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Company Information

Board of Directors	Mr. Francis A. Rozario Mr. Tan Soo Nan Mr. Phua Kok Kim Mr. Thomas P. Sodano Dr. Chowdhury Saleh Ahmed Mr. S. M. Saleem Khawaja Iqbal Hassan	Chairman Director Director Director Director Director President & Chief Executive
Company Secretary	Athar Z. Rizvi	
Auditors	M. Yousuf Adil Saleem & Co. Chartered Accountants	
Legal Advisors	Rizvi, Isa, Afridi & Angell Advocates & Corporate Counsellors	
Audit Committee	Dr. Chowdhury Saleh Ahmed Mr. Phua Kok Kim Mr. Thomas P. Sodano Mr. Athar Z. Rizvi	Chairman Member Member Secretary
Share Registrar	THK Associates (Pvt.) Limited Ground Floor, Modern Motors House Beaumont Road, Karachi – 75530	
Registered Office	Muhammadi House I.I.Chundrigar Road, Karachi UAN 111-333-111 E-mail: info@nibpk.com URL: www.nibpk.com	
Credit Rating	Long Term Short Term Outlook	A+ A1 Positive

Notice of Annual General Meeting

Notice is hereby given that the 3rd Annual General Meeting of NIB Bank Limited (formerly NDLC-IFIC Bank Limited) will be held at Hotel Regent Plaza, Main Shahrah-e-Faisal, Karachi on Thursday, March 30, 2006 at 11:00 a.m. to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Accounts of the Bank for the year ended December 31, 2005 together with Directors' and Auditors' Reports thereon.
2. To approve remuneration paid to the Non-Executive Directors & Chairman of the Bank during the year 2005 in terms of State Bank of Pakistan, BPD Circular No.45 of 2004.
3. To appoint Auditors and fix their remuneration. The present Auditor, M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.
4. To transact any other business with the permission of the Chair.

Karachi
February 24, 2006

By order of the Board

Athar Z. Rizvi
Company Secretary

Notes:

- a) The Share Transfer Books of the Bank will remain closed from March 22, 2006 to March 30, 2006 (both days inclusive). Transfers received in order at the office of Share Registrar M/s. THK Associates (Pvt) Limited, Ground Floor, Modern Motors House, Beaumont Road, Karachi by March 21, 2006 will be treated in time for the purpose of transfer of shares.
- b) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him/her. A proxy must be a member of the Bank.
- c) An instrument of proxy duly stamped, signed and witnessed and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, in order to be valid, must be deposited at the registered office of the Bank at least 48 hours before the time of the meeting.
- d) Members are requested to immediately inform the Bank's Share Registrar of any change in their addresses.
- e) CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan:
 - A. For Attending the Meeting:
 - (i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerized National Identity Card, (CNIC) or original passport at the time of attending the Meeting.
 - (ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.
 - B. For Appointing Proxies:
 - (i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account, and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
 - (ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - (iii) Attested copies of CNIC or the passport, of the beneficial owners and the proxy shall be furnished with the proxy form.
 - (iv) The proxy shall produce his original CNIC or original passport at the time of the Meeting.
 - (v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Bank.

Directors' Report to the Shareholders

On behalf of the Board of Directors it gives us great pleasure to present the financial results of NIB Bank Limited (formerly NDLC-IFIC Bank Limited) for the year ended December 31, 2005.

The year saw significant expansion in the volume of business in the banking sector primarily driven by a significant growth of 29% in credit demand and deposit growth of 23%. Most banks are expected to show improved earnings based on a widening of spreads which will more than offset increased provisioning requirements brought about in the 4th quarter of 2005 by the State Bank of Pakistan. Interest rates, already in an increasing mode at the start of the year, continued increasing throughout 2005 with the benchmark 6 month KIBOR at 9.1% in December 2005 compared to 5.6% in December 2004. The dollar rupee parity remained stable during the year.

The banking sector is now gradually moving into a more mature stage of its current profitability cycle. In 2006, banks will face deposit costs rising at a faster pace than an increase in lending rates. The other significant development will be the growing consumer loan book of most banks.

OPERATING RESULTS OF NIB

Total revenues of your Bank increased by 113% over 2004, from Rs. 915 million to Rs 1,953 million. Net interest income increased by 53% from Rs. 391 million to Rs. 598 million. On the back of a 300% trade volume increase reaching USD 638 million in 2005 from USD 220 million in 2004, Commission and Foreign Exchange income increased from Rs. 66 million in 2004 to Rs. 201 million in 2005, improving the Bank's non-funded to funded income ratio from 29% in 2004 to 39% in 2005.

The Bank's balance sheet almost doubled during the year from Rs. 16,557 million in December 2004 to Rs. 32,019 million in December 2005. Advances (net of provisions) increased by 67% over 2004 to Rs. 19,623 million in December 2005. Previous reliance on inter-bank funding was reduced in the second half of 2005 as a result of the share capital increase in June 2005 and the Bank was a net lender to the inter-bank market during the second half of 2005.

Our deposit mobilization efforts have been one of the best amongst our peer group with the deposit base rising by 111% to Rs. 22,554 million in December 2005 from Rs. 10,649 million at the end of 2004. This increase in deposits has more than offset the increase in our advances growth thereby improving our credit deposit ratio to 74% as of December 2005. Our lease portfolio at Rs. 5,367 million now represents only 17% of our total assets as compared to 35% at the end of 2004. This declining percentage in relation to our total assets coupled with a Rs. 4,257 million capital and reserves base at December 2005 has considerably improved the Bank's assets and liabilities matching compared to 2004. Investment income was stable as the Bank concentrated on improving its core earning base rather than speculate on short term gains while exposing itself to market risk.

Administrative expenses were higher by Rs. 318 million over 2004 reaching Rs. 712 million in 2005. The Bank increased its branch network from 10 in December 2004 to 27 in December 2005. At the same time staff strength increased from 403 to 593. Branch infrastructure expenses, plus new hires and branch rents at increasingly competitive market rates have, as anticipated, put considerable pressure on expenses. As new branches take time to reach profitability, the increase in our expenses is naturally not reflected in a directly correlated increase in revenues in 2005. We are however confident that these investments will bear fruit in future periods. Having reached a minimum level of branches, going forward, we expect to calibrate our branch expansion strategy to achieve revenue and cost balance in a manner that will reflect greater bottom line growth. Earnings per share at the close of the period was Rs. 0.45 per share.

The Bank also made investments in expanding and upgrading its Head Office premises to accommodate the rapidly increasing central functions supporting business growth. Advertising costs to launch your Bank's new logo and colours in print, television and outdoor media also increased our expense line in the fourth quarter. Certain one off legal expenses in relation to the share capital increase by our strategic investor also had an impact on Administrative expenses in 2005. We also invested in technology that allowed us to offer on-line facilities across all our branches country-wide during 2005. Furthermore, investments were also made that would allow the Bank to link with the One-Link ATM network so that all our depositors will have access to ATM's of all banks across the country within Q1 of 2006.

Net provisioning expenses in 2005 increased to Rs. 91 million. New provisions of Rs. 120 million were attributable to a new regulatory requirement whereby time-based criteria were made more stringent. Had it not been for this new requirement the Bank would have had reversals in provisions of Rs. 29 million. Our total stock of NPL's reduced to Rs 699 million as a result of recoveries as well as write-off against provisions of Rs. 174 million, without foregoing our right to recover these amounts.

Directors' Report to the Shareholders

In June 2005 PACRA's rating for the Bank improved from A- (A minus) to A+ (A plus) for the long term and from A2 to A1 for the short-term. This double-jump in rating reflects positively on your Bank.

As a result of a USD 46,498 million capital injection (inclusive of share premium) by Bugis Investments, a subsidiary of Temasek Holdings of Singapore, Temasek Holdings raised its stake to 71.4 % in your Bank. This also improved the capital adequacy ratio of your Bank which as at December 2005 stands at a healthy 16.9%. With a paid up capital of Rs. 3,362 million, and total equity of Rs. 4,213 million, your Bank is well poised for future growth without any regulatory capital constraints for the foreseeable future.

FUTURE OUTLOOK:

In terms of infrastructure, branch expansion, people and technology, your Bank has put in most of the essential building blocks for future growth. At the same time we have maintained volume growth in key business areas to fund this expansion internally. Our key focus in 2006 will be to build and roll-out robust business models to tap the Commercial, SME and Retail market segments with specially tailored products, and efficient processes to deliver these products. New products and outstanding service quality, enabled by the best people and technology, will be the drivers that will help us achieve our objectives over the next few years.

After careful deliberation, the Directors have decided to omit any dividend for the year ended 2005 since all earnings will be required to be retained in view of the expansion program of your Bank.

CORPORATE GOVERNANCE:

Being aware of our responsibilities under by the Code of Corporate Governance issued by Securities and Exchange Commission of Pakistan, the following statements are made with regard to the Corporate and Financial Reporting Framework to meet with the requirement of the Code:

- The financial statements prepared by the management of the Bank present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Bank have been maintained.
- Accounting policies have been consistently applied in the preparation of financial statements, except for the change as stated in note 5.2 to the financial statements, and accounting estimates are based on reasonable and prudent assessments.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and there were no departures there from. However, the State Bank of Pakistan has specifically deferred the implementation of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property, till further instructions. Accordingly the requirements of those standards have not been followed in the preparation of the financial statements.
- There are no doubts upon the Bank's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges of Pakistan.
- Since these are the third financial results of the Bank, key operating and financial information for the last ten years is not available.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding, except as disclosed in the financial statements.
- As of December 31, 2005, the value of investments of the Provident Fund (un-audited) was Rs. 33,215,693.71.
- During the period, the Board of Directors met five times. The attendance by each director was as follows:

Directors' Report to the Shareholders

Name of Director	Board Meetings (No.)	
	Eligible	Attended
Mr. Francis A. Rozario, Chairman of the Board	2	2
Khawaja Iqbal Hassan, President & CEO	5	5
Dr. Chowdhury Saleh Ahmed	5	3
Mr. S.M. Saleem	5	3
Mr. Tan Soo Nan	4	4
Mr. Phua Kok Kim	4	4
Mr. Thomas P. Sodano	1	1
Mr. Fabrice Desmarescaux (resigned on 18th Oct 2005)	3	3
Mr. Shuaib Ahmad (resigned on 31 July 2005)	3	3
Mr. Abdul Hamid Chowdhury (resigned on 30 June 2005)	3	-
Mr. Jamal Mir (resigned on 29 March 2005)	1	1
Mr. Muhammad Naseem (resigned on 28 Feb 2005)	1	1
Mr. Farrukh Hussain Sheikh (resigned on 28 Feb 2005)	1	-
Mr. Zahid Haleem Sheikh (resigned on 28 Feb 2005)	1	1

Leave of absence was granted in case the Directors were not able to attend Board Meetings.

INTERNAL CONTROL AND RISK MANAGEMENT FRAMEWORK

The Board is pleased to endorse the statements made by the management relating to internal control and risk assessment framework to meet the requirements of State Bank of Pakistan (SBP) BSD Circular No 7 of 2004, BSD Circular letter No 2 of 2005 and the Code of Corporate Governance issued by the Securities & Exchange Commission of Pakistan (SECP). The management's statements are included in the annual report.

SHAREHOLDING PATTERN

A statement reflecting the pattern of shareholding is contained in the Annual report.

AUDITORS

The Audit Committee has recommended the appointment of the retiring auditors, Messrs M. Yousuf Adil Saleem & Co., Chartered Accountants for the year 2006.

ACKNOWLEDGEMENT

We take this opportunity to thank our customers for putting their trust with us and allowing us to cater to their financial needs. We also appreciate the guidance provided to the Bank by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan. We truly appreciate and value the contribution of our staff who have worked tirelessly to bring quality and growth to the Bank and to grow our customer base. To enable us to achieve our ambitious growth plans, we look forward to our staff working with the same passion, integrity and spirit of entrepreneurship in the pursuit of excellence in the future.

On behalf of the Board,



Francis A. Rozario
Chairman of the Board



Khawaja Iqbal Hassan
President & Chief Executive

Statement of Compliance

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 31ST DECEMBER 2005.

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulations of stock exchanges in Pakistan where the Bank's shares are listed for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

The Bank has applied the principles contained in the code in the following manners:

1. The Bank encourages representation of independent non-executive directors on its Board including those representing minority interests. At present all the directors are non executive except Chief Executive Officer.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Bank.
3. All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or Non Banking Finance Company. None of the directors of the Bank are members of any Stock Exchange.
4. Casual vacancies occurred in the Board during the year which were duly filled in, except for one casual vacancy which remains to be filled in.
5. The Bank has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Bank.
6. The Board has developed a vision/ mission statement and overall corporate strategy. Significant policies of the Bank have been prepared and approved by the Board. A complete record of particulars of significant polices along with the dates on which these were approved is being maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board at the appropriate time.
8. The meetings of the Board were presided over by the Chairman. The Board held five meetings during the year. Written notices of Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors of the Bank have given a declaration that they are aware of their duties, powers and responsibilities. The in-coming directors on the Board will attend talks, workshops and / or seminars on subject of corporate governance in order to apprise themselves of their duties and responsibilities. Formal orientation course on Code of Corporate Governance will also be arranged for the directors.
10. The Board has approved the appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit including terms and conditions of the employment, determined by the CEO as duly authorized by the Board of Directors.
11. The Directors' Report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by the CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
14. The Bank has complied with all the corporate and financial reporting requirements of the code.
15. The Audit Committee comprises of three members, all of whom are non-executive directors.

Statement of Compliance

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Bank and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Bank has an effective Internal Audit department. An internal audit manual has been developed and approved by the Board. The Internal Audit department has conducted audit of branches and various departments of the Bank during the year.
18. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except audit in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all the material principles contained in the code have been complied with.



Francis A. Rozario
Chairman of the Board



Khawaja Iqbal Hassan¹
President & Chief Executive

STATEMENT ON INTERNAL CONTROLS

Internal Control System

Management acknowledges its responsibility for establishing and maintaining a system of internal control directly related to and designed to provide reasonable assurance to achieve the following objectives:

- Efficiency and effectiveness of operations
- Compliance with applicable laws and regulations
- Reliability of financial reporting

The Bank is continuously adding strength to its internal control systems by enhancing quality of processes, staff and IT infrastructure as it grows its business volumes and activities.

During the year, the management has broadly evaluated the internal control system in the light of internal control guidelines issued by the State Bank of Pakistan, and is pleased to make the following disclosures on the components of internal control system.

Control Environment

1. The Bank has written and implemented policies and procedures for most of the areas of the Bank's business which have been approved by the Board of Directors.
2. The Bank has adopted a mission, vision and corporate strategy, duly approved by the Board.
3. Clear organizational structure exists which supports clear line of communication.
4. The management has defined roles and responsibilities of key management personnel.

Statement of Compliance

5. The Audit Committee, which comprises of non executive directors, has written terms of reference and reports to the Board. It reviews the approach adopted by the company's internal audit department and the scope of, and the relationship with, the external auditors. It also receives reports from the internal audit department and the external auditors on the system of internal control and any material control weakness that have been identified, and discusses the actions to be taken in areas of concern with the executive management.
6. An effective internal audit system exists which is responsible for evaluation of internal control system on continuous basis and reports directly to the Audit Committee.
7. The Bank has adopted a statement of ethics and business practices that is signed by all directors and employees every year. Furthermore, management has already set up a compliance function to ensure ongoing monitoring of the Bank's compliance with laws and regulations.
8. The Bank is also in the process of developing a 'Regulatory Matrix', which is a framework for mapping each regulation with a specific control and then monitoring these controls through self assessment.

Risk Assessment

9. The Bank is largely compliant with the risk management guidelines issued by the State Bank of Pakistan and has given a separate statement on the same.

Control Activities

10. The Bank has successfully consolidated multiple IT environments into one Core Banking application thereby strengthening IT controls. The Bank is also in the process of developing in-house Business Continuity Plan.
11. The Bank has strict Know Your Customer/Anti-Money Laundering policies and has developed stringent anti-fraud programs and controls. The Bank is also in the process of further strengthening its KYC/AML regime.
12. The Bank has written and is in the process of implementing a comprehensive Operations Manual. Operations Manual includes physical controls, checking for compliance with exposure limits and follow-up on non-compliance, a system of approvals and authorizations and system of verification and reconciliation.

Information and Communication

13. After the installation of its new banking application software, the Bank has brought about significant improvements in its Management Information System and has developed Key Performance Indicators for its businesses to enable the management to monitor their progress and embed financial control in its activities.

Monitoring

14. Internal Audit periodically carries out audits of branches and Head Office divisions to monitor compliance with the Bank's standards.
15. Management gives due consideration to the recommendations made by the internal, external auditors and regulators especially for improvements in the internal control system and take timely action to implement such recommendations.

Based on the results of an evaluation of the internal control system and key features of the control framework enumerated above, management is of the view that the internal control system during the year was acceptable in design and has been effectively implemented through out the year.

Statement of Compliance

It is pertinent to mention that development of an internal control system is an ongoing process through which management reviews and strengthens the internal control system which is designed to manage rather than eliminate risks. As such it can only provide reasonable but not absolute assurance against material misstatement or loss.

RISK MANAGEMENT FRAMEWORK

The acceptance and management of financial risk is inherent to banking business activities. It involves the identification, measurement, monitoring and controlling of Risk.

In accordance with the Risk Management guidelines issued by the SBP, an Integrated Risk Management Group (RMG) has been created in NIB to formulate risk management Policies and Procedures in line with Bank's defined strategies and to monitor the following areas:

- a) Credit Risk Management
- b) Market Risk Management
- c) Operational Risk Management

Credit Risk Management (CRM)

CRM is viewed as an ongoing activity where credit risks are regularly identified and assessed. It determines the quality of credit portfolio and assists in minimizing risks. To manage credit risks appropriately, credit committees at different locations have been established.

In order to achieve earnings targets with a high degree of reliability and to avoid losses through a strong credit process, the Risk Management & Credit Policy and Procedures Manual has been developed and duly implemented. The manual is under constant review and regular updates are made therein through the issuance of various 'Credit Bulletins', thereby, not only incorporating therein best practices but also ensuring the establishment of a robust credit control environment.

To ensure that the Credit Policies are implemented in their true letter and spirit, Regional CADs have been set up in Karachi, Lahore and Islamabad which operate independently under the supervision of Country CAD Head. To manage problem credits, Special Assets Management (SAM) division has been established under CRM.

Market Risk Management (MRM)

Market Risk Management is a control system which allows management to closely supervise and monitor risks caused by movements in market rates or prices such as interest rates, FX rates, equity prices, credit spreads and / or commodity prices, resulting in a potential loss to earnings and capital.

With the establishment of the Treasury Mid Office, under the supervision of Risk Management Group, controls established by the management over the market risk operations have been further strengthened. Furthermore, it also places emphasis on the management efforts to put in place the best industry practices, regarding Market Risk Management.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. To address operational risk associated with human error, system failures and inadequate procedures and controls, NIB Operations Division has developed and is in the process of implementing a comprehensive Operations Manual which is a part of the on-going process of embedding the best operational risk management practices in the Bank. To further refine Operational Risk Management in the Bank, a detailed "Operational Risk Manual" is also in the developmental stages and will cover all material operational risks.

On behalf of the Board,



Francis A. Rozario
Chairman of the Board



Khawaja Iqbal Hassan
President & Chief Executive

Auditors' Review Report

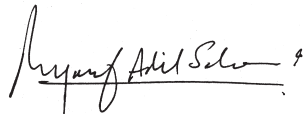
Auditors' Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of NIB Bank Limited to comply with the Prudential Regulation No.G-1, Responsibilities of Board of Directors vide BSD Circular No.15, dated June 13, 2002, Listing Regulation No.37 of the Karachi Stock Exchange, Chapter XIII of the Lahore Stock Exchange and Chapter XI of the Islamabad Stock Exchange where the Bank is listed.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended December 31, 2005.



M. Yousuf Adil Saleem & Co.
Chartered Accountants



Karachi
Date: February 24, 2006

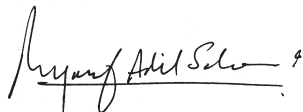
Auditors' Report to the Members

We have audited the annexed balance sheet of NIB BANK LIMITED (the bank) as at December 31, 2005 and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from branches except for four branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the bank's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in case of loans and advances covered more than 60% of the total loans and advances of the bank, we report that:

- (a) in our opinion proper books of account have been kept by the bank as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the change as stated in note 5.2 to the financial statements, with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the bank's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the bank and the transactions of the bank which have come to our notice have been within the powers of the bank;
- (c) in our opinion and to the best of our information and according to the explanations given to us the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962) and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the bank's affairs as at December 31, 2005 and its true balance of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.



M. Yousuf Adil Saleem & Co.
Chartered Accountants




Karachi
Date: February 24, 2006

Balance Sheet


NIB BANK LIMITED (Formerly NDLC-IFIC Bank Limited)
BALANCE SHEET
AS AT DECEMBER 31, 2005


	Notes	2005	2004
		(Rupees '000')	
ASSETS			
Cash and balances with treasury banks	7	2,085,141	974,659
Balances with other banks	8	1,966,118	309,218
Lendings to financial institutions	9	2,270,000	1,812,907
Investments	10	5,129,285	1,187,529
Advances	11	19,622,929	11,737,275
Other assets	12	576,691	406,486
Operating fixed assets	13	368,551	129,389
		32,018,715	16,557,463
LIABILITIES			
Bills payable	14	274,325	98,620
Borrowings from financial institutions	15	4,547,096	4,159,194
Deposits and other accounts	16	22,554,274	10,648,570
Other liabilities	17	427,680	188,320
Deferred tax liabilities	18	2,465	98,911
		27,805,840	15,193,615
NET ASSETS		4,212,875	1,363,848
REPRESENTED BY :			
Share capital	19	3,361,522	1,229,041
Reserves		694,623	34,125
Unappropriated profit		197,626	114,609
		4,253,771	1,377,775
Deficit on revaluation of securities - net	20	(40,896)	(13,927)
		4,212,875	1,363,848
CONTINGENCIES AND COMMITMENTS	21		

The annexed notes from 1 to 40 form an integral part of these financial statements.


 Khawaja Iqbal Hassan
 PRESIDENT AND CHIEF EXECUTIVE


 Francis A. Rozario
 DIRECTOR


 Thomas P. Sodano
 DIRECTOR



 Dr. Chowdhury Saleh Ahmed
 DIRECTOR

Profit and Loss Account


NIB BANK LIMITED (Formerly NDLC-IFIC Bank Limited) PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2005


	Notes	2005 (Rupees '000')	2004
Mark-up / Return / Interest earned	22	1,716,917	803,542
Mark-up / Return / Interest expensed	23	1,118,957	412,680
Net Mark-up / Interest Income		597,960	390,862
Provision against non-performing loans and advances	11.4	120,931	73,255
Reversal of provision against investments	10.11.1	(29,643)	-
Bad debts written off directly		-	-
		(91,288)	(73,255)
Net Mark-up / Interest income after provisions		506,672	317,607
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		91,707	40,418
Dividend income		16,668	16,015
Income from dealing in foreign currencies		109,145	25,596
Gain on sale of investments		4,040	12,806
Other income	24	14,599	16,732
Total Non-Markup / Interest income		236,159	111,567
		742,831	429,174
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	25	711,545	393,719
Other provisions		327	3,964
Other charges		1,182	158
Total Non-Markup / Interest expense		(713,054)	(397,841)
Share of loss from associate		(2,776)	-
Profit before taxation		27,001	31,333
Taxation - Current		(20,178)	(14,031)
- Prior years		-	5,687
- Deferred		96,948	99,620
	26	76,770	91,276
Profit after taxation		103,771	122,609
Unappropriated Profit brought forward		114,609	16,522
Profit available for Appropriation		218,380	139,131
Appropriations :			
Transfer to statutory reserve		(20,754)	(24,522)
Unappropriated profit carried forward		197,626	114,609
Basic and Diluted earnings per share	27	0.45	0.99

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Cash Flow Statement

NIB BANK LIMITED (Formerly NDLC-IFIC Bank Limited) CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2005

	2005 (Rupees '000')	2004
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	27,001	31,333
Less: Dividend income	16,668	16,015
Gain on sale of investments	4,040	12,806
Gain on sale of property and equipment	6,337	5,827
	<u>(27,045)</u>	<u>(34,648)</u>
	(44)	(3,315)
Adjustments for non-cash items		
Depreciation	47,461	29,756
Amortization	3,713	12,305
Provision against non-performing loans and advances	120,931	73,255
Reversal of provision against investments	(29,643)	-
Share of loss from associate	2,776	-
Other provisions	327	3,964
	<u>145,565</u>	<u>119,280</u>
	145,521	115,965
(Increase) / Decrease in operating assets		
Lendings to financial institutions	(457,093)	(1,465,328)
Advances	(8,006,585)	(3,491,024)
Others assets (excluding advance taxation)	(324,001)	(26,615)
	<u>(8,787,679)</u>	<u>(4,982,967)</u>
Increase / (Decrease) in operating liabilities		
Bills Payable	175,705	(281,306)
Borrowings from financial institutions	387,902	315,964
Deposits and other accounts	11,905,704	4,587,638
Other liabilities	239,514	(85,633)
	<u>12,708,825</u>	<u>4,536,663</u>
	4,066,667	(330,339)
	133,291	(8,143)
Income tax refunded / (paid)	<u>4,199,958</u>	<u>(338,482)</u>
Net cash from / (used) in operating activities		
CASH FLOW FROM INVESTING ACTIVITIES		
Amalgamation of CAI	-	980,589
Net investments	(3,936,926)	504,571
Dividend income	16,668	16,015
Payments for capital work in progress	(134,281)	(5,925)
Acquisition of intangible assets	(31,262)	-
Acquisition of property and equipment	(130,379)	(69,948)
Sale proceeds of property and equipment disposed of	11,379	19,341
	<u>(4,204,801)</u>	<u>1,444,643</u>
Net cash (used in) / from investing activities		
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of share capital	2,772,225	-
Payment of redeemable capital	-	(166,607)
Net cash from / (used in) financing activities	<u>2,772,225</u>	<u>(166,607)</u>
Net Increase in cash and cash equivalents	2,767,382	939,554
Cash and cash equivalents at beginning of the year	1,287,841	348,287
Cash and cash equivalents at end of the year	<u>4,055,223</u>	<u>1,287,841</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.



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Statement of Changes in Equity

NIB BANK LIMITED (Formerly NDLC-IFIC Bank Limited) STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2005

	Capital reserve			Revenue reserve		Total
	Share capital	Share premium	Statutory reserve	General reserve	Unappropriated profit	
----- Rupees in '000' -----						
Balance as at December 31, 2003	1,229,041	-	4,131	5,472	16,522	1,255,166
Profit after taxation	-	-	-	-	122,609	122,609
Transferred to Statutory reserve	-	-	24,522	-	(24,522)	-
Balance as at December 31, 2004	1,229,041	-	28,653	5,472	114,609	1,377,775
Issue of shares	2,132,481	639,744	-	-	-	2,772,225
Profit after taxation	-	-	-	-	103,771	103,771
Transferred to Statutory reserve	-	-	20,754	-	(20,754)	-
Balance as at December 31, 2005	3,361,522	639,744	49,407	5,472	197,626	4,253,771

The annexed notes from 1 to 40 form an integral part of these financial statements.



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Notes to the Financial Statements

NIB BANK LIMITED (Formerly NDLC-IFIC Bank Limited) NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

1. STATUS AND NATURE OF BUSINESS

NIB Bank Limited "the Bank" is incorporated in Pakistan with its registered office situated at 99-P&O Plaza, I.I. Chundrigar Road, Karachi in the province of Sindh. The Bank is listed on all the stock exchanges in Pakistan and has 27 branches (2004: 10 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.

During the year 213,248,077 ordinary shares of Rs.10 each have been allotted to Bugis Investments (Mauritius) Pte Limited at a premium of Rs.3 per share by virtue of which the Bank has become a subsidiary of Bugis Investments (Mauritius) Pte Limited which is a wholly owned subsidiary of Asia Financial Holdings Pte. Limited which in turn is a wholly owned subsidiary of Temasek Holdings, an investment arm of the Government of Singapore.

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 purchase and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

3. STATEMENT OF COMPLIANCE

These financial statements are prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Accounting Standards as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and the requirements of the said directives take precedence. The bank has adopted all the new and revised International Accounting Standards that are relevant to its operations and are effective for accounting periods beginning on January 01, 2005. The adoption of these standards has resulted in changes to some of the accounting policies which are disclosed in relevant policy notes.

The following amendments to existing standards have been published that are applicable to the Bank's financial statements covering annual periods, beginning on or after the following dates:

i) IAS 19 - (Amendments) - Employee Benefits	Effective from January 01, 2006
ii) IAS 1 - Presentation of financial statements - capital disclosure	January 01, 2007

Adoption of the above amendments would result in an impact on the nature and extent of disclosures made in the future financial statements of the Bank, which can not be worked out currently.

The State Bank of Pakistan as per BSD Circular No.10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property for Banking Companies. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements.

Notes to the Financial Statements

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except for the measurement of certain investments and commitments in respect of forward exchange contracts that are taken at revalued amounts and staff retirement benefit (Gratuity) stated at present value.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Revenue recognition

Mark-up / interest on advances and return on investments is recognized on accrual basis except on non-performing advances and investments which is recognized on receipt basis, in accordance with Prudential Regulations issued by the SBP.

The financing method is used in accounting for income on finance leases and hire purchase transactions. Under this method, the unearned income i.e. the excess of aggregate lease rentals and the estimated residual value over the net investment (cost of leased assets) is deferred and then amortized to income over the term of the lease on a pattern reflecting a constant periodic rate of return on the net investment in lease while rental income from assets given on operating lease is recognized on accrual basis over the lease period.

Gains / losses on termination of lease contracts, documentation charges and other lease income are recognized as income when they are realized.

Fee and commission income is recognized on accrual basis.

Dividend income is recorded when the right to receive dividend is established.

5.2 Investments

Investments of the bank, other than investment in associate are classified as securities held-to-maturity, held-for- trading and available-for-sale.

Held-to-maturity

These are securities with fixed or determinable payments and fixed maturity and the bank has the positive intent and ability to hold upto maturity.

Held-for-trading

These securities are either acquired for generating a profit from short-term fluctuations in prices or securities included in portfolio for which there is evidence of a recent actual pattern of short-term profit taking.

Available-for-sale

These are securities which do not fall under Held for trading or Held to maturity securities.

Investments in securities are recognized on a trade-date basis. During the year the Bank has changed its accounting policy with respect to initial recognition of investments classified as held for trading and available for sale, which are now initially recognized at fair value and transaction costs on Held for trading securities are charged off as expense. However, there is no impact of change in accounting of transaction costs on net profit and loss for the year or prior years as the Bank has no investment in held for trading securities.

Notes to the Financial Statements

Subsequent measurement

Held-to-maturity

These are measured at amortized cost using effective interest rate method, less any impairment loss recognized to reflect irrecoverable amount.

Held-for-trading

These are measured at subsequent reporting dates at fair value. Gains and losses on remeasurement are included in the net profit and loss for the year.

Available for sale

Quoted securities classified as available for sale investments are measured at subsequent reporting dates at fair value and surplus / deficit arising thereon is kept in a separate account shown in the balance sheet below equity. The surplus / deficit arising on these securities is taken to the profit and loss account when actually realized upon disposal.

Unquoted equity securities are valued at the lower of cost and break-up value, subsequent increases or decreases in the carrying value are credited / charged to profit and loss account. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses.

Investments in associates

Investments in associate are valued using equity method of accounting.

Gain or loss on sale of investments is included in profit and loss for the year.

5.3 Sale and repurchase agreement transactions

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings from financial institutions. Securities purchased under agreement to resale (reverse repo) are not recognized in the financial statements as investments and the amount extended to the counter party is included in lendings to financial institutions and in case of continuous funding system shown under advances. The difference between sale and repurchase price is treated as markup / return expensed or earned as the case may be.

5.4 Advances

Advances including net investment in finance lease are stated net of provisions. Provisions comprises of :

- Specific provision
- General provision

Notes to the Financial Statements

Specific provision

The bank maintains specific provisions for doubtful debts at a level that can reasonably be anticipated keeping in view, the requirements of the Prudential Regulations issued by the SBP.

General provision

The bank maintains general provision at the rate of 5% against unsecured consumer portfolio and at the rate of 1.5% against secured consumer portfolio in accordance with the Prudential Regulations.

Net investment in finance lease

Lease including hire purchase where the bank transfers substantially all the risks and rewards incidental to the ownership of an asset are classified as finance lease. Net investment in finance lease is recognized at an amount equal to the aggregate of minimum lease payments including any guaranteed residual value and excluding unearned finance income, if any.

5.5 Operating fixed assets and depreciation

5.5.1 Property and equipment

Operating assets except leasehold land are stated at cost less accumulated depreciation and accumulated impairment loss, if any.

Depreciation is charged to income applying the straight line method over the estimated useful lives while taking into account any residual value, at the rates given in Note 13.2 to the financial statements. In respect of additions and deletions to assets during the year, depreciation is charged from the month of acquisition and up to the month preceding the deletion or up to the month of deletion if sold after the fifteenth day of the month respectively.

Normal repairs and maintenance are charged to profit and loss account for the year as and when incurred. Major repairs and improvements are capitalized and assets so replaced are retired.

Gains and losses on disposal of property and equipment if any, are taken to profit and loss account for the year.

5.5.2 Capital work in progress

These are stated at cost.

5.5.3 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment loss, if any. Amortization is carried out on the reducing balance method at the rates given in Note 13.3 to the financial statements.

Notes to the Financial Statements

5.6 Impairment

At each balance sheet date, the bank reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the greater of net selling price and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognized as an expense immediately.

5.7 Staff retirement benefits

Defined contribution Plan

The bank operates a defined contribution provident fund for all employees. Equal monthly contributions are made both by the bank and the employees to the fund at the rate of 10% of basic salary.

Defined benefit Plan

The bank operates an unfunded gratuity scheme covering all permanent employees who have attained the minimum qualifying period of five years. Provision is made in accordance with the actuarial recommendations. Actuarial valuation is carried out periodically using "Projected Unit Credit Method".

5.8 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into consideration the tax credits and rebates available, if any.

Deferred

Deferred tax is recognized using the balance sheet liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The bank records deferred tax assets / liabilities using the tax rates, enacted or substantially enacted at the balance sheet date expected to be applicable at the time of its reversal.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The bank recognizes deferred tax asset / liability on deficit / surplus on revaluation of securities in accordance with the requirements of the International Accounting Standard (IAS) 12 "Income Taxes". The deferred tax asset / liability is adjusted against the related surplus.

5.9 Provisions

Provisions are recognized when the bank has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

Notes to the Financial Statements

5.10 Foreign currencies

Assets and liabilities in foreign currencies are translated into Rupees at the rates of exchange approximating those prevailing at the balance sheet date. Foreign bills purchased and forward foreign exchange contracts other than those relating to foreign currency deposits are valued at the rates applicable to the respective maturities of the relevant foreign bills purchased and forward foreign exchange contracts.

Exchange gains and losses are included in profit and loss account for the year.

5.11 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks and balances with other banks.

5.12 Related party transactions

Transactions between the bank and its related parties are carried out on an arm's length basis. The relevant rates are determined in accordance with the "Comparable Uncontrolled Price Method."

5.13 Off setting

Financial assets and financial liabilities are off set and the net amount is reported in the financial statements when there is a legally enforceable right to off set and the bank intends either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

5.14 Financial instruments

All financial assets and liabilities are recognized at the time when the bank becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the bank loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished i.e., when the obligation specified in the contract is discharged, cancelled or expired. Any loss on derecognition of the financial assets and financial liabilities is taken to income directly. Financial assets carried on the balance sheet include cash and bank balances, lendings to financial institutions, investments, advances, certain receivables and financial liabilities include borrowings from financial institutions, deposits, bills payable and other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

5.15 Derivative financial instruments

Derivative financial instruments are recognized at their fair value on the date on which a derivative contract is entered into. These instruments are marked to market and changes in fair values are taken to the profit and loss account. Fair values are obtained from quoted market prices in active markets.

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the bank's accounting policies, which are described in note 5, management has made the following judgments and estimated uncertainty that have the significant effect on the amounts recognized in the financial statements.

Notes to the Financial Statements

6.1 Held-to-maturity securities

As described in note 5.2, held to maturity securities are investments where the management has positive intent and ability to hold-to-maturity. The classification of these securities involves management judgment whether the financial assets are held to maturity investments.

6.2 Provision against non-performing advances

Apart from the provision determined on the basis of time based criteria given in Prudential Regulations the management also applies the subjective criteria of classification and accordingly the classification of an advance is downgraded on the basis of evaluation of credit worthiness of borrower, its cash flows, operations in account and adequacy of security in order to ensure accurate measurement of the provision.

6.3 Retirement Benefits

The key actuarial assumptions concerning the valuation of defined benefit plan and the sources of estimation are disclosed in note 30 to the financial statements.

6.4 Useful life of property and equipment

Estimates of useful life of the property and equipment are based on management's best estimate.

7. CASH AND BALANCES WITH TREASURY BANKS		2005	2004
		(Rupees '000')	
In hand			
Local currency		254,750	95,921
Foreign currencies		73,592	13,297
With State Bank of Pakistan in			
Local currency current account	7.1	1,225,762	698,047
Foreign currency current accounts	7.2	154,301	44,859
Foreign currency deposit account	7.3	376,646	122,485
With National Bank of Pakistan in local currency current account		90	50
		<u>2,085,141</u>	<u>974,659</u>

7.1 The current account is maintained under the requirements of Section 22 of the Banking Companies Ordinance, 1962.

7.2 Includes special cash reserve amounting to Rs. 125.549 million (2004: Rs. 40.814 million) at nil return required to be maintained with the SBP on deposits held under the new foreign currency account scheme.

7.3 Special cash reserve of 15% is required to be maintained with SBP on deposits held under the new foreign currency account scheme at the rate of return specified by SBP on monthly basis.

8. BALANCES WITH OTHER BANKS

		2005	2004
		(Rupees '000')	
In Pakistan			
On current accounts		577	6,090
On deposit accounts	8.1	1,400,000	-
Outside Pakistan			
On current accounts		569,505	188,232
On deposit account		-	118,860
		<u>1,970,082</u>	<u>313,182</u>
Provision against doubtful balances	8.2	<u>(3,964)</u>	<u>(3,964)</u>
		<u>1,966,118</u>	<u>309,218</u>

8.1 This represents short term placements carrying interest rate of 10.75% to 12% per annum maturing within three months.

Notes to the Financial Statements

		2005		2004			
		(Rupees '000')					
8.2	Particulars of provision against doubtful balances						
	Opening balance		3,964		-		
	Charge for the period		-		3,964		
	Closing balance		<u>3,964</u>		<u>3,964</u>		
9.	LENDINGS TO FINANCIAL INSTITUTIONS						
	Call money lendings	9.1	2,270,000		210,000		
	Repurchase agreement lendings (Reverse Repo)	9.2	-		1,602,907		
			<u>2,270,000</u>		<u>1,812,907</u>		
9.1	These represent call lendings to the financial institutions carrying mark-up rates ranging from 9.9% to 12.95% per annum and having maturity up to one month.						
9.2	Repurchase agreement lendings	2005		2004			
		Held by bank	Further given as Collateral	Total	Held by bank	Further given as Collateral	Total
		----- Rupees in '000' -----					
	Market Treasury Bills	-	-	-	1,542,907	-	1,542,907
	Pakistan Investment Bonds	-	-	-	60,000	-	60,000
		<u>-</u>	<u>-</u>	<u>-</u>	<u>1,602,907</u>	<u>-</u>	<u>1,602,907</u>
10.	INVESTMENTS	Held by bank	Given as Collateral	Total	Held by bank	Given as Collateral	Total
10.1	Investments by types:	----- Rupees in '000' -----					
	Available for sale securities						
	Market Treasury Bills	1,755,902	266,764	2,022,666	-	-	-
	Cumulative Preference shares	25,000	-	25,000	25,000	-	25,000
	Ordinary shares in listed companies	207,383	-	207,383	208,263	-	208,263
	Ordinary shares in unlisted companies	-	-	-	325	-	325
		<u>1,988,285</u>	<u>266,764</u>	<u>2,255,049</u>	<u>233,588</u>	<u>-</u>	<u>233,588</u>
	Held to maturity securities						
	Market Treasury Bill	10.3 1,387,076	577,634	1,964,710	-	-	-
	Pakistan Investment Bonds	10.3 45,309	400,000	445,309	452,616	-	452,616
	Term Finance Certificates	512,874	-	512,874	585,384	-	585,384
	Bonds	10.9 -	-	-	57,820	-	57,820
		<u>1,945,259</u>	<u>977,634</u>	<u>2,922,893</u>	<u>1,095,820</u>	<u>-</u>	<u>1,095,820</u>
	Investment in Associated undertaking - National Fullerton Asset Management Limited	27,224	-	27,224	-	-	-
		<u>3,960,768</u>	<u>1,244,398</u>	<u>5,205,166</u>	<u>1,329,408</u>	<u>-</u>	<u>1,329,408</u>
	Provision for diminution in value of investments	10.11 (35,488)	-	(35,488)	(127,952)	-	(127,952)
	Deficit on revaluation of securities - net	20 (40,393)	-	(40,393)	(13,927)	-	(13,927)
	Investments at cumulative amount (net of provisions)	<u>3,884,887</u>	<u>1,244,398</u>	<u>5,129,285</u>	<u>1,187,529</u>	<u>-</u>	<u>1,187,529</u>

Notes to the Financial Statements

		2005	2004
		(Rupees '000')	
10.2	Investments by segment:		
	Federal Government Securities		
	- Market Treasury Bills	10.3	3,987,376
	- Pakistan Investment Bonds	10.3	445,309
			4,432,685
			452,616
	Cumulative Preference Shares - Listed	10.4	25,000
	Fully Paid-up Ordinary Shares		25,000
	- Listed companies	10.6	207,383
	- Unlisted companies		-
			207,383
			208,263
			325
			208,588
	Term Finance Certificates and Bonds		
	- Listed Term Finance Certificates	10.7	55,814
	- Unlisted Term Finance Certificates	10.8	457,060
	- Cotton Export Corporation Bonds	10.9	-
			512,874
			47,498
			537,886
			57,820
			643,204
	Associated Undertaking	10.10	27,224
			5,205,166
	Less: Provision for diminution in value of investments	10.11	(35,488)
	Deficit on revaluation of securities - net Investments at revalued amount (net of provisions)	20	(40,393)
			5,129,285
			1,187,529

10.3 Market Treasury Bills and Pakistan Investment Bonds are held with SBP and are eligible for rediscounting. Market Treasury Bills embody effective yield ranging from 8.4% to 8.8% maturing within 6 to 12 months and Pakistan Investment Bonds carry markup of 8% per annum on semi-annual basis maturing within 8 to 9 years. Certain government securities are kept with SBP to meet statutory liquidity requirement calculated on the basis of demand and time liabilities.

10.4 Particulars of investment in Cumulative Preference Shares - Listed

Investee		Number of Shares held	Paid-up value per share	Total paid-up value Rupees '000'
Pak Electron Limited (PEL)	10.4.1	2,500,000	10	25,000

10.4.1 These preference shares carry fixed dividend of 9.5% on cumulative basis. For redemption, the payment of call option can be exercised by PEL up to 75% after 3 years and 100% after 5 years of issue date on 1% premium of issue price. Conversion option of preference shares in to ordinary shares can be exercised by the bank up to 25% after 3 years and 100% after 5 years of issue date as per ratio specified in the agreement.

10.5 Market value of quoted investments was Rs. 2,209.980 million (2004: 113.880 million) and book value of unquoted investments was Rs. 2,922.079 million (2004: Rs. 1,073.647 million) as at December 31, 2005.

Notes to the Financial Statements

10.6	Particulars of investments in listed Companies and Modarabas		2005
	Investee	Number of shares / certificates held	Paid-up value per share / certificate
			Total nominal value
	Ordinary shares		
	Awan Textile Mills Limited	39,000	10
	Brother Textile Mills Limited	87	10
	Glamour Textile Mills Limited	200,000	10
	Hub Power Company Limited	3,919,000	10
	Ibrahim Fibres Limited	300	10
	Mohib Textile Mills Limited	5	10
	Nimir Industrial Chemical Limited	5,076,759	10
	Oil and Gas Development Company Limited	441	10
	Security Investment Bank Limited	10	10
	Telecard Limited	25,000	10
	Yousuf Weaving Mills Limited	100	10
	Modaraba certificates		
	First Fidelity Lease Modaraba	1	10
	LTVCM (face value Rs.15/- to 65/- per Certificate)	171,473	
	Trust Modaraba	100	10

10.7	Particulars of investment in Listed Term Finance Certificates		
	Investee	Number of certificates held	Paid-up value per certificate
			Total paid-up value Rupees '000'
	Bank Al-Habib Limited	425	99,960
	Soneri Bank Limited	5,000	2,000
	Sui Southern Gas Company Limited	100	33,310
		<u>5,525</u>	<u>55,814</u>

10.8	Investment in unlisted Term Finance Certificates		Rupees '000'
	Azgard Nine Limited	10.8.1	25,000
	Dewan Mushtaq Cement Limited		287,611
	Dewan Hattar Cement Limited		144,449
		10.8.2	432,060
			<u>457,060</u>

10.8.1 Particulars of investment in unlisted Term Finance Certificates - Azgard Nine Limited

Name of Chief Executive	Number of certificates held	Paid-up value per certificate	Total paid-up value Rupees '000'
Mr. Ahmed Humayun Sheikh	250	100,000	25,000

Notes to the Financial Statements

10.8.2 This includes unlisted Term Finance Certificates (TFCs) of Rs. 432.060 million which have been issued by Dewan Mushtaq Cement Limited (Formerly Pakland Cement Limited) and Dewan Hattar Cement Limited (Formerly Saadi Cement Limited). The exposure of various financial institutions against the above customers was restructured under a scheme of arrangement (SoA) sanctioned by the High Court of Sindh. The State Bank of Pakistan (SBP) vide their letter No. BPD/PU-22/22.03/X/2005/1836 dated 15 February 2005 allowed that the above restructuring would constitute fresh facility by treating the existing outstanding amounts as paid-off.

Directives issued by SBP vide letter No. BPD/PU-22/22.03/15749/2005/8720 dated 14 July 2005 require that the unlisted Term Finance Certificates (TFCs) of Dewan Mushtaq Cement Limited and Dewan Hattar Cement Limited to be classified as investment. Accordingly, aggregate of Rs. 432.060 million (2004: Rs. 512.886 million), and the provision of Rs. Nil (2004: Rs. 92.075 million) have been reclassified from advances to investments and comparative figures for prior periods have also been restated. As per SoA 70% of outstanding amounts under Series 'B' amounting to Rs. 62.432 million has been written off through provision and the remaining provisioning amounting to Rs. 29.643 million has been reversed.

10.9 These bonds which were due to be redeemed in 2006 have been redeemed prematurely during the year.

10.10 Investment in associated undertaking

Name of associate	Place of incorporation	Proportion of ownership interest	Principal activity
National Fullerton Asset Management Limited	Pakistan	30%	Asset management, fund management and management of mutual funds

10.10.1 Summarized financial information in respect of associate is set out below: Dec. 31, 2005
Rupees '000'

Total assets	82,254
Total liabilities	(2,158)
Net assets	<u>80,096</u>
Revenue	<u>-</u>
Loss for the period	<u>9,254</u>
Share of loss from associate	<u>2,776</u>

10.11 Particulars of provision for diminution in value of investments	(Rupees '000')	
	2005	2004
Opening balance	127,952	141,736
Charge for the year	-	-
Reversals	10.11.1 (30,032)	(13,784)
Amount written off	10.11.2 (62,432)	-
Closing balance	<u>35,488</u>	<u>127,952</u>

10.11.1 This includes reversal of provision amounting to Rs. 29.643 million against Term Finance Certificates as mentioned in note 10.8.2.

10.11.2 The particulars in respect of write off of this amount have been given in Annexure 1.

Notes to the Financial Statements

	2005	2004
	(Rupees '000')	
11. ADVANCES		
Loans, cash credits, running finance, etc.		
In Pakistan	11,545,197	5,778,121
Outside Pakistan	-	-
	11,545,197	5,778,121
Net investment in Finance Lease		
In Pakistan	5,367,080	5,854,453
Outside Pakistan	-	-
	5,367,080	5,854,453
11.2 Bills Discounted and Purchased (excluding Government Treasury Bills)		
Payable in Pakistan	1,319,548	343,426
Payable outside Pakistan	1,949,499	373,388
	3,269,047	716,814
	20,181,324	12,349,387
11.4 Provision against non-performing advances	558,395	612,112
	19,622,929	11,737,275
11.1 Particulars of advances		
11.1.1 In local currency	16,922,074	11,349,112
In foreign currencies	2,700,855	388,163
	19,622,929	11,737,275
11.1.2 Short term	13,915,267	8,012,261
Long term	5,707,662	3,725,014
	19,622,929	11,737,275

11.2 Net Investment in Finance Lease

	2005				2004			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not Later than one year	Later than one and less than five years	Over five years	Total
	----- Rupees in '000' -----				----- Rupees in '000' -----			
Lease rentals receivable	2,809,952	2,003,104	-	4,813,056	2,949,111	2,555,222	-	5,504,333
Residual value	518,975	944,535	-	1,463,510	348,035	1,030,574	-	1,378,609
Minimum lease payments	3,328,927	2,947,639	-	6,276,566	3,297,146	3,585,796	-	6,882,942
Financial charges (including income suspended)	(612,354)	(297,132)	-	(909,486)	(668,581)	(359,908)	-	(1,028,489)
Present value of minimum lease payments	2,716,573	2,650,507	-	5,367,080	2,628,565	3,225,888	-	5,854,453

Notes to the Financial Statements

- 11.3 Advances include Rs.699.033 million (2004: Rs.1,464.030 million) which have been placed under non-performing status as detailed below:

Category of Classification	Total advances	Specific Provision required ----- Rupees '000' -----	Specific Provision held
Substandard	67,783	6,843	6,843
Doubtful	43,286	21,644	21,644
Loss	587,964	511,254	511,254
	<u>699,033</u>	<u>539,741</u>	<u>539,741</u>

- 11.3.1 SBP through BSD Circular No. 07 dated November 01, 2005 and Circular No. 02, dated January 13, 2006 revised the Prudential Regulations by which the category of Other Assets Especially Mentioned (OAEM) has been removed and aging criteria has also been revised. These circulars now require loans / advances overdue by 90, 180 and 365 days to be classified as substandard, doubtful and loss respectively. The revised aging criteria will be applicable to all types of financing facilities. Also the provisioning requirements for substandard category has been increased from 20% to 25% in phases (i.e. 10% from December 31, 2005 and 25% from December 31, 2006). Further, the benefit of forced sale value has been restricted to facilities of Rs. 5 million and above (Rs. 10 million and above from 2006).

Had there been no change in the above mentioned requirements, the specific provision against non performing loans for the year would have been lower by Rs. 109.128 million and consequently the profit before tax for the year and advance net of provision as at December 31, 2005 would have been higher by Rs. 109.128 million.

- 11.4 Particulars of provision against non-performing advances

	2005			2004		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000' -----					
Opening balance	601,072	11,040	612,112	566,116	-	566,116
Charge for the year	161,195	7,614	168,809	164,987	11,040	176,027
Reversals	(47,878)	-	(47,878)	(102,772)	-	(102,772)
	113,317	7,614	120,931	62,215	11,040	73,255
Amounts written off	11.5 (174,648)	-	(174,648)	(27,259)	-	(27,259)
Closing balance	<u>539,741</u>	<u>18,654</u>	<u>558,395</u>	<u>601,072</u>	<u>11,040</u>	<u>612,112</u>

- 11.5. Particulars of write offs

Against provisions (Rupees 500,000 and above)	<u>174,648</u>	<u>27,259</u>
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- 11.5.1 Details of loans write off of Rs. 500,000/- and above

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written off loans or any other financial relief of five hundred thousand rupees and above allowed to person(s) during the year ended December 31, 2005 is given in Annexure 1.

Notes to the Financial Statements

		Balance as at December 31, 2005	Maximum total amount of advances including temporary advances granted during the year
----- Rupees '000' -----			
11.6	Particulars of loans and advances to directors, associated companies etc.		
	Debts due by directors of the bank or any of them either severally or jointly with any other persons	-	-
	Debts due by executives or officers of the bank or any of them either severally or jointly with any other persons	190,265	190,265
	Debts due by companies or firms in which the directors of the bank are interested as directors, partners or in the case of private companies as members	-	-
	Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties	-	-
12.	OTHER ASSETS		2005 (Rupees '000')
	Income / mark-up accrued on advances and investments:		2004
	Local currency	269,063	64,544
	Foreign currencies	7,964	423
	Other advances, deposits, advance rent and prepayments	12.1 267,120	148,844
	Taxation (payments less provisions)	12.2 50,069	203,538
	Unrealized gain on forward exchange contracts - net	-	5,348
	Others	1,542	2,529
		<u>595,758</u>	<u>425,226</u>
	Less: Provisions held against other assets	12.3 (19,067)	(18,740)
	Other assets net of provisions	<u>576,691</u>	<u>406,486</u>
12.1	Other advances, deposits, advance rent and prepayments		
	Advances	41,631	60,724
	Deposits	12,196	10,143
	Advance rent	101,743	12,445
	Prepayments	111,550	65,532
		<u>267,120</u>	<u>148,844</u>
12.2	This includes advance tax amounting to Rs.15.699 million pertaining to the amalgamation of Credit Agricole Indosuez Pakistan Operations (CAI) the recovery / adjustment of which is guaranteed by CAI. The bank is entitled to 2% plus 6 months T-bill yield per annum subject to minimum of 4.5% per annum from the CAI till the amount is refunded / adjusted by the tax department.		
12.3	Particulars of provision against other assets		2005 (Rupees '000')
	Opening balance	18,740	18,740
	Charge for the year	327	-
	Closing balance	<u>19,067</u>	<u>18,740</u>

Notes to the Financial Statements

		2005	2004
		(Rupees '000')	
13. OPERATING FIXED ASSETS			
Capital work in progress	13.1	33,975	5,925
Property and equipment	13.2	303,452	122,859
Intangible asset	13.3	31,124	605
		<u>368,551</u>	<u>129,389</u>
13.1 Capital work in progress			
Civil works		417	1,377
Equipment and electric work		8,034	1,113
Advances to suppliers and contractors		25,024	350
Advance for acquisition of computer software		-	2,970
Others		500	115
		<u>33,975</u>	<u>5,925</u>

13.2 Property and Equipment - at cost less accumulated depreciation

Particulars	----- C O S T -----			----- DEPRECIATION -----			Net Book value at December 31, 2005	Rate of Depreciation % Per annum
	As at January 01, 2005	Additions/ (Deletions)	As at December 31, 2005	Accumulated at January 01, 2005	for the year / (on deletion)	Accumulated at December 31, 2005		
----- Rupees in 000 -----								
Leasehold land	7,407	-	7,407	-	-	-	7,407	-
Buildings on leasehold land	23,642	-	23,642	19,300	683	19,983	3,659	5%
Furniture and fixtures	18,762	8,909	27,502	7,252	1,990	9,176	18,326	10%
		(169)			(66)			
Electrical, office and computer equipment	62,698	70,834	133,532	33,634	18,513	52,147	81,385	20% & 33%
Vehicles	56,642	52,556	96,115	19,800	14,388	26,043	70,072	20%
		(13,083)			(8,145)			
Leasehold Improvements	38,102	101,340	139,442	7,238	11,887	19,125	120,317	20%
	207,253	233,639	427,640	87,224	47,461	126,474	301,166	
		(13,252)			(8,211)			
Assets under operating lease								
Non-Commercial Vehicles	3,606	-	3,606	776	544	1,320	2,286	15%
2005 Total	210,859	233,639	431,246	88,000	48,005	127,794	303,452	
		(13,252)			(8,211)			
2004 Total	141,259	100,502	210,859	74,950	30,438	88,000	122,859	
		(30,902)			(17,388)			

13.2.1 International Accounting Standard (IAS) 16, " Property, Plant & Equipment " requires a review of residual value, useful lives and depreciation method each year. To comply with such requirements, the bank has revised its estimates of useful lives requiring the change of depreciation rates with respect to the following categories of property and equipment:

Category	Rate of Depreciation	
	Old	Revised
	-----%-----	
Buildings on leasehold land	10	5
Vehicles	25	20
Leasehold Improvements	33	20

Had there been no change in the estimates of useful lives as mentioned above, depreciation for the year would have been higher and consequently profit for the year and property and equipment would have been lower by Rs. 11.947 million.

13.2.2 Depreciation charged on assets under operating lease is netted off from operating lease income.

13.2.3 The fair value of property and equipment as per management estimate, is not materially different from the carrying amount.

13.2.4 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs. 39.336 million (2004: Rs. 36.158 million).

Notes to the Financial Statements

13.2.5 Detail of disposal of property and equipment during the year

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposals	Particulars of buyer
Vehicles	795,000	231,875	563,125	765,000	Employee service rules	Amin Virani, NIB Karachi
	1,195,000	896,250	298,750	825,000	Negotiation	Shahid Ali Khan, NIB Karachi
	750,040	375,020	375,020	532,000	Employee service rules	Arshad Lodhi, NIB Karachi
	426,500	426,499	1	74,010	Employee service rules	Major Muzammil, NIB Lahore
	795,000	66,250	728,750	766,250	Employee service rules	Tahir Rizwan, NIB Lahore
	71,500	-	71,500	523,333	Employee service rules	Masood Hashmi, NIB Lahore
	317,750	317,749	1	83,250	Employee service rules	Akhtar Ali Khan, NIB Karachi
Sub Total	4,350,790	2,313,643	2,037,147	3,568,843		
Having cost less than Rs.1 million or net book value not exceeding Rs. 0.25 million	8,901,407	5,896,968	3,004,439	7,809,716		
Total Rupees	13,252,197	8,210,611	5,041,586	11,378,559		
2004 Rupees	30,902,000	17,388,000	13,514,000	19,341,000		

13.3 Intangible Assets - at cost less accumulated amortization

Particulars	----- C O S T -----			----- AMORTIZATION -----				Rate of Amortization % Per annum
	As at January 01, 2005	Additions/ (Deletions)	As at December 31, 2005	Accumulated at January 01, 2005	for the year / (on deletion)	Accumulated at December 31, 2005	Net Book value at December 31, 2005	
	----- Rupees in 000 -----							
Computer Softwares	3,952	34,232	38,184	3,347	3,713	7,060	31,124	33.33% & 50%
2005	3,952	34,232	38,184	3,347	3,713	7,060	31,124	
2004	3,952	-	3,952	2,978	369	3,347	605	33.33%

	2005	2004
14. BILLS PAYABLE		
	(Rupees '000')	
In Pakistan	268,003	92,797
Outside Pakistan	6,322	5,823
	<u>274,325</u>	<u>98,620</u>
15. BORROWINGS FROM FINANCIAL INSTITUTIONS		
In Pakistan	4,510,756	4,115,413
Outside Pakistan	36,340	43,781
	<u>4,547,096</u>	<u>4,159,194</u>
15.1 Particulars of borrowings from financial institutions		
In local currency	4,510,756	4,115,413
In foreign currencies	36,340	43,781
	<u>4,547,096</u>	<u>4,159,194</u>
15.2 Details of borrowings from financial institutions		
Secured		
Borrowings from SBP under		
Export refinance scheme	15.3	3,156,646
Long term finance for export oriented projects	15.4	109,712
Repurchase agreement borrowings	15.5	1,244,398
		<u>4,510,756</u>
Unsecured		
Call borrowings		-
Overdrawn nostro accounts		36,340
		<u>36,340</u>
		<u>1,943,781</u>
		<u>4,159,194</u>

Notes to the Financial Statements

- 15.3 Borrowings from SBP under export refinance are subject to mark-up 7.5% per annum maturing within six months.
- 15.4 Borrowings from SBP under export oriented projects are subject to mark up of 4.9% to 5% per annum maturing within seven years.
- 15.5 These borrowings are subject to markup at the rates ranging from 6.75% to 8.50% per annum maturing within six months.

	2005	2004
	(Rupees '000')	
16. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	13,018,636	5,078,927
Savings deposits	5,735,098	3,266,373
Current accounts - Non remunerative	1,939,077	841,301
Margin accounts	263,624	49,654
Security deposits on lease contracts	1,430,718	1,350,099
	22,387,153	10,586,354
Financial institutions		
Remunerative deposits	74,372	-
Non-remunerative deposits	92,749	62,216
	167,121	62,216
	22,554,274	10,648,570
16.1 Particulars of deposits		
In local currency	19,832,634	9,628,602
In foreign currencies	2,721,640	1,019,968
	22,554,274	10,648,570
17. OTHER LIABILITIES		
Mark-up / return / interest payable in:		
Local currency	211,536	85,135
Foreign currencies	12,283	4,538
Accrued expenses	107,807	16,954
Advance from lessees	36,178	43,063
Unclaimed dividend	1,293	1,308
Branch adjustment account	15,799	9,092
Payable to defined benefit plan	23,479	10,789
Unrealised loss on forward exchange contracts - net	7,069	-
Withholding tax payable	9,471	15,749
Others	2,765	1,692
	427,680	188,320

Notes to the Financial Statements

18. DEFERRED TAX LIABILITIES	2005	2004
	(Rupees '000')	
Deferred tax credit arising due to:		
Excess of accounting base of leased asset over tax base	247,568	372,776
Excess of accounting base of market treasury bills over tax base	503	-
	248,071	372,776
Deferred tax debits arising due to:		
Accelerated accounting depreciation on owned assets	879	7,329
Provision against loans and advances	188,909	210,374
Provision against other receivables	6,673	6,559
Provision against balances with other banks	1,387	1,387
Gratuity	8,218	3,776
Unused tax losses	39,540	44,440
18.1	(245,606)	(273,865)
	2,465	98,911

18.1 The bank has recognised deferred tax debits on assessed tax losses amounting to Rs. 112.967 million (2004: Rs.126.971 million) representing the probable benefit which is expected to be realised in the form of reduced tax liability as the bank would be able to set off such losses against future taxable income. Management as a matter of prudence has not recognized deferred tax amounting to Rs.158.332 million on other deductible differences.

19. SHARE CAPITAL	2005	2004
	(Rupees '000')	
19.1 Authorized		
2005	2004	
<u>450,000,000</u>	<u>150,000,000</u>	Ordinary shares of Rs. 10 each
	4,500,000	1,500,000
19.2 Issued, subscribed and paid up		
Fully paid ordinary shares of Rs.10/ each		
213,258,077	10,000	Issued for cash
		Issued for consideration other than cash (under scheme of Amalgamation)
122,894,100	122,894,100	1,228,941
336,152,177	122,904,100	1,229,041
	3,361,522	1,229,041

19.2.1 The holding Company Bugis Investment (Mauritius) Pte. Limited and associated undertaking IFIC Bangladesh hold 239,914,764 and 24,578,800 ordinary shares respectively.

Notes to the Financial Statements

	2005	2004
	(Rupees '000')	
20. DEFICIT ON REVALUATION OF SECURITIES - NET		
Federal Government Securities		
Market Treasury Bills	1,437	-
Investment in listed shares	(41,830)	(13,927)
	(40,393)	(13,927)
Less: Related deferred tax liability	(503)	-
	(40,896)	(13,927)
21. CONTINGENCIES AND COMMITMENTS		
21.1 Direct credit substitutes		
Contingent liability in respect of guarantees given favoring:		
Government	32,627	5,213
Banking companies	821	-
Others	100,093	-
	133,541	5,213
21.2 Transactions-related contingent liabilities / commitments		
Guarantees given in favor of :		
Government	327,648	260,850
Banking Companies and other financial institutions	3,986	-
Others	118,530	73,954
	450,164	334,804
21.3 Trade-related contingent liabilities		
Letters of credit	4,098,484	1,927,151
Acceptances	1,454,971	779,643
	5,553,455	2,706,794
21.4 Commitments to extend credit	14,414,914	8,890,837
<p>The bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.</p>		
21.5 Commitments in respect of forward exchange contracts		
Purchase	5,811,721	1,324,385
Sale	4,863,061	1,658,246
	10,674,782	2,982,631

Notes to the Financial Statements

21.6	Commitments in respect of operating leases	2005	2004
		(Rupees '000')	
	Not later than one year	144	3,404
	Later than one year and not later than five years	11,440	6,752
		11,584	10,156
22.	MARK-UP / RETURN / INTEREST EARNED		
	On loans and advances to:		
	Customers	1,388,259	724,680
	Financial institutions	80,483	4,934
	On investments in:		
	Available for sale securities	7,484	435
	Held to maturity securities	123,878	40,762
	On deposits with financial institutions	25,614	8,374
	On securities purchased under resale agreements	86,188	19,481
	Others	5,011	4,876
		1,716,917	803,542
23.	MARK-UP / RETURN / INTEREST EXPENSED		
	Deposits and other accounts	703,395	215,244
	Securities sold under repurchase agreements	60,555	3,699
	Other short term borrowings	260,623	97,436
	Redeemable capital	-	26,063
	Others	94,384	70,238
		1,118,957	412,680
24.	OTHER INCOME		
	Service charges	7,013	9,094
	Income from operating lease	830	819
	Gain on disposal of property and equipment	6,337	5,827
	Others	419	992
		14,599	16,732

Notes to the Financial Statements

		2005	2004
		(Rupees '000')	
25.	ADMINISTRATIVE EXPENSES		
	Salaries, allowances, etc.	287,459	177,327
	Charge to defined benefit plan	12,693	9,536
	Contribution to defined contribution plan	12,498	7,854
	Provision for staff compensated absences	-	-
	Brokerage and commission	14,401	5,264
	Rent, taxes, insurance, electricity, etc.	99,105	48,428
	Legal and professional charges	31,435	8,221
	Communications	26,514	26,069
	Repairs and maintenance	38,751	33,847
	Rentals for operating lease	8,605	3,152
	Stationery and printing	20,756	7,332
	Advertisement and publicity	49,276	8,333
	Fees and subscription	34,122	1,599
	Auditors' remuneration	2,057	1,703
	Depreciation	47,461	29,756
	Amortization	3,713	12,305
	Traveling and conveyance	14,089	7,142
	Others	8,610	5,851
		711,545	393,719
25.1	Auditors' remuneration		
	Audit fee	600	550
	Other certification including fee for branch audit	835	571
	Tax services	562	517
	Out of pocket expenses	60	65
		2,057	1,703
26.	RELATIONSHIP BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT		
	Profit before tax	27,001	31,333
	Tax at applicable rate of 38% (2004: 41%)	(10,260)	(12,846)
	Effect of brought forward losses	4,901	95,387
	Tax effect of computational adjustment	82,129	3,048
	Effect of prior year's tax	-	5,687
		76,770	91,276
27.	BASIC AND DILUTED EARNINGS PER SHARE		
	Profit after taxation (Rs. in '000')	103,771	122,609
	Weighted average number of shares outstanding during the year (000)	229,528	122,904
	Earnings per share	0.45	0.99

As further allotment of shares has been made only to one shareholder, therefore, bonus element embedded in the allotment has not been calculated to adjust the Earnings Per Share (EPS) of current and prior year.

Notes to the Financial Statements

		2005	2004
		(Rupees '000')	
28.	CASH AND CASH EQUIVALENTS		
	Cash and balances with treasury banks	2,085,141	974,659
	Balances with other banks excluding provision	1,970,082	313,182
		<u>4,055,223</u>	<u>1,287,841</u>
29.	STAFF STRENGTH		
	Total number of employees at the end of the year	<u>593</u>	<u>403</u>
30.	DEFINED BENEFIT PLAN		
30.1	The benefits under the gratuity scheme are payable on retirement at the age of 60 years or earlier cessation of services in lump sum. The benefit is equal to one month's last drawn salary of each year of confirmed service, subject to a minimum of five years of service.		
30.2	Principal actuarial assumptions The actuarial valuation is carried out periodically. The actuarial valuation was carried out for the year ended December 31, 2005 using "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:		
		2005	2004
		(Per Annum)	
			Sources of assumptions
	- Discount rate	9%	8%
	- Expected rate of increase in salaries	9%	8%
			Yield on PIBs and high quality TFCs
			Market trend
		2005	2004
		(Rupees '000')	
30.3	Reconciliation of payable to defined benefit plan		
	Present value of defined benefit obligations	23,453	11,545
	Net actuarial gains/(loss) not recognized	29	(756)
	Net liability in balance sheet	<u>23,482</u>	<u>10,789</u>
30.4	Movement in payable to defined benefit plan		
	Opening balance	10,789	1,253
	Charge for the year	12,693	9,536
	Payment to the out going members	-	-
	Closing balance	<u>23,482</u>	<u>10,789</u>
30.5	Charge for defined benefit plan		
	Current service cost	11,317	9,073
	Interest cost	1,376	463
	Cost for the year	<u>12,693</u>	<u>9,536</u>
31.	DEFINED CONTRIBUTION PLAN		
	The Bank has established a provident fund scheme administered by the Board of Trustees for all permanent employees. Equal monthly contributions are made both by the bank and employees to the fund @ 10% of basic salary.		

Notes to the Financial Statements

32. REMUNERATION OF DIRECTORS AND EXECUTIVES

	President/Chief Executive		Directors		Executives	
	2005	2004	2005	2004	2005	2004
----- Rupees in '000' -----						
Meeting fee	-	-	1,767	-	-	-
Managerial remuneration	5,462	5,090	-	637	45,239	25,443
Contribution to defined contribution plan	546	509	-	64	7,273	2,544
Rent and house maintenance	2,458	2,290	-	287	15,287	11,026
Utilities	-	-	-	-	5,070	2,544
Others	2,336	2,229	-	940	5,772	766
	<u>10,802</u>	<u>10,118</u>	<u>1,767</u>	<u>1,928</u>	<u>78,641</u>	<u>42,323</u>
Number of persons	<u>1</u>	<u>1</u>	<u>8</u>	<u>1</u>	<u>56</u>	<u>38</u>

President and other executives are also provided with free use of the bank's maintained cars.

33. MATURITIES OF ASSETS AND LIABILITIES

	Total	Upto three months	Over 3 months to one year	Over one year to five years	Over five years
----- Rupees in '000' -----					
Assets					
Cash and balances with treasury banks	2,085,141	2,085,141	-	-	-
Balances with other banks	1,966,118	1,966,118	-	-	-
Lendings to financial institutions	2,270,000	2,270,000	-	-	-
Investments	5,129,285	249,753	4,023,859	388,140	467,533
Advances	19,622,929	5,416,540	8,498,726	5,443,828	263,835
Other assets	576,691	329,499	149,056	98,136	-
Operating fixed assets	368,551	34,119	83,333	251,099	-
	<u>32,018,715</u>	<u>12,351,170</u>	<u>12,754,974</u>	<u>6,181,203</u>	<u>731,368</u>
Liabilities					
Bills payable	274,325	274,325	-	-	-
Borrowings from financial institutions	4,547,096	2,702,063	1,735,322	-	109,711
Deposits and other accounts	22,554,274	6,798,567	7,841,297	7,914,410	-
Other liabilities	427,680	181,439	218,710	-	27,531
Deferred tax liabilities	2,465	247,568	(50,253)	(60,545)	(134,305)
	<u>27,805,840</u>	<u>10,203,962</u>	<u>9,745,076</u>	<u>7,853,865</u>	<u>2,937</u>
Net assets	<u>4,212,875</u>	<u>2,147,208</u>	<u>3,009,898</u>	<u>(1,672,662)</u>	<u>728,431</u>
Share capital	3,361,522				
Reserves	694,623				
Unappropriated profit	197,626				
	<u>4,253,771</u>				
Deficit on revaluation of securities	(40,896)				
	<u>4,212,875</u>				

33.1 Deposits of the bank are assumed to mature in the future on the basis of historical trends.

Notes to the Financial Statements

34. YIELD / INTEREST RATE RISK

	Effective Yield/ Interest rate	Total	Exposed to Yield / Interest risk				Not exposed to Yield/ Interest Risk
			Upto three months	Over 3 months to one year	Over one year to five years	Over five years	
----- Rupees in '000' -----							
On-balance sheet financial instruments							
Assets							
Cash and balances with treasury banks	3.75%	2,085,141	376,646	-	-	-	1,708,495
Balances with other banks	3.70%	1,966,118	1,960,029	-	-	-	6,089
Lendings to financial institutions	7.55%	2,270,000	2,270,000	-	-	-	-
Investments	5.47%	5,129,285	12,370	4,023,859	388,140	470,309	234,607
Advances	8.39%	19,622,929	5,416,540	8,498,726	5,443,828	263,835	-
Other assets	10.00%	576,691	15,699	-	-	-	560,992
		31,650,164	10,051,284	12,522,585	5,831,968	734,144	2,510,183
Liabilities							
Bills payable	-	274,325	-	-	-	-	274,325
Borrowings from financial institutions	7.22%	4,547,096	2,702,063	1,735,322	-	109,711	-
Deposits and other accounts	6.68%	22,554,274	3,072,399	7,841,297	7,914,410	-	3,726,168
Other liabilities	-	427,680	-	-	-	-	427,680
		27,803,375	5,774,462	9,576,619	7,914,410	109,711	4,428,173
On-balance sheet gap		3,846,789	4,276,822	2,945,966	(2,082,442)	624,433	(1,917,990)
Off-balance sheet financial instruments							
Commitments to extend credit		14,414,914	-	14,414,914	-	-	-
Off-balance sheet gap		14,414,914	-	14,414,914	-	-	-
Total Yield / Interest Risk Sensitivity Gap			4,276,822	17,360,880	(2,082,442)	624,433	(1,917,990)
Cumulative Yield / Interest Risk Sensitivity Gap			4,276,822	21,637,702	19,555,260	20,179,693	18,261,703

- Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.

- Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

Notes to the Financial Statements

35. CURRENCY RISK

	Assets	Liabilities	Off Balance sheet items	Net foreign currency exposure
	----- Rupees '000' -----			
Pakistan Rupee	28,122,644	25,022,708	970,638	4,070,574
United States Dollar	3,735,031	1,732,842	(1,845,671)	156,518
Great Britain Pound	57,762	807,278	775,163	25,647
Euro	89,614	204,861	112,451	(2,796)
Japanese Yen	721	-	(3,233)	(2,512)
Swiss Franc	8,782	441	(9,348)	(1,007)
Australian Dollar	-	37,703	-	(37,703)
Others	4,161	7	-	4,154
	<u>32,018,715</u>	<u>27,805,840</u>	<u>-</u>	<u>4,212,875</u>

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices. Fair value of unquoted equity investments is determined on the basis of break-up value of these investments as per latest available audited accounts.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of a current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the bank's accounting policy as stated in note 5.4.

The maturity and repricing profile and effective yield / interest rates are stated in notes 33 and 34 respectively.

In the opinion of the management, the fair value of the remaining financial assets and liabilities is not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of customer loans and deposits can be generally repriced.

37. CONCENTRATION OF CREDIT AND DEPOSITS

Out of the total financial assets of Rs.31,650 million, the financial assets which were subject to credit risk amounted to Rs. 22,224 million. The Bank's largest credit risk is concentrated in the textile sector. To manage credit risk, the bank applies stringent credit standards, imposes defined credit limits on its customers and obtains adequate collaterals. Investments amounting to Rs. 4,432.685 million are guaranteed by the Government of Pakistan. In addition an amount of Rs. 1,756.709 million are held by the Bank with the SBP.

Notes to the Financial Statements

37.1 Risk Management

The bank is primarily subject to interest rate, credit and currency risks. The policies and procedures for managing these risks are outlined in notes 37.1.1 to 37.1.4. The bank has designed and implemented a framework of controls to identify, monitor and manage these risks which are as follows:

37.1.1 Interest rate risk management

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The bank has adopted appropriate policies to minimize its exposure to this risk.

37.1.2 Credit risk management

Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk in the bank's portfolio is monitored and reviewed by appropriate officials and the exposure is controlled through counter party and credit limits. Counterparties are identified and segmented based on their credit rating. Foreign currency placements are made in approved currencies and government securities. Loans and advances to scheduled banks and financial institutions are usually secured either by government securities or by demand promissory notes. Cross border exposures are controlled by the bank by considering country / sovereign risk and are updated as and when necessary. These limits are formally reviewed on a periodic basis.

37.1.3 Currency risk management

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. In order to avoid losses arising from adverse changes in the rates of exchange, the bank's compliance with the limits established for foreign currency positions is periodically monitored.

37.1.4 Exchange risk management

The bank has set the following objectives for managing the inherent risk on foreign currency exposures:

- Maximize profitability with minimum risk by keeping the exposure at desirable levels in view of strict compliance of regulatory / international standards and the bank's internal guidelines.
- Manage appropriate maturity mismatch gaps.
- Identify warnings and stress zones for mismatch gaps.
- Usage of different tools to manage the inherent risk of product and market, such as compliance of credit limit, monitoring of foreign exchange exposure limit, review of mark to market portfolio and safe settlement, etc.

Notes to the Financial Statements

37.2 Segment by class of business

	Advances		Deposits		Contingencies and Commitments	
	Rupees '000'	Percent	Rupees '000'	Percent	Rupees '000'	Percent
Agribusiness	-	0.00%	592,357	2.63%	-	0.00%
Automobile and transportation equipment	137,858	0.70%	103,232	0.46%	91,960	1.50%
Cable and Wire	68,566	0.35%	26,410	0.12%	315,326	5.14%
Cement	267,591	1.36%	28,412	0.13%	144,468	2.35%
Chemical and Pharmaceuticals	285,221	1.45%	609,347	2.70%	186,474	3.04%
Construction	156,727	0.80%	146,423	0.65%	40,628	0.66%
Cooperative Society	-	0.00%	405,454	1.80%	-	0.00%
Electronics and electrical appliances	318,449	1.62%	17,176	0.08%	126,968	2.07%
Engineering	129,092	0.66%	248,219	1.10%	33,843	0.55%
Financial	1,579,153	8.05%	373,805	1.66%	14,891	0.24%
Food & Dairy Products	169,739	0.87%	179,915	0.80%	161,799	2.64%
Glass and Ceramics	29,452	0.15%	26,741	0.12%	-	0.00%
Health and Education	43,164	0.22%	392,817	1.74%	-	0.00%
Individuals	3,996,702	20.37%	9,070,121	40.21%	4,549	0.07%
Information Technology	39,754	0.20%	13,288	0.06%	13,979	0.23%
Insurance	-	0.00%	556,640	2.47%	-	0.00%
Iron & Steel	476,193	2.43%	111,491	0.49%	425,566	6.93%
Machinery	72,369	0.37%	422,316	1.87%	114,847	1.87%
Media & Services	528,679	2.69%	1,595,692	7.07%	104,087	1.70%
Mining and Quarrying	4,860	0.02%	50,000	0.22%	-	0.00%
Non-Profit Organization/ Trust	-	0.00%	1,911,716	8.48%	66,990	1.09%
Oil & Ghee	79,714	0.41%	23,467	0.10%	-	0.00%
Others	795,618	4.05%	49,991	0.22%	-	0.00%
Packaging	247,877	1.26%	564,41	2.50%	450,863	7.35%
Paper and Paper Products	232,493	1.18%	61,705	0.27%	163,991	2.67%
Petroleum & Products	20,000	0.10%	903,552	4.01%	-	0.00%
Printing	31,226	0.16%	81,652	0.36%	9,058	0.15%
Production and transmission of energy	30,000	0.15%	1,378,348	6.11%	18,213	0.30%
Real Estate	-	0.00%	63,802	0.28%	-	0.00%
Retail Traders & whole sellers	1,357,503	6.92%	489,143	2.17%	1,328,529	21.65%
Shoes and leather garments	18,707	0.10%	8,590	0.04%	-	0.00%
Soap and Detergent	71,569	0.36%	1,480	0.01%	70,973	1.16%
Sports Goods	74,253	0.38%	-	0.00%	50	0.00%
Storage & warehousing	-	0.00%	119	0.00%	-	0.00%
Sugar	12,336	0.06%	7,367	0.03%	3,535	0.06%
Tanning	192,907	0.98%	-	0.00%	5,537	0.09%
Textile Total	7,238,806	36.89%	1,261,640	5.59%	1,449,920	23.63%
Transportation & Communication	916,351	4.67%	777,435	3.45%	790,116	12.87%
	<u>19,622,929</u>	<u>100%</u>	<u>22,554,274</u>	<u>100%</u>	<u>6,137,160</u>	<u>100%</u>

37.3 Segment by sector

	Advances		Deposits		Contingencies and Commitments	
	Rupees '000'	Percent	Rupees '000'	Percent	Rupees '000'	Percent
Public/ Government	11,700	0.06%	1,046,456	4.64%	-	0.00%
Private	19,611,229	99.94%	21,507,818	95.36%	6,137,160	100%
Total	<u>19,622,929</u>	<u>100%</u>	<u>22,554,274</u>	<u>100%</u>	<u>6,137,160</u>	<u>100%</u>

Notes to the Financial Statements

37.4 Geographical segment analysis

The Bank does not have operations outside Pakistan, therefore, these financial statements represent operations of the Bank in Pakistan.

38. RELATED PARTY TRANSACTIONS

The bank has related party relationship with its holding company, associated undertaking, employee benefit plans and its directors and executive officers (including their associates).

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, apart from remuneration to executives as disclosed in note 32, is given below :

	2005	2004
	(Rupees '000')	
Deposits of Provident Fund at year end	32,736	8,458
Profit paid to Provident Fund	465	150
Contribution to Provident Fund	12,498	7,854

The bank has not extended loans and advance to any of its related parties either in the current or prior year.

	2005
	(Rupees '000')
Deposits of Holding Company - Bugis Investments (Mauritius) Pte. Limited	
Opening balance	-
Deposits during the year	6,798,345
	<u>6,798,345</u>
Withdrawals during the year	(6,782,196)
Closing balance	<u><u>16,149</u></u>

39. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on February 24, 2006 by the Board of Directors of the Bank.

40. FIGURES

Have been rounded off to the nearest thousand rupee.



Khawaja Iqbal Hassan
PRESIDENT AND CHIEF EXECUTIVE



Francis A. Rozario
DIRECTOR



Thomas P. Sodano
DIRECTOR



Dr. Chowdhury Saleh Ahmed
DIRECTOR

Annexure

Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2005

Rupees in '000'

S.No	Name & Address of borrower	Name of Individual partners/directors		Father's/ Husband Name	Outstanding liabilities Before Adjustments				Principle Written off	Interest/Markup written off	Other Financial Relief	Total
		Name	NIC No.		Principle	Accured Mark up	Others	Total				
1	Mohib Textile Mills 6-FB, Awamal Complex, Usman Block, New Garden Town, Lahore.	1-Mr. M. Asif Saigol 2-Mr. M. Arif Saigol 3-Mr. M. Abid Saigol 4-Mr. Shahid Saigol 5-Mr. Shahzad Saigol	270-57-006202 270-59-006203 270-62-006204 270-87-432240 270-87-432238	Rafiq Saigol Yousuf Saigol Rafiq Saigol Mohammad Shafiq Saigol Mohammad Shafiq Saigol	68,000	32,214	-	100,214	68,000	32,214	-	100,214
2	Mohib Exports 6-FB, Awamal Complex, Usman Block, New Garden Town, Lahore.	1-Mr. M. Asif Saigol 2-Mr. M. Arif Saigol 3-Mr. M. Abid Saigol	270-57-006202 270-59-006203 270-62-006204	Rafiq Saigol Yousuf Saigol Rafiq Saigol	11,676	566	-	12,242	11,676	566	-	12,242
3	Casspak Industries 4th Floor, Sultan Trust Building No.2, 26-Civil Lines Karachi	1-Capt. (Retd) Mansoor Yousuf 2-Mrs. Anna Bilal 3-Mr. Shah Zaman Khuro 4-Mr. Mahmood Ashiq 5-Mr. Tahir Jamil 6-Mr. Adnan Kehar 7-Ch. Akbar Mahmood	287-52-619675 274-87-362318 514-43-933187 270-87-344331 351-61-057685 516-57-265874 300-43-200292	Mohammad Yousuf W/O Bilal Zakaria Khan Mohammad Ayub Khuro Mohammad Ashiq Ahmad Din Bashir Ahmad Kehar Ch. Khudadad Hussain	5,000	3,362	-	8,362	5,000	3,362	-	8,362
4	Adamjee Polycrafts 9th Floor, Adamjee House Karachi	1-Abdul Ghaffar Adamjee 2-Salma Adamjee 3-Akbar Adamjee 4-Zafar Adamjee 5-Aziz Afzal 6-M. Majeed Marfani 7-Wali Muhammad Motiwala 8-Iqbal Haroon	Not Available Not Available Not Available Not Available Not Available Not Available Not Available Not Available	Zakaria Adamjee W/o Abdul Ghaffar Adamjee Abdul Ghaffar Adamjee Abdul Ghaffar Adamjee Fazal Abdullah Suleman Marfani Yousuf Motiwala Haroon Ahmad	28,500	-	-	28,500	28,500	-	-	28,500
5	Azeem Textile Mills 82-Liaquat Square, Malir Industrial Area, Karachi.	1-Aliya Afsar Jehan 2-Nusrat Aleem 3-M.A. Karim Ghouri 4-M. A. Haleem Ghouri	517-44-220658 521-86-240530 517-86-220662 517-64-220660	Mrs. M.A. Aleem Ghouri W/o M.A. Aleem Ghouri M.A. Aleem Ghouri M.A. Aleem Ghouri	6,135	-	-	6,135	6,135	-	-	6,135
6	Shama Wire & Cable Ind 3/C, Zafar Ali Road, Gulberg V, Lahore	1-Ch. Ahmad Kaleem Azam 2-Ch. Mohammad Akram 3-Mrs. Salamat 4-Mrs. Nawaz Begum 5-Ch. Mohammad Qasim	271-61-105165 271-31-024451 271-50-105027 271-40-105027 271-45-102927	Ch. Mohammad Azam Haji Sirajuddin W/o Ch. Salamat Qasim W/o Ch. Mohammad Azam Haji Sirajuddin	38,893	23,022	-	61,915	38,893	23,022	-	61,915
7	Zeltec (Pvt) Ltd. 2-HBL Building, Abdullah Haroon Road, Karachi	1-Fazal A. Fazal Bhoy 2-Rafiq A. Fazal Bhoy	517-93-220008 517-48-022405	Akbar H. Fazal Bhoy Akbar H. Fazal Bhoy	2,985	1,179	-	4,164	2,985	1,179	-	4,164
8	Sohail Qureshi & Co. 202-Liaquat Market, M.A. Jinnah Road, Karachi	Mr. Sohail Qureshi	511-53-081651	Maqbool Qureshi	3,492	1,756	-	5,248	3,492	1,756	-	5,248
9	Mohammad Rahim & Co. 519-5th Floor, Tower Plaza, Kharadar, Karachi.	Mr. Mohammad Rahim	513-74-049170	Mohammad Iqbal	2,302	23	-	2,325	2,302	23	-	2,325
10	Jamal Trading Corporation 12/8, Arkay Square, Extension Shahrah-e-Liaquat, Karachi.	1-Mr. Shamsuddin Jamal 2-Mr. Nooruddin Jamal	516-31-013264 516-31-013264	Nooruddin Jamal Khawaja Jamal	4,664	4,263	-	8,927	4,664	4,263	-	8,927
11	Quality Weaving Mills 36-A, Industrial Estate, Multan	1-Sheikh Abdul Hakeem 2-Sheikh Abdul Hameed 3-Mrs. Hakimunnisa 4-Mrs. Bilquees Abdul Hakeem 5-Mrs. Nasira Ahmad	322-34-183786 322-45-203454 322-18-472326 322-35-597989 322-53-472327	Sheikh Abdul Rehman Sheikh Abdul Rehman w/o Sheikh Abdul Rehman W/o Sheikh Abdul Hakeem W/o Sheikh Abdul Hameed	2,699	177	-	2,876	2,699	177	-	2,876
12	Dewan Cement Limited (Formerly Pakland Cement)	1-Mr. Athar Naqi 2-Syed Moonis Abdullah Alvi 3-Mr. Farrukh Viqaruddin Junaidy 4-Mr. Khurshed Anwer Jamil 5-Syed Muhammad Ali Khan 6-Mr. Aziz-Ul-Haque 7-Saeed Anwer(Nominee NIT) 8-Wajahat A. Baqai (Nominee Creditors) 9-Basheer Ahmed Chowdry (Nominee Creditors) Al Zamin Leasing)	42000-4488387-3 42201-6886191-3 42301-7518478-7 42201-0763190-5 42101-8602383-3 42301-8514003-5 35202-7888136-3 42301-4899101-1 42301-1067986-1	Mohammad Din Syed Riaz Uddin Alvi Muhammad Viqaruddin Junaidy Muhammad Yaqoob Syed Fida Ali Khan Noor-Ul-Haque Sheikh Anwer Ali Tasleem Uddin Baqai Karam Elahi	356,092	-	-	356,092	36,782	-	-	36,782
13	Dewan Hattar Cement Limited (Formerly Saadi Cement)	1-Mr. Mohammad Qasim 2-Syed Moonis Abdullah Alvi 3-Mr. Farrukh Viqaruddin Junaidy 4-Mr. Khurshed Anwer Jamil 5-Syed Muhammad Ali Khan 6-Mr. Aziz-Ul-Haque 7-Mr. Athar Naqi 8-Mr. Jived Mahmood (Nominee Creditors) 9-Mr. Khalid Sodium Tiramisu (Nominee Creditors)	42101-9596238-5 42201-6886191-3 42301-7518478-7 42201-0763190-5 42101-8502383-3 42301-8514003-5 42000-4488387-3 42301-5193440-3 42301-0995491-3	Noor Muhammad Syed Riaz Uddin Alvi Muhammad Viqaruddin Junaidy Muhammad Yaqoob Syed Fida Ali Khan Noor-Ul-Haque Mohammad Din Usman Ali Khan Muhammad Sodium Taffy	185,846	-	-	185,846	25,649	-	-	25,649
					716,284	66,562	-	782,846	236,777	66,562	-	303,339

Pattern of Shareholding

Pattern of Shareholding As at December 31, 2005

Number of Shareholders	From	Shareholdings	To	Shares held
793	1		100	30,746
1,034	101		500	316,223
643	501		1,000	573,439
1,095	1,001		5,000	2,884,306
267	5,001		10,000	2,135,588
82	10,001		15,000	1,078,599
46	15,001		20,000	845,358
41	20,001		25,000	958,356
17	25,001		30,000	482,105
11	30,001		35,000	365,049
17	35,001		40,000	657,802
11	40,001		45,000	471,022
23	45,001		50,000	1,134,753
2	50,001		55,000	105,665
7	55,001		60,000	411,691
1	60,001		65,000	60,871
2	65,001		70,000	133,690
4	70,001		75,000	296,535
1	75,001		80,000	80,000
2	80,001		85,000	169,849
2	85,001		90,000	174,211
5	90,001		95,000	461,092
6	95,001		100,000	598,320
1	100,001		105,000	101,657
3	105,001		110,000	327,829
2	110,001		115,000	225,201
2	115,001		120,000	236,000
3	120,001		125,000	372,734
1	130,001		135,000	134,000
1	135,001		140,000	137,000
1	140,001		145,000	143,566
1	160,001		165,000	161,934
1	165,001		170,000	168,154
2	170,001		175,000	347,816
1	195,001		200,000	200,000
3	200,001		205,000	606,244
1	205,001		210,000	209,000
1	220,001		225,000	222,318
1	230,001		235,000	231,807
2	235,001		240,000	471,827
1	245,001		250,000	247,734
1	255,001		260,000	256,500
1	260,001		265,000	264,178
1	295,001		300,000	300,000
1	305,001		310,000	310,000
1	335,001		340,000	335,118
1	420,001		425,000	422,391
1	455,001		460,000	459,544
1	570,001		575,000	572,579
1	590,001		595,000	594,411
1	615,001		620,000	619,335
1	725,001		730,000	728,968
1	750,001		755,000	750,311
1	805,001		810,000	806,683
1	820,001		825,000	822,250
1	935,001		940,000	937,851
1	995,001		1,000,000	1,000,000
1	1,030,001		1,035,000	1,033,532
1	1,080,001		1,085,000	1,082,449
2	5,730,001		5,735,000	11,467,870
1	6,610,001		6,615,000	6,614,624
1	9,205,001		9,210,000	9,209,218
1	14,100,001		14,105,000	14,100,710
1	24,575,001		24,580,000	24,578,800
1	239,910,001		239,915,000	239,914,764
4,165				336,152,177

Categories of Shareholders

Categories of Shareholders As at December 31, 2005

Particulars	Number of Shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	3	5,735,274	1.71
Associates Companies, undertakings and related parties	2	264,493,564	78.68
NIT & ICP	5	6,803,063	2.02
Banks, Development Financial Institutions, Non Banking Financial Institutions	17	2,336,723	0.70
Insurance Companies	7	2,984,616	0.89
Modarabas and Mutual Funds	8	68,137	0.02
Shareholders holding 10% or more (excluding Bugis Investments (Mauritius) Pte Limited)	-	-	-
General Public (Local)	3,952	23,719,766	7.06
General Public (Foreign)	7	79,143	0.02
Others (Private Companies, Joint Stock Companies, Brokerage Companies, Foreign Companies & Wakf Estate)	164	29,931,891	8.90
TOTAL	4,165	336,152,177	100.00

Pattern of Shareholding

Details of Pattern of Shareholding As at December 31, 2005

Category #	Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage of Shares held
1	Associates Companies, undertakings and related parties	2	264,493,564	78.68
	Bugis Investments (Mauritius) Pte Limited		239,914,764	
	IFIC Bank Limited		24,578,800	
2	NIT and ICP	5	6,803,063	2.02
	National Bank of Pakistan, Trustee Department		6,796,225	
	Investment Corporation of Pakistan		6,838	
3	Directors, CEO and their spouses and minor children	3	5,735,274	1.71
	Mr. Francis Andrew Rozario		-	
	Mr. Tan Soo Nan		-	
	Mr. Phua Kok Kim		-	
	Mr. Thomas Patrick Sodano		-	
	Dr. Chowdhury Saleh Ahmed		100	
	Mr. S.M. Saleem		1,239	
	Khawaja Iqbal Hassan		5,733,935	
4	Executives	-	-	-
5	Public Sector Companies and Corporations	-	-	-
6	Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	32	5,389,476	1.60
7	Shareholders holding ten percent or more voting interest in the listed company (excluding Bugis Investments (Mauritius) Pte Ltd.)	-	-	-
8	General Public (Local)	3,952	23,719,766	7.06
	General Public (Foreign)	7	79,143	0.02
9	Others	164	29,931,891	8.90
	Total	4,165	336,152,177	100.00

NIB BANK LIMITED

(Formerly NDLC-IFIC Bank Limited)

Proxy Form

I/We _____

S/o D/o W/o _____ of _____

(full address) being a member of NIB Bank Limited and holder of shares as per Registered Folio No. _____ and/or CDC

Participant I.D. No. _____ and Account No. _____ do hereby

appoint _____ of _____

_____ (full address) or failing

him/her _____ of _____

_____ (full address)

as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of NIB Bank Limited scheduled to be held on Thursday, March 30, 2006 at 11:00 a.m. at Hotel Regent Plaza, Shahrah-e-Faisal, Karachi and at any adjournment thereof.

As witness my/our hand/seal this _____ day of _____ 2006

Signed by the said _____

in presence of _____

_____ (full address)

Please affix here
Revenue Stamp
of Rs.5/-

Signature of Witness

Member's Signature

IMPORTANT

1. A member entitled to attend and vote at an Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. No person shall act as a proxy, who is not a member of the Bank except that a Company may appoint a person who is not a member.
2. An instrument of proxy duly stamped, signed and witnessed and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, in order to be valid, must be deposited at the registered office of the Bank at least 48 hours before the time of the meeting.
3. Signature should agree with the specimen signature registered with the Bank.
4. If a member appoints more than one proxy and more than one instrument of proxy are deposited by a member with the Bank, all such instruments of proxy shall be rendered invalid.
5. In case of Proxy for any individual beneficial owner of CDC, entitled to attend and vote at this meeting it is necessary to deposit the attested copies of beneficial owner's national identity card, Account and Participant's ID numbers. The proxy shall produce his original identity card at the time of the meeting. Representative of corporate member should bring the usual documents for such purpose.



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