,248,720	0.2952
0	1	1	FROM	1270001	TO	1275000	-	1,275,000	1,275,000	0.3014
0	1	1	FROM	1300001	TO	1305000	-	1,300,700	1,300,700	0.3075
0	1	1	FROM	1355001	TO	1360000	-	1,358,700	1,358,700	0.3212
0	2	2	FROM	1455001	TO	1460000	-	2,914,450	2,914,450	0.6889
0	1	1	FROM	1585001	TO	1590000	-	1,589,195	1,589,195	0.3757
0	1	1	FROM	1725001	TO	1730000	-	1,727,495	1,727,495	0.4084
0	1	1	FROM	1745001	TO	1750000	-	1,748,464	1,748,464	0.4133
0	1	1	FROM	1880001	TO	1885000	-	1,880,200	1,880,200	0.4445
0	1	1	FROM	1975001	TO	1980000	-	1,978,254	1,978,254	0.4676
0	1	1	FROM	2070001	TO	2075000	-	2,070,500	2,070,500	0.4894
0	1	1	FROM	2255001	TO	2260000	-	2,259,047	2,259,047	0.5340
0	1	1	FROM	2495001	TO	2500000	-	2,500,000	2,500,000	0.5910
0	1	1	FROM	2535001	TO	2540000	-	2,538,800	2,538,800	0.6001
0	1	1	FROM	2725001	TO	2730000	-	2,729,400	2,729,400	0.6452
0	1	1	FROM	2780001	TO	2785000	-	2,782,400	2,782,400	0.6577
0	1	1	FROM	3925001	TO	3930000	-	3,930,000	3,930,000	0.9290
0	1	1	FROM	3946001	TO	3951000	-	3,946,433	3,946,433	0.9329
0	1	1	FROM	4185001	TO	4190000	-	4,186,050	4,186,050	0.9895
0	1	1	FROM	4245001	TO	4250000	-	4,249,700	4,249,700	1.0046
0	1	1	FROM	6520001	TO	6525000	-	6,524,376	6,524,376	1.5423
0	1	1	FROM	7140001	TO	7145000	-	7,142,707	7,142,707	1.6884
0	1	1	FROM	9345001	TO	9350000	-	9,347,250	9,347,250	2.2096
0	1	1	FROM	11155001	TO	11160000	-	11,159,280	11,159,280	2.6379
0	1	1	FROM	11485001	TO	11490000	-	11,490,000	11,490,000	2.7161
0	1	1	FROM	13360001	TO	13365000	-	13,364,300	13,364,300	3.1591
0	1	1	FROM	15055001	TO	15060000	-	15,056,807	15,056,807	3.5592
1	0	1	FROM	215745001	TO	215750000	215,749,330	-	215,749,330	51.0000
5330	8527	13857					224,761,842	198,276,059	423,037,901	100.0000

# Categories of Shareholders

As on December 31, 2007

Shareholder Category	No. of Shareholders			Total No. of Shares Held			%Age
	Physical	CDC	Total	Physical	CDC	Total	
DIRECTORS	0	4	4	0	187649	187649	0.0444
PROVINCIAL GOVERNMENT	1	0	1	215749330	0	215749330	51.0000
ASSOCIATED COMPANIES	0	0	0	0	0	0	0.0000
FOREIGN SHAREHOLDERS	45	19	64	154067	401689	555756	0.1314
INDIVIDUALS	5248	8069	13317	8673826	39448911	48122737	11.3755
BANK/NBFI/FIN.INST./INSURANCE							
CO./MODARABAS MUTUAL FUNDS	19	139	158	85974	139521210	139607184	33.0011
LEASING COMPANIES	0	6	6	0	720762	720762	0.1704
CHARITABLE TRUSTS	0	9	9	0	331575	331575	0.0784
COOPERATIVE SOCIETITES	0	3	3	0	50080	50080	0.0118
NIT	0	0	0	0	0	0	0.0000
ICP	1	0	1	1420	0	1420	0.0003
JOINT STOCK COMPANIES	16	242	258	97225	13172953	13270178	3.1369
OTHERS	0	36	36	0	4441230	4441230	1.0498
TOTAL	5330	8527	13857	224761842	198276059	423037901	100.0000

## Disclosure of Pattern of Shareholding:

Directors / CEO / Spouse

S.N.	Name of Directors/CEO/Spouse	Holding
1.	MR. HAMESH KHAN	171,211
2.	MR. QASIR ZULFIQAR KHAN	8,423
3.	MR. KHURRAM IFTIKHAR	4,372
4.	MR. FARID MIGHIS SHEIKH	3,643

The Bank of Punjab

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# Financial Statements

for the year ended December 31, 2007

The Bank of Punjab

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**Consolidated  
Financial Statements**

for the year ended December 31, 2007