



Enabling success
Realising dreams

NIB Bank Limited
Half Yearly Report
(Unaudited)
June 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 half year ended June 30, 2010

THE ECONOMY

Pakistan's economy showed some signs of recovery over the last twelve months and recorded a GDP growth rate of 4.1% for FY ended June 2010. However, recent floods have prompted the Finance Ministry to report that the country would miss the GDP target of 4.5% for the FY ending June 2011. The GDP target is expected to reduce substantially once the damage assessment is completed. Apart from damage to homes, livestock, etc., the floods have caused extensive damage to roads, bridges and irrigation works. Of most concern is damage to agriculture, the mainstay of the economy. It now appears that the economy that was already performing less than satisfactorily is likely to suffer significant disruption and downturn as a consequence of the floods.

The State Bank of Pakistan has raised the discount rate to 13% in the Monetary Policy Committee meeting in July to signal a further tightening of the monetary policy. Banking sector NPL ratio has increased to 14% as of March 31, 2010. The stock market declined by 4.4% in the second quarter of 2010, however, the KSE-100 index is still above the Dec 09 level by around 160 points.

BUSINESS PERFORMANCE

Following its acquisition of PICIC in June 2007 and subsequent merger in December 2007, the major focus of NIB Bank has been on providing financial assistance to SME and Consumer segments. To achieve this objective NIB Bank dedicated 96 branches to developing business with small SMEs under the brand name of "Salaam Banking" and another 35 branches to mid-sized SMEs. Unfortunately, due to the economic downturn witnessed in Pakistan, along with power shortages and restrictions imposed through regulations and other decisions on the collection of delinquent loans, financing the SME and Consumer businesses has proved to be very challenging for the banking industry. As of March 31, 2010, 25% of all loans extended by the banking industry to SMEs have become non-performing and a similarly high rate of infection has been witnessed in Consumer finance as well.

Given its strong focus on growing the SME and Consumer finance segments, NIB Bank has also been affected by the poor performance of both these sectors. As a consequence of such concentration NIB Bank's core earnings in H1 2010 have been heavily impacted by an increase in non-performing loans (NPLs). The higher NPLs have resulted in lower gross mark-up earned because of suspension of mark-up and increase in provisions of Rs 1,826 mn. Following from this, in H1 2010 NIB Bank reported a post tax loss of Rs 1,944 mn on an unconsolidated basis and a post tax loss of Rs 1,846 mn on a consolidated basis.

Mark-up earned during H1 2010 was 4% lower than the same period in 2009. This was primarily due to mark-up reversals related to the increased NPLs. Mark-up expensed in H1 2010 increased by 4% due to increased borrowings pertaining to securities activities. The lower net mark-up income was offset to some extent by increased non mark-up income which was higher by Rs 331 mn from the same period last year mainly due to better earnings from foreign exchange activities and the sale of the Bank's shares in National Fullerton Asset Management Company Limited. Administrative expenses increased by Rs 650 mn in H1 2010 over H1 2009 due to the full impact of depreciation and maintenance costs of the new technology platforms along with the effect of high inflation in the country. Additionally, 2009

Directors' Review For the half year ended June 30, 2010

expenses were lower due to reversals of certain provisions that were accrued in the preceding year but were eventually not incurred in 2009. Discounting the effect of the foregoing, administrative expenses increased by 12% between H1 2009 and H1 2010, driven primarily by inflation.

The charge for provisions was Rs 1,826 mn in H1 2010 compared to a net reversal of Rs 479 mn in H1 2009. While portfolios deteriorated in all segments, the biggest increase between the two periods was in the SME segment. The Bank's management and Board have taken appropriate steps to ensure incremental exposure in SMEs is only taken with customers that have a good track record with the Bank. However, certain customers still remain stressed which could lead to further non-performing loans and provisions over the remainder of the year. It is important to note that many of the loans against which NIB Bank has been required to take provisions are secured by tangible hard collateral like land, buildings, plant and machinery. However, SBP regulations only allow partial allowance of the value of such collateral when determining the provisioning charge. Over time, NIB Bank expects to reverse a significant percentage of these provisions as it pursues recovery of the NPLs through negotiations as well as legal actions against defaulting customers. In the past 18 months NIB Bank has recovered Rs 2,290 mn from customers who were in default.

Loan volumes increased by Rs 2,416 mn net in the first half of H1 2010, mainly driven by lending to top tier corporate customers. This net increase in loans incorporates reductions in instalment based loans to the SME and Consumer segments. Total deposits grew by Rs 5,384 mn between December 2009 and June 2010 with cost of funds reducing by 37 basis points between the two periods.

BUSINESS REALIGNMENT

In view of the unsatisfactory performance of the SME and Consumer segments and until the economic situation in Pakistan stabilises and shows sustained improvement, NIB Bank will increase its product offering aimed at transactional and liability services to all business segments and pursue a much more selective lending strategy to the SME and Consumer segments.

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 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 mn directly into equity. It is important to note that as per SBP regulations Goodwill was deducted from accounting equity when determining regulatory capital. Therefore this adjustment will not impact the Capital Adequacy Ratio (CAR) of the Bank.

In light of the recent floods in Pakistan, NIB Bank believes that the damage to infrastructure and production facilities across the country could be quite severe and therefore expects the

Directors' Review
For the half year ended June 30, 2010

performance of loan portfolios to worsen. To that extent NIB Bank expects that further provisioning across all segments is likely and is taking active steps in anticipation of these developments.

With the objective of continuing to keep NIB Bank strong and well-capitalised, NIB Bank intends to increase its capital by an amount of approximately Rs 8,600 mn in the near future. The Board of NIB Bank currently contemplates the capital increase to be in the form of Redeemable Preference Shares. The structure and terms of the proposed capital increase are currently under discussion with the State Bank of Pakistan and will be subject to corporate, shareholder and regulatory approvals. The proceeds of the capital increase will be used to increase NIB Bank's Tier 1 capital and to support its earnings. The majority 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.

The management and staff of NIB Bank remain committed to building a strong and profitable financial institution for Pakistan. NIB Bank believes it has made the right investments in technology and people and with the realignment of businesses as described above, these investments will allow it to pursue its objective of becoming an established player in Pakistan's banking landscape. As the economy improves, NIB Bank will be able to grow its loan portfolios in a manner that will yield better earnings in future years.

NIB Bank is grateful to its customers for their continued support and is committed to providing them excellent service and quality products. NIB Bank would also like to thank all its shareholders for their support and acknowledge the significant contribution of the Bank's major shareholder, Fullerton Financial Holdings, a subsidiary of Temasek Holdings of Singapore. The SBP, SECP and other regulatory bodies have, as always guided the Bank well and have given their full support which is highly appreciated. NIB Bank would also like to thank its employees who have shown dedication and perseverance and wholeheartedly supported the Bank through difficult times.

On behalf of the Board

Francis Andrew Rozario
Chairman

Khawaja Iqbal Hassan
President & CEO

**Unconsolidated
Condensed Interim
Financial Statements**

**Auditors' Report to Members
on Review of Interim Financial Information**

Introduction

We have reviewed the accompanying condensed interim unconsolidated statement of financial position of **NIB Bank Limited** ("the Bank") as at 30 June 2010 and the related condensed interim unconsolidated profit and loss account, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated cash flow statement, condensed interim unconsolidated statement of changes in equity and notes to the accounts for the six months period then ended (the interim financial information). Management is responsible for the preparation and fair presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at 30 June 2010 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

The figures for the quarter ended 30 June 2010 in the condensed interim unconsolidated profit and loss account and condensed interim unconsolidated statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

**Date: 27 August 2010
Karachi**

**KPMG Taseer Hadi & Co.
Chartered Accountants
(Amir Jamil Abbasi)**

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

	Note	Unaudited June 30, 2010	Audited December 31, 2009
(Rupees '000')			
ASSETS			
Cash and balances with treasury banks		8,086,092	8,834,275
Balances with other banks		796,121	3,683,783
Lendings to financial institutions		15,386,130	5,681,887
Investments	6	50,075,473	62,432,977
Advances	7	86,437,659	84,021,406
Operating fixed assets	8	2,987,940	3,114,632
Intangible assets	9	2,575,798	26,943,271
Deferred tax assets	10	7,207,927	6,474,384
Other assets		5,428,215	6,932,348
		178,981,355	208,118,963
LIABILITIES			
Bills payable		2,246,670	1,574,207
Borrowings		54,572,304	62,523,365
Deposits and other accounts	11	99,304,208	93,919,805
Sub-ordinated loans	12	3,996,800	3,997,600
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		3,548,202	4,575,741
		163,668,184	166,590,718
NET ASSETS		<u>15,313,171</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	(33,424,851)	(7,258,893)
		15,477,314	41,643,272
Deficit on revaluation of assets - net		(164,143)	(115,027)
		<u>15,313,171</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
 President / Chief Executive

Francis Andrew Rozario
 Chairman / Director

Asif Jooma
 Director

Teo Cheng San, Roland
 Director

NIB Bank Limited
Unconsolidated Condensed Interim Profit and Loss Account (Unaudited)
For the half year and quarter ended June 30, 2010

	Half year ended		Quarter ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
	(Rupees '000')			
Mark-up / Return / Interest earned	8,969,967	9,369,366	4,305,508	4,621,294
Mark-up / Return / Interest expensed	6,944,615	6,649,874	3,523,198	3,315,006
Net Mark-up / Interest Income	2,025,352	2,719,492	782,310	1,306,288
Provision / (Reversal) against non-performing loans and advances	1,769,267	(495,704)	1,492,181	(23,262)
Provision for diminution in the value of investments	183,786	427,672	172,198	245,283
Bad debts written off directly	35,682	22,484	12,693	19,068
	1,988,735	(45,548)	1,677,072	241,089
Net Mark-up / Interest income after provisions	36,617	2,765,040	(894,762)	1,065,199
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	389,788	350,099	200,255	184,868
Dividend income	61,622	96,132	10,061	44,666
Income from dealing in foreign currencies	238,232	54,150	86,729	(12,480)
Gain on sale of securities	306,583	179,849	16,734	93,634
Unrealized gain on revaluation of investments classified as held-for-trading	-	-	-	-
Other income	17,005	2,036	5,363	1,209
Total Non Mark-up / Interest income	1,013,230	682,266	319,142	311,897
	1,049,847	3,447,306	(575,620)	1,377,096
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	3,216,865	2,566,120	1,614,665	1,155,635
Other provisions / (reversals) / write offs	20,587	(6,078)	19,835	(8,487)
Other charges	63,543	(140,962)	86,873	(47,631)
Workers welfare fund	2,500	20,000	1,500	20,000
Total Non Mark-up / Interest expenses	3,303,495	2,439,080	1,722,873	1,119,517
	(2,253,648)	1,008,226	(2,298,493)	257,579
Extraordinary / Unusual items	-	-	-	-
PROFIT / (LOSS) BEFORE TAXATION	(2,253,648)	1,008,226	(2,298,493)	257,579
Taxation - Current	99,832	50,258	73,039	50,258
- Prior years	327,748	-	327,748	-
- Deferred	(736,742)	378,055	(731,991)	27,731
	(309,162)	428,313	(331,204)	77,989
PROFIT / (LOSS) AFTER TAXATION	(1,944,486)	579,913	(1,967,289)	179,590
Accumulated loss brought forward	(7,258,893)	(7,757,283)	(7,236,090)	(7,356,960)
ACCUMULATED LOSS CARRIED FORWARD	(9,203,379)	(7,177,370)	(9,203,379)	(7,177,370)
Basic / diluted earnings / (loss) per share (Rupees)	(0.48)	0.14	(0.49)	0.04

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

Asif Jooma
Director

Teo Cheng San, Roland
Director

NIB Bank Limited
 Unconsolidated Condensed Interim
 Statement of Comprehensive Income (Unaudited)
 For the half year and quarter ended June 30, 2010

	Half year ended		Quarter ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
	(Rupees '000')			
Profit / (Loss) after taxation for the period	(1,944,486)	579,913	(1,967,289)	179,590
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>(1,944,486)</u>	<u>579,913</u>	<u>(1,967,289)</u>	<u>179,590</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

Asif Joona
 Director

Teo Cheng San, Roland
 Director

NIB Bank Limited
Unconsolidated Condensed Interim Cash Flow Statement (Unaudited)
For the half year ended June 30, 2010

	June 30, 2010	June 30, 2009
	(Rupees '000')	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	(2,253,648)	1,008,226
Dividend Income	(61,622)	(96,132)
	<u>(2,315,270)</u>	<u>912,094</u>
Adjustments for non-cash items		
Depreciation	235,370	235,198
Amortization	185,276	149,369
Workers welfare fund	2,500	20,000
Provision / (Reversal) against non-performing loans and advances	1,769,267	(495,704)
Bad debts written off directly	35,682	22,484
Fixed assets written off	2,127	-
Gain on sale of operating fixed assets	(125)	-
Gain on sale of securities	(306,583)	(179,849)
Provision for diminution in the value of investments	183,786	427,672
Other provisions / (reversals) / write offs	20,587	(6,078)
	<u>2,127,887</u>	<u>173,092</u>
	(187,383)	1,085,186
(Increase) / decrease in operating assets		
Lendings to financial institutions	(9,704,243)	3,705,006
Advances	(4,221,202)	(3,722,252)
Other assets (excluding advance taxation)	1,596,923	(1,073,733)
Increase / (decrease) in operating liabilities		
Bills payable	672,463	447,341
Borrowings	(7,951,061)	15,880,554
Deposits and other accounts	5,384,403	(4,649,015)
Other liabilities (excluding current taxation)	(1,029,898)	(934,481)
	<u>(15,439,998)</u>	<u>10,738,606</u>
Income tax paid	(539,370)	(767,719)
	<u>(15,979,368)</u>	<u>9,970,887</u>
Net cash (used in) / from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Investments in available-for-sale securities	12,167,378	(10,643,073)
Net Investments in held-to-maturity securities	(17,127)	(9,720)
Net Investments in associates	284,134	238,261
Net Investments in subsidiaries	-	200,000
Dividend received	60,035	105,554
Payments for capital work in progress	(102,172)	(70,990)
Acquisition of property and equipment	(46,995)	(111,810)
Acquisition of intangible assets	(1,185)	(68,650)
Sale proceeds of property and equipment disposed of	397	-
	<u>12,344,465</u>	<u>(10,360,428)</u>
Net cash from / (used in) investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Payments against sub-ordinated loans	(800)	(800)
Dividend paid	(142)	(67)
Right shares issue cost	-	(83,766)
	<u>(942)</u>	<u>(84,633)</u>
Net cash used in financing activities		
Net decrease in cash and cash equivalents	(3,635,845)	(474,174)
Cash and cash equivalents at the beginning of the period	12,518,058	10,148,947
Cash and cash equivalents at the end of the period	<u>8,882,213</u>	<u>9,674,773</u>

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

Asif Jooma
Director

Teo Cheng San, Roland
Director

NIB Bank Limited
 Unconsolidated Condensed Interim Statement of Changes in Equity (Unaudited)
 For the half year ended June 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	-	-	-	-	-	579,913	579,913
Transaction 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	-	-	-	115,983	-	(115,983)	-
Balance as at June 30, 2009	40,437,271	-	8,246,618	190,577	5,472	(7,347,801)	41,532,137
Total comprehensive income for the period							
Profit after taxation for the period	-	-	-	-	-	111,135	111,135
Transfer to statutory reserve	-	-	-	22,227	-	(22,227)	-
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	-	-	-	-	-	(1,944,486)	(1,944,486)
Goodwill adjustment	9	-	-	-	-	(24,221,472)	(24,221,472)
Balance as at June 30, 2010	40,437,271	-	8,246,618	212,804	5,472	(33,424,851)	15,477,314

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

Asif Jooma
 Director

Teo Cheng San, Roland
 Director

NIB Bank Limited
Notes to the Unconsolidated Condensed
Interim Financial Information (Unaudited)
For the half year ended June 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 204 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 half year ended June 30, 2010

Note	Unaudited June 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	7,530,936	21,833,886	29,364,822	4,691,032	37,923,905	42,614,937	
Pakistan Investment Bonds	3,187,909	100,000	3,287,909	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	466,299	-	466,299	205,304	-	205,304	
Cumulative preference shares	50,000	-	50,000	50,000	-	50,000	
Ordinary shares / certificates in listed companies / modarabas	1,231,037	112,373	1,343,410	1,015,819	66,572	1,082,391	
Ordinary shares of unlisted companies	65,818	-	65,818	66,217	-	66,217	
Term Finance Certificates	5,512,270	-	5,512,270	4,424,427	-	4,424,427	
Units / certificates of mutual funds	308,272	-	308,272	430,765	-	430,765	
	18,358,312	22,048,989	40,407,301	13,588,261	38,825,592	52,413,853	
Held-to-maturity securities							
Pakistan Investment Bonds	4,671,341	-	4,671,341	4,652,033	-	4,652,033	
Term Finance Certificates	121,142	-	121,142	123,323	-	123,323	
	4,792,483	-	4,792,483	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		29,309,368	22,048,989	51,358,357	24,847,876	38,825,592	63,673,468
Provision for diminution in the value of investments		(1,050,444)	-	(1,050,444)	(1,033,551)	(20,418)	(1,053,969)
Investments - net of provisions		28,258,924	22,048,989	50,307,913	23,814,325	38,805,174	62,619,499
Deficit on revaluation of available-for-sale securities		(163,438)	(69,002)	(232,440)	(126,674)	(59,848)	(186,522)
Net Investments		28,095,486	21,979,987	50,075,473	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 half year ended June 30, 2010

	Unaudited June 30, 2010	Audited December 31, 2009
	(Rupees '000')	
7. ADVANCES		
Loans, cash credits, running finance, etc. - in Pakistan	96,594,373	93,847,123
Net investment in finance lease - in Pakistan	2,544,391	3,061,322
Bills discounted and purchased (excluding Treasury Bills)		
Payable in Pakistan	352,637	412,889
Payable outside Pakistan	4,005,484	2,679,423
Advances - Gross	103,496,885	100,000,757
Provision against non performing advances - Specific	(16,850,134)	(15,746,457)
- General	(209,092)	(232,894)
	(17,059,226)	(15,979,351)
Advances - Net of provisions	86,437,659	84,021,406

7.1 Advances include Rs. 27,383.600 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	5,710,330	-	5,710,330	1,296,433	1,296,433
Doubtful	4,601,386	-	4,601,386	1,492,263	1,492,263
Loss	17,071,884	-	17,071,884	14,061,438	14,061,438
	<u>27,383,600</u>	<u>-</u>	<u>27,383,600</u>	<u>16,850,134</u>	<u>16,850,134</u>

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 June 30, 2010 would have been higher by Rs. 5,175.220 million and loss after taxation for the half year ended June 30, 2010 would have been higher by approximately Rs. 975.359 million. Increase in profit would not be available for the distribution of cash and stock dividend to shareholders.

	Unaudited June 30, 2010	Unaudited June 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 half year ended June 30, 2010:		
Furniture and fixtures	2,493	9,720
Electrical, office and computer equipment	74,430	67,723
Vehicles	39	704
Leasehold improvements	34,960	33,663
Capital work in progress	102,172	70,990

Notes to the Unconsolidated Condensed
Interim Financial Information (Unaudited)
For the half year ended June 30, 2010

	Unaudited June 30, 2010	Unaudited June 30, 2009
	(Rupees '000')	
8.2 Disposal of fixed assets - cost		
The following disposals have been made from fixed assets during the half year ended June 30, 2010:		
Furniture and fixtures	117	-
Electrical, office and computer equipment	15	-
Vehicles	486	-
Leasehold improvements	623	-

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 half year ended June 30, 2010

The management has carried out an exercise at the period end and concluded that they would be able to get deduction of provisions in excess of 5% and 1% amounting to Rs. 317 million and Rs. 2,580 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. 111 million and Rs. 903 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 June 30, 2010	Audited December 31, 2009
	(Rupees '000')	
11. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	35,899,455	35,912,235
Savings deposits	29,290,567	27,598,044
Current accounts - Non-remunerative	23,904,984	23,578,156
Margin accounts	553,302	993,430
Financial institutions		
Remunerative deposits	9,506,653	5,616,126
Non-remunerative deposits	149,247	221,814
	<u>99,304,208</u>	<u>93,919,805</u>
12. SUB-ORDINATED LOANS		
Term Finance Certificates - Quoted, Unsecured	<u>3,996,800</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 half year ended June 30, 2010

13. SHARE CAPITAL

13.1 Authorized

Unaudited June 30, 2010	Audited December 31, 2009		Unaudited June 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
764,824,417	764,824,417	Issued for consideration other than cash (under schemes of amalgamation)	7,648,244	7,648,244
<u>4,043,727,076</u>	<u>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 June 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	63,054	222,841
Others	75,000	75,000
	138,054	297,841

14.2 Transaction-related contingent liabilities / commitments

Guarantees given in favour of:

Government	5,508,424	4,842,809
Others	1,108,100	873,666
	6,616,524	5,716,475

Notes to the Unconsolidated Condensed
Interim Financial Information (Unaudited)
For the half year ended June 30, 2010

	Unaudited June 30, 2010	Audited December 31, 2009
(Rupees '000')		
14.3 Trade-related contingent liabilities		
Letters of credit	13,011,219	6,353,446
Acceptances	1,188,780	1,459,864
	14,199,999	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		
Commitments to extend credit	103,143	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 Borrowings	2,789,838	-
14.7 Commitments in respect of forward exchange contracts		
Purchase	71,514,538	54,098,436
Sale	71,384,978	54,609,998
	142,899,516	108,708,434
14.8 Commitments for the acquisition of operating fixed assets	73,045	205,275

14.9 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 favour of the Bank.

Notes to the Unconsolidated Condensed
Interim Financial Information (Unaudited)
For the half year ended June 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 half year ended June 30, 2010 (Unaudited)						
Net Interest Income	62,222	178,828	2,088,278	(57,163)	(246,813)	-
Non Funded Income	163,964	112,886	161,681	369,521	205,178	-
Net Interest and non mark-up Income	226,186	291,714	2,249,959	312,358	(41,635)	-
Total expenses including provisions (excluding Impairment)	453,762	1,363,861	3,068,175	107,322	115,324	-
Impairment against Investment	(3,015)	-	-	50,628	136,173	-
Total expenses including provisions	450,747	1,363,861	3,068,175	157,950	251,497	-
Segment Net income / (loss) before tax	(224,561)	(1,072,147)	(818,216)	154,408	(293,132)	-
Segment Return on net assets (ROA) (%)	(0.57%)	(3.34%)	(1.40%)	0.44%	-	N/A
Segment Cost of funds (%)	11.25%	6.61%	5.95%	12.35%	-	N/A
For the half year ended June 30, 2009 (Unaudited)						
Net Interest Income	120,800	830,127	2,018,299	136,113	(385,847)	-
Non Funded Income	102,031	157,754	132,442	277,716	12,323	-
Net Interest and non mark-up Income	222,831	987,881	2,150,741	413,829	(373,524)	-
Total expenses including provisions (excluding Impairment)	(622,662)	579,918	1,935,610	90,274	(17,280)	-
Impairment against Investment	(54,697)	-	-	448,984	33,385	-
Total expenses including provisions	(677,359)	579,918	1,935,610	539,258	16,105	-
Segment Net income / (loss) before tax	900,190	407,963	215,131	(125,429)	(389,629)	-
Segment Return on net assets (ROA) (%)	2.90%	1.15%	0.32%	(1.29%)	-	N/A
Segment Cost of funds (%)	11.62%	8.62%	8.41%	10.74%	-	N/A
As at June 30, 2010 (Unaudited)						
Segment Assets (Gross)	68,035,066	33,888,064	70,805,402	47,621,858	5,647,278	(29,957,087)
Segment Non Performing Loans	16,990,367	6,812,209	3,485,240	-	95,784	-
Segment Provision (including general provisions)	12,648,413	2,930,280	1,407,481	-	73,052	-
Segment Assets (Net)	55,386,653	30,957,784	69,397,921	47,621,858	5,574,226	(29,957,087)
Segment Liabilities	51,041,230	27,505,030	66,352,022	45,931,180	2,795,809	(29,957,087)
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 half year ended June 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 June 30, 2010	Audited December 31, 2009	Unaudited June 30, 2010	Audited December 31, 2009	Unaudited June 30, 2010	Audited December 31, 2009	Unaudited June 30, 2010	Audited December 31, 2009	Unaudited June 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	-	-	-	-	300,000	-	34,381	92,848	12,338	-
Repaid during the period / year	-	-	-	-	(605,248)	-	(56,170)	(24,217)	-	-
At the end of the period / year	-	-	-	-	-	-	151,117	172,906	12,338	-
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	-	-	230,600	1,429,377	4,555,075	32,224,078	108,603	189,459	2,584,166	5,943,782
Exchange difference	328	1,376	-	18	-	-	-	-	-	-
Withdrawal during the period / year	(7,916)	(1,880)	(375,568)	(1,136,811)	(4,922,981)	(31,598,427)	(95,900)	(216,698)	(2,461,843)	(5,950,120)
Adjustment due to sale of NAFA	-	-	-	-	(200,972)	-	-	-	-	-
At the end of the period / year	58,717	66,305	935,959	1,080,927	567,117	1,135,995	19,998	7,295	380,184	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	191,968
Investments made during the period / year	-	-	-	(205,963)	(82,500)	(258,128)	-	-	6,840	-
Investments sold during the period / year	-	-	-	-	(243,185)	-	-	-	(39,617)	(7,822)
Adjustment due to sale of NAFA	-	-	-	-	1,573,633	1,899,518	-	-	151,369	184,146
At the end of the period / year	-	-	4,584,741	4,584,741	1,899,518	1,899,518	-	-	301,258	-
Investment in Term Finance Certificates-cost										
At the end of the period / year	-	-	-	-	-	-	-	-	-	-
Receivables										
At the end of the period / year	-	133	530	698	-	-	-	-	-	5,206

Notes to the Unconsolidated Condensed
Interim Financial Information (Unaudited)
For the half year ended June 30, 2010

	Holding company		Subsidiaries		Associates		Key management personnel		Other related parties	
	Unaudited June 30, 2010	Audited December 31, 2009	Unaudited June 30, 2010	Audited December 31, 2009	Unaudited June 30, 2010	Audited December 31, 2009	Unaudited June 30, 2010	Audited December 31, 2009	Unaudited June 30, 2010	Audited December 31, 2009
Insurance claim receivable	-	-	-	-	-	-	-	-	-	-
At the end of the period / year						84,083				
Payables										
At the end of the period / year	3,734	2,563	-	-	-	-	-	-	-	269
Brokerage payable										
At the end of the period / year	-	-	-	-	-	-	-	-	268	161
Payable to Directors										
At the end of the period / year	-	-	-	-	-	-	-	-	572	-
Insurance premium payable										
At the end of the period / year	-	-	-	-	4,691	4,691	-	-	-	-
Sub-ordinated loans										
At the end of the period / year	-	-	-	-	-	-	-	-	49,960	49,970

Notes to the Unconsolidated Condensed
Interim Financial Information (Unaudited)
For the half year ended June 30, 2010

	Holding company		Subsidiaries		Associates		Key management personnel		Other related parties	
	Period ended		Period ended		Period ended		Period ended		Period ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
	Unaudited									
	(Rupees '000')									
Mark-up / Return / Interest earned on advances	-	-	-	-	-	6,259	3,413	2,736	1,045	-
Mark-up / Return / Interest earned on Term Finance Certificates	-	-	-	-	-	-	-	-	10,043	-
Mark-up / Return / Interest expensed on deposits	-	-	57,198	48,386	38,697	54,441	266	138	16,212	35,931
Dividend income from shares / mutual funds	-	-	-	17,744	375	4,202	-	-	2,199	2,718
Brokerage expense	-	-	-	-	-	-	-	-	1,732	983
Directors remuneration	-	-	-	-	-	-	-	-	2,133	805
Directors travelling expense	4,653	3,133	-	-	-	-	-	-	933	-
Insurance premium expense	-	-	-	-	-	4,395	-	-	-	-
Remuneration to key management personnel	-	-	-	-	-	-	53,781	69,790	-	-
Contribution to provident fund	-	-	-	-	-	-	-	-	61,284	57,252
Mark-up expensed on sub-ordinated loans	-	-	-	-	-	-	-	-	3,376	2,913

Notes to the Unconsolidated Condensed
Interim Financial Information (Unaudited)
For the half year ended June 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 August 27, 2010.

Khawaja Iqbal Hassan
President / Chief Executive

Francis Andrew Rozario
Chairman / Director

Asif Jooma
Director

Teo Cheng San, Roland
Director

**Consolidated
Condensed Interim
Financial Statements**

**Auditors' Report to Members
on Review of Interim Financial Information**

Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of NIB Bank Limited ("the Bank") as at 30 June 2010 and the related condensed interim consolidated profit and loss account, condensed interim consolidated statement of comprehensive income, condensed interim consolidated cash flow statement, condensed interim consolidated statement of changes in equity and notes to the accounts for the six months period then ended (the interim financial information). Management is responsible for the preparation and fair presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at 30 June 2010 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

The figures for the quarter ended 30 June 2010 in the condensed interim consolidated profit and loss account and condensed interim consolidated statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

**Date: 27 August 2010
Karachi**

**KPMG Taseer Hadi & Co.
Chartered Accountants
(Amir Jamil Abbasi)**

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

	Note	Unaudited June 30, 2010	Audited December 31, 2009
(Rupees '000')			
ASSETS			
Cash and balances with treasury banks		8,086,092	8,834,275
Balances with other banks		796,542	3,684,684
Lendings to financial institutions		15,386,130	5,681,887
Investments	7	47,034,880	59,496,979
Advances	8	86,455,439	84,021,406
Operating fixed assets	9	3,025,387	3,135,850
Intangible assets	10	4,302,524	28,669,997
Deferred tax assets	11	7,149,342	6,411,185
Other assets		5,657,045	6,949,406
		177,893,381	206,885,669
LIABILITIES			
Bills payable		2,246,670	1,574,207
Borrowings		54,572,304	62,523,365
Deposits and other accounts	12	98,368,249	92,838,878
Sub-ordinated loans	13	3,996,800	3,997,600
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		3,576,992	4,604,162
		162,761,015	165,538,212
NET ASSETS			
		15,132,366	41,347,457
REPRESENTED BY:			
Share capital	14	40,437,271	40,437,271
Reserves		8,464,894	8,464,894
Accumulated loss	10	(33,148,736)	(7,081,729)
		15,753,429	41,820,436
Deficit on revaluation of assets - net		(621,063)	(472,979)
		15,132,366	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
 President / Chief Executive

Francis Andrew Rozario
 Chairman / Director

Asif Jooma
 Director

Teo Cheng San, Roland
 Director

NIB Bank Limited
Consolidated Condensed Interim Profit and Loss Account (Unaudited)
For the half year and quarter ended June 30, 2010

	Half year ended		Quarter ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
	(Rupees '000')			
Mark-up / Return / Interest earned	8,970,023	9,373,772	4,305,534	4,623,166
Mark-up / Return / Interest expensed	6,887,417	6,603,972	3,496,054	3,294,944
Net Mark-up / Interest Income	2,082,606	2,769,800	809,480	1,328,222
Provision / (Reversal) against non-performing loans and advances	1,769,267	(495,704)	1,492,181	(23,262)
Provision for diminution in the value of investments	47,613	394,287	23,188	211,898
Bad debts written off directly	35,682	22,484	12,693	19,068
	1,852,562	(78,933)	1,528,062	207,704
Net Mark-up / Interest income after provisions	230,044	2,848,733	(718,582)	1,120,518
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	515,533	446,448	261,159	238,311
Dividend income	61,247	75,951	10,061	24,220
Income from dealing in foreign currencies	238,232	54,154	86,729	(12,479)
Gain on sale of securities	285,204	154,664	16,734	70,236
Unrealized gain on revaluation of investments classified as held-for-trading	-	-	-	-
Other income	20,369	1,941	7,530	1,154
Total Non Mark-up / Interest income	1,120,585	733,158	382,213	321,442
	1,350,629	3,581,891	(336,369)	1,441,960
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	3,253,658	2,632,843	1,629,433	1,204,549
Other provisions / (reversals) / write offs	20,587	(6,078)	19,835	(8,487)
Other charges	63,543	(140,962)	86,873	(47,631)
Workers welfare fund	6,146	20,000	5,458	20,000
Total Non Mark-up / Interest expenses	3,343,934	2,505,803	1,741,599	1,168,431
Share of profit / (loss) of associates	(119,720)	446,541	(203,561)	82,759
Extraordinary / Unusual items	-	-	-	-
PROFIT / (LOSS) BEFORE TAXATION	(2,113,025)	1,522,629	(2,281,529)	356,288
Taxation - Current	131,582	47,252	89,789	55,252
- Prior years	341,960	15,958	341,960	15,958
- Deferred	(741,032)	419,970	(741,054)	33,268
	(267,490)	483,180	(309,305)	104,478
PROFIT / (LOSS) AFTER TAXATION	(1,845,535)	1,039,449	(1,972,224)	251,810
Accumulated loss brought forward	(7,081,729)	(8,382,793)	(6,955,040)	(7,595,154)
ACCUMULATED LOSS CARRIED FORWARD	(8,927,264)	(7,343,344)	(8,927,264)	(7,343,344)
Basic / diluted earnings / (loss) per share (Rupees)	(0.46)	0.26	(0.49)	0.06

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

Asif Jooma
Director

Teo Cheng San, Roland
Director

NIB Bank Limited
 Consolidated Condensed Interim
 Statement of Comprehensive Income (Unaudited)
 For the half year and quarter ended June 30, 2010

	Half year ended		Quarter ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
	(Rupees '000')			
Profit / (loss) after taxation for the period	(1,845,535)	1,039,449	(1,972,224)	251,810
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>(1,845,535)</u>	<u>1,039,449</u>	<u>(1,972,224)</u>	<u>251,810</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

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 Chairman / Director

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 Director

Teo Cheng San, Roland
 Director

NIB Bank Limited
Consolidated Condensed Interim Cash Flow Statement (Unaudited)
For the half year ended June 30, 2010

	June 30, 2010	June 30, 2009
	(Rupees '000')	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	(2,113,025)	1,522,629
Dividend income	(61,247)	(75,951)
	<u>(2,174,272)</u>	<u>1,446,678</u>
Adjustments for non-cash items		
Depreciation	238,795	236,332
Amortization	185,276	149,369
Workers welfare fund	6,146	20,000
Provision / (Reversal) against non-performing loans and advances	1,769,267	(495,704)
Bad debts written off directly	35,682	22,484
Fixed assets written off	2,127	-
(Gain) / loss on sale of operating fixed assets	(1,321)	179
Gain on sale of securities	(285,204)	(154,664)
Provision for diminution in the value of investments	47,613	394,287
Impairment of investment in associates	-	20,895
Other provisions / (reversals) / write offs	20,587	(6,078)
Share of loss / (profit) of associates	119,720	(446,541)
	<u>2,138,688</u>	<u>(259,441)</u>
	(35,584)	1,187,237
(Increase) / decrease in operating assets		
Lendings to financial institutions	(9,704,243)	3,705,006
Held-for-trading securities	-	90,402
Advances	(4,238,982)	(3,722,252)
Other assets (excluding advance taxation)	1,491,225	(1,076,874)
Increase / (decrease) in operating liabilities		
Bills payable	672,463	447,341
Borrowings	(7,951,061)	15,880,554
Deposits and other accounts	5,529,371	(4,682,623)
Other liabilities (excluding current taxation)	(1,033,174)	(913,275)
	<u>(15,269,985)</u>	<u>10,915,516</u>
Income tax paid	(691,406)	(776,053)
	<u>(15,961,391)</u>	<u>10,139,463</u>
Net cash (used in) / from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	12,167,379	(10,595,823)
Net investments in held-to-maturity securities	(17,127)	(9,720)
Net investments in associates	284,134	242,464
Dividend received	60,035	85,373
Payments for capital work in progress	(102,172)	(70,990)
Acquisition of property and equipment	(67,382)	(111,728)
Acquisition of intangible assets	(1,185)	(68,650)
Sale proceeds of property and equipment disposed of	2,326	81
	<u>12,326,008</u>	<u>(10,528,993)</u>
Net cash from / (used in) investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Payments against sub-ordinated loans	(800)	(800)
Dividend paid	(142)	(67)
Right shares issue cost	-	(83,766)
	<u>(942)</u>	<u>(84,633)</u>
Net cash used in financing activities		
Net decrease in cash and cash equivalents	(3,636,325)	(474,163)
Cash and cash equivalents at the beginning of the period	<u>12,518,959</u>	<u>10,225,469</u>
Cash and cash equivalents at the end of the period	<u><u>8,882,634</u></u>	<u><u>9,751,306</u></u>

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

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Director

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Director

NIB Bank Limited
 Consolidated Condensed Interim
 Statement of Changes in Equity (Unaudited)
 For the half year ended June 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	-	-	-	-	-	1,039,449	1,039,449
Transaction 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	-	-	-	115,983	-	(115,983)	-
Balance as at June 30, 2009	40,437,271	-	8,246,618	190,577	5,472	(7,513,775)	41,366,163
Total comprehensive income for the period							
Profit after taxation for the period	-	-	-	-	-	454,273	454,273
Transfer to statutory reserve	-	-	-	22,227	-	(22,227)	-
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	-	-	-	-	-	(1,845,535)	(1,845,535)
Goodwill adjustment	10	-	-	-	-	(24,221,472)	(24,221,472)
Balance as at June 30, 2010	40,437,271	-	8,246,618	212,804	5,472	(33,148,736)	15,753,429

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

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 Director

Teo Cheng San, Roland
 Director

NIB Bank Limited
Notes to the Consolidated Condensed
Interim Financial Information (Unaudited)
For the half year ended June 30, 2010

1. STATUS AND NATURE OF BUSINESS

The "Group" consists of:

Holding Company

NIB Bank Limited (the Bank)

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 204 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 half year ended June 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.

7. INVESTMENTS

7.1 Investments by types:

Held-for-trading securities

- - - - -

Available-for-sale securities

Note	Unaudited June 30, 2010			Audited December 31, 2009		
	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
	(Rupees '000')					
Market Treasury Bills	7,530,936	21,833,886	29,364,822	4,691,032	37,923,905	42,614,937
Pakistan Investment Bonds	3,187,909	100,000	3,287,909	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	466,299	-	466,299	205,304	-	205,304
Cumulative preference shares	50,000	-	50,000	50,000	-	50,000
Ordinary shares / certificates in listed companies / modarabas	1,231,037	112,373	1,343,410	1,015,819	66,572	1,082,391
Ordinary shares of unlisted companies	65,818	-	65,818	66,217	-	66,217
Term Finance Certificates	5,512,270	-	5,512,270	4,424,427	-	4,424,427
Units / Certificates of mutual funds	309,205	-	309,205	430,765	-	430,765
	18,359,245	22,048,989	40,408,234	13,588,261	38,825,592	52,413,853

Held-to-maturity securities

Pakistan Investment Bonds	4,671,341	-	4,671,341	4,652,033	-	4,652,033
Term Finance Certificates	121,142	-	121,142	123,323	-	123,323
	4,792,483	-	4,792,483	4,775,356	-	4,775,356

Associates

7.2 2,516,233 - 2,516,233 3,052,301 - 3,052,301

Subsidiary

724 - 724 724 - 724

Total investments - Gross

25,668,685 22,048,989 47,717,674 21,416,642 38,825,592 60,242,234

Provision for diminution in the value of investments

(449,427) - (449,427) (538,315) (20,418) (558,733)

Investments - net of provisions

25,219,258 22,048,989 47,268,247 20,878,327 38,805,174 59,683,501

Deficit on revaluation of available-for-sale securities

(164,365) (69,002) (233,367) (126,674) (59,848) (186,522)

Net Investments

25,054,893 21,979,987 47,034,880 20,751,653 38,745,326 59,496,979

Notes to the Consolidated Condensed
Interim Financial Information (Unaudited)
For the half year ended June 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 June 30, 2010	Audited December 31, 2009
	(Rupees '000')	
8. ADVANCES		
Loans, cash credits, running finance, etc. - in Pakistan	96,612,153	93,847,123
Net investment in finance lease - in Pakistan	2,544,391	3,061,322
Bills discounted and purchased (excluding Treasury Bills)		
Payable in Pakistan	352,637	412,889
Payable outside Pakistan	4,005,484	2,679,423
Advances - Gross	103,514,665	100,000,757
Provision against non-performing advances - Specific	(16,850,134)	(15,746,457)
- General	(209,092)	(232,894)
	(17,059,226)	(15,979,351)
Advances - Net of provisions	86,455,439	84,021,406

8.1 Advances include Rs. 27,383.600 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	5,710,330	-	5,710,330	1,296,433	1,296,433
Doubtful	4,601,386	-	4,601,386	1,492,263	1,492,263
Loss	17,071,884	-	17,071,884	14,061,438	14,061,438
	27,383,600	-	27,383,600	16,850,134	16,850,134

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 June 30, 2010 would have been higher by Rs. 5,175.220 million and loss after taxation for the half year ended June 30, 2010 would have been higher by approximately Rs. 975.359 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 half year ended June 30, 2010

	Unaudited June 30, 2010	Unaudited June 30, 2009
	(Rupees '000')	
9. OPERATING FIXED ASSETS		
9.1 Additions to fixed assets		
The following additions have been made to fixed assets during the half year ended June 30, 2010:		
Furniture and fixtures	20,589	9,588
Electrical, office and computer equipment	76,721	67,773
Vehicles	39	704
Leasehold improvements	34,960	33,663
Capital work in progress	102,172	70,990
9.2 Disposals of fixed assets - cost		
The following disposals have been made from fixed assets during the half year ended June 30, 2010:		
Furniture and fixtures	117	-
Electrical, office and computer equipment	15	-
Vehicles	2,482	-
Leasehold improvements	623	-

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 half year ended June 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 has carried out an exercise at the period end and concluded that they would be able to get deduction of provisions in excess of 5% and 1% amounting to Rs. 317 million and Rs. 2,580 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.111 million and Rs.903 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 half year ended June 30, 2010

	Unaudited June 30, 2010	Audited December 31, 2009
	(Rupees '000')	
12. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	35,899,454	35,912,235
Savings deposits	29,290,567	27,598,044
Current accounts - Non-remunerative	23,904,984	23,578,156
Margin accounts	553,302	993,430
Financial institutions		
Remunerative deposits	8,570,694	4,535,199
Non-remunerative deposits	149,248	221,814
	<u>98,368,249</u>	<u>92,838,878</u>
13. SUB-ORDINATED LOANS		
Term Finance Certificates - Quoted, Unsecured	<u>3,996,800</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 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 half year ended June 30, 2010

14. SHARE CAPITAL

14.1 Authorized

Unaudited June 30, 2010	Audited December 31, 2009		Unaudited June 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
764,824,417	764,824,417	Issued for consideration other than cash (under schemes of amalgamation)	7,648,244	7,648,244
<u>4,043,727,076</u>	<u>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.

(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	63,054	222,841
Others	75,000	75,000
	138,054	297,841

15.2 Transaction-related contingent liabilities / commitments

Guarantees given in favour of:

Government	5,508,424	4,842,809
Others	1,108,100	873,666
	6,616,524	5,716,475

15.3 Trade-related contingent liabilities

Letters of credit	13,011,219	6,353,446
Acceptances	1,188,780	1,459,864
	14,199,999	7,813,310

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	Unaudited June 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		
Commitments to extend credit	103,143	294,696
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.		
15.6 Commitments in respect of forward Borrowings	2,789,838	-
15.7 Commitments in respect of forward exchange contracts		
Purchase	71,514,538	54,098,436
Sale	71,384,978	54,609,998
	142,899,516	108,708,434
15.8 Commitments for the acquisition of operating fixed assets	73,045	205,275

15.9 Tax contingencies

15.9.1 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.

15.9.2 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 half year ended June 30, 2010 (Unaudited)						
Net Interest Income	62,222	178,828	2,088,278	(57,163)	(189,559)	-
Non Funded Income	163,964	112,886	161,681	369,521	192,813	-
Net Interest and non mark-up Income	226,186	291,714	2,249,959	312,358	3,254	-
Total expenses including provisions (excluding Impairment)	453,762	1,363,861	3,068,175	107,322	155,763	-
Impairment against Investment	(3,015)	-	-	50,628	-	-
Total expenses including provisions	450,747	1,363,861	3,068,175	157,950	155,763	-
Segment Net income / (loss) before tax	(224,561)	(1,072,147)	(818,216)	154,408	(152,509)	-
Segment Return on net assets (ROA) (%)	(0.57%)	(3.34%)	(1.40%)	0.44%	-	N/A
Segment Cost of funds (%)	11.25%	6.61%	5.95%	12.35%	-	N/A
For the half year ended June 30, 2009 (Unaudited)						
Net Interest Income	120,800	830,127	2,018,299	136,113	(335,539)	-
Non Funded Income	102,031	157,754	132,442	277,716	509,756	-
Net Interest and non mark-up Income	222,831	987,881	2,150,741	413,829	174,217	-
Total expenses including provisions (excluding Impairment)	(622,662)	579,918	1,935,610	90,274	49,443	-
Impairment against Investment	(54,697)	-	-	448,984	-	-
Total expenses including provisions	(677,359)	579,918	1,935,610	539,258	49,443	-
Segment Net income / (loss) before tax	900,190	407,963	215,131	(125,429)	124,774	-
Segment Return on net assets (ROA) (%)	2.90%	1.15%	0.32%	(1.29%)	-	N/A
Segment Cost of funds (%)	11.62%	8.62%	8.41%	10.74%	-	N/A
As at June 30, 2010 (Unaudited)						
Segment Assets (Gross)	68,035,066	33,888,064	70,805,402	47,621,858	4,559,304	(29,957,087)
Segment Non Performing Loans	16,990,367	6,812,209	3,485,240	-	95,784	-
Segment Provision (including general provisions)	12,648,413	2,930,280	1,407,481	-	73,052	-
Segment Assets (Net)	55,386,653	30,957,784	69,397,921	47,621,858	4,486,252	(29,957,087)
Segment Liabilities	51,041,230	27,505,030	66,352,022	45,931,180	1,888,640	(29,957,087)
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

Note	Holding company		Unconsolidated subsidiary		Associates		Key management personnel		Other related parties	
	Unaudited June 30, 2010	Audited December 31, 2009	Unaudited June 30, 2010	Audited December 31, 2009	Unaudited June 30, 2010	Audited December 31, 2009	Unaudited June 30, 2010	Audited December 31, 2009	Unaudited June 30, 2010	Audited December 31, 2009
	(Rupees '000)									
Advances										
At the beginning of the period / year	-	-	-	-	305,248	305,248	172,906	104,275	-	-
Given / addition during the period / year	-	-	-	-	300,000	300,000	52,185	92,848	12,338	-
Repaid during the period / year	-	-	-	-	(605,248)	(605,248)	(56,204)	(24,217)	-	-
At the end of the period / year	-	-	-	-	-	-	168,887	172,906	12,338	-
Deposits										
At the beginning of the period / year	66,305	66,809	-	268	1,135,895	510,344	7,781	34,718	262,462	264,199
Deposits during the period / year	-	-	-	6	4,555,075	32,224,078	115,733	196,828	2,586,555	5,948,364
Exchange difference	328	1,376	-	-	(4,922,981)	(31,598,427)	(103,298)	(225,765)	(2,462,073)	(5,950,121)
Withdrawal during the period / year	(7,916)	(1,880)	-	(274)	(200,972)	-	-	-	-	-
Adjustment due to sale of NAFA	-	-	-	-	-	-	-	-	-	-
At the end of the period / year	58,717	66,305	-	-	567,117	1,135,895	20,276	7,781	386,944	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	-	-	-	-	60,000	60,000	-	-	6,840	-
Investments sold during the period / year	-	-	-	-	(103,879)	(283,751)	-	-	(69,617)	(7,822)
Adjustment due to sale of NAFA	-	-	-	-	(213,729)	-	-	-	-	-
Equity accounting method adjustments	-	-	-	-	(218,460)	1,033,632	-	-	-	-
At the end of the period / year	-	-	724	724	2,516,233	3,052,301	-	-	151,369	184,146
Investment in Term Finance Certificates - cost										
At the end of the period / year	-	-	-	-	-	-	-	-	301,258	-
Pre-IPD Investment										
At the end of the period / year	-	-	-	-	-	-	-	-	100,000	-
Receivables										
At the end of the period / year	-	133	-	-	22,423	24,167	-	-	13,388	2,211

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	Holding company		Unconsolidated subsidiary		Associates		Key management personnel		Other related parties	
	Unaudited June 30, 2010	Audited December 31, 2009	Unaudited June 30, 2010	Audited December 31, 2009	Unaudited June 30, 2010	Audited December 31, 2009	Unaudited June 30, 2010	Audited December 31, 2009	Unaudited June 30, 2010	Audited December 31, 2009
Insurance claim receivable	-	-	-	-	-	-	-	-	-	-
At the end of the period / year										
Payables										
Brokerage payable	3,734	2,563	-	-	-	-	-	-	791	498
At the end of the period / year										
Payable to Directors	-	-	-	-	-	-	-	-	268	161
At the end of the period / year										
Insurance premium payable	-	-	-	-	-	-	-	-	572	-
At the end of the period / year										
Sub-ordinated loans	-	-	-	-	4,691	4,691	-	-	-	-
At the end of the period / year									49,960	49,970

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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 August 27, 2010.

Khawaja Iqbal Hassan
President / Chief Executive

Francis Andrew Rozario
Chairman / Director

Asif Jooma
Director

Teo Cheng San, Roland
Director



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□ THINKER

