

NIB Bank Limited

Financial Information
For the Half year ended June 30, 2017

NIB Bank Limited
Condensed Interim Statement of Financial Position
As at June 30, 2017

Note	Unaudited June 30, 2017	Audited December 31, 2016
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(Rupees in '000)

ASSETS

Cash and balances with treasury banks		8,377,261	8,766,811
Balances with other banks		1,134,851	777,302
Lendings to financial institutions		-	3,243,130
Investments - net	8	55,283,434	124,489,098
Advances - net	9	75,591,817	87,305,928
Operating fixed assets		2,689,365	2,796,052
Intangible assets		447,642	599,045
Deferred tax assets - net	10	8,603,089	8,625,041
Other assets - net	11	7,002,919	7,342,461
		159,130,378	243,944,868

LIABILITIES

Bills payable		2,932,359	2,634,398
Borrowings		48,154,244	117,174,817
Deposits and other accounts	12	81,390,444	97,072,367
Sub-ordinated loans	13	4,192,997	4,193,837
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		3,553,174	4,064,640
		140,223,218	225,140,059
NET ASSETS		18,907,160	18,804,809

REPRESENTED BY:

Share capital	14	103,028,512	103,028,512
Reserves		1,281,655	1,281,655
Discount on issue of shares		(45,769,623)	(45,769,623)
Accumulated loss		(40,089,357)	(40,057,798)
Shareholders' equity		18,451,187	18,482,746
Surplus on revaluation of assets - net		455,973	322,063
		18,907,160	18,804,809

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

NIB Bank Limited
Condensed Interim Profit and Loss Account (Unaudited)
For the half year ended June 30, 2017

	Half year ended		Quarter ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	(Rupees in '000)			
CONTINUING OPERATIONS				
Mark-up / return / interest earned	5,805,681	7,702,892	2,779,630	3,897,467
Mark-up / return / interest expensed	3,637,682	5,474,478	1,673,522	2,732,903
Net mark-up / interest income	2,167,999	2,228,414	1,106,108	1,164,564
Provision against non-performing loans and advances - net	(85,368)	193,072	(103,910)	302,435
Reversal of provision for diminution in the value of investments	-	(15,763)	-	(15,763)
Bad debts written off directly	-	17	-	17
	(85,368)	177,326	(103,910)	286,689
Net mark-up / interest income after provisions	2,253,367	2,051,088	1,210,018	877,875
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	422,203	651,575	200,003	331,976
Dividend income	27,720	23,712	-	1,821
Income from dealing in foreign currencies	145,969	237,879	63,046	108,007
Gain on sale of securities - net	36,493	366,347	1,809	81,065
Unrealized gain on revaluation of investments classified as held-for-trading	-	2,825	(481,665)	2,570
Other income	(70,337)	87,161	(75,661)	41,353
Total non mark-up / interest income	562,048	1,369,499	(292,468)	566,792
	2,815,415	3,420,587	917,550	1,444,667
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	2,904,524	3,094,734	1,375,342	1,564,083
Other (reversals) / provisions / write offs	(54,594)	(24,277)	(10,969)	(24,277)
Other charges	(1,476)	18,390	(15,202)	(3,887)
Total non mark-up / interest expenses	2,848,454	3,088,847	1,349,171	1,535,919
	(33,039)	331,740	(431,621)	(91,252)
Extraordinary / Unusual items	-	-	-	-
Profit / (Loss) before taxation from continuing operations	(33,039)	331,740	(431,621)	(91,252)
Taxation - Current	79,597	90,722	40,791	44,641
- Prior years	(30,511)	-	(30,511)	-
- Deferred	(50,150)	25,385	(170,251)	(76,578)
	(1,064)	116,107	(159,971)	(31,937)
Profit / (Loss) after taxation from continuing operations	(31,975)	215,633	(271,650)	(59,315)
DISCONTINUED OPERATIONS				
Profit from discontinued operations, net of tax	-	992,393	-	-
PROFIT / (LOSS) AFTER TAXATION	(31,975)	1,208,026	(271,650)	(59,315)
(Rupees)				
EARNINGS / (LOSS) PER SHARE				
Basic and diluted - Continuing Operations	-	0.02	(0.03)	(0.01)
Basic and diluted - Discontinued Operations	-	0.10	-	-
Basic and diluted	-	0.12	(0.03)	(0.01)

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

NIB Bank Limited
Condensed Interim Statement of Comprehensive Income (Unaudited)
For the half year ended June 30, 2017

	Half year ended		Quarter ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	(Rupees in '000)			
Profit / (loss) after taxation for the period	(31,975)	1,208,026	(271,650)	(59,315)
Other comprehensive income				
<i>Items that will not be reclassified to profit or loss in subsequent periods</i>	-	-	-	-
Comprehensive income transferred to condensed interim statement of changes in equity	(31,975)	1,208,026	(271,650)	(59,315)
Components of comprehensive income not reflected in equity				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Movement in surplus on revaluation of assets - net of tax	133,910	265,995	372,821	443,777
Total comprehensive income for the period	<u>101,935</u>	<u>1,474,021</u>	<u>101,171</u>	<u>384,462</u>
Total comprehensive income for the period arising from:				
- Continuing Operations	101,935	481,628	101,171	384,462
- Discontinued Operations	-	992,393	-	-
	<u>101,935</u>	<u>1,474,021</u>	<u>101,171</u>	<u>384,462</u>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

NIB Bank Limited
Condensed Interim Statement of Changes in Equity (Unaudited)
For the half year ended June 30, 2017

	Share capital	Discount on issue of shares	Capital Reserve	Revenue Reserves		Total
			Statutory reserve (a)	General reserve	Accumulated loss	
----- (Rupees in '000) -----						
Balance as at December 31, 2015	103,028,512	(45,769,623)	992,110	5,472	(41,195,205)	17,061,266
Changes in equity for the half year ended June 30, 2016						
Total comprehensive income for the period						
Profit after taxation for the period	-	-	-	-	1,208,026	1,208,026
Transfer to statutory reserve	-	-	241,605	-	(241,605)	-
Transferred from surplus on revaluation of fixed assets - incremental depreciation (recognized directly in equity)	-	-	-	-	665	665
Balance as at June 30, 2016	103,028,512	(45,769,623)	1,233,715	5,472	(40,228,119)	18,269,957
Changes in equity for the half year ended December 31, 2016						
Total comprehensive income for the period						
Profit after taxation for the period	-	-	-	-	212,338	212,338
Other comprehensive income						
Actuarial gain on remeasurement of defined benefit obligation	-	-	-	-	(820)	(820)
	-	-	-	-	211,518	211,518
Transfer to statutory reserve	-	-	42,468	-	(42,468)	-
Transferred from surplus on revaluation of fixed assets - incremental depreciation (recognized directly in equity)	-	-	-	-	1,271	1,271
Balance as at December 31, 2016	103,028,512	(45,769,623)	1,276,183	5,472	(40,057,798)	18,482,746
Changes in equity for the half year ended June 30, 2017						
Total comprehensive income for the period						
Profit after taxation for the period	-	-	-	-	(31,975)	(31,975)
Transfer to statutory reserve	-	-	-	-	-	-
Transferred from surplus on revaluation of fixed assets - incremental depreciation (recognized directly in equity)	-	-	-	-	416	416
Balance as at June 30, 2017	103,028,512	(45,769,623)	1,276,183	5,472	(40,089,357)	18,451,187

(a) This represents reserve created under section 21(1)(a) of the Banking Companies Ordinance, 1962.

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

NIB Bank Limited
Condensed Interim Cash Flow Statement (Unaudited)
For the half year ended June 30, 2017

June 30, 2017 June 30, 2016
(Rupees in '000)

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation	(33,039)	1,858,499
Less: Dividend income	(27,720)	(23,712)
	(60,759)	1,834,787

Adjustments for non-cash items

Depreciation	160,165	178,955
Amortization	162,330	162,269
Provision against non-performing loans and advances	(85,368)	193,072
Bad debts written off directly	-	17
Gain on sale of operating fixed assets	(11)	(58,691)
Fixed assets written off	5,163	1,705
Gain from insurance against loss of fixed assets	-	(167)
Gain on sale of securities - net	(36,493)	(1,893,106)
Unrealised loss on revaluation of investments classified as held-for-trading	-	(2,825)
Reversal for diminution in the value of investments	-	(15,763)
Reversal of unrealized gain on options to sell closed end funds	81,777	
Other provisions / write offs	(54,594)	(24,277)
	232,969	(1,458,811)
	172,210	375,976

(Increase) / decrease in operating assets

Lendings to financial institutions	3,243,130	(3,457,696)
Investments classified as held-for-trading	333,741	(882,524)
Advances	11,799,478	(3,480,295)
Other assets (excluding advance taxation)	338,315	180,226

Increase / (decrease) in operating liabilities

Bills payable	297,961	162,842
Borrowings	(69,020,573)	52,159,113
Deposits and other accounts	(15,681,923)	(10,889,862)
Other liabilities (excluding current taxation)	(511,464)	614,930
	(69,029,125)	34,782,710
Income tax paid	(91,108)	(115,793)

Net cash generated from operating activities

(69,120,233) 34,666,917

CASH FLOWS FROM INVESTING ACTIVITIES

Net investments in available-for-sale securities	69,253,734	(39,697,304)
Net investments in held-to-maturity securities	(134,173)	(934,883)
Proceeds from sale of investment in subsidiary and associate	-	4,639,490
Dividend received	27,720	23,712
Payments for capital work in progress	(27,261)	(36,349)
Acquisition of intangible assets	-	(4,956)
Acquisition of operating fixed assets	(30,958)	(36,684)
Proceeds from sale of property and equipment	12	84,709
Recovery from insurance company against loss of assets	-	563
Net cash used in investing activities	69,089,074	(35,961,702)

CASH FLOWS FROM FINANCING ACTIVITIES

Redemption of sub-ordinated loans	(840)	(839)
Dividend paid	(2)	-
Net cash used in financing activities	(842)	(839)

Net (decrease) / increase in cash and cash equivalents	(32,001)	(1,295,624)
Cash and cash equivalents at beginning of the period	9,544,113	11,697,629
Cash and cash equivalents at end of the period	9,512,112	10,402,005

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

NIB Bank Limited
Notes to the Condensed Interim Financial Information (Unaudited)
For the half year ended June 30, 2017

1. STATUS AND NATURE OF BUSINESS

- 1.1** NIB Bank Limited "the Bank" is incorporated in Pakistan and its registered office is situated at first floor, Post Mall, F-7 Markaz, Islamabad. The Bank's ordinary shares are listed on Pakistan Stock Exchange and has 170 branches (December 31, 2016: 171 branches). The Bank is a scheduled commercial bank and is principally engaged in the business of banking as defined in the Banking Companies Ordinance, 1962.

NIB Bank Limited is a subsidiary of Bugis Investments (Mauritius) Pte. Limited which is a wholly owned subsidiary of Fullerton Financial Holdings Pte. Limited which in turn is a wholly owned subsidiary of Temasek Holdings, an investment arm of the Government of Singapore.

- 1.2** The State Bank of Pakistan (SBP), through its letter BPRD (R&P-02)/2017/14329 dated June 13, 2017, has approved the scheme of amalgamation and granted sanction order for the amalgamation of NIB Bank Limited with and into the MCB Bank Limited effective from the close of business on July 07, 2017 (the effective date). The Board of Directors and Shareholders of NIB Bank Limited (NIB), approved the Scheme of Amalgamation in their meeting held on December 07, 2016 and May 11, 2017 respectively as per the procedure provided in Section 48 of the Banking Companies Ordinance, 1962. MCB Bank Limited has issued 72,029,258 ordinary shares in aggregate in favour of the shareholders of NIB on the basis of a swap ratio of 1 (one) ordinary share of MCB for every 140.043 ordinary shares of NIB.

The State Bank of Pakistan through its notifications No. BPRD (R&PD-02)/2017/15917 has cancelled the banking license of NIB Bank Limited with effect from close of business on July 07, 2017. Further SBP through its notifications No. BPRD (R&PD-02)/2017/15921 has de-scheduled NIB Bank Limited with effect from close of business on July 07, 2017 on account of its merger with and into MCB Bank Limited, in terms of the Sanction Order dated June 13, 2017, issued under Section 48 of the Banking Companies Ordinance 1962.

The Pakistan Stock Exchange Limited (PSX) through its notice No. PSX/N-3981 dated June 22, 2017 has suspended trading in the shares of NIB Bank Limited with effect from July 05, 2017 on account of Amalgamation of NIB Bank Limited with and into MCB Bank Limited. Further PSX through its notice No. PSX/N-4542 has delisted NIB Bank Limited from the Exchange with effect from August 01, 2017.

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 (SBP) 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 this condensed interim financial information as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

This condensed interim financial information has been presented in Pakistan Rupees, which is the Bank's functional and presentation currency. The amounts are rounded off to the nearest thousand rupees.

3. STATEMENT OF COMPLIANCE

- 3.1** This condensed interim financial information of the Bank for the half year ended on June 30, 2017 has been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 - Interim Financial Reporting, provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case requirements differ, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.
- 3.2** The SBP has deferred the applicability of IAS 39, "Financial Instruments: Recognition and Measurement" and IAS 40 "Investment Property" for Banking Companies through BSD Circular letter no. 10, dated August 26, 2002. 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 condensed interim financial information. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.
- 3.3** The disclosures made in this condensed interim financial information has been limited and do not include all the information required in the half yearly or annual financial statements. Accordingly, this condensed interim financial information should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2016.

4. BASIS OF MEASUREMENT

This condensed interim financial information has been prepared under the historical cost convention, except for the measurement of certain investments, non-banking assets acquired in satisfaction of claims and commitments in respect of forward foreign exchange contracts and certain derivative contracts that are stated at revalued amounts / fair values.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of the condensed interim financial information are consistent with those applied in preparation of financial statements for the year ended 31 December 2016.

The new standards, amendments and interpretations that were mandatory for accounting periods beginning on or after January 1, 2017 and are not considered to be relevant or have any significant effect on the Bank's operations, are not detailed in this condensed interim financial information.

6. ACCOUNTING ESTIMATES AND JUDGMENTS

The basis and methods for the accounting estimates and judgments adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2016.

7. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the annual financial statements of the Bank for the year ended December 31, 2016.

	Unaudited			Audited		
	June 30, 2017			December 31, 2016		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
------(Rupees in '000) -----						
8. INVESTMENTS						
Investments by types:						
Held-for-trading securities						
Ordinary shares / certificates in listed companies / mutual funds	-	-	-	256,371	-	256,371
Pakistan Investment Bonds	-	-	-	76,192	-	76,192
	-	-	-	332,563	-	332,563
Available-for-sale securities						
Market Treasury Bills	17,213,102	19,904,285	37,117,387	8,284,446	96,841,357	105,125,803
Pakistan Investment Bonds	3,912,391	3,211,887	7,124,278	7,276,457	-	7,276,457
Defense Savings Certificates	-	2,730	2,730	-	2,730	2,730
Sukuk Bonds	648,482	-	648,482	1,128,754	-	1,128,754
Cumulative preference shares	55,178	-	55,178	55,178	-	55,178
Ordinary shares / certificates in listed companies / mutual funds	2,428,946	-	2,428,946	3,199,265	-	3,199,265
Ordinary shares of unlisted companies	57,986	-	57,986	57,768	-	57,768
Term Finance Certificates	813,981	-	813,981	890,572	-	890,572
	25,130,066	23,118,902	48,248,968	20,892,440	96,844,087	117,736,527
Held-to-maturity securities						
Pakistan Investment Bonds	6,625,549	-	6,625,549	6,641,377	-	6,641,377
Term Finance Certificates	159,955	-	159,955	9,954	-	9,954
	6,785,504	-	6,785,504	6,651,331	-	6,651,331
Subsidiaries	724	-	724	724	-	724
Investments at cost	31,916,294	23,118,902	55,035,196	27,877,058	96,844,087	124,721,145
Provision for diminution in the value of investments	(183,807)	-	(183,807)	(454,125)	-	(454,125)
Investments - net of provisions	31,732,487	23,118,902	54,851,389	27,422,933	96,844,087	124,267,020
Surplus on revaluation of held-for-trading securities - net	-	-	-	1,178	-	1,178
(Deficit) / surplus on revaluation of available-for-sale securities - net	438,359	(6,314)	432,045	233,773	(12,873)	220,900
Investments - net	<u>32,170,846</u>	<u>23,112,588</u>	<u>55,283,434</u>	<u>27,657,884</u>	<u>96,831,214</u>	<u>124,489,098</u>

	Unaudited June 30, 2017	Audited December 31, 2016
(Rupees in '000)		
9. ADVANCES		
Loans, cash credits, running finance etc. - in Pakistan	94,746,163	106,704,074
Net investment in finance lease - in Pakistan	1,594,182	1,624,291
Bills discounted and purchased (excluding Treasury Bills)		
Payable in Pakistan	439,241	134,785
Payable outside Pakistan	2,562,855	2,649,723
Advances - Gross	99,342,441	111,112,873
Provision against non performing advances - Specific	(23,589,004)	(23,643,896)
Provision against non performing advances - General	(161,620)	(163,049)
	(23,750,624)	(23,806,945)
Advances - net of provisions	<u>75,591,817</u>	<u>87,305,928</u>

- 9.1 Advances include Rs. 28,299.943 million (December 31, 2016: Rs. 28,969.862 million), which have been placed under non-performing status as detailed below:

Category of Classification	June 30, 2017				
	Non Performing Loans			Provision	
	Domestic	Overseas	Total	Required	Held
	----- (Rupees in '000) -----				
Other Assets Especially Mentioned	35,201	-	35,201	2,017	2,017
Substandard	943,008	-	943,008	184,963	184,963
Doubtful	2,480,898	-	2,480,898	501,587	501,587
Loss	24,840,836	-	24,840,836	22,900,437	22,900,437
	<u>28,299,943</u>	<u>-</u>	<u>28,299,943</u>	<u>23,589,004</u>	<u>23,589,004</u>

Category of Classification	December 31, 2016				
	Non Performing Loans			Provision	
	Domestic	Overseas	Total	Required	Held
	----- (Rupees in '000) -----				
Other Assets Especially Mentioned	35,698	-	35,698	2,297	2,297
Substandard	3,461,013	-	3,461,013	446,490	446,490
Doubtful	312,363	-	312,363	106,274	106,274
Loss	25,160,788	-	25,160,788	23,088,835	23,088,835
	<u>28,969,862</u>	<u>-</u>	<u>28,969,862</u>	<u>23,643,896</u>	<u>23,643,896</u>

- 9.2 In accordance with BSD Circular No. 1 dated October 21, 2011 issued by the State Bank of Pakistan, the Bank has availed the benefit of Forced Sale Value (FSV) against the non-performing advances. During the half year ended June 30, 2017, total FSV benefit erosion resulted in increase in profit before tax of Rs. 234.221 million. Had the benefit under the said circular not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 1,819.958 million (December 31, 2016: Rs. 1,585.737 million). The FSV benefit recognised will not be available for the distribution of cash and stock dividend to shareholders.
- 9.3 As per the revised Prudential Regulations issued for the Corporate / Commercial Banking vide BPRD Circular No. 06 of 2014 dated June 26, 2014, the cumulative FSV benefit recognized in respect of customers under Corporate / Commercial Banking is Rs. 1,301.081 million (December 31, 2016: Rs. 972.92 million) and is not available for distribution of cash or stock dividend / bonus to employees.

10 DEFERRED TAX ASSETS

The deferred tax asset recognised in the books has been restricted to Rs. 8,603.089 million due to uncertainty of availability of future tax profits for utilization of the unrecognised deferred tax assets. The deferred tax asset on deductible differences available to the Bank are Rs.8,904.315 million. Had the deferred tax asset been recognized on all deductible timing differences, the profit after tax for the half year ended June 30, 2017 would have been higher by Rs. 301.226 million.

The management has recorded deferred tax asset based on financial projections indicating absorption of deferred tax asset over a number of future years through reversals as a result of recoveries from borrowers and absorption of remaining deferred tax asset against future taxable profits. The financial projections involve certain key assumptions such as deposits composition, interest rates, growth of deposits and advances, investment returns and potential provision / reversals against assets. Any significant change in the key assumptions may have an effect on the absorption of the deferred tax asset.

		Unaudited	Audited
		June 30, 2017	December 31, 2016
		(Rupees in '000)	
11. OTHER ASSETS	11.1	<u>7,002,919</u>	<u>7,342,461</u>
11.1. Other assets include settlement of certain accounts through acquiring non-banking assets from the borrowers amounting to Rs. 3,302.751 million (December 31, 2016: Rs. 3,370.750 million) net of impairment of Rs. 45.978 million (December 31, 2016: Rs. 45.978 million) which have been remeasured at fair value in accordance with the BPRD Circular No 1 of 2016 . The settlement agreements signed with borrowers in certain cases entails a buy back option. In cases, where the agreement for sale have been executed (but the title has not been transferred by the Bank), the fair values have been restricted to the agreed sale prices. Surplus on revaluation of the above assets as at June 30, 2017 amounts to Rs. 175.142 million net of tax and have been included in surplus on revaluation of assets. Other assets also includes unrealized gain of Rs. 211.404 million (December 31, 2016: Rs. 293.180 million) under a contractual agreement to sell its holding of closed end mutual funds during the three year period effective from February 17, 2016.			

	Unaudited June 30, 2017	Audited December 31, 2016
	(Rupees in '000)	
12. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	9,911,063	22,701,315
Savings deposits	35,086,191	37,933,437
Current accounts - non-remunerative	31,583,975	31,757,050
Margin accounts	709,027	614,103
Financial Institutions		
Remunerative deposits	3,403,407	3,553,503
Non-remunerative deposits	696,781	512,959
	<u>81,390,444</u>	<u>97,072,367</u>
	Unaudited June 30, 2017	Audited December 31, 2016
	(Rupees in '000)	

13. SUB-ORDINATED LOANS

Term Finance Certificates - Listed, Unsecured

4,192,997 4,193,837

Mark-up	Floating (no floor, no cap) rate of return at Base Rate +1.15% (The Base Rate is defined as the average "Ask Side" rate of the six month Karachi Interbank Offered Rate ("KIBOR"))
Security	The TFCs are unsecured and subordinated to all other indebtedness of the Bank including deposits
Issue Date	June 19, 2014
Issue Amount	Rs. 4,198.035 million
Rating	A+ (A plus)
Tenor	8 years from the Issue Date
Redemption	Fifteen equal semi-annual installments of 0.02% of the Issue Amount for the first ninety months followed by remaining 99.70% on maturity at the end of the ninety sixth month.
Maturity	June 19, 2022
Call Option	The Bank may call the TFCs, in part or full, on any profit payment date from the 60th month from the last day of public subscription and on all subsequent profit payment dates, subject to the SBP approval and not less than forty five days prior notice being given to the Trustee and the Investors.
Lock-in- Clause	Neither profit nor Principal can be paid (even at maturity) if such payments will result in a shortfall in the Bank's Minimum Capital Requirements (MCR) or Capital Adequacy Ratio (CAR) or increase any existing shortfall in MCR and CAR. In case the lock-in clause goes into effect, the Bank will be required to comply with the SBP instructions prevalent or issued at the time.
Loss Absorbency Clause	The TFCs will be subject to loss absorbency clause as stipulated under the "Instructions for Basel III Implementation in Pakistan".

14. SHARE CAPITAL

14.1 Authorized

Unaudited June 30, 2017 (Number of shares)	Audited December 31, 2016 (Number of shares)		Unaudited June 30, 2017 (Rupees in '000)	Audited December 31, 2016 (Rupees in '000)
<u>12,000,000,000</u>	<u>12,000,000,000</u>	Ordinary shares of Rs. 10 each	<u>120,000,000</u>	<u>120,000,000</u>

14.2 Issued, subscribed and paid up

Fully paid up ordinary shares of Rs. 10 each

Unaudited June 30, 2017 (Number of shares)	Audited December 31, 2016 (Number of shares)		Unaudited June 30, 2017 (Rupees in '000)	Audited December 31, 2016 (Rupees in '000)
3,278,902,659	3,278,902,659	Fully paid in cash	32,789,027	32,789,027
764,824,417	764,824,417	Issued for consideration other than cash (under schemes of amalgamation)	7,648,244	7,648,244
6,259,124,088	6,259,124,088	Issuance of shares on discount	62,591,241	62,591,241
<u>10,302,851,164</u>	<u>10,302,851,164</u>		<u>103,028,512</u>	<u>103,028,512</u>

14.3 The holding Company Bugis Investments (Mauritius) Pte. Limited holds 9,105,728,598 (December 31, 2016: 9,105,728,598) ordinary shares.

	Unaudited June 30, 2017	Audited December 31, 2016
	(Rupees in '000)	
15. CONTINGENCIES AND COMMITMENTS		
15.1 Direct credit substitutes		
Contingent liability in respect of guarantees given favouring:		
Government	610,000	610,000
Financial Institutions	-	-
Others	182,560	135,191
	792,560	745,191
15.2 Transaction-related contingent liabilities / commitments		
Guarantees given in favour of:		
Government	44,054,332	32,582,376
Financial Institutions	-	-
Others	401,775	1,265,645
	44,456,107	33,848,021
15.3 Trade-related contingent liabilities		
Letters of credit	19,627,510	16,173,248
Acceptances	513,481	2,046,850
	20,140,991	18,220,098

15.4 Commitments in respect of forward lending

Commitments to extend credit	5,663,765	6,280,440
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The Bank makes commitments to extend credit in the normal course of its business but none of those commitments are irrevocable and do not attract any significant penalty or expense if the facility is ultimately withdrawn except commitments mentioned above.

	Unaudited June 30, 2017	Audited December 31, 2016
	(Rupees in '000)	
15.5 Commitments in respect of forward exchange contracts		

Purchase	9,324,482	23,291,730
Sale	8,889,286	23,942,169
	18,213,768	47,233,899

15.6 Commitments for the acquisition of operating fixed assets

	8,905	62,820
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15.7 Commitments in respect of equity future contracts

Purchase	-	20,828
Sale	-	279,574
	-	300,402

15.8 Other Contingencies

A penalty of Rs. 700 million was imposed by the Competition Commission of Pakistan ("the Commission") on all the member banks utilizing the 1 link Switch on account of uncompetitive behavior and imposing of uniform charges on cash withdrawal for off network ATM transactions. The Bank's share in this penalty is Rs. 50 million. The concerned banks filed a constitutional petition before the High Court of Sindh, which has suspended the order of the Commission. Consequently an appeal was filed with the Competition Appellate Tribunal ("Tribunal") which has set aside the order of the Commission. The Commission has preferred an appeal before the Supreme Court, which has been admitted for hearing and will be fixed by the concerned office of the Supreme Court.

The management in consultation with external legal counsel, representing the Bank, is confident that they have strong grounds to contest this penalty and are optimistic that the outcome will be decided in favour of the Bank.

15.9 Tax Contingencies

The income tax returns of NIB Bank Limited have been filed up to and including tax year 2016 relevant to the financial year ended December 31, 2015. The tax authorities have made certain disallowances including additions on account of proration of expenses against dividends and capital gains, disallowances of interest and administrative expenses and renovation expenses incurred on rented premises (allowed historically) pertaining to tax years 2003 through 2008 for Ex-Pakistan Industrial Credit and Investment Corporation Limited (Ex-PICIC), from tax years 2004 through 2008 for Ex-PICIC Commercial Bank Limited (Ex-PCBL), tax years 2003 and 2004 for Ex-National Development Leasing Corporation Limited (Ex-NDLC) and from tax years 2004 through 2008 for NIB Bank Limited. During the year ended 2013, a combined Appellate Order for Ex-PICIC pertaining to tax years 2003 through 2007 was issued by Commissioner Inland Revenue (Appeals) – CIR(A) in which the aforementioned expenses were allowed. However, the tax authorities have filed appeal with Income Tax Appellate Tribunal (ITAT) against above combined Appellate Order. These disallowances may result in additional tax aggregating to Rs. 1,370 million (2016: Rs. 1,370 million), which the management of the Bank in discussion with their tax consultants believes to be unjustified and not in accordance with the true interpretation of the law. Furthermore, tax authorities have also made certain disallowances in respect of tax years 2009, 2010, 2011 which are pending at various appellate forums.

As per indemnity clause of sale agreement with HBL Asset Management Company Ltd, the bank has agreed to reimburse any Tax liability that becomes due and payable in respect of the existing appeals pending before the Appellate Tribunal, Inland Revenue for the tax years 2005, 2006, 2007, 2008 and 2009 and for the impact of the same items up until the tax year 2015, which pertains to the amortization of management rights claimed by PICIC Asset Management Ltd (the Company) in its tax returns. These disallowances may result in additional tax aggregating to Rs 339.5 million. However the management of the Bank in discussion with the tax consultant considers to be allowable under section 24 of Income Tax Ordinance, 2001 and such claim would ultimately be decided in the company's favour.