



Enabling success
Realising dreams

NIB Bank Limited
Quarterly Report
(Unaudited)
September 30, 2010



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Company Information

Board of Directors	Francis Andrew Rozario Syed Aamir Zahidi Tejpal Singh Hora Asif Jooma Teo Cheng San, Roland Najmus Saquib Hameed Muhammad Abdullah Yusuf Khawaja Iqbal Hassan	Chairman Director Director Director Director Director Director Director & President/CEO
Board Audit Committee	Muhammad Abdullah Yusuf Syed Aamir Zahidi Teo Cheng San, Roland	Chairman Member Member
Company Secretary	Meheryar Mavalvala	
Chief Financial Officer (Acting)	Yameen Kerai	
Registered Office	Muhammadi House I.I. Chundrigar Road Karachi-74000. UAN: (021) 111 333 111 Email: info@nibpk.com URL: www.nibpk.com	
Share Registrar Office	THK Associates (Pvt.) Limited Ground Floor, State Life Building No. 3 Dr. Ziauddin Ahmed Road Karachi-75530. UAN: (021) 111 000 322	
Auditors	M/s. KPMG Taseer Hadi & Co. Chartered Accountants	
Legal Advisor	M/s. Mandviwalla & Zafar Advocates	
Credit Rating	Long Term: Short Term: Rating Agency:	AA- A1+ PACRA

Directors' Review
For the nine months ended September 30, 2010

THE ECONOMY

The Financial Year (FY) ending June 2011 is posing macroeconomic challenges particularly in the backdrop of the recent floods. In the damage and needs assessment carried out by the World Bank and ADB, direct and indirect losses have been estimated at USD 9.5bn. Losses to crop and livestock and subsequent slowdown in demand in the manufacturing sector have led the government to revise its GDP growth target for FY ending June 2011 down to 2.75% from 4.5%. Inflation triggered by supply shortages has recorded a 17 month high of 15.7% in September 2010. On the external front, remittances reached an all time high of USD 2.6 bn in 3Q CY 2010 representing a 13.5% increase over the same period last year.

Further monetary tightening measures were taken by SBP in September 2010 as it raised the discount rate by 50 bps to 13.5%. Equity market performance followed a mixed trend given the uncertainty surrounding flood assessment, growing by 3% over the quarter. This was supported by an overall rise in foreign equity investment peaking at 7.4% of market capitalization. The IMF delayed the review for the sixth tranche disbursement highlighting the need for implementation of reformed GST (expected in Nov10) and adequate power sector reforms. Going forward inflation and fiscal slippages will remain the key challenges on the economic front.

Non-performing loans (NPLs) of the banking system grew by Rs 14 bn to Rs 460 bn during 1H CY 2010 compared to an increase of PKR 39bn in corresponding period last year. The State Bank's initial estimate of additional flood-related NPLs amounts to PKR 54 bn. While credit offtake remained subdued, liquidity remained manageable on the back of limited deposit growth of 1.2% in 3Q CY 2010.

BUSINESS PERFORMANCE

With a relatively large proportion of loans in the SME and Consumer segments compared to other banks, the poor performance of these segments in the weak economic environment has led to higher NPLs at NIB Bank, leading to large amounts of mark-up suspension and provisioning. The reduced net mark-up earned in the 9 months ended September 2010 is mainly due to suspended mark-up and reduced exposure to high yielding Consumer, Salaam Banking and SME loans. The lower net mark-up was partly offset by higher non mark-up income driven by trade volumes and FX trading activities generating higher FX income. Lower impairment of equity securities and the sale of the Bank's shares in National Fullerton Asset Management Company Limited also contributed to higher non-mark-up income in the 9 month period ended September 2010.

Administrative expenses increased by Rs 775 mn in the 9 months ended September 2010 compared to the corresponding period last year due to the full impact of depreciation and maintenance costs of new technology platforms along with the high inflation in the country. Additionally 2009 expenses were recorded as lower due to reversals of certain provisions that were accrued in 2008 but were not fully incurred in 2009. Without the effect of the foregoing, administrative expenses increased by 9% between the first 9 months of 2009 and 2010 as well as between Q3 2009 and Q3 2010.

Directors' Review For the nine months ended September 30, 2010

The charge for provisions was Rs 3,620 mn in the 9 months ended September 2010 compared to a net reversal of Rs 179 mn in the corresponding period last year. While portfolios deteriorated in all segments the biggest increase in provisioning between the two periods was seen in the SME segment. Incremental lending in this sector is limited only to customers with a good track record with the Bank, however, some customers still remain stressed which could lead to further NPLs and provisions in the future. It is important to note that many of the loans that are provided have tangible hard collateral like land, buildings, plant and machinery. However, SBP regulations only allow partial benefit of the value of such collateral when determining the provisioning charge. Over time, NIB expects to recover a significant portion from secured defaulting borrowers and reverse related provisioning charges. Over the past 21 months, NIB has recovered Rs 2.5 bn from customers who were in default.

Lending to top tier corporate and public sector entities increased by Rs 7,462 mn during the 9 months ended September 30, 2010. On a gross basis, this amount was almost offset by contractual repayments on instalment based loans as well other repayments from Consumer and SME customers. Total deposits grew by Rs 8,053 mn in the 9 months ended September 2010. On average, between the first 9 months of 2009 and the first 9 months of 2010, current and low cost savings deposits increased by Rs 4,210 mn with overall cost of funds consequently reducing by 186 basis points between the two periods.

Primarily as a result of high NPLs and provisioning in the SME, Salaam Banking and Consumer segments, NIB on an Unconsolidated basis has reported a post tax loss of Rs 3,560 mn for the 9 months ended September 2010. On a Consolidated basis the post tax loss for the 9 months ended September 2010 is Rs 3,374 mn.

Until the economic situation in Pakistan improves and the full impact of the recent floods is assessed, lending to the SME and Consumer segments is being limited to highly credit worthy customers with a good track record. At the same time NIB has enhanced its product offering in transactional and liability services catering to all business segments and individual customers.

As a consequence of the above strategy, the Bank felt it prudent that the number of staff deployed in the areas that serve the SME, Salaam Banking and Consumer finance businesses, along with all other support areas which are impacted by the revised strategy, should be rationalized. To this end, in September 2010 the Bank introduced, for a limited period, a discretionary Voluntary Separation Scheme for its employees. The Scheme was not applicable to Clerical and non-clerical employees. In order for employees participating in the Scheme to have ample opportunity to find alternative employment without experiencing financial stress, the Bank, in addition to the employees' normal legal dues, has offered an ex-gratia amount depending on the job grade and number of years of service. The process of staff rationalisation forms a part of the overall cost rationalisation strategy that the Bank has adopted and begun to execute.

The Bank has made some strategic choices in terms of the preferred segments for lending and is concentrating on deposit mobilization and cost rationalization in order to increase profits. The Bank is also reviewing alternative methods of raising capital of approximately Rs 8.6 bn subject to regulatory and shareholder approvals. The proceeds of the capital will be used to enhance the Bank's Tier 1 capital and to support its earnings. The majority

Directors' Review
For the nine months ended September 30, 2010

shareholder of NIB Bank, Bugis Investments, which is a wholly-owned subsidiary of Fullerton Financial Holdings of Singapore, has agreed in principle to support NIB Bank in its objective of strengthening its capital.

While NIB Bank is confident that it will continue to derive value from the businesses, customers and branch network acquired from PICIC and PICIC Commercial Bank, this will now be based on different products and services than those contemplated at the time of the PICIC acquisition. From an accounting perspective, at the time of the acquisition and merger of PICIC and PICIC Commercial Bank into NIB Bank, Goodwill of Rs 25,261 mn was created on the books of NIB Bank, which reflected the value that was paid for the PICIC and PICIC Commercial Bank shares over the fair value of net assets. As the original intent of how value would be derived from the merger has altered, the Bank decided to adjust the Goodwill that it was carrying on the books in a manner that is consistent with its new business realities. Consequently the Bank as at June 30, 2010, adjusted the full amount of the Goodwill appearing in its books at Rs 24,221 mn directly into equity, thereby increasing accumulated losses and reducing equity by the same amount between December 31, 2009 and September 30, 2010. It is important to note that as per SBP regulations Goodwill was already deducted from accounting equity when determining regulatory capital. Therefore this adjustment did not impact the Capital Adequacy Ratio (CAR) of the Bank.

Despite the increased level of provisioning and the resultant impact on the profitability of the Bank, NIB remains liquid, well-capitalised and sound. Coming off an acquisition that was impacted by the poor economic conditions of the country since 2007, the Bank has borne the brunt of industry-wide poor performance in the SME and Consumer finance areas as well. However, the Bank has altered its strategy to focus in the short run on lower-risk businesses that will help increase profitability. The Board of Directors and the management of NIB Bank remain committed to building a unique bank that will focus on market opportunities and provide innovative products to suit the specific needs of its valued customers. NIB Bank is grateful to its majority shareholder, Fullerton Financial Holdings, a subsidiary of Temasek Holdings of Singapore, who have repeatedly demonstrated their commitment to the Bank. NIB Bank is also very grateful to its customers who continue to demonstrate very strong loyalty to NIB. The SBP, SECP and other regulatory bodies have, as always guided the Bank well and have given their full support which is highly appreciated. The employees also deserve special thanks for persevering and supporting the Bank.

On behalf of the Board

Francis Andrew Rozario
Chairman

Khawaja Iqbal Hassan
President & CEO

**Unconsolidated
Condensed Interim
Financial Statements**

NIB Bank Limited
 Unconsolidated Condensed Interim Statement of Financial Position
 As at September 30, 2010

	Note	Unaudited September 30, 2010	Audited December 31, 2009
(Rupees '000')			
ASSETS			
Cash and balances with treasury banks		8,148,430	8,834,275
Balances with other banks		801,262	3,683,783
Lendings to financial institutions		10,520,905	5,681,887
Investments	6	39,920,936	62,432,977
Advances	7	82,423,665	84,021,406
Operating fixed assets	8	2,955,860	3,114,632
Intangible assets	9	2,482,582	26,943,271
Deferred tax assets	10	8,083,461	6,474,384
Other assets		6,398,646	6,932,348
		161,735,747	208,118,963
LIABILITIES			
Bills payable		1,645,766	1,574,207
Borrowings		37,173,469	62,523,365
Deposits and other accounts	11	101,973,266	93,919,805
Sub-ordinated loans	12	3,996,000	3,997,600
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		3,253,802	4,575,741
		148,042,303	166,590,718
NET ASSETS		<u>13,693,444</u>	<u>41,528,245</u>
REPRESENTED BY:			
Share capital	13	40,437,271	40,437,271
Reserves		8,464,894	8,464,894
Accumulated loss	9	(35,039,883)	(7,258,893)
		13,862,282	41,643,272
Deficit on revaluation of assets - net		(168,838)	(115,027)
		<u>13,693,444</u>	<u>41,528,245</u>
CONTINGENCIES AND COMMITMENTS			
	14		

The annexed notes from 1 to 17 form an integral part of these unconsolidated condensed interim financial information.

Khawaja Iqbal Hassan **Francis Andrew Rozario** **Syed Aamir Zahidi** **Najmus Saquib Hameed**
 President / Chief Executive Chairman / Director Director Director

NIB Bank Limited
Unconsolidated Condensed Interim Profit and Loss Account (Unaudited)
For the nine months and quarter ended September 30, 2010

	Nine months ended		Quarter ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
	(Rupees '000')			
Mark-up / Return / Interest earned	12,891,232	13,737,007	3,921,265	4,367,641
Mark-up / Return / Interest expensed	10,314,468	9,640,938	3,369,853	2,991,064
Net Mark-up / Interest Income	2,576,764	4,096,069	551,412	1,376,577
Provision / (Reversal) against non-performing loans and advances	3,619,846	(178,664)	1,850,579	317,040
Provision for diminution in the value of investments	202,493	476,958	18,707	49,286
Bad debts written off directly	50,013	45,800	14,331	23,316
	3,872,352	344,094	1,883,617	389,642
Net Mark-up / Interest income after provisions	(1,295,588)	3,751,975	(1,332,205)	986,935
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	553,600	531,587	163,812	181,488
Dividend income	130,236	186,183	68,614	90,051
Income from dealing in foreign currencies	339,398	52,372	101,166	(1,778)
Gain on sale of securities	309,699	500,653	3,116	320,804
Unrealized gain on revaluation of investments classified as held-for-trading	-	-	-	-
Other income	21,178	14,552	4,173	12,516
Total Non Mark-up / Interest income	1,354,111	1,285,347	340,881	603,081
	58,523	5,037,322	(991,324)	1,590,016
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	4,649,009	3,874,033	1,432,144	1,307,913
Other provisions / (reversals) / write offs	20,454	(13,737)	(133)	(7,659)
Other charges	67,163	(173,913)	3,620	(32,951)
Workers welfare fund	4,000	23,000	1,500	3,000
Total Non Mark-up / Interest expenses	4,740,626	3,709,383	1,437,131	1,270,303
	(4,682,103)	1,327,939	(2,428,455)	319,713
Extraordinary / Unusual items	-	-	-	-
PROFIT / (LOSS) BEFORE TAXATION	(4,682,103)	1,327,939	(2,428,455)	319,713
Taxation - Current	142,453	75,112	42,621	24,854
- Prior years	327,748	-	-	-
- Deferred	(1,592,786)	458,406	(856,044)	80,351
	(1,122,585)	533,518	(813,423)	105,205
PROFIT / (LOSS) AFTER TAXATION	(3,559,518)	794,421	(1,615,032)	214,508
Accumulated loss brought forward	(7,258,893)	(7,757,283)	(9,203,379)	(7,177,370)
ACCUMULATED LOSS CARRIED FORWARD	(10,818,411)	(6,962,862)	(10,818,411)	(6,962,862)
Basic / diluted earnings / (loss) per share (Rupees)	(0.88)	0.20	(0.40)	0.05

The annexed notes from 1 to 17 form an integral part of these unconsolidated condensed interim financial information.

Khawaja Iqbal Hassan **Francis Andrew Rozario** **Syed Aamir Zahidi** **Najmus Saquib Hameed**
 President / Chief Executive Chairman / Director Director Director

NIB Bank Limited
 Unconsolidated Condensed Interim
 Statement of Comprehensive Income (Unaudited)
 For the nine months and quarter ended September 30, 2010

	Nine months ended		Quarter ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
	(Rupees '000')			
Profit / (Loss) after taxation for the period	(3,559,518)	794,421	(1,615,032)	214,508
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>(3,559,518)</u>	<u>794,421</u>	<u>(1,615,032)</u>	<u>214,508</u>

Surplus / deficit on revaluation of "Available-for-Sale" securities is presented under a separate head below equity as "surplus / deficit on revaluation of assets" in accordance with the requirements specified by the Companies Ordinance, 1984, and the State Bank of Pakistan vide its BSD Circular 20 dated August 4, 2000 and BSD Circular 10 dated July 13, 2004.

The annexed notes from 1 to 17 form an integral part of these unconsolidated condensed interim financial information.

Khawaja Iqbal Hassan President / Chief Executive	Francis Andrew Rozario Chairman / Director	Syed Aamir Zahidi Director	Najmus Saquib Hameed Director
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NIB Bank Limited
Unconsolidated Condensed Interim Cash Flow Statement (Unaudited)
For the nine months ended September 30, 2010

	September 30, 2010	September 30, 2009
	(Rupees '000')	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	(4,682,103)	1,327,939
Dividend Income	(130,236)	(186,183)
	<u>(4,812,339)</u>	<u>1,141,756</u>
Adjustments for non-cash items		
Depreciation	307,789	345,207
Amortization	278,152	226,334
Workers welfare fund	4,000	23,000
Provision / (Reversal) against non-performing loans and advances	3,619,846	(178,664)
Bad debts written off directly	50,013	45,800
Fixed assets written off	2,127	-
Gain on sale of operating fixed assets	(92)	(445)
Gain on sale of securities	(309,699)	(500,653)
Provision for diminution in the value of investments	202,493	476,958
Other provisions / (reversals) / write offs	20,454	(13,737)
	<u>4,175,083</u>	<u>423,800</u>
	(637,256)	1,565,556
(Increase) / decrease in operating assets		
Lendings to financial institutions	(4,839,018)	6,068,536
Advances	(2,072,118)	503,079
Other assets (excluding advance taxation)	683,176	(4,880,764)
Increase / (decrease) in operating liabilities		
Bills payable	71,559	572,961
Borrowings	(25,349,896)	7,213,628
Deposits and other accounts	8,053,461	1,265,870
Other liabilities (excluding current taxation)	(1,325,796)	(843,481)
	<u>(25,415,888)</u>	<u>11,465,385</u>
Income tax paid	(587,090)	(773,412)
Net cash (used in) / from operating activities	<u>(26,002,978)</u>	<u>10,691,973</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Investments in available-for-sale securities	22,292,287	(11,077,017)
Net Investments in held-to-maturity securities	(27,276)	(15,836)
Net Investments in associates	284,134	238,261
Net Investments in subsidiaries	-	200,000
Dividend received	77,197	146,293
Payments for capital work in progress	(119,246)	(145,152)
Acquisition of property and equipment	(69,965)	(160,132)
Acquisition of intangible assets	(1,185)	(68,650)
Sale proceeds of property and equipment disposed of	409	2,003
Net cash from / (used in) investing activities	<u>22,436,355</u>	<u>(10,880,230)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Payments against sub-ordinated loans	(1,600)	(1,600)
Dividend paid	(143)	(67)
Right shares issue cost	-	(83,766)
Net cash used in financing activities	<u>(1,743)</u>	<u>(85,433)</u>
Net decrease in cash and cash equivalents	(3,568,366)	(273,690)
Cash and cash equivalents at the beginning of the period	<u>12,518,058</u>	<u>10,148,947</u>
Cash and cash equivalents at the end of the period	<u>8,949,692</u>	<u>9,875,257</u>

The annexed notes from 1 to 17 form an integral part of these unconsolidated condensed interim financial information.

Khawaja Iqbal Hassan **Francis Andrew Rozario** **Syed Aamir Zahidi** **Najmus Saquib Hameed**
President / Chief Executive Chairman / Director Director Director

NIB Bank Limited
 Unconsolidated Condensed Interim Statement of Changes in Equity (Unaudited)
 For the nine months ended September 30, 2010

Note	Share capital	Share deposit money	Capital Reserves		Revenue Reserves		Total
			Share premium	Statutory reserve	General reserve	Accumulated profit / (loss)	
(Rupees '000')							
Balance as at December 31, 2008	28,437,271	12,000,000	8,246,618	74,594	5,472	(7,757,283)	41,006,672
Total comprehensive income for the period							
Profit after taxation for the period	-	-	-	-	-	794,421	794,421
Transactions with owners, recorded directly in equity							
Issue of share capital	12,000,000	(12,000,000)	-	-	-	-	-
Right shares issue cost (net of tax)	-	-	-	-	-	(54,448)	(54,448)
	12,000,000	(12,000,000)	-	-	-	(54,448)	(54,448)
Transfer to statutory reserve	-	-	-	158,884	-	(158,884)	-
Balance as at September 30, 2009	40,437,271	-	8,246,618	233,478	5,472	(7,176,194)	41,746,645
Total comprehensive income for the period							
Loss after taxation for the period	-	-	-	-	-	(103,373)	(103,373)
Transfer from statutory reserve	-	-	-	(20,674)	-	20,674	-
Balance as at December 31, 2009	40,437,271	-	8,246,618	212,804	5,472	(7,258,893)	41,643,272
Total comprehensive income for the period							
Loss after taxation for the period	-	-	-	-	-	(3,559,518)	(3,559,518)
Goodwill adjustment	9	-	-	-	-	(24,221,472)	(24,221,472)
Balance as at September 30, 2010	40,437,271	-	8,246,618	212,804	5,472	(35,039,883)	13,862,282

The annexed notes from 1 to 17 form an integral part of these unconsolidated condensed interim financial information.

Khawaja Iqbal Hassan **Francis Andrew Rozario** **Syed Aamir Zahidi** **Najmus Saquib Hameed**
 President / Chief Executive Chairman / Director Director Director

NIB Bank Limited
Notes to the Unconsolidated Condensed
Interim Financial Information (Unaudited)
For the nine months ended September 30, 2010

1. STATUS AND NATURE OF BUSINESS

NIB Bank Limited "the Bank" is incorporated in Pakistan and its registered office is situated at Muhammadi House, I. I. Chundrigar Road, Karachi in the province of Sindh. The Bank is listed on all the stock exchanges in Pakistan and has 179 branches (December 31, 2009: 223 branches). The Bank is a scheduled commercial bank and is principally engaged in the business of banking as defined in the Banking Companies Ordinance, 1962.

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

2. BASIS OF PREPARATION

These unconsolidated condensed interim financial statements are presented in condensed form in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. These unconsolidated condensed interim financial statements do not include all of the information required for full unconsolidated financial statements and should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2009.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation followed for the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the annual unconsolidated financial statements of the Bank for the year ended December 31, 2009.

The new standards, amendments and interpretations that were mandatory for accounting periods beginning on or after January 1, 2010 and are not considered to be relevant or have any significant effect on the Bank's operations, are not detailed in these unconsolidated condensed interim financial statements.

4. ACCOUNTING ESTIMATES

The basis for the accounting estimates adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the annual unconsolidated financial statements of the Bank for the year ended December 31, 2009.

5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the annual unconsolidated financial statements of the Bank for the year ended December 31, 2009.

Notes to the Unconsolidated Condensed
Interim Financial Information (Unaudited)
For the nine months ended September 30, 2010

Note	Unaudited September 30, 2010			Audited December 31, 2009			
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total	
	(Rupees '000')						
6. INVESTMENTS							
6.1 Investments by types:							
Held-for-trading securities	-	-	-	-	-	-	
Available-for-sale securities							
Market Treasury Bills	5,977,198	13,866,961	19,844,159	4,691,032	37,923,905	42,614,937	
Pakistan Investment Bonds	2,212,300	1,126,723	3,339,023	2,698,926	832,385	3,531,311	
Defense Savings Certificates	5,771	2,730	8,501	5,771	2,730	8,501	
Sukuk Bonds	495,393	-	495,393	205,304	-	205,304	
Cumulative preference shares	50,000	-	50,000	50,000	-	50,000	
Ordinary shares / Certificates in listed companies / Modarabas	1,102,473	112,373	1,214,846	1,015,819	66,572	1,082,391	
Ordinary shares of unlisted companies	66,124	-	66,124	66,217	-	66,217	
Term Finance Certificates	5,055,883	-	5,055,883	4,424,427	-	4,424,427	
Units / Certificates of mutual funds	169,172	-	169,172	430,765	-	430,765	
	15,134,314	15,108,787	30,243,101	13,588,261	38,825,592	52,413,853	
Held-to-maturity securities							
Pakistan Investment Bonds	4,681,499	-	4,681,499	4,652,033	-	4,652,033	
Term Finance Certificates	121,133	-	121,133	123,323	-	123,323	
	4,802,632	-	4,802,632	4,775,356	-	4,775,356	
Associates	6.2	1,573,832	-	1,573,832	1,899,518	-	1,899,518
Subsidiaries		4,584,741	-	4,584,741	4,584,741	-	4,584,741
Investments at cost		26,095,519	15,108,787	41,204,306	24,847,876	38,825,592	63,673,468
Provision for diminution in the value of investments		(1,026,744)	-	(1,026,744)	(1,033,551)	(20,418)	(1,053,969)
Investments - net of provisions		25,068,775	15,108,787	40,177,562	23,814,325	38,805,174	62,619,499
Deficit on revaluation of available-for-sale securities		(122,106)	(134,520)	(256,626)	(126,674)	(59,848)	(186,522)
Net Investments		24,946,669	14,974,267	39,920,936	23,687,651	38,745,326	62,432,977

6.2 During the period, the Bank has disinvested its twenty seven percent holding in National Fullerton Asset Management Limited (NAFA) to National Bank of Pakistan, as under the NBFC Regulations, an entity cannot have an interest in two asset management companies. Subsequent to this sale, NAFA Funds have ceased to be Associates of the Bank. The Bank has reclassified its investment in NAFA Funds from Investment in Associates to Investment in Available-for-sale securities.

Notes to the Unconsolidated Condensed
Interim Financial Information (Unaudited)
For the nine months ended September 30, 2010

	Unaudited September 30, 2010	Audited December 31, 2009
	(Rupees '000')	
7. ADVANCES		
Loans, cash credits, running finance, etc. - in Pakistan	94,490,676	93,847,123
Net investment in finance lease - in Pakistan	2,381,638	3,061,322
Bills discounted and purchased (excluding Treasury Bills)		
Payable in Pakistan	343,806	412,889
Payable outside Pakistan	3,553,363	2,679,423
Advances - Gross	100,769,483	100,000,757
Provision against non performing advances - Specific	(18,164,167)	(15,746,457)
- General	(181,651)	(232,894)
	(18,345,818)	(15,979,351)
Advances - Net of provisions	82,423,665	84,021,406

7.1 Advances include Rs. 30,698.827 million (December 31, 2009: Rs. 23,429.526 million), which have been placed under non-performing status as detailed below:

Category of Classification	Domestic	Overseas	Total	Provision required	Provision held
	(Rupees '000')				
Substandard	7,541,836	-	7,541,836	1,709,606	1,709,606
Doubtful	4,876,974	-	4,876,974	1,799,246	1,799,246
Loss	18,280,017	-	18,280,017	14,655,315	14,655,315
	30,698,827	-	30,698,827	18,164,167	18,164,167

7.2 In accordance with BSD Circular No. 2 dated January 27, 2009 and BSD Circular No. 10 dated October 20, 2009 issued by the State Bank of Pakistan, the Bank has availed the benefit of FSV against the non-performing advances. Had the benefit of FSV not been availed by the Bank the specific provision against non-performing advances as at September 30, 2010 would have been higher by Rs. 5,567.567 million and loss after tax for the nine months ended September 30, 2010 would have been higher by approximately Rs. 1,317.500 million. Increase in profit would not be available for the distribution of cash and stock dividend to shareholders.

	Unaudited September 30, 2010	Unaudited September 30, 2009
	(Rupees '000')	
8. OPERATING FIXED ASSETS		
8.1 Additions to fixed assets		
The following additions have been made to fixed assets during the period ended September 30, 2010:		
Furniture and fixtures	2,606	10,980
Electrical, office and computer equipment	83,872	103,355
Building on freehold land	-	933
Vehicles	39	7,197
Leasehold improvements	48,378	37,667
Capital work in progress	119,246	145,152

Notes to the Unconsolidated Condensed
Interim Financial Information (Unaudited)
For the nine months ended September 30, 2010

Unaudited Unaudited
September 30, September 30,
2010 2009
(Rupees '000')

8.2 Disposal of fixed assets - cost

The following disposals have been made from fixed assets during the period ended September 30, 2010:

Furniture and fixtures	182	7,921
Electrical, office and computer equipment	15	44,070
Vehicles	486	-
Leasehold improvements	623	17

9. GOODWILL

From an accounting perspective, at the time of the acquisition and merger of Pakistan Industrial Credit and Investment Corporation Limited (PICIC) and PICIC Commercial Bank Limited (PCBL) into the Bank, goodwill of Rs. 25,261 million was created on the books of NIB, which reflected the value that was paid for the PICIC and PCBL shares over the fair value of net assets. It is the Bank's view that it will derive substantial value from businesses, customers and the branch network acquired in the merger with PICIC and PCBL. Under the new strategies, this value will be derived more from the liabilities side of the business as opposed to the assets side. As the original intent of how value would be derived has been changed for now the Bank has decided to adjust the Goodwill that it is carrying on the books in a manner that is consistent with its new business realities. Consequently the Bank has adjusted the full amount of the goodwill appearing in its books at Rs. 24,221 million directly into equity and the State Bank of Pakistan has indicated its No Objection to this accounting treatment.

10. DEFERRED TAX ASSETS

The Finance Act, 2009 had made significant amendments to the Seventh Schedule to the Income Tax Ordinance, 2001. The deduction for provisions for doubtful and loss categories of advances and off-balance sheet items was allowed up to a maximum of 1% of total advances. As per the said amendments provision in excess of 1% of total advances was allowed to be carried over to succeeding years.

Further, as per the said amendments the amount of bad debts classified as Substandard under the Prudential Regulations issued by the State Bank of Pakistan would not be allowed as an expense.

The Finance Act, 2010 has made certain further amendments to the Seventh Schedule to allow provisions for advances and off-balance sheet items relating to Consumer and SME advances up to 5% of such advances. However, provisions for advances and off-balance sheet items relating to advances other than Consumer and SME would continue to be allowed up to 1% of such advances and provision in excess of 1% of total of such advances would be allowed to carry over to succeeding years.

However, while amending the relevant provisions of the Seventh Schedule through Finance Act, 2010, the law relating to carry forward of provisions for advances and off-balance sheet items in excess of 5% of Consumer and SME advances and the law limiting the allowance up to the actual provisions are not amended. The management of the Bank in consultation with its tax consultants' is of the view that, the carry forward of provisions for advances and off-balance sheet items in excess of 5% of Consumer and SME advances would be allowed in subsequent years.

Notes to the Unconsolidated Condensed
Interim Financial Information (Unaudited)
For the nine months ended September 30, 2010

The management had carried out an exercise and concluded that they would be able to get deduction of provisions in excess of 5% and 1% amounting to Rs. 986 million and Rs. 3,231 million, respectively, relating to Consumer and SME advances and other than Consumer and SME advances, respectively. Accordingly, the Bank has recognized a deferred tax asset amounting to Rs. 345 million and Rs. 1,131 million relating to Consumer and SME advances and other than Consumer and SME advances, respectively.

During the year 2009, the Federal Board of Revenue (FBR) through Circular No. 8 of 2009 dated September 25, 2009 had made the above change effective for financial year ended on December 31, 2008. The management, based on its tax consultants' opinion is of the view that the change to the Seventh Schedule, relating to the 1% capping as described above, was applicable from the financial year ended December 31, 2009 and the FBR circular in this respect is not part of the Seventh Schedule, and accordingly, while filing the income tax return of the Bank for financial year ended December 31, 2008, the management has not considered the requirement of above circular.

	Unaudited September 30, 2010	Audited December 31, 2009
	(Rupees '000')	
11. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	39,738,261	35,912,235
Savings deposits	29,701,047	27,598,044
Current accounts - Non-remunerative	22,852,581	23,578,156
Margin accounts	502,969	993,430
Financial Institutions		
Remunerative deposits	8,914,899	5,616,126
Non-remunerative deposits	263,509	221,814
	<u>101,973,266</u>	<u>93,919,805</u>
12. SUB-ORDINATED LOANS		
Term Finance Certificates - Quoted, Unsecured	<u>3,996,000</u>	<u>3,997,600</u>
Mark-up	Floating (no floor, no cap) rate of return at Base Rate + 1.15% (The Base Rate is defined as the average "Ask Side" rate of the six month Karachi Interbank Offered Rate ("KIBOR"))	
Subordination	The TFCs are subordinated to all other indebtedness of the Bank including deposits	
Issue Date	March 5, 2008	
Issue Amount	Rs. 4,000 million	
Rating	A+ (A plus)	
Tenor	8 years from the Issue Date	
Redemption	Ten equal semi-annual installments of 0.02% of the Issue Amount for the first sixty months followed by six equal semi-annual installments of 16.63% of the Issue Amount from the sixty-sixth month onwards	
Maturity	March 5, 2016	
Call Option	The Bank can also exercise the Call Option or the Partial Call Option after obtaining written approval from the State Bank of Pakistan at any time after a period of sixty months from the Issue Date	

Notes to the Unconsolidated Condensed
Interim Financial Information (Unaudited)
For the nine months ended September 30, 2010

13. SHARE CAPITAL

13.1 Authorized

Unaudited September 30, 2010	Audited December 31, 2009		Unaudited September 30, 2010	Audited December 31, 2009
(Number of shares)			(Rupees '000')	
<u>5,000,000,000</u>	<u>5,000,000,000</u>	Ordinary shares of Rs. 10 each	<u>50,000,000</u>	<u>50,000,000</u>

13.2 Issued, subscribed and paid up

Fully paid up ordinary shares of Rs. 10 each				
3,278,902,659	3,278,902,659	Fully paid in cash	32,789,027	32,789,027
		Issued for consideration other than cash (under schemes of amalgamation)	7,648,244	7,648,244
<u>764,824,417</u>	<u>764,824,417</u>		<u>40,437,271</u>	<u>40,437,271</u>
<u>4,043,727,076</u>	<u>4,043,727,076</u>		<u>40,437,271</u>	<u>40,437,271</u>

13.3 The holding Company Bugis Investments (Mauritius) Pte. Limited holds 2,995,744,425 (December 31, 2009: 2,995,744,425) ordinary shares.

Unaudited September 30, 2010	Audited December 31, 2009
(Number of shares)	

**13.4 Reconciliation of number of ordinary shares
of Rs. 10 each**

At the beginning of the period / year	4,043,727,076	2,843,727,076
Add: Issued during the period / year for cash	-	<u>1,200,000,000</u>
At the end of the period / year	<u>4,043,727,076</u>	<u>4,043,727,076</u>

(Rupees '000')

14. CONTINGENCIES AND COMMITMENTS

14.1 Direct credit substitutes

Contingent liability in respect of guarantees given favouring:

Government	63,451	222,841
Others	75,000	75,000
	<u>138,451</u>	<u>297,841</u>

14.2 Transaction-related contingent liabilities / commitments

Guarantees given in favour of:

Government	5,442,536	4,842,809
Others	1,154,180	873,666
	<u>6,596,716</u>	<u>5,716,475</u>

Notes to the Unconsolidated Condensed
Interim Financial Information (Unaudited)
For the nine months ended September 30, 2010

	Unaudited September 30, 2010	Audited December 31, 2009
	(Rupees '000')	
14.3 Trade-related contingent liabilities		
Letters of credit	7,768,223	6,353,446
Acceptances	1,255,123	1,459,864
	9,023,346	7,813,310
14.4 Other contingencies		
Claims against the Bank not acknowledged as debts	399,156	469,156
14.5 Commitments in respect of forward lending		
Forward repurchase agreement lending	1,902,226	—
Commitments to extend credit	324,263	294,696
	2,226,489	294,696
<p>The Bank makes commitments to extend credit in the normal course of its business but none of these commitments are irrevocable and do not attract any significant penalty or expense if the facility is ultimately withdrawn except commitments mentioned above.</p>		
14.6 Commitments in respect of forward exchange contracts		
Purchase	69,783,705	54,098,436
Sale	68,401,762	54,609,998
	138,185,467	108,708,434
14.7 Commitments for the acquisition of operating fixed assets	91,478	205,275

14.8 Tax contingencies

The returns of income of NIB Bank Limited have been filed up to and including tax year 2009 relevant to the financial year ended December 31, 2008. The tax authorities have made certain disallowances including additions on account of proration of expenses against dividends and capital gains, disallowances of interest and administrative expenses and renovation expenses incurred on rented premises (allowed historically) pertaining to tax years 2003 through 2008 for Ex-Pakistan Industrial Credit and Investment Corporation Limited (Ex-PICIC), from tax years 2004 through 2008 for Ex-PICIC Commercial Bank Limited (Ex-PCBL), tax years 2003 and 2004 for Ex-National Development Leasing Corporation Limited (Ex-NDLC) and from tax years 2004 through 2008 for NIB Bank Limited. These disallowances may result in additional tax aggregating to Rs. 1,370 million, which the management of the Bank in discussion with their tax consultants believes to be unjustified and not in accordance with the true interpretation of the law.

Appeals filed against orders are pending at various appellate forums. Management is confident that the eventual outcome of the cases will be in favor of the Bank.

Notes to the Unconsolidated Condensed
Interim Financial Information (Unaudited)
For the nine months ended September 30, 2010

15. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The Bank is organised into reportable segments as disclosed in note 6.21.1 of the annual unconsolidated financial statements. These segments are managed by respective segment heads and the results of these segments are regularly reviewed by the Bank's President / Chief Executive. Segment performance is reviewed on the basis of various factors including profit before taxation.

The segment analysis with respect to business activity is as follows:

	Corporate and Investment Banking	Small & Medium Enterprises and Commercial	Consumer and Small Enterprises	Treasury	Head Office / Other	Adjustments*
	(Rupees '000')					
For the nine months ended September 30, 2010 (Unaudited)						
Net Interest Income	(43,220)	(55,872)	2,987,870	(136,193)	(175,821)	-
Non Funded Income	246,316	148,404	232,401	500,475	226,515	-
Net Interest and non mark-up Income	203,096	92,532	3,220,271	364,282	50,694	-
Total expenses including provisions (excluding Impairment)	652,695	2,525,422	4,826,095	130,434	275,839	-
Impairment against Investment	(3,015)	-	-	66,234	139,274	-
Total expenses including provisions	649,680	2,525,422	4,826,095	196,668	415,113	-
Segment Net income / (loss) before tax	(446,584)	(2,432,890)	(1,605,824)	167,614	(364,419)	-
Segment Return on net assets (ROA) (%)	(0.47%)	(3.21%)	(1.03%)	0.34%	-	N/A
Segment Cost of funds (%)	11.34%	6.62%	6.06%	12.33%	-	N/A
For the nine months ended September 30, 2009 (Unaudited)						
Net Interest Income	118,555	1,121,269	3,085,934	299,300	(528,989)	-
Non Funded Income	157,303	226,093	216,623	671,744	13,584	-
Net Interest and non mark-up Income	275,858	1,347,362	3,302,557	971,044	(515,405)	-
Total expenses including provisions (excluding Impairment)	(908,961)	991,787	3,375,364	134,200	(15,871)	-
Impairment against Investment	(54,697)	-	-	511,914	19,741	-
Total expenses including provisions	(963,658)	991,787	3,375,364	646,114	3,870	-
Segment Net income / (loss) before tax	1,239,516	355,575	(72,807)	324,930	(519,275)	-
Segment Return on net assets (ROA) (%)	2.53%	0.66%	(0.07%)	0.48%	-	N/A
Segment Cost of funds (%)	11.43%	8.46%	8.08%	10.56%	-	N/A
As at September 30, 2010 (Unaudited)						
Segment Assets (Gross)	67,660,588	30,262,448	81,249,437	32,652,048	7,200,067	(38,943,023)
Segment Non Performing Loans	17,360,976	9,157,810	4,084,258	-	95,783	-
Segment Provision (including general provisions)	12,753,782	3,986,032	1,532,952	-	73,052	-
Segment Assets (Net)	54,906,806	26,276,416	79,716,485	32,652,048	7,127,015	(38,943,023)
Segment Liabilities	50,396,104	24,512,019	75,940,330	31,953,869	4,183,004	(38,943,023)
As at December 31, 2009 (Audited)						
Segment Assets (Gross)	60,818,284	47,006,481	81,323,632	52,711,667	6,225,250	(23,987,000)
Segment Non Performing Loans	15,704,688	4,439,824	3,190,204	-	94,810	-
Segment Provision (including general provisions)	12,453,510	2,021,756	1,431,033	-	73,052	-
Segment Assets (Net)	48,364,774	44,984,725	79,892,599	52,711,667	6,152,198	(23,987,000)
Segment Liabilities	44,384,145	32,632,054	61,727,499	48,743,572	3,090,448	(23,987,000)

* The respective segment assets and liabilities incorporate intersegment lending and borrowing, with an appropriate market based transfer pricing. The adjustments column eliminates intersegment lending and borrowing.

Notes to the Unconsolidated Condensed
Interim Financial Information (Unaudited)
For the nine months ended September 30, 2010

16. RELATED PARTY TRANSACTIONS

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

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

The detail of transactions with related parties is given below:

16.1 Balances outstanding as at period / year end

Note	Holding company		Subsidiaries		Associates		Key management personnel		Other related parties	
	Unaudited September 30, 2010	Audited December 31, 2009	Unaudited September 30, 2010	Audited December 31, 2009	Unaudited September 30, 2010	Audited December 31, 2009	Unaudited September 30, 2010	Audited December 31, 2009	Unaudited September 30, 2010	Audited December 31, 2009
	(Rupees '000)									
Advances										
At the beginning of the period / year	-	-	-	-	305,248	-	172,906	104,275	-	-
Given / addition during the period / year	-	-	-	-	-	-	34,381	92,848	53,170	-
Repaid during the period / year	-	-	-	-	(605,248)	-	(63,353)	(24,217)	(23,217)	-
At the end of the period / year	-	-	-	-	-	-	143,934	172,906	29,953	-
Deposits										
At the beginning of the period / year	66,305	66,809	1,080,927	788,343	1,135,995	510,344	7,295	34,534	257,861	264,199
Deposits during the period / year	-	-	326,704	1,429,377	11,541,777	32,224,078	135,803	189,459	3,678,287	5,943,782
Exchange difference	538	1,376	18	18	-	-	-	-	-	-
Withdrawal during the period / year	(7,922)	(1,880)	(1,344,483)	(1,136,811)	(10,709,896)	(31,598,427)	(129,864)	(216,698)	(3,595,980)	(5,950,120)
Adjustment due to sale of NAFA	-	-	-	-	(200,972)	-	-	-	-	-
At the end of the period / year	58,921	66,305	63,148	1,080,927	1,766,904	1,135,995	13,234	7,295	340,168	257,861
Investment in shares / mutual funds-cost										
At the beginning of the period / year	-	-	4,584,741	4,790,704	1,899,518	2,097,647	-	-	184,146	191,988
Investments made during the period / year	-	-	-	-	-	60,000	-	-	7,286	-
Investments sold during the period / year	-	-	-	(205,963)	(82,500)	(258,129)	-	-	(39,617)	(7,822)
Adjustment due to sale of NAFA	-	-	-	-	(243,186)	-	-	-	-	-
At the end of the period / year	-	-	4,584,741	4,584,741	1,573,832	1,899,518	-	-	151,815	184,146
Investment in Term Finance Certificates-cost										
At the end of the period / year	-	-	-	-	-	-	-	-	681,023	-
Receivables										
At the end of the period / year	-	133	-	698	-	-	-	-	-	13,244

Notes to the Unconsolidated Condensed
Interim Financial Information (Unaudited)
For the nine months ended September 30, 2010

	Holding company		Subsidiaries		Associates		Key management personnel		Other related parties	
	Unaudited September 30, 2010	Audited December 31, 2009	Unaudited September 30, 2010	Audited December 31, 2009	Unaudited September 30, 2010	Audited December 31, 2009	Unaudited September 30, 2010	Audited December 31, 2009	Unaudited September 30, 2010	Audited December 31, 2009
Insurance claim receivable	-	-	-	-	-	-	-	-	-	-
At the end of the period / year	-	-	-	-	64,144	84,083	-	-	-	-
Payables	5,767	2,563	-	-	-	-	-	-	1,442	269
At the end of the period / year	-	-	-	-	-	-	-	-	-	-
Brokerage payable	-	-	-	-	-	-	-	-	156	161
At the end of the period / year	-	-	-	-	-	-	-	-	138	-
Payable to Directors	-	-	-	-	-	-	-	-	-	-
At the end of the period / year	-	-	-	-	-	-	-	-	-	-
Insurance premium payable	-	-	-	-	4,691	4,691	-	-	-	-
At the end of the period / year	-	-	-	-	-	-	-	-	49,950	49,970
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
At the end of the period / year	-	-	-	-	-	-	-	-	-	-

(Rupees '000')

Notes to the Unconsolidated Condensed
Interim Financial Information (Unaudited)
For the nine months ended September 30, 2010

17. DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Bank on October 29, 2010.

Khawaja Iqbal Hassan
President / Chief Executive

Francis Andrew Rozario
Chairman / Director

Syed Aamir Zahidi
Director

Najmus Saquib Hameed
Director

**Consolidated
Condensed Interim
Financial Statements**

NIB Bank Limited
 Consolidated Condensed Interim Statement of Financial Position
 As at September 30, 2010

	Note	Unaudited September 30, 2010	Audited December 31, 2009
(Rupees '000')			
ASSETS			
Cash and balances with treasury banks		8,148,455	8,834,275
Balances with other banks		801,544	3,684,684
Lendings to financial institutions		10,520,905	5,681,887
Investments	7	37,942,977	59,496,979
Advances	8	82,441,340	84,021,406
Operating fixed assets	9	2,991,873	3,135,850
Intangible assets	10	4,209,308	28,669,997
Deferred tax assets	11	8,027,047	6,411,185
Other assets		6,557,977	6,949,406
		161,641,426	206,885,669
LIABILITIES			
Bills payable		1,645,766	1,574,207
Borrowings		37,173,469	62,523,365
Deposits and other accounts	12	101,910,118	92,838,878
Sub-ordinated loans	13	3,996,000	3,997,600
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		3,286,306	4,604,162
		148,011,659	165,538,212
NET ASSETS			
		13,629,767	41,347,457
REPRESENTED BY:			
Share capital	14	40,437,271	40,437,271
Reserves		8,464,894	8,464,894
Accumulated loss	10	(34,676,782)	(7,081,729)
		14,225,383	41,820,436
Deficit on revaluation of assets - net		(595,616)	(472,979)
		13,629,767	41,347,457
CONTINGENCIES AND COMMITMENTS			
	15		

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

Khawaja Iqbal Hassan **Francis Andrew Rozario** **Syed Aamir Zahidi** **Najmus Saquib Hameed**
 President / Chief Executive Chairman / Director Director Director

NIB Bank Limited
Consolidated Condensed Interim Profit and Loss Account (Unaudited)
For the nine months and quarter ended September 30, 2010

	Nine months ended		Quarter ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
	(Rupees '000')			
Mark-up / Return / Interest earned	12,891,308	13,743,111	3,921,285	4,369,339
Mark-up / Return / Interest expensed	10,250,712	9,571,683	3,363,295	2,967,711
Net Mark-up / Interest Income	2,640,596	4,171,428	557,990	1,401,628
Provision / (Reversal) against non-performing loans and advances	3,619,846	(178,664)	1,850,579	317,040
Provision for diminution in the value of investments	63,219	457,218	15,606	62,931
Bad debts written off directly	50,013	45,800	14,331	23,316
	3,733,078	324,354	1,880,516	403,287
Net Mark-up / Interest income after provisions	(1,092,482)	3,847,074	(1,322,526)	998,341
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	744,242	691,953	228,709	245,505
Dividend income	109,089	165,582	47,842	89,631
Income from dealing in foreign currencies	339,398	52,376	101,166	(1,778)
Gain on sale of securities	288,320	475,468	3,116	320,804
Unrealized gain on revaluation of investments classified as held-for-trading	-	-	-	-
Other income	25,313	14,476	4,944	12,535
Total Non Mark-up / Interest income	1,506,362	1,399,855	385,777	666,697
	413,880	5,246,929	(936,749)	1,665,038
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	4,716,325	3,961,051	1,462,667	1,328,208
Other provisions / (reversals) / write offs	20,454	(13,737)	(133)	(7,659)
Other charges	67,163	(173,913)	3,620	(32,951)
Workers welfare fund	8,483	23,000	2,337	3,000
Total Non Mark-up / Interest expenses	4,812,425	3,796,401	1,468,491	1,290,598
Share of profit / (loss) of associates	(44,620)	796,070	75,100	349,529
Extraordinary / Unusual items	-	-	-	-
PROFIT / (LOSS) BEFORE TAXATION	(4,443,165)	2,246,598	(2,330,140)	723,969
Taxation - Current	187,703	85,106	56,121	37,854
- Prior years	341,960	15,958	-	-
- Deferred	(1,599,247)	535,754	(858,215)	115,784
	(1,069,584)	636,818	(802,094)	153,638
PROFIT / (LOSS) AFTER TAXATION	(3,373,581)	1,609,780	(1,528,046)	570,331
Accumulated loss brought forward	(7,081,729)	(8,382,793)	(8,927,264)	(7,343,344)
ACCUMULATED LOSS CARRIED FORWARD	(10,455,310)	(6,773,013)	(10,455,310)	(6,773,013)
Basic / diluted earnings / (loss) per share (Rupees)	(0.83)	0.40	(0.38)	0.14

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

Khawaja Iqbal Hassan **Francis Andrew Rozario** **Syed Aamir Zahidi** **Najmus Saquib Hameed**
President / Chief Executive Chairman / Director Director Director

NIB Bank Limited
 Consolidated Condensed Interim
 Statement of Comprehensive Income (Unaudited)
 For the nine months and quarter ended September 30, 2010

	Nine months ended		Quarter ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
	(Rupees '000')			
Profit / (loss) after taxation for the period	(3,373,581)	1,609,780	(1,528,046)	570,331
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>(3,373,581)</u>	<u>1,609,780</u>	<u>(1,528,046)</u>	<u>570,331</u>

Surplus / deficit on revaluation of "Available-for-Sale" securities is presented under a separate head below equity as "surplus / deficit on revaluation of assets" in accordance with the requirements specified by the Companies Ordinance, 1984, and the State Bank of Pakistan vide its BSD Circular 20 dated August 4, 2000 and BSD Circular 10 dated July 13, 2004.

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

Khawaja Iqbal Hassan
 President / Chief Executive

Francis Andrew Rozario
 Chairman / Director

Syed Aamir Zahidi
 Director

Najmus Saquib Hameed
 Director

NIB Bank Limited
Consolidated Condensed Interim Cash Flow Statement (Unaudited)
For the nine months ended September 30, 2010

	September 30, 2010	September 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
(Rupees '000')		
Profit / (loss) before taxation	(4,443,165)	2,246,598
Dividend income	(109,089)	(165,582)
	<u>(4,552,254)</u>	<u>2,081,016</u>
Adjustments for non-cash items		
Depreciation	313,284	346,935
Amortization	278,152	226,334
Workers welfare fund	8,483	23,000
Provision / (Reversal) against non-performing loans and advances	3,619,846	(178,664)
Bad debts written off directly	50,013	45,800
Fixed assets written off	2,127	-
(Gain) / loss on sale of operating fixed assets	(1,288)	(281)
Gain on sale of securities	(288,320)	(475,468)
Provision for diminution in the value of investments	63,219	457,218
Impairment of investment in associates	-	20,895
Other provisions / (reversals) / write offs	20,454	(13,737)
Share of loss / (profit) of associates	44,620	(796,070)
	<u>4,110,590</u>	<u>(344,038)</u>
	(441,664)	1,736,978
(Increase) / decrease in operating assets		
Lendings to financial institutions	(4,839,018)	6,068,536
Held-for-trading securities	-	90,402
Advances	(2,089,793)	503,079
Other assets (excluding advance taxation)	696,539	(4,885,584)
Increase / (decrease) in operating liabilities		
Bills payable	71,559	572,961
Borrowings	(25,349,896)	7,213,628
Deposits and other accounts	9,071,240	1,145,272
Other liabilities (excluding current taxation)	(1,326,196)	(826,435)
	<u>(24,207,229)</u>	<u>11,618,837</u>
Income tax paid	(802,188)	(787,864)
Net cash (used in) / from operating activities	<u>(25,009,417)</u>	<u>10,830,973</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	22,292,287	(11,029,766)
Net investments in held-to-maturity securities	(27,276)	(15,836)
Net investments in associates	(718,508)	242,884
Dividend received	104,777	126,492
Payments for capital work in progress	(119,246)	(145,152)
Acquisition of property and equipment	(90,987)	(161,432)
Acquisition of intangible assets	(1,185)	(68,650)
Sale proceeds of property and equipment disposed of	2,338	2,130
	<u>21,442,200</u>	<u>(11,049,330)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Payments against sub-ordinated loans	(1,600)	(1,600)
Dividend paid	(143)	(67)
Right shares issue cost	-	(83,766)
Net cash used in financing activities	<u>(1,743)</u>	<u>(85,433)</u>
Net decrease in cash and cash equivalents	(3,568,960)	(303,790)
Cash and cash equivalents at the beginning of the period	12,518,959	10,225,469
Cash and cash equivalents at the end of the period	<u>8,949,999</u>	<u>9,921,679</u>

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

Khawaja Iqbal Hassan President / Chief Executive	Francis Andrew Rozario Chairman / Director	Syed Aamir Zahidi Director	Najmus Saquib Hameed Director
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NIB Bank Limited
 Consolidated Condensed Interim
 Statement of Changes in Equity (Unaudited)
 For the nine months ended September 30, 2010

Note	Share capital	Share deposit money	Capital Reserves		Revenue Reserves		Total
			Share premium	Statutory reserve	General reserve	Accumulated profit / (loss)	
(Rupees '000')							
Balance as at December 31, 2008	28,437,271	12,000,000	8,246,618	74,594	5,472	(8,382,793)	40,381,162
Total comprehensive income for the period							
Profit after taxation for the period	-	-	-	-	-	1,609,780	1,609,780
Transactions with owners, recorded directly in equity							
Issue of share capital	12,000,000	(12,000,000)	-	-	-	-	-
Right shares issue cost (net of tax)	-	-	-	-	-	(54,448)	(54,448)
	12,000,000	(12,000,000)	-	-	-	(54,448)	(54,448)
Transfer to statutory reserve	-	-	-	158,884	-	(158,884)	-
Balance as at September 30, 2009	40,437,271	-	8,246,618	233,478	5,472	(6,986,345)	41,936,494
Total comprehensive income for the period							
Loss after taxation for the period	-	-	-	-	-	(116,058)	(116,058)
Transfer from statutory reserve	-	-	-	(20,674)	-	20,674	-
Balance as at December 31, 2009	40,437,271	-	8,246,618	212,804	5,472	(7,081,729)	41,820,436
Total comprehensive income for the period							
Loss after taxation for the period	-	-	-	-	-	(3,373,581)	(3,373,581)
Goodwill adjustment	10	-	-	-	-	(24,221,472)	(24,221,472)
Balance as at September 30, 2010	40,437,271	-	8,246,618	212,804	5,472	(34,676,782)	14,225,383

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

Khawaja Iqbal Hassan
 President / Chief Executive

Francis Andrew Rozario
 Chairman / Director

Syed Aamir Zahidi
 Director

Najmus Saquib Hameed
 Director

NIB Bank Limited
Notes to the Consolidated Condensed
Interim Financial Information (Unaudited)
For the nine months ended September 30, 2010

1. STATUS AND NATURE OF BUSINESS

The "Group" consists of:

Holding Company

NIB Bank Limited (the Bank)

NIB Bank Limited "the Bank" is incorporated in Pakistan and its registered office is situated at Muhammadi House, I. I. Chundrigar Road, Karachi in the province of Sindh. The Bank is listed on all the stock exchanges in Pakistan and has 179 branches (December 31, 2009: 223 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.

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

Subsidiary Companies

PICIC Asset Management Company Limited (PICIC AMC)

PICIC AMC is a wholly owned subsidiary of the Bank and is an unquoted public limited company with principal business to carry out investment advisory services and asset management services. The Bank acquired interest in PICIC AMC by virtue of acquisition and amalgamation of Pakistan Industrial Credit and Investment Corporation Limited (PICIC) as of June 30, 2007.

Financial and Management Services (Private) Limited (FMSL)

The Bank also acquired 95.89% interest in FMSL by virtue of acquisition and amalgamation of PICIC.

2. BASIS OF PREPARATION

These consolidated condensed interim financial statements are presented in condensed form in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. These consolidated condensed interim financial statements do not include all of the information required for full consolidated financial statements and should be read in conjunction with the financial statements of the Group for the year ended December 31, 2009.

These consolidated condensed interim financial statements have been presented in Pakistan Rupees, which is the Group's functional and presentation currency. The amounts are rounded off to the nearest thousand rupees.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation followed for the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2009.

The new standards, amendments and interpretations that were mandatory for accounting periods beginning on or after January 1, 2010 and are not considered to be relevant or have any significant effect on the Group's operations, are not detailed in these consolidated condensed interim financial statements.

4. ACCOUNTING ESTIMATES

The basis for the accounting estimates adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2009.

Notes to the Consolidated Condensed
Interim Financial Information (Unaudited)
For the nine months ended September 30, 2010

5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Group are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended December 31, 2009.

6. BASIS OF CONSOLIDATION

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

Material intra-group balances and transactions have been eliminated.

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

Note	Unaudited September 30, 2010			Audited December 31, 2009			
	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total	
..... (Rupees '000')							
7. INVESTMENTS							
7.1 Investments by types:							
Held-for-trading securities	-	-	-	-	-	-	
Available-for-sale securities							
Market Treasury Bills	5,977,198	13,866,961	19,844,159	4,691,032	37,923,905	42,614,937	
Pakistan Investment Bonds	2,212,300	1,126,723	3,339,023	2,698,926	832,385	3,531,311	
Defense Savings Certificates	5,771	2,730	8,501	5,771	2,730	8,501	
Sukuk Bonds	495,393	-	495,393	205,304	-	205,304	
Cumulative preference shares	50,000	-	50,000	50,000	-	50,000	
Ordinary shares / Certificates in listed companies / Modarabas	1,102,473	112,373	1,214,846	1,015,819	66,572	1,082,391	
Ordinary shares of unlisted companies	66,124	-	66,124	66,217	-	66,217	
Term Finance Certificates	5,055,883	-	5,055,883	4,424,427	-	4,424,427	
Units / Certificates of mutual funds	170,106	-	170,106	430,765	-	430,765	
	15,135,248	15,108,787	30,244,035	13,588,261	38,825,592	52,413,853	
Held-to-maturity securities							
Pakistan Investment Bonds	4,681,499	-	4,681,499	4,652,033	-	4,652,033	
Term Finance Certificates	121,133	-	121,133	123,323	-	123,323	
	4,802,632	-	4,802,632	4,775,356	-	4,775,356	
Associates	7.2	3,575,765	-	3,575,765	3,052,301	-	3,052,301
Subsidiary		724	-	724	724	-	724
Total investments - Gross	23,514,369	15,108,787	38,623,156	21,416,642	38,825,592	60,242,234	
Provision for diminution in the value of investments	(422,626)	-	(422,626)	(538,315)	(20,418)	(558,733)	
Investments - net of provisions	23,091,743	15,108,787	38,200,530	20,878,327	38,805,174	59,683,501	
Deficit on revaluation of available-for-sale securities	(123,033)	(134,520)	(257,553)	(126,674)	(59,848)	(186,522)	
Net Investments	22,968,710	14,974,267	37,942,977	20,751,653	38,745,326	59,496,979	

Notes to the Consolidated Condensed
Interim Financial Information (Unaudited)
For the nine months ended September 30, 2010

7.2 During the period, the Bank has disinvested its twenty seven percent holding in National Fullerton Asset Management Limited (NAFA) to National Bank of Pakistan as, under the NBFC Regulations, an entity cannot have an interest in two asset management companies. Subsequent to this sale, NAFA Funds have ceased to be Associates of the Group. The Group has reclassified its investment in NAFA Funds from Investment in Associates to Investment in Available-for-sale securities.

	Unaudited September 30, 2010	Audited December 31, 2009
	(Rupees '000')	
8. ADVANCES		
Loans, cash credits, running finance, etc. - in Pakistan	94,508,351	93,847,123
Net investment in finance lease - in Pakistan	2,381,638	3,061,322
Bills discounted and purchased (excluding Treasury Bills)		
Payable in Pakistan	343,806	412,889
Payable outside Pakistan	3,553,363	2,679,423
Advances - Gross	100,787,158	100,000,757
Provision against non-performing advances - Specific	(18,164,167)	(15,746,457)
- General	(181,651)	(232,894)
	(18,345,818)	(15,979,351)
Advances - Net of provisions	82,441,340	84,021,406

8.1 Advances include Rs. 30,698.827 million (December 31, 2009: Rs. 23,429.526 million), which have been placed under non-performing status as detailed below:

	Domestic	Overseas	Total	Provision required	Provision held
	(Rupees '000')				
Category of Classification					
Substandard	7,541,836	-	7,541,836	1,709,606	1,709,606
Doubtful	4,876,974	-	4,876,974	1,799,246	1,799,246
Loss	18,280,017	-	18,280,017	14,655,315	14,655,315
	30,698,827	-	30,698,827	18,164,167	18,164,167

8.2 In accordance with BSD Circular No. 2 dated January 27, 2009 and BSD Circular No. 10 dated October 20, 2009 issued by the State Bank of Pakistan, the Bank has availed the benefit of FSV against the non-performing advances. Had the benefit of FSV not been availed by the Bank the specific provision against non-performing advances as at September 30, 2010 would have been higher by Rs. 5,567.567 million and loss after tax for the nine months ended September 30, 2010 would have been higher by approximately Rs. 1,317.500 million. Increase in profit would not be available for the distribution of cash and stock dividend to shareholders.

Notes to the Consolidated Condensed
Interim Financial Information (Unaudited)
For the nine months ended September 30, 2010

	Unaudited September 30, 2010	Unaudited September 30, 2009
9. OPERATING FIXED ASSETS		
9.1 Additions to fixed assets		
The following additions have been made to fixed assets during the period ended September 30, 2010:		
Furniture and fixtures	20,702	10,848
Electrical, office and computer equipment	86,798	104,707
Building on freehold land	-	933
Vehicles	39	7,277
Leasehold improvements	48,378	37,667
Capital work in progress	119,246	145,152
9.2 Disposals of fixed assets - cost		
The following disposals have been made from fixed assets during the period ended September 30, 2010:		
Furniture and fixtures	182	8,401
Electrical, office and computer equipment	15	44,949
Vehicles	2,482	74
Leasehold improvements	623	17

10. GOODWILL

From an accounting perspective, at the time of the acquisition and merger of Pakistan Industrial Credit and Investment Corporation Limited (PICIC) and PICIC Commercial Bank Limited (PCBL) into the Bank, goodwill of Rs. 25,261 million was created on the books of NIB, which reflected the value that was paid for the PICIC and PCBL shares over the fair value of net assets. It is the Bank's view that it will derive substantial value from businesses, customers and the branch network acquired in the merger with PICIC and PCBL. Under the new strategies, this value will be derived more from the liabilities side of the business as opposed to the assets side. As the original intent of how value would be derived has been changed for now the Bank has decided to adjust the Goodwill that it is carrying on the books in a manner that is consistent with its new business realities. Consequently the Bank has adjusted the full amount of the goodwill appearing in its books at Rs. 24,221 million directly into equity and the State Bank of Pakistan has indicated its No Objection to this accounting treatment.

Notes to the Consolidated Condensed
Interim Financial Information (Unaudited)
For the nine months ended September 30, 2010

11. DEFERRED TAX ASSETS

The Finance Act, 2009 had made significant amendments to the Seventh Schedule to the Income Tax Ordinance, 2001. The deduction for provisions for doubtful and loss categories of advances and off-balance sheet items was allowed up to a maximum of 1% of total advances. As per the said amendments provision in excess of 1% of total advances was allowed to be carried over to succeeding years.

Further, as per the said amendments the amount of bad debts classified as Substandard under the Prudential Regulations issued by the State Bank of Pakistan would not be allowed as an expense.

The Finance Act, 2010 has made certain further amendments to the Seventh Schedule to allow provisions for advances and off-balance sheet items relating to Consumer and SME advances up to 5% of such advances. However, provisions for advances and off-balance sheet items relating to advances other than Consumer and SME would continue to be allowed up to 1% of such advances and provision in excess of 1% of total of such advances would be allowed to carry over to succeeding years.

However, while amending the relevant provisions of the Seventh Schedule through Finance Act, 2010, the law relating to carry forward of provisions for advances and off-balance sheet items in excess of 5% of Consumer and SME advances and the law limiting the allowance up to the actual provisions are not amended. The management of the Bank in consultation with its tax consultants' is of the view that, the carry forward of provisions for advances and off-balance sheet items in excess of 5% of Consumer and SME advances would be allowed in subsequent years.

The management had carried out an exercise and concluded that they would be able to get deduction of provisions in excess of 5% and 1% amounting to Rs. 986 million and Rs. 3,231 million, respectively, relating to Consumer and SME advances and other than Consumer and SME advances, respectively. Accordingly, the Bank has recognized a deferred tax asset amounting to Rs. 345 million and Rs. 1,131 million relating to Consumer and SME advances and other than Consumer and SME advances, respectively.

During the year 2009, the Federal Board of Revenue (FBR) through Circular No. 8 of 2009 dated September 25, 2009 had made the above change effective for financial year ended on December 31, 2008. The management, based on its tax consultants' opinion is of the view that the change to the Seventh Schedule, relating to the 1% capping as described above, was applicable from the financial year ended December 31, 2009 and the FBR circular in this respect is not part of the Seventh Schedule, and accordingly, while filing the income tax return of the Bank for financial year ended December 31, 2008, the management has not considered the requirement of above circular.

Notes to the Consolidated Condensed
Interim Financial Information (Unaudited)
For the nine months ended September 30, 2010

	Unaudited September 30, 2010	Audited December 31, 2009
	(Rupees '000')	
12. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	39,738,261	35,912,235
Savings deposits	29,701,047	27,598,044
Current accounts - Non-remunerative	22,852,581	23,578,156
Margin accounts	502,969	993,430
Financial Institutions		
Remunerative deposits	8,851,751	4,535,199
Non-remunerative deposits	263,509	221,814
	<u>101,910,118</u>	<u>92,838,878</u>

13. SUB-ORDINATED LOANS

Term Finance Certificates - Quoted, Unsecured	<u>3,996,000</u>	<u>3,997,600</u>
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Mark-up	Floating (no floor, no cap) rate of return at Base Rate + 1.15% (The Base Rate is defined as the average "Ask Side" rate of the six month Karachi Interbank Offered Rate ("KIBOR"))
Subordination	The TFCs are subordinated to all other indebtedness of the Bank including deposits
Issue Date	March 5, 2008
Issue Amount	Rs. 4,000 million
Rating	A+ (A plus)
Tenor	8 years from the Issue Date
Redemption	Ten equal semi-annual installments of 0.02% of the Issue Amount for the first sixty months followed by six equal semi-annual installments of 16.63% of the Issue Amount from the sixty-sixth month onwards
Maturity	March 5, 2016
Call Option	The Bank can also exercise a Call Option or a Partial Call Option after obtaining written approval from the State Bank of Pakistan at any time after a period of sixty months from the Issue Date

Notes to the Consolidated Condensed
Interim Financial Information (Unaudited)
For the nine months ended September 30, 2010

14. SHARE CAPITAL

14.1 Authorized

Unaudited September 30, 2010	Audited December 31, 2009		Unaudited September 30, 2010	Audited December 31, 2009
(Number of shares)			(Rupees '000')	
<u>5,000,000,000</u>	<u>5,000,000,000</u>	Ordinary shares of Rs. 10 each	<u>50,000,000</u>	<u>50,000,000</u>

14.2 Issued, subscribed and paid up

Fully paid up ordinary shares of Rs. 10 each

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

14.3 The holding company Bugis Investments (Mauritius) Pte. Limited holds 2,995,744,425 (December 31, 2009: 2,995,744,425) ordinary shares.

Unaudited September 30, 2010	Audited December 31, 2009
(Number of shares)	

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

At the beginning of the period / year	4,043,727,076	2,843,727,076
Add: Issued during the period / year for cash	–	1,200,000,000
At the end of the period / year	<u>4,043,727,076</u>	<u>4,043,727,076</u>

(Rupees '000')

15. CONTINGENCIES AND COMMITMENTS

15.1 Direct credit substitutes

Contingent liability in respect of guarantees given favouring:

Government	63,451	222,841
Others	75,000	75,000
	138,451	297,841

15.2 Transaction-related contingent liabilities / commitments

Guarantees given in favour of:

Government	5,442,536	4,842,809
Others	1,154,180	873,666
	6,596,716	5,716,475

15.3 Trade-related contingent liabilities

Letters of credit	7,768,223	6,353,446
Acceptances	1,255,123	1,459,864
	9,023,346	7,813,310

Notes to the Consolidated Condensed
Interim Financial Information (Unaudited)
For the nine months ended September 30, 2010

	Unaudited September 30, 2010	Audited December 31, 2009
(Rupees '000')		
15.4 Other Contingencies		
Claims against the Bank not acknowledged as debts	399,156	469,156
15.5 Commitments in respect of forward lending		
Forward repurchase agreement lending	1,902,226	–
Commitments to extend credit	324,263	294,696
	2,226,489	294,696
<p>The Bank makes commitments to extend credit in the normal course of its business but none of these commitments are irrevocable and do not attract any significant penalty or expense if the facility is ultimately withdrawn except commitments mentioned above.</p>		
15.6 Commitments in respect of forward exchange contracts		
Purchase	69,783,705	54,098,436
Sale	68,401,762	54,609,998
	138,185,467	108,708,434
15.7 Commitments for the acquisition of operating fixed assets	91,478	205,275

15.8 Tax contingencies

15.8.1 NIB Bank Limited

The returns of income of NIB Bank Limited have been filed up to and including tax year 2009 relevant to the financial year ended December 31, 2008. The tax authorities have made certain disallowances including additions on account of proration of expenses against dividends and capital gains, disallowances of interest and administrative expenses and renovation expenses incurred on rented premises (allowed historically) pertaining to tax years 2003 through 2008 for Ex-Pakistan Industrial Credit and Investment Corporation Limited (Ex-PICIC), from tax years 2004 through 2008 for Ex-PICIC Commercial Bank Limited (Ex-PCBL), tax years 2003 and 2004 for Ex-National Development Leasing Corporation Limited (Ex-NDLC) and from tax years 2004 through 2008 for NIB Bank Limited. These disallowances may result in additional tax aggregating to Rs. 1,370 million, which the management of the Bank in discussion with their tax consultants believes to be unjustified and not in accordance with the true interpretation of the law.

Appeals filed against orders are pending at various appellate forums. Management is confident that the eventual outcome of the cases will be in favor of the Bank.

15.8.2 PICIC Asset Management Company Limited (PICIC AMC)

The returns of income of PICIC AMC have been filed up to and including tax year 2009 relevant to the financial year ended June 30, 2009. While finalizing the assessments for tax years 2005, 2007, 2008 and 2009, the tax authorities have made certain disallowances which resulted in additional tax aggregating to Rs. 216.350 million, which has not been provided in these financial statements. The disallowances mainly relate to amortization of management rights, preliminary expenses and dividend income claimed as exempt under clause 103 of the Second Schedule of the Income Tax Ordinance, 2001. The Company's appeals in respect of above tax years are pending before Commissioner of Inland Revenue Appeals (CIR).

During the period, the Company's pending appeal before Commissioner of Inland Revenue Appeals (CIR) for the tax year 2006 has been decided in favour of the Company on issues relating to amortization of management rights and preliminary expenses. The income tax department has filed an appeal before Appellate Tribunal Inland Revenue (ATIR) against the aforementioned decision while the Company has also filed an appeal before ATIR for exemption of dividend income under clause 103 of the Second Schedule of the Income Tax Ordinance, 2001.

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The management based on the advice from the tax advisor is confident that the eventual outcome of the above appeals will be in favour of the Company.

16. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The Group is organised into reportable segments as disclosed in note 6.21.1 of the annual consolidated financial statements. These segments are managed by respective segment heads and the results of these segments are regularly reviewed by the Group's President / Chief Executive. Segment performance is reviewed on the basis of various factors including profit before taxation.

The segment analysis with respect to business activity is as follows:

	Corporate and Investment Banking	Small & Medium Enterprises and Commercial	Consumer and Small Enterprises	Treasury	Head Office / Other	Adjustments*
	(Rupees '000)					
For the nine months ended September 30, 2010 (Unaudited)						
Net Interest Income	(43,220)	(55,872)	2,987,870	(136,193)	(111,989)	-
Non Funded Income	246,316	148,404	232,401	500,475	334,146	-
Net Interest and non mark-up Income	203,096	92,532	3,220,271	364,282	222,157	-
Total expenses including provisions (excluding Impairment)	652,695	2,525,422	4,826,095	130,434	347,638	-
Impairment against Investment	(3,015)	-	-	66,234	-	-
Total expenses including provisions	649,680	2,525,422	4,826,095	196,668	347,638	-
Segment Net income / (loss) before tax	(446,584)	(2,432,890)	(1,605,824)	167,614	(125,481)	-
Segment Return on net assets (ROA) (%)	(0.47%)	(3.21%)	(1.03%)	0.34%	-	N/A
Segment Cost of funds (%)	11.34%	6.62%	6.06%	12.33%	-	N/A
For the nine months ended September 30, 2009 (Unaudited)						
Net Interest Income	118,555	1,121,269	3,085,934	299,300	(453,630)	-
Non Funded Income	157,303	226,093	216,623	671,744	924,162	-
Net Interest and non mark-up Income	275,858	1,347,362	3,302,557	971,044	470,532	-
Total expenses including provisions (excluding Impairment)	(908,961)	991,787	3,375,364	134,200	71,147	-
Impairment against Investment	(54,697)	-	-	511,915	-	-
Total expenses including provisions	(963,658)	991,787	3,375,364	646,115	71,147	-
Segment Net income / (loss) before tax	1,239,516	355,575	(72,807)	324,929	399,385	-
Segment Return on net assets (ROA) (%)	2.53%	0.66%	(0.07%)	0.48%	-	N/A
Segment Cost of funds (%)	11.43%	8.46%	8.08%	10.56%	-	N/A
As at September 30, 2010 (Unaudited)						
Segment Assets (Gross)	67,660,588	30,262,448	81,249,437	32,652,048	7,105,746	(38,943,023)
Segment Non Performing Loans	17,360,976	9,157,810	4,084,258	-	95,783	-
Segment Provision (including general provisions)	12,753,782	3,986,032	1,532,952	-	73,052	-
Segment Assets (Net)	54,906,806	26,276,416	79,716,485	32,652,048	7,032,694	(38,943,023)
Segment Liabilities	50,396,104	24,512,019	75,940,330	31,953,869	4,152,360	(38,943,023)
As at December 31, 2009 (Audited)						
Segment Assets (Gross)	60,818,284	47,006,481	81,323,632	52,711,667	4,991,956	(23,987,000)
Segment Non Performing Loans	15,704,688	4,439,824	3,190,204	-	94,810	-
Segment Provision (including general provisions)	12,453,510	2,021,756	1,431,033	-	73,052	-
Segment Assets (Net)	48,364,774	44,984,725	79,892,599	52,711,667	4,918,904	(23,987,000)
Segment Liabilities	44,384,145	32,632,054	61,727,499	48,743,572	2,037,942	(23,987,000)

* The respective segment assets and liabilities incorporate intersegment lending and borrowing, with an appropriate market based transfer pricing. The adjustments column eliminates intersegment lending and borrowing.

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17. RELATED PARTY TRANSACTIONS

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

Transactions with related parties are executed on the same terms as those prevailing at the time for comparable transactions with unrelated parties. The detail of transactions with related parties is given below:

17.1 Balances outstanding as at the period / year end

	Holding company		Unconsolidated subsidiary		Associates		Key management personnel		Other related parties	
	Unaudited September 30, 2010	Audited December 31, 2009	Unaudited September 30, 2010	Audited December 31, 2009	Unaudited September 30, 2010	Audited December 31, 2009	Unaudited September 30, 2010	Audited December 31, 2009	Unaudited September 30, 2010	Audited December 31, 2009
Advances										
At the beginning of the period / year	-	-	-	-	-	305,248	172,906	104,275	-	-
Given / addition during the period / year	-	-	-	-	-	300,000	52,527	92,848	53,170	-
Repaid during the period / year	-	-	-	-	-	(605,248)	(63,824)	(24,217)	(23,217)	-
At the end of the period / year	-	-	-	-	-	-	161,609	172,906	29,953	-
Deposits										
At the beginning of the period / year	66,305	66,809	-	268	1,135,995	510,344	7,781	34,718	262,462	264,199
Deposits during the period / year	-	-	-	6	11,541,777	32,224,078	145,737	198,828	3,689,014	5,948,384
Exchange difference	538	1,376	-	-	-	-	-	-	-	-
Withdrawal during the period / year	(7,922)	(1,880)	-	(274)	(10,709,896)	(31,598,427)	(139,644)	(225,765)	(3,603,468)	(5,950,121)
Adjustment due to sale of NAFA	-	-	-	-	(200,972)	-	-	-	-	-
At the end of the period / year	58,921	66,305	-	-	1,786,904	1,135,995	13,874	7,781	348,008	262,462
Investment in shares / mutual funds										
At the beginning of the period / year	-	-	724	724	3,052,301	2,242,420	-	-	184,146	191,968
Investments made during the period / year	-	-	-	-	1,002,642	60,000	-	-	7,286	-
Investments sold during the period / year	-	-	-	-	(103,879)	(288,751)	-	-	(39,617)	(7,822)
Adjustment due to sale of NAFA	-	-	-	-	(213,729)	-	-	-	-	-
Equity accounting method adjustments	-	-	-	-	(161,570)	1,038,632	-	-	-	-
At the end of the period / year	-	-	724	724	3,575,765	3,052,301	-	-	151,815	184,146
Investment in Term Finance Certificates - cost										
At the end of the period / year	-	-	-	-	-	-	-	-	681,023	-
Receivables										
At the end of the period / year	-	133	-	-	24,028	24,167	-	-	15,340	2,211

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	Holding company		Unconsolidated subsidiary		Associates		Key management personnel		Other related parties	
	Unaudited September 30, 2010	Audited December 31, 2009	Unaudited September 30, 2010	Audited December 31, 2009	Unaudited September 30, 2010	Audited December 31, 2009	Unaudited September 30, 2010	Audited December 31, 2009	Unaudited September 30, 2010	Audited December 31, 2009
Insurance claim receivable	-	-	-	-	-	-	-	-	-	-
At the end of the period / year						84,083				
Payables										
Brokerage payable	5,767	2,563	-	-	-	-	-	-	2,233	498
At the end of the period / year										
Payable to Directors	-	-	-	-	-	-	-	-	156	161
At the end of the period / year										
Insurance premium payable	-	-	-	-	-	-	-	-	138	-
At the end of the period / year										
Sub-ordinated loans	-	-	-	-	4,691	4,691	-	-	-	-
At the end of the period / year									49,950	49,970

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	Holding company		Unconsolidated subsidiary		Associates		Key management personnel		Other related parties	
	Nine months ended		Nine months ended		Unaudited Nine months ended		Nine months ended		Nine months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Mark-up / Return / Interest earned on advances	-	-	-	-	-	8,963	4,778	4,196	2,050	-
Mark-up / Return / Interest earned on Term Finance Certificates	-	-	-	-	-	-	-	-	21,222	-
Mark-up / Return / Interest expensed on deposits	-	-	-	-	72,519	100,548	278	338	24,601	18,189
Dividend income from shares / mutual funds	-	-	-	-	48,727	4,622	-	-	3,675	10,874
Brokerage expense	-	-	-	-	-	-	-	-	2,532	1,300
Directors Remuneration	-	-	-	-	-	-	-	-	4,745	1,592
Directors Travelling expense	6,854	4,379	-	-	-	-	-	-	1,422	-
Insurance premium expense	-	-	-	-	1,033	5,552	-	-	-	-
Remuneration to key management personnel	-	-	-	-	-	-	113,033	117,189	-	-
Contribution to Provident Fund	-	-	-	-	-	-	-	-	92,452	88,848
Mark-up expensed on sub-ordinated loans	-	-	-	-	-	-	-	-	5,098	4,631
Management fee earned	-	-	-	-	190,642	160,366	-	-	-	-

17.2 Income / Expense for the period

Notes to the Consolidated Condensed
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18. DATE OF AUTHORIZATION FOR ISSUE

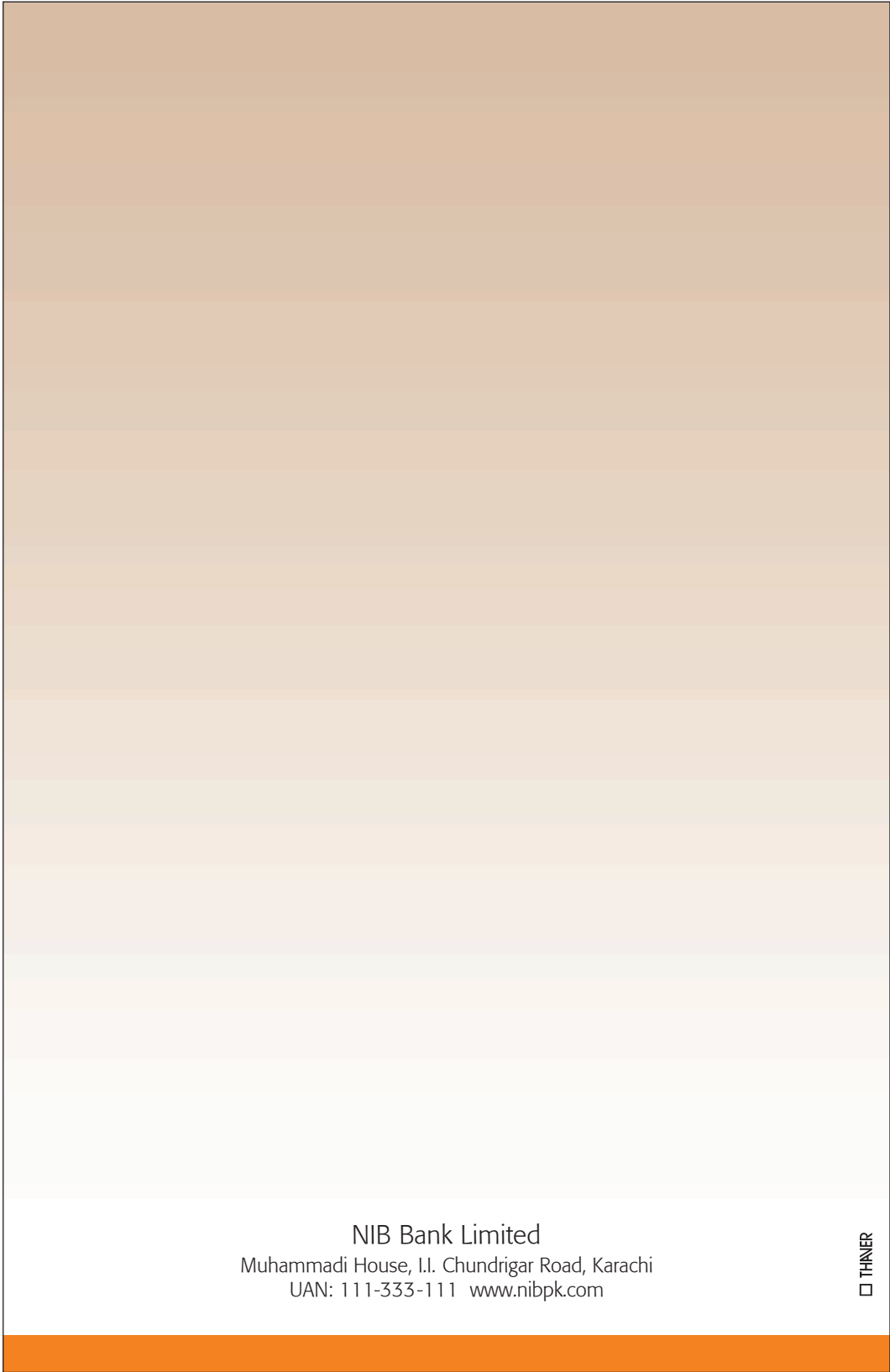
These consolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Group on October 29, 2010.

Khawaja Iqbal Hassan
President / Chief Executive

Francis Andrew Rozario
Chairman / Director

Syed Aamir Zahidi
Director

Najmus Saquib Hameed
Director



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