

NIB Bank Limited | Quarterly Report
(Unaudited)
September 30, 2009



Enabling success, Realising dreams

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Board of Directors

Francis Andrew Rozario	Chairman
Syed Aamir Zahidi	Director
Tejpal Singh Hora	Director
Chia Yew Hock Wilson	Director
Willie Wai Kong Chan	Director
Mahmudul Huq Bhuiyan	Director
Asif Jooma	Director
Khawaja Iqbal Hassan	Director and President / CEO

Board Audit Committee

Chia Yew Hock Wilson	Chairman
Syed Aamir Zahidi	Member
Mahmudul Huq Bhuiyan	Member

Company Secretary

Yameen Kerai

Chief Financial Officer

Rayomond Kotwal

Registered Office

Muhammadi House
I.I. Chundrigar Road
Karachi - 74000.
UAN: (021) 111 333 111
Email: info@nibpk.com
URL: www.nibpk.com

Share Registrar Office

M/s. THK Associates (Pvt.) Limited
Ground Floor, State Life Building No. 3
Dr. Ziauddin Ahmed Road
Karachi - 75530. UAN: (021) 111 000 322

Auditors

M/s. KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisor

M/s. Mandviwalla & Zafar
Advocates and Legal Consultants

Credit Rating

Long Term:	AA-
Short Term:	A1+
Rating Agency:	PACRA

THE ECONOMY

The economy is showing early signs of stabilization during the quarter ended 30th September 2009. Headline inflation reduced further in September 2009, bringing the average inflation for the first quarter of the fiscal year to 10.7% compared to 24.5% in Q1 of FY09. The trade deficit reduced by 44% over the first quarter of FY09 as reduction in imports outpaced the slowdown in exports. With record remittances during the quarter, the overall external position continued to improve and the current account deficit reduced by nearly 90% compared to Q1 of FY09. The IMF program remains broadly on track with all monetary targets set by the IMF having been met, particularly in the area of government borrowing which has been restricted as a result of effective fiscal discipline. The equity markets continued their resurgence on the back of investor confidence and improved foreign portfolio investment, with the KSE Index having increased by 60% as of September 2009.

After healthy growth in the previous quarter, seasonal pressure on liquidity was witnessed during the third quarter as total system deposits reduced by around Rs 100 billion in the run up to Eid. Liquidity is expected to remain manageable in the near term. With month on month inflation on a rising trend, removal of fuel and electricity subsidies and rising oil and commodity prices, headline inflation is expected to creep up. The fiscal deficit will remain challenging, as the first quarter target has reportedly been breached due to shortfalls in tax collection. However, the two major factors affecting the economic outlook are the continuing war against militants and the power crisis that continues to impact the performance of the manufacturing sector. These have severely affected borrowers in most parts of the country as reflected in increased provisioning levels in the banking system. NPLs for the sector increased by Rs 55 billion in the first half of 2009 and provisions during this period were 50% higher than for the first half of 2008. It is expected that credit conditions will remain strained during the rest of 2009 and possibly into 2010.

OPERATING RESULTS

For the first nine months of 2009, NIB Bank has earned a profit before tax of Rs 1,328 million and a profit after tax of Rs 794 million.

NIB continues to grow its Consumer, SME and Small Business segments, in which the Bank added nearly 90,000 new customers and disbursed new loans worth over Rs 7 billion during the first nine months of 2009. NIB also had increased activity in the Corporate Banking segment where it has disbursed over Rs 9 billion in loans to top tier customers and Public Sector Enterprises. Consequently, loans in the Bank's core segments have grown by 17% during the first nine months of this year.

While total deposit levels have been maintained during 2009, the Bank has achieved an appreciable reduction in its cost of funds, which was one of its major objectives for the year. This has been accomplished in two ways. Firstly by growing current and savings deposits which have increased by Rs 15.4 billion in the first nine months of 2009 and now form 58% of the deposit base vs 44% in December 2008. Secondly, given the satisfactory liquidity position of the Bank, Rs 26.7 billion of higher cost deposits that were taken at the time of the tight market liquidity conditions in Q4 2008 / Q1 2009 have been allowed to run off, many of which were replaced with lower cost deposits.

Markup earned in the first nine months of 2009 was Rs 2.4 billion (21%) higher than for the same period in 2008 given the higher interest rate environment and a shift in the asset mix of the Bank to higher yielding segments. Markup expense increased by Rs 2.0 billion, once again reflecting the higher rate environment. Consequently, net markup income grew by Rs 385 million (10%) over the same period last year. Non markup income for the first nine months of 2009 reduced over the first nine months of the prior year as 2008 included dividends of Rs 827 million from PICIC Asset Management Company and its Associated Funds.

The Bank succeeded in reducing administrative expenses by 9% in the first nine months of 2009 compared to the first nine months of 2008, despite high inflation and sharp increases in utilities

costs, as focus remained on improving operating efficiency. As part of this process, 20 branch locations which were overlapping were merged and will be relocated to areas where the Bank currently does not have a presence. The cost to income ratio of the Bank has continued to decline each quarter since the end of last year and management continues to work towards its objective of reducing this further.

BSD Circular No 4 of 2009 allowed banks to defer recognition of the full decline in the value of equity securities held as Available for Sale in the profit and loss account, with the remaining deficit as of December 2008 being charged to the profit and loss account on a quarterly basis during 2009. Accordingly, the profit and loss account for the nine months includes an impairment charge of Rs 510 million. This has also been fully disclosed in the financial statements in line with the requirements of the Circular.

On a consolidated basis, NIB Group reported a profit before tax of Rs 2,247 million and a profit after tax of Rs 1,610 million. The increase in consolidated profit over the standalone profit is mainly due to an increase in the value of the Associated Funds managed by PICIC Asset Management Company as a result of the improvement in the equity markets during 2009.

During the first nine months of this year, NIB hired 772 employees, improved staff quality and service levels through more than 6,000 man days of training and continued to upgrade its branch infrastructure to provide a better customer experience. Progress was also made towards the implementation of new HR and MIS systems. The implementation of the Bank's newly acquired Core Banking system is progressing smoothly, 110 branches are already operating on the new system and the project remains on track for completion by the end of the year.

NIB's capital adequacy remains well in excess of regulatory requirements, which is a reflection of the Bank's strength. NIB is extremely grateful to its customers who have shown tremendous confidence in the Bank and remains committed to enabling their success and realizing their dreams. NIB would also like to thank all its shareholders for their support and acknowledge the significant contribution of the Bank's major shareholder, Fullerton Financial Holdings, a subsidiary of Temasek Holdings of Singapore. The SBP, SECP and other regulatory bodies have, as always, been a constant source of support and guidance which is sincerely appreciated. The employees have continued to work tirelessly and with dedication and their efforts and commitment deserve special recognition.

On behalf of the Board

Francis A. Rozario
Chairman

Khawaja Iqbal Hassan
President & CEO

**Un-Consolidated
Condensed Interim
Financial Statements**

**Un-Consolidated Condensed Interim Balance Sheet
As at September 30, 2009**

NIB Bank

	Note	Unaudited September 30, 2009	Audited December 31, 2008
----- (Rupees '000') -----			
ASSETS			
Cash and balances with treasury banks		9,273,035	9,355,104
Balances with other banks		602,222	793,843
Lendings to financial institutions		6,391,085	12,459,621
Investments (a)	6	47,202,108	35,176,823
Advances	7	79,973,978	80,344,193
Operating fixed assets	8	3,660,944	3,702,426
Intangible assets	9	26,506,754	26,664,438
Deferred tax assets	10	5,882,419	6,533,228
Other assets		9,541,448	3,879,439
		189,033,993	178,909,115
LIABILITIES			
Bills payable		2,005,045	1,432,084
Borrowings		30,864,994	23,651,366
Deposits and other accounts	11	105,852,037	104,586,167
Sub-ordinated loans	12	3,997,600	3,999,200
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		4,721,242	5,541,790
		147,440,918	139,210,607
NET ASSETS			
		41,593,075	39,698,508
REPRESENTED BY:			
Share capital	13	40,437,271	28,437,271
Share deposit money		-	12,000,000
Reserves		8,485,568	8,326,684
Accumulated loss (b)		(7,176,194)	(7,757,283)
		41,746,645	41,006,672
Deficit on revaluation of assets - net		(153,570)	(1,308,164)
		41,593,075	39,698,508
CONTINGENCIES AND COMMITMENTS			
	14		

(a) The investments in listed equity securities and mutual funds held as available-for-sale are valued at prices quoted on the stock exchanges and the relevant net asset values as at September 30, 2009. Out of the total decline in value of Rs. 537.945 million at September 30, 2009 (December 31, 2008: Rs. 1,375.928 million) on such investments, an amount of Rs. 510.706 million, including further impairment during the period, (2008: Rs. 275 million) has been recognized in the un-consolidated condensed interim profit and loss account for the nine months ended September 30, 2009 and the remaining amount has been reflected as deficit in equity in accordance with the option provided in BSD Circular No. 4 dated February 13, 2009.

(b) Had the entire amount of decline in value been recognized in the un-consolidated condensed interim profit and loss account, the accumulated loss as at September 30, 2009 would have been Rs. 7,195.814 million and deficit on revaluation of assets (net of deferred tax) would have been lower by Rs. 24.525 million as given in note 6.1 to these un-consolidated condensed interim financial statements.

The annexed notes from 1 to 18 form an integral part of these un-consolidated condensed interim financial statements.

Khawaja Iqbal Hassan
President / Chief Executive

Francis A. Rozario
Chairman / Director

Syed Aamir Zahidi
Director

Asif Jooma
Director

**Un-Consolidated Condensed Interim
Profit and Loss Account (Unaudited)
For the nine months and quarter ended September 30, 2009**



	Nine months ended		Quarter ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
	----- (Rupees '000') -----			
Mark-up / return / interest earned	13,737,007	11,337,539	4,367,641	4,188,970
Mark-up / return / interest expensed	9,640,938	7,627,298	2,991,064	2,877,070
Net mark-up / interest income	4,096,069	3,710,241	1,376,577	1,311,900
(Reversal) / provision against non-performing loans and advances	(178,664)	1,708,536	317,040	587,841
Provision for diminution in the value of investments (a)	476,958	-	49,286	-
Bad debts written off directly	45,800	13,125	23,316	91
	344,094	1,721,661	389,642	587,932
Net mark-up / interest income after provisions	3,751,975	1,988,580	986,935	723,968
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	531,587	508,342	181,488	186,877
Dividend income	186,183	983,039	90,051	76,385
Income / (loss) from dealing in foreign currencies	52,372	288,450	(1,778)	38,830
Gain on sale of securities	500,653	171,498	320,804	(14,636)
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading	-	-	-	-
Other income	14,552	47,027	12,516	6,076
Total non mark-up / interest income	1,285,347	1,998,356	603,081	293,532
	5,037,322	3,986,936	1,590,016	1,017,500
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	3,874,033	4,259,042	1,307,913	1,574,556
Other provisions / (reversals) / write offs	(13,737)	74,592	(7,659)	(184)
Other charges	(173,913)	4,574	(32,951)	1,472
Workers welfare fund	23,000	-	3,000	-
Total non mark-up / interest expenses	3,709,383	4,338,208	1,270,303	1,575,844
	1,327,939	(351,272)	319,713	(558,344)
Extra ordinary / unusual items	-	-	-	-
PROFIT / (LOSS) BEFORE TAXATION	1,327,939	(351,272)	319,713	(558,344)
Taxation - Current	75,112	-	24,854	-
- Prior years	-	-	-	-
- Deferred	458,406	(638,744)	80,351	(186,956)
	533,518	(638,744)	105,205	(186,956)
PROFIT / (LOSS) AFTER TAXATION (b)	794,421	287,472	214,508	(371,388)
Accumulated (loss) / profit brought forward	(7,757,283)	(282,604)	(7,177,370)	376,256
ACCUMULATED (LOSS) / PROFIT CARRIED FORWARD	(6,962,862)	4,868	(6,962,862)	4,868
Basic / diluted earnings / (loss) per share (Rupees)	0.20	0.10	0.05	(0.13)

(a) The investments in listed equity securities and mutual funds held as available-for-sale are valued at prices quoted on the stock exchanges and the relevant net asset values as at September 30, 2009. Out of the total decline in value of Rs. 537.945 million at September 30, 2009 (December 31, 2008: Rs. 1,375.928 million) on such investments, an amount of Rs. 510.706 million, including further impairment during the period, (2008: Rs. 275 million) has been recognized in the un-consolidated condensed interim profit and loss account for the nine months ended September 30, 2009 and the remaining amount has been reflected as deficit in equity in accordance with the option provided in BSD Circular No. 4 dated February 13, 2009.

(b) Had the entire amount of decline in value been recognized in the un-consolidated condensed interim profit and loss account, the same would have resulted in an additional charge to the profit and loss account of Rs. 24.525 million (net of tax) and, consequently, the profit after tax for the nine months would have been lower by Rs. 24.525 million and earnings per share would have been lower by Rs. 0.01 as given in note 6.1 to these un-consolidated condensed interim financial statements.

The annexed notes from 1 to 18 form an integral part of these un-consolidated condensed interim financial statements.

Khawaja Iqbal Hassan
President / Chief Executive

Francis A. Rozario
Chairman / Director

Syed Aamir Zahidi
Director

Asif Jooma
Director

**Un-Consolidated Condensed Interim
Cash Flow Statement (Unaudited)
For the nine months ended September 30, 2009**

NIB Bank

	September 30, 2009	September 30, 2008
	----- (Rupees '000') -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	1,327,939	(351,272)
Less: Dividend income	(186,183)	(983,039)
	<u>1,141,756</u>	<u>(1,334,311)</u>
Adjustments for non-cash items		
Depreciation	345,207	334,484
Amortization	226,334	223,180
Workers welfare fund	23,000	-
(Reversal) / provision against non-performing loans and advances	(178,664)	1,708,536
Bad debts written off directly	45,800	13,125
Gain on sale of operating fixed assets	(445)	(27,965)
Gain on sale of securities	(500,653)	(171,498)
Unrealized (gain) / loss on revaluation of investments classified as held-for-trading	-	-
Provision for diminution in the value of investments	476,958	-
Other provisions / (reversals) / write offs	(13,737)	74,592
	<u>423,800</u>	<u>2,154,454</u>
	1,565,556	820,143
(Increase) / decrease in operating assets		
Lendings to financial institutions	6,068,536	(1,588,524)
Held-for-trading securities	-	59,675
Advances	503,079	(5,746,467)
Other assets (excluding advance taxation)	(4,880,764)	(1,419,926)
Increase / (decrease) in operating liabilities		
Bills payable	572,961	(141,132)
Borrowings	7,213,628	2,925,129
Deposits and other accounts	1,265,870	(2,345,715)
Other liabilities (excluding current taxation)	(843,481)	155,623
	<u>11,465,385</u>	<u>(7,281,194)</u>
Income tax paid	(773,412)	(543,932)
Net cash from / (used in) operating activities	<u>10,691,973</u>	<u>(7,825,126)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Investments in available-for-sale securities	(11,077,017)	8,861,088
Net Investments in held-to-maturity securities	(15,836)	(3,943,083)
Net Investments in associates	238,261	(45,000)
Net Investments in subsidiaries	200,000	-
Dividend received	146,293	969,352
Payments for capital work in progress	(145,152)	(210,903)
Acquisition of intangible assets	(68,650)	(3,445)
Acquisition of property and equipment	(160,132)	(223,399)
Sale proceeds of property and equipment disposed off	2,003	184,905
Net cash (used in) / from investing activities	<u>(10,880,230)</u>	<u>5,589,515</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (Payments) / receipts against sub-ordinated loans	(1,600)	3,999,200
Dividend paid	(67)	(134)
Right shares issue cost	(83,766)	-
Payments of lease obligations	-	(6,011)
Net cash (used in) / from financing activities	<u>(85,433)</u>	<u>3,993,055</u>
Net (decrease) / increase in cash and cash equivalents	(273,690)	1,757,444
Cash and cash equivalents at the beginning of the period	<u>10,148,947</u>	<u>11,720,518</u>
Cash and cash equivalents at the end of the period	<u>9,875,257</u>	<u>13,477,962</u>

The annexed notes from 1 to 18 form an integral part of these un-consolidated condensed interim financial statements.

Khawaja Iqbal Hassan
President / Chief Executive

Francis A. Rozario
Chairman / Director

Syed Aamir Zahidi
Director

Asif Jooma
Director

**Un-Consolidated Condensed Interim
Statement of Changes in Equity (Unaudited)
For the nine months ended September 30, 2009**



	Share capital	Share deposit money	Capital Reserves		Revenue Reserves		Total
			Share premium	Statutory reserve	General reserve	Accumulated profit / (loss)	
(Rupees '000')							
Balance as at January 1, 2008 - Restated	22,017,968	-	639,744	74,594	5,472	(282,604)	22,455,174
Profit for the period ended September 30, 2008	-	-	-	-	-	287,472	287,472
Transfer to statutory reserve	-	-	-	57,494	-	(57,494)	-
Shares issued under scheme of amalgamation	6,419,303	-	7,606,874	-	-	-	14,026,177
Balance as at September 30, 2008	28,437,271	-	8,246,618	132,088	5,472	(52,626)	36,768,823
Loss for the period ended December 31, 2008	-	-	-	-	-	(7,762,151)	(7,762,151)
Transfer from statutory reserve	-	-	-	(57,494)	-	57,494	-
Share deposit money	-	12,000,000	-	-	-	-	12,000,000
Balance as at December 31, 2008	28,437,271	12,000,000	8,246,618	74,594	5,472	(7,757,283)	41,006,672
Profit for the period ended September 30, 2009	-	-	-	-	-	794,421	794,421
Transfer to statutory reserve	-	-	-	158,884	-	(158,884)	-
Shares issued	12,000,000	(12,000,000)	-	-	-	-	-
Right shares issue cost (net of tax)	-	-	-	-	-	(54,448)	(54,448)
Balance as at September 30, 2009	40,437,271	-	8,246,618	233,478	5,472	(7,176,194)	41,746,645

The annexed notes from 1 to 18 form an integral part of these un-consolidated condensed interim financial statements.

Khawaja Iqbal Hassan
President / Chief Executive

Francis A. Rozario
Chairman / Director

Syed Aamir Zahidi
Director

Asif Joona
Director

1. STATUS AND NATURE OF BUSINESS

NIB Bank Limited "the Bank" is incorporated in Pakistan and its registered office is situated at Muhammadi House, I. I. Chundrigar Road, Karachi in the province of Sindh. The Bank is listed on all the stock exchanges in Pakistan and has 226 branches (December 31, 2008: 244 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.

2. STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements for the year ended December 31, 2008.

These condensed interim financial statements represent separate financial statements of the Bank. The consolidated condensed interim financial statements of the Bank, its subsidiaries and associates are presented separately.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation followed for the preparation of these condensed interim 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, 2008.

During the current period, International Accounting Standard 1 (Revised), Presentation of Financial Statements (IAS 1) and International Financial Reporting Standard 8, Operating Segments (IFRS 8) became effective from January 1, 2009. The application of these standards has resulted in certain increased disclosures. The statement of comprehensive income has not been presented in the Bank's financial statements, as surplus / deficit on revaluation of "Available-for-sale" securities is presented under a separate head below equity in accordance with the requirements specified by the State Bank of Pakistan vide its BSD circular 20 dated August 04, 2000 and BSD circular 10 dated July 13, 2004. There is no change in the segments reported.

Other new standards, amendments and interpretations that were mandatory for accounting periods beginning on or after January 1, 2009 and are not considered to be relevant or have any significant effect on the Bank's operations, are not detailed in these condensed interim financial statements.

4. ACCOUNTING ESTIMATES

The basis for the accounting estimates adopted in the preparation of these condensed interim financial statements is the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2008.

5. 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, 2008.

**Notes to the Un-Consolidated Condensed
Interim Financial Statements (Unaudited)
For the nine months ended September 30, 2009**

NIB Bank

	Unaudited			Audited		
	September 30, 2009			December 31, 2008		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	----- (Rupees '000') -----					
6. INVESTMENTS						
Investments by types:						
Held-for-trading securities	-	-	-	-	-	-
Available-for-sale securities						
Market Treasury Bills	17,320,296	11,633,649	28,953,945	10,801,441	7,994,951	18,796,392
Pakistan Investment Bonds	2,252,297	868,982	3,121,279	2,116,647	930,330	3,046,977
GoP Ijara Sukuk Bonds	850,000	-	850,000	500,000	-	500,000
Defense Saving Certificates	5,771	2,730	8,501	5,771	2,650	8,421
Sukuk Bonds	124,703	-	124,703	-	-	-
Cumulative preference shares	50,000	-	50,000	100,000	-	100,000
Ordinary shares / certificates in						
listed companies / modarabas	1,732,420	66,572	1,798,992	2,316,207	25,975	2,342,182
Ordinary shares of						
unlisted companies	66,221	-	66,221	64,280	-	64,280
Term Finance Certificates	1,598,182	-	1,598,182	852,900	-	852,900
Investments in mutual funds	750,765	-	750,765	310,067	-	310,067
	24,750,655	12,571,933	37,322,588	17,067,313	8,953,906	26,021,219
Held-to-maturity securities						
Pakistan Investment Bonds	4,642,553	-	4,642,553	4,616,193	-	4,616,193
Term Finance Certificates	127,578	-	127,578	138,102	-	138,102
	4,770,131	-	4,770,131	4,754,295	-	4,754,295
Associates	1,884,519	-	1,884,519	2,097,647	-	2,097,647
Subsidiaries	4,584,741	-	4,584,741	4,790,704	-	4,790,704
Investments at cost	35,990,046	12,571,933	48,561,979	28,709,959	8,953,906	37,663,865
Provision for diminution in value of investments	(1,102,980)	(18,638)	(1,121,618)	(901,791)	-	(901,791)
Investments - net of provisions	34,887,066	12,553,295	47,440,361	27,808,168	8,953,906	36,762,074
Deficit on revaluation of available-for-sale securities	(136,323)	(101,930)	(238,253)	(1,374,659)	(210,592)	(1,585,251)
Net Investments	34,750,743	12,451,365	47,202,108	26,433,509	8,743,314	35,176,823

6.1 SBP BSD Circular No. 4 dated February 13, 2009 has allowed banks to follow the Securities and Exchange Commission of Pakistan (SECP) notification vide SRO 150 (1) / 2009 dated February 13, 2009 allowing that the impairment loss, if any, recognized as on December 31, 2008 due to valuation of listed equity investments held as "Available-for-Sale" at quoted market prices may be shown under equity. The amount taken to equity including any adjustment / effect for price movements during the quarters of calendar year 2009 is required to be taken to the Profit and Loss Account on a quarterly basis during the year ending December 31, 2009.

The impairment loss based on market values as at December 31, 2008 had been determined at Rs. 1,375.928 million. In view of the floor imposed earlier by the KSE and economic conditions in the country, the management believed that these were "rare circumstances" and the plunge in equity markets could not necessarily be considered to be a fair reflection of equity values, therefore full recognition of impairment of "Available-for-Sale" equity securities through the Profit and Loss account would not reflect the correct financial performance of the Bank. Accordingly, the management on the basis of their estimates and prudence had made a provision of Rs. 275 million against the above amount in the annual financial statements of 2008. In the current period, the Bank has made a further provision of Rs. 510.706 million as per the requirements of the above mentioned SBP circular.

**Notes to the Un-Consolidated Condensed
Interim Financial Statements (Unaudited)
For the nine months ended September 30, 2009**

NIB Bank

The recognition of the full impairment loss based on market values as at September 30, 2009 would have had the following effect on these condensed interim financial statements:

	(Rupees '000')
Increase in Provision for diminution in the value of investments in the un-consolidated condensed interim Profit and Loss Account	27,239
Increase in deferred tax credit for the period	2,714
Decrease in profit for the period - after tax	<u>24,525</u>
Decrease in earnings per share - after tax (basic and diluted) (Rupees)	<u>0.01</u>
Decrease in deficit on revaluation of available-for-sale securities - net	<u>24,525</u>
Increase in accumulated loss	<u>19,620</u>

	Unaudited September 30, 2009	Audited December 31, 2008
	----- (Rupees '000') -----	
7. ADVANCES		
Loans, cash credits, running finance, etc. - in Pakistan	89,726,077	90,877,027
Net investment in finance lease - in Pakistan	3,283,806	4,374,849
Bills discounted and purchased (excluding Treasury Bills)		
Payable in Pakistan	524,352	527,618
Payable outside Pakistan	<u>2,174,736</u>	<u>1,542,987</u>
Advances - Gross	95,708,971	97,322,481
Provision against non performing advances - Specific	<u>(15,502,992)</u>	<u>(16,715,515)</u>
- General	<u>(232,001)</u>	<u>(262,773)</u>
	<u>(15,734,993)</u>	<u>(16,978,288)</u>
Advances - Net of provisions	<u>79,973,978</u>	<u>80,344,193</u>

7.1 Advances include Rs. 21,851.789 million (December 31, 2008: Rs. 22,457.812 million), which have been placed under non performing status as detailed below:

	Domestic	Overseas	Total	Provision required	Provision held
	----- (Rupees '000') -----				
Category of Classification					
Substandard	3,545,496	-	3,545,496	731,147	731,147
Doubtful	3,737,816	-	3,737,816	1,467,403	1,467,403
Loss	14,568,477	-	14,568,477	13,304,442	13,304,442
	<u>21,851,789</u>	<u>-</u>	<u>21,851,789</u>	<u>15,502,992</u>	<u>15,502,992</u>

	Unaudited September 30, 2009	Unaudited September 30, 2008
	----- (Rupees '000') -----	
8. OPERATING FIXED ASSETS		
8.1 Additions to fixed assets		
The following additions have been made to fixed assets during the period ended September 30, 2009:		
Furniture and fixtures	10,980	32,684
Electrical, office and computer equipment	103,355	132,456
Building on freehold land	933	-
Vehicles	7,197	-
Leasehold improvements	37,667	55,259
Capital work in progress	145,152	213,903
8.2 Disposal of fixed assets		
The following disposals have been made from fixed assets during the period ended September 30, 2009:		
Furniture and fixtures	7,921	948
Electrical, office and computer equipment	44,070	747
Vehicles	-	244,083
Leasehold improvements	17	315
	Unaudited September 30, 2009	Audited December 31, 2008
	----- (Rupees '000') -----	
9. INTANGIBLE ASSETS	<u>26,506,754</u>	<u>26,664,438</u>

9.1 Allocation of goodwill to CGUs:

Goodwill acquired through acquisition with indefinite life has been allocated to two CGUs, which are also reportable segments, for impairment testing as follows:

(Rupees in billion)

Consumer & Small Enterprises Group (CSEG)	15.7
Small & Medium Enterprises and Commercial (SMEC)	9.6

9.1.1 Key assumptions used in value in use calculations:

At year ended December 31, 2008, the recoverable amounts of CSEG and SMEC units were determined based on value in use calculations, using cash flow projections based on financial budgets by the management covering a ten year period. Cash flows beyond that ten year period were extrapolated using declining growth rates and management believes it will require a period of ten years to capture the niche market.

The following post-tax rates were used by the Bank at year end December 31, 2008:

	CSEG / SMEC 2008
Discount rates	
- Projections	19.52%
- Terminal value	17.52%
Terminal growth rate	10.35%

The calculation of value in use for both CSEG and SMEC units is most sensitive to the following assumptions:

- Discount rate
- Terminal growth rate used to extrapolate the cash flows beyond the budgeted period
- Weighted average yield / cost of funds
- Loan loss rates
- Local inflation rates
- Non-interest income
- Market share

Discount rate

Discount rate reflects the management's estimate of cost of equity required in each unit. The cost of equity was calculated using the Capital Asset Pricing Model (CAPM).

Terminal growth rate used to extrapolate the cash flows beyond the budgeted period

Assumptions were based on published industry research.

Weighted average yield / cost of funds

These were based on the actual yield / cost of funds of the recent past and market research conducted by the management.

Loan loss rates

These rates were based on the historical loss rate trend of the Bank in the respective units before merger and the results of the performance of the two CGUs since the launch of these businesses post merger.

Non-interest income

Growth in non-interest income was based on management's estimate of growth in advances and deposits.

Market Share

Management assesses that the relative positions of each of the two CGUs to niche (untapped) market will grow over the budgeted period on the basis of the market research, results of the pilot branches and performance to date.

9.1.2 Annual test for impairment:

Goodwill

Last year, the Bank assessed the recoverable amount of the goodwill associated with both CGUs i.e. CSEG and SMEC, by determining the value in use over a ten year period as these businesses are long term by nature. A number of scenarios were run with varying degrees of conservatism. In the most conservative scenario, which represents a combination of events that adversely impacts all key parameters significantly, there would be impairment of Rs. 0.64 billion in CSEG and Rs. 0.4 billion in SMEC. As a matter of abundant caution, the Bank had decided to take the impairment charge of Rs. 1.04 billion.

Intangibles

Last year, the Bank also assessed the recoverable amount of core overdraft / working capital loan relationships and determined an impairment loss of Rs. 43.637 million. The main factor contributing to the impairment was a run-off of those particular acquired loans on the basis of which the original intangible was assessed.

10. DEFERRED TAX ASSETS

The Finance Act, 2009 has made significant amendments in the Seventh Schedule to the Income Tax Ordinance, 2001. The deduction for provisions for Doubtful and Loss categories of advances and off balance sheet items is allowed upto a maximum of 1% of total advances. The amount of bad debts classified as Substandard under the Prudential Regulations issued by State Bank of Pakistan would not be allowed as an expense. Provisioning in excess of 1% of total advances would be allowed to be carried over to succeeding years. Management is of the view that they would be able to get deduction of provisions that are in excess of 1% of total advances and have recognized deferred tax asset on such provisions amounting to Rs. 532 million.

The amendments introduced in the Seventh Schedule do not provide for any transitional mechanism i.e. how and when the provision for bad debts disallowed upto December 31, 2008 would be allowed as a deduction. The Institute of Chartered Accountants of Pakistan (ICAP) and the Pakistan Banking Association (PBA) have taken up this matter with the Federal Board of Revenue (FBR). However, pending the final resolution of the matter, ICAP considers that reversal of deferred tax assets in relation thereto may not be made until the end of the financial year by which time the matter is expected to be decided by the FBR as proposed by the ICAP and the PBA. Accordingly, the deferred tax asset recognized through December 31, 2008 relating to provisions for advances amounting to Rs. 5,800 million has been carried forward.

11. DEPOSITS AND OTHER ACCOUNTS

Unaudited Audited
September 30, December 31,
2009 2008
----- (Rupees '000') -----

Customers

Fixed deposits	44,456,151	56,032,439
Savings deposits	30,324,475	22,942,597
Current accounts - Remunerative	-	-
Current accounts - Non remunerative	22,685,035	19,769,327
Margin accounts	739,294	1,067,940

Financial institutions

Remunerative deposits	7,477,517	4,718,614
Non remunerative deposits	169,565	55,250
	<u>105,852,037</u>	<u>104,586,167</u>

12. SUB-ORDINATED LOANS

Term Finance Certificates - Quoted, Unsecured	<u>3,997,600</u>	<u>3,999,200</u>
---	------------------	------------------

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"))

Subordination The TFCs are subordinated to all other indebtedness of the Bank including deposits

Issue date March 5, 2008

Total Issue 4,000 million

Rating A+ (A plus)

Tenor 8 years from the issue date

Redemption Ten equal semi-annual installments of 0.02% of the Issue Amount for the first sixty months followed by six equal semi-annual installments of 16.63% of the Issue Amount from the sixty-sixth month onwards.

Maturity March 5, 2016

Call Option The Bank can also exercise the Call Option or the Partial Call Option after obtaining written approval from the State Bank of Pakistan at any time after a period of sixty months from the Issue Date

13. SHARE CAPITAL

13.1 Authorized

Unaudited September 30, 2009	Audited December 31, 2008	Unaudited September 30, 2009	Audited December 31, 2008
----- (Number of shares) -----		----- (Rupees '000') -----	
<u>5,000,000,000</u>	<u>5,000,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>

13.2 Issued, subscribed and paid up capital

Fully paid up ordinary shares of Rs. 10/- each

3,278,902,659	2,078,902,659	Fully paid in cash	32,789,027	20,789,027
764,824,417	764,824,417	Issued for consideration other than cash (under schemes of amalgamation)	7,648,244	7,648,244
<u>4,043,727,076</u>	<u>2,843,727,076</u>		<u>40,437,271</u>	<u>28,437,271</u>

13.3 The holding company Bugis Investments (Mauritius) Pte. Limited holds 2,995,744,425 (December 31, 2008: 1,795,911,770) ordinary shares.

Unaudited September 30, 2009	Audited December 31, 2008
----- Number of shares -----	

13.4 Reconciliation of number of ordinary shares of Rs. 10/- each

At the beginning of the period / year	2,843,727,076	2,201,796,759
Add: Issued during the period / year	1,200,000,000	641,930,317
At the end of the period / year	<u>4,043,727,076</u>	<u>2,843,727,076</u>

Unaudited September 30, 2009	Audited December 31, 2008
----- (Rupees '000') -----	

14. CONTINGENCIES AND COMMITMENTS

14.1 Direct credit substitutes

Contingent liability in respect of guarantees given favouring:

Government	-	52,367
Banking companies	-	-
Others	75,000	88,464
	75,000	140,831

14.2 Transaction-related contingent liabilities / commitments

Guarantees given in favour of:

Government	4,303,437	3,869,098
Banking companies and other financial institutions	142,428	-
Others	1,649,904	929,175
	6,095,769	4,798,273

	Unaudited September 30, 2009	Audited December 31, 2008
	----- (Rupees '000') -----	
14.3 Trade-related contingent liabilities		
Letters of credit	8,744,784	7,643,035
Acceptances	4,181,741	4,233,176
	12,926,525	11,876,211
14.4 Other Contingencies		
Claims against the Bank not acknowledged as debts	478,517	382,275
14.5 Commitments in respect of forward lending		
Forward call lending	-	-
Forward repurchase agreement lending	-	-
Commitments to extend credit	364,356	-
	364,356	-
<p>The Bank makes commitments to extend credit in the normal course of its business but none of these commitments are irrevocable and do not attract any significant penalty or expense if the facility is ultimately withdrawn except commitments mentioned above.</p>		
14.6 Commitments in respect of forward exchange contracts		
Purchase	38,158,351	39,228,162
Sale	34,421,676	35,313,470
	72,580,027	74,541,632
14.7 Commitments for the acquisition of operating fixed assets	180,870	304,742

14.8 The returns of income of NIB Bank Limited and other merged entities have been filed up to the tax year 2008 relevant to financial year ended December 31, 2007. The tax authorities have made certain disallowances including additions on account of proration of expenses against dividends and capital gains and renovation expenses incurred on rented premises (allowed historically) pertaining from tax years 2003 to 2007. These disallowances relate to entities merged with and into NIB Bank Limited and may result in additional tax aggregating to Rs. 892 million which the management of the Bank in discussion with their tax consultant believes to be unjustified and not in accordance with the true interpretation of the law.

As a result of appeals against the aforesaid assessments management is confident that the eventual outcome of the cases will be in favor of the Bank.

**Notes to the Un-Consolidated Condensed
Interim Financial Statements (Unaudited)
For the nine months ended September 30, 2009**

NIB Bank

16. RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its holding company, subsidiaries, associated undertakings, employee benefit plans, its key management personnel and other related parties.

Transactions with related parties are executed on the same terms as those prevailing at the time for comparable transactions with unrelated parties.

The detail of transactions with related parties and balances with them as at the period / year - end were as follows:

	Holding company		Subsidiaries		Associates		Key management personnel		Other related parties	
	Unaudited September 30, 2009	Audited December 31, 2008	Unaudited September 30, 2009	Audited December 31, 2008	Unaudited September 30, 2009	Audited December 31, 2008	Unaudited September 30, 2009	Audited December 31, 2008	Unaudited September 30, 2009	Audited December 31, 2008
(Rupees '000')										
Advances										
At the beginning of the period / year	-	-	-	-	305,248	7,545	104,275	146,633	-	-
Given / addition during the period / year	-	-	-	-	300,000	807,686	60,659	44,288	-	-
Repaid during the period / year	-	-	-	-	(605,248)	(509,983)	(16,821)	(86,656)	-	-
At the end of the period / year	-	-	-	-	-	305,248	148,113	104,275	-	-
Deposits										
At the beginning of the period / year	66,809	43,089	788,343	148,604	510,344	322,425	34,534	9,257	264,199	84,272
Deposits during the period / year	-	22,987	1,234,407	1,170,467	24,283,886	40,012,702	129,475	173,024	4,024,672	4,953,083
Exchange difference	1,072	4,765	18	2,095	-	-	-	-	-	-
Withdrawal during the period / year	(1,639)	(4,032)	(1,113,825)	(532,823)	(20,355,479)	(39,824,763)	(156,969)	(147,747)	(4,109,140)	(4,773,156)
At the end of the period / year	66,242	66,809	908,943	788,343	4,438,751	510,344	7,040	34,534	179,731	264,199
Investment in shares / mutual funds - cost										
At the beginning of the period / year	-	-	4,790,704	4,790,704	2,097,647	2,052,647	-	-	191,968	191,968
Investments made during the period / year	-	-	-	-	30,000	45,000	-	-	-	-
Investments sold during the period / year	-	-	(205,963)	-	(243,126)	-	-	-	-	-
At the end of the period / year	-	-	4,584,741	4,790,704	1,884,519	2,097,647	-	-	191,968	191,968
Receivables										
Outstanding at the end of the period / year	133	133	528	301	-	-	-	-	27,039	-
Insurance claim receivable										
Outstanding at the end of the period / year	-	-	-	-	100,780	98,889	-	-	-	-
Payables										
Outstanding at the end of the period / year	3,325	946	-	-	-	-	-	-	-	-
Brokerage payable										
Outstanding at the end of the period / year	-	-	-	-	-	-	-	-	-	136
Payable to Directors										
Outstanding at the end of the period / year	-	-	-	-	-	-	-	-	249	5,682
Insurance premium payable										
Outstanding at the end of the period / year	-	-	-	-	4,681	296	-	-	-	-

Notes to the Un-Consolidated Condensed
Interim Financial Statements (Unaudited)
For the nine months ended September 30, 2009



	Holding company		Subsidiaries		Associates		Key management personnel		Other related parties	
	Period ended		Period ended		Period ended		Period ended		Period ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
Contribution to provident fund	-	-	-	-	-	-	-	-	176,172	128,948
Mark-up / return / interest expensed on deposits	-	71,739	25,762	100,548	63,444	338	179	-	18,189	6,024
Brokerage expense	-	-	-	-	-	-	-	-	1,300	1,194
Dividend income from shares / mutual funds	-	17,744	750,000	4,822	109,893	-	-	-	10,874	4,530
Insurance premium expense	-	-	-	4,395	58,557	-	-	-	-	-
Remuneration to key management personnel	-	-	-	-	-	-	106,485	135,940	-	-
Mark-up / return / interest earned on advances	-	-	-	8,963	2,702	4,196	4,474	-	-	-
Directors remuneration	-	-	-	-	-	-	-	-	1,232	491
Directors travelling expense	4,379	970	-	-	-	-	-	-	-	-

Operating fixed assets amounting to Rs.171,383 have been purchased from PICIC Exchange Company (Pvt.) Limited during the period.

17. DATE OF AUTHORIZATION FOR ISSUE

These un-consolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Bank on October 23, 2009.

18. GENERAL

18.1 These un-consolidated condensed interim financial statements are circulated to the shareholders as required by the Section 245 of the Companies Ordinance, 1984.

18.2 Figures have been rounded off to the nearest thousand rupees.

Khawaja Iqbal Hassan
President / Chief Executive

Francis A. Rozario
Chairman / Director

Syed Aamir Zahidi
Director

Asif Jooma
Director

**Consolidated
Condensed Interim
Financial Statements**

**Consolidated Condensed Interim Balance Sheet
As at September 30, 2009**



	Note	Unaudited September 30, 2009	Audited December 31, 2008
..... (Rupees '000')			
ASSETS			
Cash and balances with treasury banks		9,273,060	9,357,450
Balances with other banks		648,619	868,019
Lendings to financial institutions		6,391,085	12,459,621
Investments (a)	7	44,481,904	31,135,628
Advances	8	79,973,978	80,344,193
Operating fixed assets	9	3,665,420	3,707,620
Intangible assets	10	28,233,480	28,391,164
Deferred tax assets	11	5,805,071	6,533,228
Other assets		9,553,833	3,899,304
		188,026,450	176,696,227
LIABILITIES			
Bills payable		2,005,045	1,432,084
Borrowings		30,864,994	23,651,366
Deposits and other accounts	12	104,943,364	103,798,092
Sub-ordinated loans	13	3,997,600	3,999,200
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		4,739,866	5,543,368
		146,550,869	138,424,110
NET ASSETS		<u>41,475,581</u>	<u>38,272,117</u>
REPRESENTED BY:			
Share capital	14	40,437,271	28,437,271
Share deposit money		-	12,000,000
Reserves		8,485,568	8,326,684
Accumulated loss (b)		(6,986,345)	(8,382,793)
		41,936,494	40,381,162
Deficit on revaluation of assets - net		(460,913)	(2,109,045)
		<u>41,475,581</u>	<u>38,272,117</u>

CONTINGENCIES AND COMMITMENTS 15

- (a) The investments in listed equity securities and mutual funds held as available-for-sale are valued at prices quoted on the stock exchanges and the relevant net asset values as at September 30, 2009. Out of the total decline in value of Rs. 537.945 million at September 30, 2009 (December 31, 2008: Rs. 1,375.928 million) on such investments, an amount of Rs. 510.706 million, including further impairment during the period, (2008: Rs. 275 million) has been recognized in the consolidated condensed interim profit and loss account for the nine months ended September 30, 2009 and the remaining amount has been reflected as deficit in equity in accordance with the option provided in BSD Circular No. 4 dated February 13, 2009.
- (b) Had the entire amount of decline in value been recognized in the consolidated condensed interim profit and loss account, the accumulated loss as at September 30, 2009 would have been Rs. 7,005.965 million and deficit on revaluation of assets (net of deferred tax) would have been lower by Rs. 24.525 million as given in note 7.1 to these consolidated condensed interim financial statements.

The annexed notes from 1 to 19 form an integral part of these consolidated condensed interim financial statements.

Khawaja Iqbal Hassan
President / Chief Executive

Francis A. Rozario
Chairman / Director

Syed Aamir Zahidi
Director

Asif Jooma
Director

**Consolidated Condensed Interim
Profit and Loss Account (Unaudited)
For the nine months and quarter ended September 30, 2009**



	Nine months ended		Quarter ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
	----- (Rupees '000') -----			
Mark-up / return / interest earned	13,743,111	11,377,257	4,369,339	4,192,669
Mark-up / return / interest expensed	9,571,683	7,601,982	2,967,711	2,860,327
Net mark-up / Interest Income	4,171,428	3,775,275	1,401,628	1,332,342
(Reversal) / provision against non-performing loans and advances	(178,664)	1,708,536	317,040	587,841
Provision for diminution in the value of investments (a)	457,218	–	62,931	–
Bad debts written off directly	45,800	13,125	23,316	91
	324,354	1,721,661	403,287	587,932
Net mark-up / interest income after provisions	3,847,074	2,053,614	998,341	744,410
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	691,953	509,456	245,505	187,885
Dividend income	165,582	129,738	89,631	34,675
Income / (loss) from dealing in foreign currencies	52,376	291,895	(1,778)	38,830
Gain on sale of securities	475,468	171,498	320,804	(15,578)
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading	–	(102,821)	–	(46,335)
Other income	14,476	315,963	12,535	73,045
Total non mark-up / interest income	1,399,855	1,315,729	666,697	272,522
	5,246,929	3,369,343	1,665,038	1,016,932
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	3,961,051	4,316,060	1,328,208	1,591,345
Other provisions / (reversals) / write offs	(13,737)	74,592	(7,659)	(184)
Other charges	(173,913)	4,574	(32,951)	1,472
Workers welfare fund	23,000	–	3,000	–
Total non mark-up / interest expense	3,796,401	4,395,226	1,290,598	1,592,633
Share of profit / (loss) of associates	796,070	(966,442)	349,529	(685,925)
PROFIT / (LOSS) BEFORE TAXATION	2,246,598	(1,992,325)	723,969	(1,261,626)
Taxation - Current	85,106	75,982	37,854	23,001
- Prior years	15,958	(4,169)	–	–
- Deferred	535,754	(796,820)	115,784	(286,312)
	636,818	(725,007)	153,638	(263,311)
PROFIT / (LOSS) AFTER TAXATION (b)	1,609,780	(1,267,318)	570,331	(998,315)
Accumulated (loss) / profit brought forward	(8,382,793)	796,600	(7,343,344)	527,597
ACCUMULATED (LOSS) / PROFIT CARRIED FORWARD	(6,773,013)	(470,718)	(6,773,013)	(470,718)
Basic / diluted earnings / (loss) per share (Rupees)	0.40	(0.45)	0.14	(0.35)

(a) The investments in listed equity securities and mutual funds held as available-for-sale are valued at prices quoted on the stock exchanges and the relevant net asset values as at September 30, 2009. Out of the total decline in value of Rs. 537.945 million at September 30, 2009 (December 31, 2008: Rs. 1,375.928 million) on such investments, an amount of Rs. 510.706 million, including further impairment during the period, (2008: Rs. 275 million) has been recognized in the consolidated condensed interim profit and loss account for the nine months ended September 30, 2009 and the remaining amount has been reflected as deficit in equity in accordance with the option provided in BSD Circular No. 4 dated February 13, 2009.

(b) Had the entire amount of decline in value been recognized in the consolidated condensed interim profit and loss account, the same would have resulted in an additional charge to the profit and loss account of Rs. 24.525 million (net of tax) and, consequently, the profit after tax for the nine months would have been lower by Rs. 24.525 million and earnings per share would have been lower by Rs. 0.01 as given in note 7.1 to these consolidated condensed interim financial statements.

The annexed notes from 1 to 19 form an integral part of these consolidated condensed interim financial statements.

Khawaja Iqbal Hassan
President / Chief Executive

Francis A. Rozario
Chairman / Director

Syed Aamir Zahidi
Director

Asif Jooma
Director

**Consolidated Condensed Interim
Cash Flow Statement (Unaudited)
For the nine months ended September 30, 2009**

NIB Bank

	September 30, 2009	September 30, 2008
 (Rupees '000')	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	2,246,598	(1,992,325)
Less: Dividend income	(165,582)	(129,738)
	<u>2,081,016</u>	<u>(2,122,063)</u>
Adjustments for non-cash items		
Depreciation	346,935	336,482
Amortization	226,334	223,283
Workers welfare fund	23,000	-
(Reversal) / provision against non-performing loans and advances	(178,664)	1,708,536
Bad debts written off directly	45,800	13,125
Impairment of investment in associates	20,895	-
Gain on sale of operating fixed assets	(281)	(28,096)
Gain on sale of securities	(475,468)	(171,498)
Unrealized (gain) / loss on revaluation of investments classified as held-for-trading	-	102,821
Provision for diminution in the value of investments	457,218	-
Other provisions / (reversals) / write offs	(13,737)	74,592
Share of (profit) / loss of associates	(796,070)	966,442
	<u>(344,038)</u>	<u>3,225,687</u>
	1,736,978	1,103,624
(Increase) / decrease in operating assets		
Lendings to financial institutions	6,068,536	(1,588,524)
Held-for-trading securities	90,402	162,497
Advances	503,079	(5,747,757)
Other assets (excluding advance taxation)	(4,885,584)	(1,238,904)
Increase / (decrease) in operating liabilities		
Bills payable	572,961	(141,132)
Borrowings	7,213,628	2,925,129
Deposits and other accounts	1,145,272	(2,845,894)
Other liabilities (excluding current taxation)	(826,435)	128,184
	<u>11,618,837</u>	<u>(7,242,777)</u>
Income tax paid	(787,864)	(639,065)
Net cash from / (used in) operating activities	<u>10,830,973</u>	<u>(7,881,842)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Investments in available-for-sale securities	(11,029,766)	8,758,209
Net Investments in held-to-maturity securities	(15,836)	(3,943,083)
Net Investments in associates	242,884	188,366
Dividend received	126,492	116,051
Payments for capital work in progress	(145,152)	(210,903)
Acquisition of intangible assets	(68,650)	(3,445)
Acquisition of property and equipment	(161,432)	(223,399)
Sale proceeds of property and equipment disposed off	2,130	185,326
Net cash (used in) / from investing activities	<u>(11,049,330)</u>	<u>4,867,122</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (payments) / receipts against sub-ordinated loans	(1,600)	3,999,200
Dividend paid	(67)	(134)
Right shares issue cost	(83,766)	-
Payments of lease obligations	-	(6,011)
Net cash (used in) / from financing activities	<u>(85,433)</u>	<u>3,993,055</u>
Net (decrease) / increase in cash and cash equivalents	(303,790)	978,335
Cash and cash equivalents at the beginning of the period	10,225,469	12,639,458
Cash and cash equivalents at the end of the period	<u>9,921,679</u>	<u>13,617,793</u>

The annexed notes from 1 to 19 form an integral part of these consolidated condensed interim financial statements.

Khawaja Iqbal Hassan
President / Chief Executive

Francis A. Rozario
Chairman / Director

Syed Aamir Zahidi
Director

Asif Jooma
Director

**Consolidated Condensed Interim
Statement of Changes in Equity (Unaudited)
For the nine months ended September 30, 2009**



	Share capital	Share deposit money	Capital Reserves		Revenue Reserves		Total
			Share premium	Statutory reserve	General reserve	Accumulated profit / (loss)	
..... (Rupees '000')							
Balance as at January 1, 2008 - Restated	22,017,968	-	639,744	74,594	5,472	796,600	23,534,378
Loss for the period ended September 30, 2008	-	-	-	-	-	(1,267,318)	(1,267,318)
Transfer to statutory reserve	-	-	-	57,494	-	(57,494)	-
Shares issued under scheme of amalgamation	6,419,303	-	7,606,874	-	-	-	14,026,177
Balance as at September 30, 2008	28,437,271	-	8,246,618	132,088	5,472	(528,212)	36,293,237
Loss for the period ended December 31, 2008	-	-	-	-	-	(7,912,075)	(7,912,075)
Transfer from statutory reserve	-	-	-	(57,494)	-	57,494	-
Share deposit money	-	12,000,000	-	-	-	-	12,000,000
Balance as at December 31, 2008	28,437,271	12,000,000	8,246,618	74,594	5,472	(8,382,793)	40,381,162
Profit for the period ended September 30, 2009	-	-	-	-	-	1,609,780	1,609,780
Transfer to statutory reserves	-	-	-	158,884	-	(158,884)	-
Shares issued	12,000,000	(12,000,000)	-	-	-	-	-
Right shares issue cost (net of tax)	-	-	-	-	-	(54,448)	(54,448)
Balance as at September 30, 2009	40,437,271	-	8,246,618	233,478	5,472	(6,986,345)	41,936,494

The annexed notes from 1 to 19 form an integral part of these consolidated condensed interim financial statements.

Khawaja Iqbal Hassan
President / Chief Executive

Francis A. Rozario
Chairman / Director

Syed Aamir Zahidi
Director

Asif Jooma
Director

1. STATUS AND NATURE OF BUSINESS

The "Group" consists of:

Holding Company

NIB Bank Limited (the Bank)

NIB Bank Limited "the Bank" is incorporated in Pakistan and its registered office is situated at Muhammadi House, I. I. Chundrigar Road, Karachi in the province of Sindh. The Bank is listed on all the stock exchanges in Pakistan and has 226 branches (December 31, 2008: 244 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.

Subsidiary Companies

Following are the subsidiaries consolidated in these condensed interim financial statements:-

Subsidiary	Share holding	Date of acquisition	Nature of business	Listed / unlisted	Country of incorporation
PICIC Asset Management Company Limited	100%	June 30, 2007	Investment Advisory and Asset Management Services	Unlisted	Pakistan
PICIC Exchange Company (Private) Limited	100%	June 30, 2007	Dealing in Foreign Exchange	Unlisted	Pakistan

The Bank has acquired interest in PICIC Asset Management Company Limited (PICIC AMC) and PICIC Exchange Company (Private) Limited by virtue of acquisition and amalgamation of Pakistan Industrial Credit and Investment Corporation Limited (PICIC) and PICIC Commercial Bank Limited (PCBL) respectively.

The Board of Directors of PICIC Exchange Company (Private) Limited resolved at their meeting held on October 30, 2008 to wind up the Company. The Extraordinary General Meeting of the Company held on November 29, 2008 passed the resolution to wind up the Company and appointed its liquidator. The Company has been wound up as of June 30, 2009.

The Bank has also acquired 95.89% interest in Financial and Management Services (Private) Limited by virtue of acquisition and amalgamation of PICIC.

2. STATEMENT OF COMPLIANCE

These consolidated condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements for the year ended December 31, 2008.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation followed for the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2008.

During the current period, International Accounting Standard 1 (Revised), Presentation of Financial Statements (IAS 1) and International Financial Reporting Standard 8, Operating Segments (IFRS 8) became effective from January 1, 2009. The application of these standards

has resulted in certain increased disclosures. The statement of comprehensive income has not been presented in the Group's financial statements as surplus / deficit on revaluation of "Available for sale" securities is presented under a separate head below equity in accordance with the requirements specified by the State Bank of Pakistan vide its BSD circular 20 dated August 4, 2000 and BSD circular 10 dated July 13, 2004. There is no change in the segments reported.

Other new standards, amendments and interpretations that were mandatory for accounting periods beginning on or after January 1, 2009 and are not considered to be relevant or have any significant effect on the Group's operations, are not detailed in these consolidated condensed interim financial statements.

4. ACCOUNTING ESTIMATES

The basis for the accounting estimates adopted in the preparation of these consolidated condensed interim financial statements is the same as those applied in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2008.

5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Group are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended December 31, 2008.

6. BASIS OF CONSOLIDATION

The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and the carrying value of investment in subsidiaries held by the holding company is eliminated against the shareholders' equity in the consolidated financial statements.

Material intra-group balances and transactions have been eliminated.

Financial and Management Services (Private) Limited has not been consolidated as it is not material and this investment has been fully provided.

**Notes to the Consolidated Condensed
Interim Financial Statements (Unaudited)
For the nine months ended September 30, 2009**

NIB Bank

	Unaudited September 30, 2009			Audited December 31, 2008		
	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
(Rupees '000')						
7. INVESTMENTS						
Investments by types:						
Held-for-trading securities						
Investments in Mutual Funds	-	-	-	9,871	-	9,871
Ordinary shares / certificates of listed companies / modarabas	-	-	-	222,456	-	222,456
	-	-	-	232,327	-	232,327
Available-for-sale securities						
Market Treasury Bills	17,320,296	11,633,649	28,953,945	10,801,441	7,994,951	18,796,392
Pakistan Investment Bonds	2,252,297	868,982	3,121,279	2,166,786	930,330	3,097,116
GoP Ijara Sukuk Bonds	850,000	-	850,000	500,000	-	500,000
Defense Saving Certificates	5,771	2,730	8,501	5,771	2,650	8,421
Sukuk Bonds	124,703	-	124,703	-	-	-
Cumulative Preference Shares	50,000	-	50,000	100,000	-	100,000
Ordinary shares / certificates of listed companies / modarabas	1,732,420	66,572	1,798,992	2,316,207	25,975	2,342,182
Ordinary shares of unlisted companies	66,221	-	66,221	64,280	-	64,280
Term Finance Certificates	1,598,182	-	1,598,182	852,900	-	852,900
Investments in Mutual Funds	750,765	-	750,765	310,067	-	310,067
	24,750,655	12,571,933	37,322,588	17,117,452	8,953,906	26,071,358
Held-to-maturity securities						
Pakistan Investment Bonds	4,642,553	-	4,642,553	4,616,193	-	4,616,193
Term Finance Certificates	127,578	-	127,578	138,102	-	138,102
	4,770,131	-	4,770,131	4,754,295	-	4,754,295
Associates	3,261,078	-	3,261,078	2,242,420	-	2,242,420
Subsidiaries	724	-	724	724	-	724
Investments at cost	32,782,588	12,571,933	45,354,521	24,347,218	8,953,906	33,301,124
Provision for diminution in value of investments	(615,726)	(18,638)	(634,364)	(422,101)	-	(422,101)
Investments - net of provisions	32,166,862	12,553,295	44,720,157	23,925,117	8,953,906	32,879,023
Deficit on revaluation of held-for-trading securities	-	-	-	(150,973)	-	(150,973)
Deficit on revaluation of available-for-sale securities	(136,323)	(101,930)	(238,253)	(1,381,830)	(210,592)	(1,592,422)
Net Investments	32,030,539	12,451,365	44,481,904	22,392,314	8,743,314	31,135,628

7.1 SBP BSD Circular No. 4 dated February 13, 2009 has allowed banks to follow the Securities and Exchange Commission of Pakistan (SECP) notification vide SRO 150 (1)/2009 dated February 13, 2009 allowing that the impairment loss, if any, recognized as on December 31, 2008 due to valuation of listed equity investments held as "Available-for-Sale" at quoted market prices may be shown under equity. The amount taken to equity including any adjustment / effect for price movements during the quarters of calendar year 2009 is required to be taken to the Profit and Loss Account on a quarterly basis during the year ending December 31, 2009.

The impairment loss based on market values as at December 31, 2008 had been determined at Rs. 1,375.928 million. In view of the floor imposed earlier by the KSE and economic conditions in the country, the management believed that these were "rare circumstances" and the plunge in equity markets could not necessarily be considered

to be a fair reflection of equity values, therefore full recognition of impairment of "Available-for-Sale" equity securities through the Profit and Loss account would not reflect the correct financial performance of the Bank. Accordingly, the management on the basis of their estimates and prudence had made a provision of Rs. 275 million against the above amount in the annual financial statements of 2008. In the current period, the Bank has made a further provision of Rs. 510.706 million as per the requirements of the above mentioned SBP circular.

The recognition of the full impairment loss based on market values as at September 30, 2009 would have had the following effect on these consolidated condensed interim financial statements:

(Rupees '000')

Increase in Provision for diminution in the value of investments in the consolidated condensed interim Profit and Loss Account	27,239
Increase in deferred tax credit for the period	<u>2,714</u>
Decrease in profit for the period - after tax	<u>24,525</u>
Decrease in earnings per share - after tax (basic and diluted) (Rupees)	<u>0.01</u>
Decrease in deficit on revaluation of available-for-sale securities - net	<u>24,525</u>
Increase in accumulated loss	<u>19,620</u>

	Unaudited September 30, 2009	Audited December 31, 2008
 (Rupees '000')	
8. ADVANCES		
Loans, cash credits, running finance, etc. - in Pakistan	89,726,077	90,877,027
Net investment in finance lease - in Pakistan	3,283,806	4,374,849
Bills discounted and purchased (excluding Treasury Bills)		
Payable in Pakistan	524,352	527,618
Payable outside Pakistan	<u>2,174,736</u>	<u>1,542,987</u>
Advances - Gross	95,708,971	97,322,481
Provision against non-performing advances - Specific	<u>(15,502,992)</u>	<u>(16,715,515)</u>
- General	<u>(232,001)</u>	<u>(262,773)</u>
	<u>(15,734,993)</u>	<u>(16,978,288)</u>
Advances - Net of provisions	<u>79,973,978</u>	<u>80,344,193</u>

8.1 Advances include Rs. 21,851.789 million (December 31, 2008: Rs. 22,457.812 million), which have been placed under non performing status as detailed below:

	Domestic	Overseas	Total	Provision required	Provision held
 (Rupees '000')				
Category of Classification					
Substandard	3,545,496	-	3,545,496	731,147	731,147
Doubtful	3,737,816	-	3,737,816	1,467,403	1,467,403
Loss	14,568,477	-	14,568,477	13,304,442	13,304,442
	<u>21,851,789</u>	<u>-</u>	<u>21,851,789</u>	<u>15,502,992</u>	<u>15,502,992</u>

	Unaudited September 30, 2009	Unaudited September 30, 2008
 (Rupees '000')	
9. OPERATING FIXED ASSETS		
9.1 Additions to fixed assets		
The following additions have been made to fixed assets during the period ended September 30, 2009:		
Furniture and fixtures	10,848	32,684
Electrical, office and computer equipments	104,707	132,456
Building on freehold land	933	-
Vehicles	7,277	-
Leasehold improvements	37,667	55,259
Capital work in progress	145,152	213,903
9.2 Disposal of fixed assets		
The following disposals have been made from fixed assets during the period ended September 30, 2009:		
Furniture and fixtures	8,401	948
Electrical, office and computer equipment	44,949	747
Vehicles	74	244,692
Leasehold improvements	17	315
	Unaudited September 30, 2009	Audited December 31, 2008
 (Rupees '000')	
10. INTANGIBLE ASSETS	<u>28,233,480</u>	<u>28,391,164</u>
10.1 Allocation of goodwill to CGUs:		
Goodwill acquired through acquisition with indefinite life has been allocated to two CGUs, which are also reportable segments, for impairment testing as follows:		
Consumer & Small Enterprises Group (CSEG)		15.7
Small & Medium Enterprises and Commercial (SMEC)		9.6
10.1.1 Key assumptions used in value in use calculations:		
At year ended December 31, 2008, the recoverable amounts of CSEG and SMEC units were determined based on value in use calculations, using cash flow projections based on financial budgets by the management covering a ten year period. Cash flows beyond that ten year period were extrapolated using declining growth rates and management believes it will require a period of ten years to capture the niche market.		
The following post-tax rates were used by the Bank at year end December 31, 2008:		
		CSEG / SMEC 2008
Discount rates		
- Projections		19.52%
- Terminal value		17.52%
Terminal growth rate		10.35%

The calculation of value in use for both CSEG and SMEC units is most sensitive to the following assumptions:

- Discount rate
- Terminal growth rate used to extrapolate the cash flows beyond the budgeted period
- Weighted average yield / cost of funds
- Loan loss rates
- Local inflation rates
- Non-interest income
- Market share

Discount rate

Discount rate reflects the management's estimate of cost of equity required in each unit. The cost of equity was calculated using the Capital Asset Pricing Model (CAPM).

Terminal growth rate used to extrapolate the cash flows beyond the budgeted period

Assumptions were based on published industry research.

Weighted average yield / cost of funds

These were based on the actual yield / cost of funds of the recent past and market research conducted by the management.

Loan loss rates

These rates were based on the historical loss rate trend of the Bank in the respective units before merger and the results of the performance of the two CGUs since the launch of these businesses post merger.

Non-interest income

Growth in non-interest income was based on management's estimate of growth in advances and deposits.

Market share

Management assesses that the relative positions of each of the two CGUs to niche (untapped) market will grow over the budgeted period on the basis of the market research, results of the pilot branches and performance to date.

10.1.2 Annual test for impairment:

Goodwill

Last year, the Bank assessed the recoverable amount of the goodwill associated with both CGUs i.e. CSEG and SMEC, by determining the value in use over a ten year period as these businesses are long term by nature. A number of scenarios were run with varying degrees of conservatism. In the most conservative scenario, which represents a combination of events that adversely impacts all key parameters significantly, there would be impairment of Rs. 0.64 billion in CSEG and Rs. 0.4 billion in SMEC. As a matter of abundant caution, the Bank had decided to take the impairment charge of Rs. 1.04 billion.

Intangibles

Last year, the Bank also assessed the recoverable amount of core overdraft / working capital loan relationships and determined an impairment loss of Rs. 43.637 million. The main factor contributing to the impairment was a run-off of those particular acquired loans on the basis of which the original intangible was assessed.

11. DEFERRED TAX ASSETS

The Finance Act, 2009 has made significant amendments in the Seventh Schedule to the Income Tax Ordinance, 2001. The deduction for provisions for Doubtful and Loss categories of advances and off balance sheet items is allowed upto a maximum of 1% of total advances. The amount of bad debts classified as Substandard under the Prudential Regulations issued by State Bank of Pakistan would not be allowed as an expense. Provisioning in excess of 1% of total advances would be allowed to be carried over to succeeding years. Management is of the view that they would be able to get deduction of provisions that are in excess of 1% of total advances and have recognized deferred tax asset on such provisions amounting to Rs. 532 million.

The amendments introduced in the Seventh Schedule do not provide for any transitional mechanism i.e. how and when the provision for bad debts disallowed upto December 31, 2008 would be allowed as a deduction. The Institute of Chartered Accountants of Pakistan (ICAP) and the Pakistan Banking Association (PBA) have taken up this matter with the Federal Board of Revenue (FBR). However, pending the final resolution of the matter, ICAP considers that reversal of deferred tax assets in relation thereto may not be made until the end of the financial year by which time the matter is expected to be decided by the FBR as proposed by the ICAP and the PBA. Accordingly, the deferred tax asset recognized through December 31, 2008 relating to provisions for advances amounting to Rs. 5,800 million has been carried forward.

12. DEPOSITS AND OTHER ACCOUNTS

Customers

	Unaudited September 30, 2009	Audited December 31, 2008
 (Rupees '000')	
Fixed deposits	44,456,151	56,032,439
Savings deposits	30,324,475	22,154,522
Current accounts - Remunerative	-	-
Current accounts - Non remunerative	22,685,035	19,769,327
Margin accounts	739,294	1,067,940

Financial institutions

Remunerative deposits	6,568,844	4,718,614
Non remunerative deposits	169,565	55,250
	<u>104,943,364</u>	<u>103,798,092</u>

Unaudited Audited
September 30, December 31,
2009 2008
..... (Rupees '000')

13. SUB-ORDINATED LOANS

Term Finance Certificates - Quoted, Unsecured	<u>3,997,600</u>	<u>3,999,200</u>
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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"))

Subordination The TFCs are subordinated to all other indebtedness of the Bank including deposits

Issue date March 5, 2008

Total Issue 4,000 million

Rating A+ (A plus)

Tenor 8 years from the issue date

Redemption Ten equal semi-annual installments of 0.02% of the Issue Amount for the first sixty months followed by six equal semi-annual installments of 16.63% of the Issue Amount from the sixty-sixth month onwards.

Maturity March 5, 2016

Call Option The Bank can also exercise the Call Option or the Partial Call Option after obtaining written approval from the State Bank of Pakistan at any time after a period of sixty months from the Issue Date

14. SHARE CAPITAL

14.1 Authorized

Unaudited September 30, 2009	Audited December 31, 2008	Unaudited September 30, 2009	Audited December 31, 2008
..... (Number of shares) (Rupees '000')	
<u>5,000,000,000</u>	<u>5,000,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>

14.2 Issued, subscribed and paid up capital

Fully paid up ordinary shares of Rs. 10/- each

3,278,902,659	2,078,902,659	Fully paid in cash	32,789,027	20,789,027
---------------	---------------	--------------------	------------	------------

764,824,417	764,824,417	Issued for consideration other than cash (under schemes of amalgamation)	7,648,244	7,648,244
-------------	-------------	--	-----------	-----------

<u>4,043,727,076</u>	<u>2,843,727,076</u>		<u>40,437,271</u>	<u>28,437,271</u>
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14.3 The holding company Bugis Investments (Mauritius) Pte. Limited holds 2,995,744,425 (December 31, 2008: 1,795,911,770) ordinary shares.

14.4 Reconciliation of number of ordinary shares of Rs. 10/- each

	Unaudited September 30, 2009	Audited December 31, 2008
	----- (Number of shares) -----	
At the beginning of the period / year	2,843,727,076	2,201,796,759
Add: Issued during the period / year	1,200,000,000	641,930,317
At the end of the period / year	<u>4,043,727,076</u>	<u>2,843,727,076</u>

	Unaudited September 30, 2009	Audited December 31, 2008
	----- (Rupees '000') -----	

15. CONTINGENCIES AND COMMITMENTS

15.1 Direct credit substitutes

Contingent liability in respect of guarantees given favouring:

Government	-	52,367
Banking companies	-	-
Others	75,000	88,464
	<u>75,000</u>	<u>140,831</u>

15.2 Transaction-related contingent liabilities / commitments

Guarantees given in favour of:

Government	4,303,437	3,869,098
Banking companies and other financial institutions	142,428	-
Others	1,649,904	929,175
	<u>6,095,769</u>	<u>4,798,273</u>

15.3 Trade-related contingent liabilities

Letters of credit	8,744,784	7,643,035
Acceptances	4,181,741	4,233,176
	<u>12,926,525</u>	<u>11,876,211</u>

15.4 Other Contingencies

Claims against the Bank not acknowledged as debts	478,517	382,275
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	Unaudited September 30, 2009	Audited December 31, 2008
 (Rupees '000')	
15.5 Commitments in respect of forward lending		
Forward call lending	-	-
Forward repurchase agreement lending	-	-
Commitments to extend credit	364,356	-
	364,356	-
<p>The Bank makes commitments to extend credit in the normal course of its business but none of these commitments are irrevocable and do not attract any significant penalty or expense if the facility is ultimately withdrawn except commitments mentioned above.</p>		
15.6 Commitments in respect of forward exchange contracts		
Purchase	38,158,351	39,228,162
Sale	34,421,676	35,313,470
	72,580,027	74,541,632
15.7 Commitments for the acquisition of operating fixed assets	180,870	304,742

15.8 The returns of income of NIB Bank Limited and other merged entities have been filed up to the tax year 2008 relevant to financial year ended December 31, 2007. The tax authorities have made certain disallowances including additions on account of proration of expenses against dividends and capital gains and renovation expenses incurred on rented premises (allowed historically) pertaining from tax years 2003 to 2007. These disallowances relate to entities merged with and into NIB Bank Limited and may result in additional tax aggregating to Rs. 892 million which the management of the Bank in discussion with their tax consultant believes to be unjustified and not in accordance with the true interpretation of the law.

As a result of appeals against the aforesaid assessments management is confident that the eventual outcome of the cases will be in favor of the Bank.

**Notes to the Consolidated Condensed
Interim Financial Statements (Unaudited)
For the nine months ended September 30, 2009**



17. RELATED PARTY TRANSACTIONS

The Group has related party transactions with its holding company, subsidiaries, associates, associated undertakings, employee benefit plans, its key management personnel and other related parties. Transactions with related parties are executed on the same terms as those prevailing at the time for comparable transactions with unrelated parties. The detail of transactions with related parties and balances with them as at the period / year - end were as follows:

	Holding company		Subsidiaries		Associates		Key management personnel		Other related parties	
	Unaudited September 30, 2009	Audited December 31, 2008	Unaudited September 30, 2009	Audited December 31, 2008	Unaudited September 30, 2009	Audited December 31, 2008	Unaudited September 30, 2009	Audited December 31, 2008	Unaudited September 30, 2009	Audited December 31, 2008
Advances										
At the beginning of the period / year	-	-	-	-	305,248	7,545	104,275	146,633	-	-
Given / addition during the period / year	-	-	-	-	300,000	807,686	60,659	44,298	-	-
Repaid during the period / year	-	-	-	-	(805,248)	(509,963)	(16,821)	(86,656)	-	-
At the end of the period / year	-	-	-	-	-	305,248	148,113	104,275	-	-
Deposits										
At the beginning of the period / year	66,809	43,089	268	84	510,344	322,425	34,534	9,257	264,199	84,272
Deposits during the period / year	-	22,987	6	358	24,283,886	40,012,702	129,475	173,024	4,024,672	4,953,083
Exchange difference	1,072	4,765	-	(4)	(20,355,479)	(39,824,763)	(156,969)	(147,747)	(4,109,140)	(4,773,156)
Withdrawal during the period / year	(1,639)	(4,032)	(4)	(174)	(20,355,479)	(39,824,763)	(156,969)	(147,747)	(4,109,140)	(4,773,156)
At the end of the period / year	66,242	66,809	270	268	4,438,751	510,344	7,040	34,534	179,731	264,199
Investment in shares / mutual funds										
At the beginning of the period / year	-	-	724	724	2,242,420	5,097,054	-	-	191,968	191,968
Investments made during the period / year	-	-	-	-	30,000	45,000	-	-	-	-
Investments sold during the period / year	-	-	-	-	(288,262)	-	-	-	-	-
Equity accounting method adjustments	-	-	-	-	1,256,920	(2,899,634)	-	-	-	-
At the end of the period / year	-	-	724	724	3,261,078	2,242,420	-	-	191,968	191,968
Receivables										
Outstanding at the end of the period / year	133	133	-	-	25,903	18,140	-	-	29,165	2,096
Insurance claim receivable										
Outstanding at the end of the period / year	-	-	-	-	100,760	96,869	-	-	-	-
Payables										
Outstanding at the end of the period / year	3,325	946	-	-	-	-	-	-	-	-
Brokerage payable										
Outstanding at the end of the period / year	-	-	-	-	-	-	-	-	-	136
Payable to Directors										
Outstanding at the end of the period / year	-	-	-	-	-	-	-	-	249	5,682
Insurance premium payable										
Outstanding at the end of the period / year	-	-	-	-	4,691	296	-	-	-	-

Notes to the Consolidated Condensed
Interim Financial Statements (Unaudited)
For the nine months ended September 30, 2009



	Holding company		Subsidiaries		Associates		Key management personnel		Other related parties	
	Period ended		Period ended		Unaudited		Period ended		Period ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
	(Rupees '000')									
Contribution to provident fund	-	-	-	-	-	-	-	-	176,934	129,351
Mark-up / return / interest expensed on deposits	-	-	-	-	100,548	63,444	338	179	18,189	6,024
Brokerage expense	-	-	-	-	-	-	-	-	1,300	1,194
Dividend income from shares / mutual funds	-	-	-	-	4,622	233,366	-	-	10,874	4,530
Insurance premium expense	-	-	-	-	5,552	59,292	-	-	-	-
Remuneration to key management personnel	-	-	-	-	-	-	117,189	142,244	-	-
Mark-up / return / interest earned on advances	-	-	-	-	8,963	2,702	4,196	4,474	-	-
Directors remuneration	-	-	-	-	-	-	-	-	1,592	1,071
Directors travelling expense	4,379	970	-	-	-	-	-	-	-	-
Remuneration for investment advisory services	-	-	-	-	160,366	268,939	-	-	-	-

18. DATE OF AUTHORIZATION FOR ISSUE

These consolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Bank on October 23, 2009.

19. GENERAL

19.1 These consolidated condensed interim financial statements are circulated to the shareholders as required by the Section 245 of the Companies Ordinance, 1984.

19.2 Figures have been rounded off to the nearest thousand rupees.

Khawaja Iqbal Hassan
President / Chief Executive

Francis A. Rozario
Chairman / Director

Syed Aamir Zahidi
Director

Asif Jooma
Director

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□ THANER